

FOREIGN

TRADE

3/10/95 - 28/12/95



EXPANSIVE GROWTH The port of Savannah in Georgia handles 14 million tons of cargo a year. Its Garden City terminal, shown here, covers 339,27ha. A new container berth covering 59,51ha is under construction

Port of Savannah delegation visits SA

By AUDREY D'ANGELO

CAPE BUSINESS EDITOR

South Africa was on the threshold of enormous growth in exports and imports, Byron Hock, the director of trade development at the port of Savannah, Georgia, said in Cape Town yesterday.

He is a member of a delegation from the port, including Herman Russell, the vice-chairman, and B Richard Field, the deputy executive director, who are visiting South

Africa to make contact with existing and prospective customers.

Urging South African exporters and shipping lines to make use of Savannah or the port of Brunswick, also managed by the port of Savannah authority, Field said they had been doing business with South Africa for more than 30 years. This had grown with the lifting of sanctions, which had "a dramatic" effect.

Savannah, which was ideally located for exports to the southern

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part of the United States, was handling more than 300 000 tons of goods a year to and from South Africa. Most of these were industrial, chemical and paper goods.

Field said the port of Savannah handled 14 million tons of goods every year and provided a total of 60 000 jobs directly or indirectly.

Trade was growing as the world moved out of recession and the port was spending \$70 million on adding a 59,51ha container berth to its 339,27ha Garden City terminal

which handled container, breakbulk and roll-on/roll-off cargo.

Its ocean terminal covered 208 acres and handled container and breakbulk cargo.

Field said the port belonged to the state of Georgia, but was profitable, unsubsidised and run on commercial lines. Its board of directors, including Russell, who was a major building contractor involved in work on the airport and facilities for the Olympics, were from the private sector.

EU hoping to secure free trade agreement with SA

CT(BR)4/10/95(74)

BY JOHN FRASER

INDEPENDENT FOREIGN SERVICE

Brussels — European Union negotiators hope to secure a full mandate in December to negotiate a free trade agreement with South Africa.

Meanwhile, they have signalled that they are prepared to compensate South Africa's neighbours for the adverse consequences such a deal might bring.

This was revealed by the EU's chief negotiator, Steffen Smidt, to a group of southern African journalists in Brussels.

Smidt said that his aim was to see "the negotiations terminated as quickly as possible in 1996".

He said the EU's objective was "the gradual liberalisation of trade between the two parties, with a view to the establishment of a Free Trade Area (FTA)".

He added that Europe was prepared to dismantle its protectionist

barriers faster than South Africa will be required to, under the FTA.

"The established objectives in the draft mandate will also contain the obligation of establishing a free trade area, and this has to be made quite clear." Smidt claimed that he had obtained from the South African side "a willingness to discuss" the aim of a free trade area.

"We have commissioned a series of studies that can identify implications of the negotiations, including the regional aspects."

He added that the EU would be prepared to aid Southern African Customs Union (SACU) members which will suffer from the impact of a free trade agreement between Brussels and Pretoria.

"Our objective is freer possibilities for trade with South Africa. If that will have some consequences for the SACU, it will have to be looked at. If we need to give a helping hand one way or another, that's

what we'll do. I don't think that would create major difficulties for us," he said.

South African officials have confirmed that they have agreed to look at the possibility of negotiating an FTA with Europe. However, they have also stressed that there have been no final decisions on this.

They first need to see exactly what the European Union is offering before deciding whether or not it is attractive. South Africa would have preferred to win trade benefits inside the Lomé Convention — the EU's trade, aid and co-operation accord with 70 developing nations, including all South Africa's SADC partners.

However, the EU has refused to go along the Lomé trade path, saying that South Africa should receive only "qualified" membership of Lomé. This will cover political co-operation and some other areas, but will cover neither trade nor aid.

Customs and Excise 'ineffective'

(74)CT(BR)4/10/95
BY CHARLOTTE MATHEWS

INVESTMENT EDITOR

The functions of Customs and Excise appear to have broken down completely and the department has become totally ineffective, Seartec's chairman, Aaron Searll, said in the group's latest annual report.

"Government appears apathetic about this, in spite of the enormous loss of revenue to the fiscus."

Searll was expressing concern about the apparent inability of the government to control the influx of illegal electronic consumer products into South Africa which evade the payment of import duties and surcharges.

"Our country has the highest duties in the world on audio and video products which makes the evasion of duties by unscrupulous traders rife owing to low risk and high reward," he said.

The fiscus would not lose money by reducing duties, Searll suggested, since lower duties, diligently collected, would "exceed the value presently being squeezed from the honest few".

About 10 percent of Seartec's sales are exposed to this unfair competition and resolution of the problem would enhance the company's prospects, he added.

In the year to June, Seartec lifted earnings a share to 18,8c, 15,3 percent better than the forecast made ahead of its listing last December. This was attributed partly to the innovative products emanating from the Sharp Corporation of Japan and partly to the strategies of the Seartec group in South Africa.

Growing consumer demand from economic growth and the housing and electrification programmes and a check on smuggled goods should lift demand for the group's products. It is budgeting for a 10 percent increase in turnover in the current year and a 10-15 percent improvement in pre-tax profit.

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Star 4/10/95 (74)

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Business, labour input sought in talks with EU

John Dlodlu

GOVERNMENT has invited the country's business and labour organisations to make submissions on the proposed free trade area with the EU.

This comes before the third round of trade talks between the EU and SA in Brussels later this month.

In a letter accompanying a two-part questionnaire which was sent to business and labour, trade and industry director-general Zavareh Rustomjee appealed to the federations to give their views to enable the SA team at the talks to obtain a better deal.

The first part of the questionnaire asked respondents to indicate the time frames under which they would support negotiation of a free trade area with the EU. The choices include five, eight and 10 years.

The questionnaire was sent to the National African Federated Chamber of Commerce, Business SA, Afrikaanse Handelsinstituut, Sacob, Cosatu, Nactu and Fedisal. It required the organisations or their members to list prod-

ucts that should be "entirely excluded" from the free trade area, and products or sectors that would be able to "handle reciprocity immediately" from the tentative date of the agreement with the EU in January 1997.

The questionnaire was expected to assist government negotiators draw up a "shopping list" of items to be included and excluded, trade watchers said.

It is still unclear how members of the five-nation customs union, who would be affected by an SA deal with the EU, would be accommodated.

The second part of the questionnaire asked respondents to indicate whether their exports to the EU encountered unfair non-tariff barriers.

Studies by the SA team have indicated SA exports suffered discrimination in the EU markets compared with other competitors.

This discrimination has been at the heart of the talks and last week Trade and Industry Minister Trevor Manuel repeated the call for this discrimination — the result of an anti-apartheid stance by the EU — to be removed.

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Trade with China slowed by lack of diplomatic ties

John Dlodlu

BD 4/10/95 (74)

LACK of diplomatic relations between SA and mainland China was one of the reasons for the slow increase in trade between the two nations, a visiting senior Chinese trade official said yesterday.

At the opening of the third Chinese trade fair in SA, Chinese delegation leader Liang Xinghua said his country respected SA's stance, with its relations with Taiwan, but this was preventing trade expanding at a faster pace. However, his country still hoped that full diplomatic relations would be established. "The time frame on when this might happen depends entirely on SA," he said through an interpreter.

Another impediment to trade growth was the misplaced belief by the SA government that bilateral trade was skewed in China's favour. This belief, he said, stemmed from the fact that SA trade data tended to lump Taiwan and Hong Kong's imports to SA with those from China.

Xinghua believes SA has had a trade surplus since the early 1990s. According to 1993 figures — from Beijing — trade between the two countries reached \$600m, with China reflecting a deficit. Last year total bilateral trade reached \$900m.

Although there were no discriminatory tariffs

against China, these factors — especially the belief that SA is trading at a deficit to China — made South Africans less receptive to Chinese products, he said.

Xinghua and his team have held discussions with SA trade officials on ways of increasing trade. On Monday, meetings were held with Johannesburg City Council trade and industry director Collin Wright and Sacob leaders. Further discussions are expected to take place with Sacob later this week.

Opening the exhibition at the World Trade Center, Chinese Council for the Promotion of International Trade vice-chairman Cui Yushan said the aim of the six-day fair — organised jointly with the Chinese Chamber of International Commerce — was to bolster bilateral trade, based on mutual benefit.

The fair has attracted more than 100 Chinese firms and 220 exhibitors from 18 provinces. The fair represents arts and crafts, petro-chemicals, textiles, clothing, machinery and minerals industries.

At another fair more than 200 US firms — displaying more than 1 000 products — are participating in the third Made in the USA annual trade fair at Gallagher Estates, Midrand, which runs until October 7. The fair coincided with the opening of a trade and investment office in Johannesburg by the state of California, which boasts at \$887bn economy.

SA concedes to free trade with EU

CT(BR)5/10/95 (74)

By JOHN FRASER

INDEPENDENT FOREIGN SERVICE

Brussels — South Africa has made a major concession in trade talks with the European Union (EU), according to a confidential EU document obtained by Business Report.

The mission report was drawn up by EU negotiators after talks in Pretoria last month.

The EU has been trying to persuade South Africa to agree to a free trade area with Europe.

This would give South African exporters better access to the European market, but would also mean that South Africa would have to drop its barriers against imports from the EU.

The report said there was a major breakthrough in the talks in Pretoria when the South African team indicated it was prepared to work towards a free trade area. This concession prevented the talks from running into the ground and paved the way for an agreement.

The report states: "The South African side eventually accepted to respond favourably to the EU's invitation in its mandate to work towards a free trade area, on the understanding that 'nothing is agreed until everything is agreed'.

"An important outcome of this round is that the idea of a Lomé trade regime has now been clearly discarded."

South Africa had originally asked for trade links with the EU to be covered by the Lomé Convention, the trade, aid and co-operation accord between the EU and 70 developing countries, including all

South Africa's neighbours.

This would have had the advantage that South Africa would have received trade concessions from Europe without having to make similar concessions in return.

In contrast, once South Africa accepts a free trade area, it also accepts that it will have to bring down its own protectionist barriers against the EU.

The report claims that the South African stance has shifted since the launch of trade negotiations at the end of June by Trevor Manuel, the trade and industry minister.

It says that Manuel had not made it clear "whether South Africa could accept the free trade area as a binding objective of the agreement to be negotiated with the EU or as a goal lying further away and to which South Africa would not want to commit itself at this stage."

Clarification

"A crucial objective of the September round of talks was therefore to clarify the substance of the South African position on the free trade area, a positive answer being a prerequisite for the preparation of a detailed negotiating mandate on trade matters.

"After some hesitation, the South African team gave a clear answer to the EU's invitation to work towards a free trade area."

The report says South Africa now accepts the goal of a free trade area "as a working basis for the negotiations".

This stance is described as "a significant move ahead as com-

pared with the initial statement by Manuel."

"It amounts to a reciprocal invitation for the EU to put together its detailed trade package.

"The deadlock which could have resulted from a process versus an end-product approach has thus been avoided."

The report also notes that it might be possible to have a transition period of up to 10 years before the full effects of a free trade area come into force.

It says South African negotiators are worried about the effect of competition from Europe in the textile, car and transport sectors.

"The South African authorities also stated that as South Africa already enjoyed duty-free access for almost 80 percent of its exports to the EU they needed arguments to convince South African industry of the benefits of a free trade area with the EU," the report says.

It notes that South Africa has agreed to insert a clause in its future accord with the EU, covering good governance and the rule of law.

South African officials have played down the significance of the EU report.

The officials stress that while they have agreed to consider a free trade area with the EU, this does not mean they are committed to sign up to one.

They are waiting to see the exact shape of an EU offer before deciding whether it is attractive.

The report suggests that it is Europe rather than South Africa which is in the driving seat in the negotiations.

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REGISTRATION

Hopes rise for agricultural concessions

By JOHN FRASER

INDEPENDENT FOREIGN SERVICE

Brussels — Hopes are rising in Brussels that the 15 EU governments will agree this month on agricultural trade concessions for South Africa.

The concessions are being offered under a scheme known as the Generalised System of Preferences, or GSP.

EU officials proposed in July that the range of eligible South African exports should be boosted from 25 percent of those products which qualify for GSP— up to 66 percent.

This was considered too gener-

ous for several Mediterranean countries, notably France, Spain and Italy.

A watered-down proposal is now being considered in Brussels, and will be discussed at a special meeting of EU experts next Tuesday.

This foresees a boost in South Africa's GSP entitlement to about 58 percent of eligible goods.

While this is less than the 66 percent originally offered, it is better than nothing.

However, South African diplomats have complained that they should have received GSP on 100 percent of eligible goods, as do many rival exporting nations.

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"The main problem now is to win over the French and Italians — who are still unhappy with the proposal," said a senior EU diplomat yesterday.

"If that can be done, we will have a deal this month."

The GSP concessions for South Africa will run only until the new year, when a revised GSP is due to come into force, fully including South Africa. So any further delay in agreement by the EU will make the concessions almost worthless.

"If SA exporters do not know soon what benefits are being offered on their exports of agricultural products, it will truly be too late," said an EU official.

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Farmers closer to concessions

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A watered-down proposal is now being considered in Brussels, and will be discussed at a special meeting of EU experts next Tuesday. This foresees a boost in South Africa's GSP entitlement to about 58 per cent of eligible goods. This is less than the 66 per cent originally offered. — Foreign Service

Stars/10/95

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(74)
FM 6/10/95

An analysis of August trade figures, released by Customs & Excise last week, show changes to the unclassified item and the item for mineral products.

"Crude oil imports and exports have been

ECONOMY & FINANCE

taken out of the former, and put into the latter, where they belong," says economic consultant Edward Osborn. Unclassified imports have dropped from R2,7bn to a mere R92m in 1995, and mineral products have risen from R429m to R6,2bn.

Says Osborn: "When this has been taken into account, there is still a surge in imports across the two categories, which would have been almost entirely due to a rise in crude oil imports.

"The increased rate of importation of this commodity has arisen because of the commissioning of additional refining plants in the second half of 1994, which was incidentally one of the major factors in the significant rise in manufacturing production in the third and fourth quarters of 1994."

Trade figures reveal a trade deficit of R516,5m, contrary to market expectations.

Just the day before bullish sentiment reigned on the bond markets in an expectant atmosphere for positive economic data. Traders expected a surplus of about R500m.

"The reason market expectations were for a modest surplus," says Kevin Lings, senior economist at Nedcor Economic Unit, "is because the rate of imports in earlier months appeared unsustainably high. As it turned out, the rate of increase has not slowed appreciably, while exports have continued to disappoint. This is largely attributable to a decline in gold exports."

July's figures showed an about face surplus of R319,8m, after upward adjustments to the June cumulative export side had been effected, effectively shrinking July's monthly export figure, and what surplus we thought we had.

The export figure for August is R9,3bn, and the import figure R9,8bn. In the comparable period in 1994, exports amounted to R9bn, and imports to R8,3bn for a surplus of R670m. Exports are therefore up 2,8%, and imports up 17,3%.

Cumulative figures (January-August), at R67,5bn for exports, and R66,2bn for imports, were up 14,6% and 36,5% respectively from the 1994 totals. Osborn sums up the R18,1bn surge over the eight months to August: "It is mainly due to capital formation in plant machinery and vehicles and oil imports.

"What is worrying is the meagre cumulative surplus of R1,5bn, insufficient to swing the balance of payments around. Until mid-1994 the trade balance was sufficient to cover the deficit on the services account, now running at R15bn, but since then the trade balance has been severely squeezed."

Imports that have grown since 1994 are:

- Mineral products effectively up 72% to R6,2bn in 1995;
- Vegetable products, up 67,8% to R1,7bn;
- Plastics and articles thereof, up 49,8% to

R3,1bn;

- Base metals and articles thereof, up 49,7% to R3,2bn;

- Vehicles, aircraft and vessels, up 44,5% to R11,1bn; and

- Machinery and mechanical appliances, up 30,0% to R20,5bn.

Says Osborn: "The rise in the category, vehicles, is the result of re-establishment of passenger and transportation fleets and vehicle parts.

"In mineral products, other minerals like bauxite from Australia, for the manufacture of aluminium, also form part of the rise in imports in this category, but crude oil forms by far the bulk of it".

Exports showed strong growth in the categories:

- Machinery and mechanical appliances, up 85,1% to R3,6bn;

- Pulp of wood, up 82,2% to R2,7bn;

- Chemical products, up 72,4% to R4,8bn; and

- Mineral products, up 68,5% to R8,5bn.

This was largely offset by negative export growth, again in the big unclassified category (-15,4% to R18,8bn).

"This last is perhaps the most perturbing," says Osborn. "In absolute terms there has been a drop of R3,4bn in the unclassified item, reflecting the 10% drop in gold production in the country, and the falling away of exports of arms."

Overseas experts may help customs

BD 9/10/95 (74)

Yuri Thumbbran

INTERNATIONAL experts are expected to be brought in to improve SA's much criticised customs system, commissioner for Customs and Excise Daan Colesky said at the weekend.

Talks with international aid organisations were in an advanced stage and it was more than likely that customs experts from the US and the UK would be sent to SA to assist with the policing of customs at ports of entry.

He said it was unlikely that his department would take up an offer from the textile and clothing industries to second experts to help police customs.

Despite the two industries' willingness to waive their rights in terms of the secrecy clause in the Customs Act, several issues had to be taken into account, in-

cluding industrial espionage.

The SA customs system was in a poor state, he said. There were only 50 investigators and 20 inspectors in the country — far short of the required number.

Clothing and textiles, and electronic goods were the most smuggled products. He attributed this to high duty levels which made it more lucrative to smuggle in goods than pay duties.

SA customs officials on average inspected three out of every 100 containers which entered the country, while in terms of an in-built system a further 1% of containers were inspected at random.

Some of those containers were inspected as a result of tip-offs.

Also hampering customs policing were measures which barred officials from inspecting goods destined for neighbouring states, Colesky said.

A major factor which depleted staff resources was service benefits within the public service and better offers from the private sector to skilled personnel.

Colesky said despite the shortage of staff, 200 tons of illegal clothing and textiles worth an estimated R40m had been confiscated by customs over the past two years. These goods were now stored in government warehouses.

But customs officials' success has led to a showdown with the Clothing Federation. Federation deputy president Bernard Richards confirmed that his organisation had asked government to distribute the confiscated goods to international aid organisations.

"We don't want those goods being distributed in SA," Richards said. "It will depress the local market, resulting in manufacturers losing out."

New US envoy to SA argues for trade

(74) May 9/10/95

■ BY SPECIAL CORRESPONDENT
STAR FOREIGN SERVICE

Washington - The man President Bill Clinton has chosen to be the new US Ambassador to South Africa, James Joseph, is a non-career diplomat who believes he has experience which "covers all three sectors of American and South African life - business, government and voluntary organisations."

Joseph, president of the council on foundations for the past 13 years as well as chairman of the board of directors for President Clinton's Corporation for National Service, told the Senate Committee on Foreign Relations that if confirmed by the full Senate, business will be high on his agenda in Pretoria.

"I'm very optimistic about the possibility of increased American investment in South Africa," the ambassador-designate said.

"There are some 500 American companies with some form of presence in South Africa."

He added, "there are some areas in which we will need to work together to remove some minor impediments, but given the interest on the part of America's corporations and given the interest by South Africans, I'm very optimistic about the future and I hope to play a role in bringing about this marriage."

Joseph is a former executive with the Cummins Engine Company, a manufacturer of diesel engines, and a former under-secretary of the Interior Department for President Jimmy Carter.

He has a graduate degree from Yale University Divinity School and is a widower with two children, Jeffrey and Denise.

Senator Nancy Kassebaum, who presided over the confirmation hearing, lauded Joseph's remarks about moving to expand US investment in South Africa.

Joseph noted that "a strong economy depends on expanding trade and providing a climate of stability and certainty that will attract investors."

Fair reflects huge trade potential — Mandela

John Dlodlu
20/10/1995

THERE was immense potential for expanding trade and investment between SA and the Afro-Arab group of nations, President Nelson Mandela said yesterday.

Addressing the opening ceremony of the second Afro-Arab trade fair at Nasrec, Mandela said this scope was reflected by the rapid rise in trade between post-apartheid SA and Africa.

SA's exports to Afro-Arab nations surged 26% to R9,6bn last year, while SA bought goods worth R2,5bn from African and Arab countries, representing a 47% increase in trade on the previous year.

Mandela said SA firms were "looking keenly" at the range of goods they could source from "our African and Arab partners".

The exhibition — which is held at two-year intervals — posed a challenge to governments and business to generate ventures with job creation potential.

Apart from the private sector stands, governments from the participating nations also

had exhibition pavilions at the fair, which runs until October 14.

Mandela said the show was a "seed to fully tap" the potential of regions endowed with valuable resources and a market place of about 1-billion people.

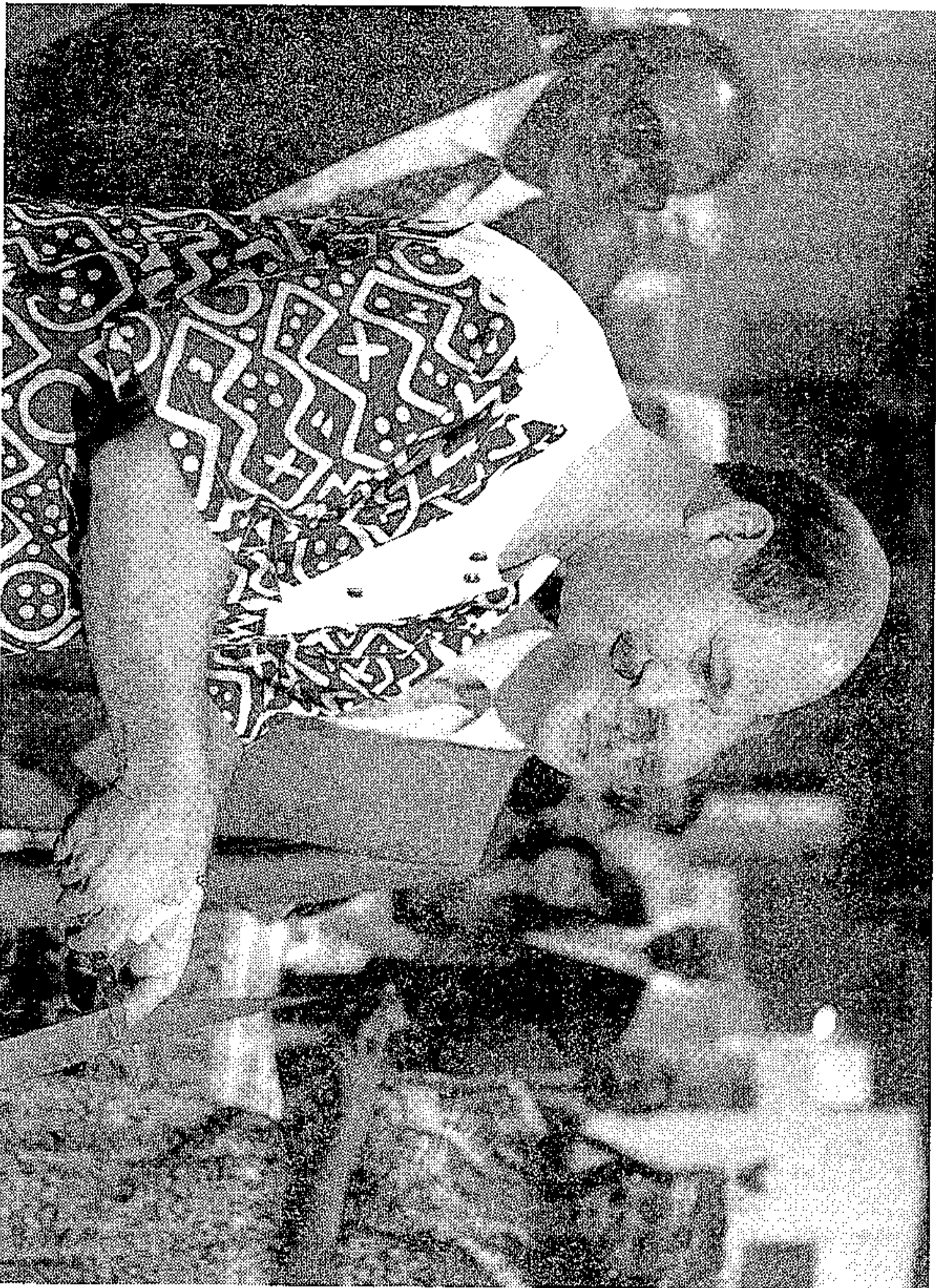
Organisation of African Unity secretary-general Salim Ahmed Salim told delegates the unity shown by the Afro-Arab nations in the anti-apartheid struggle needed to be transformed to economic development.

In Africa, he said, "we want to meet the challenge of a competitive and sometimes hostile world".

The fair had been initiated to close the information gap that existed among businesses from member states.

He called on the private sector and the chambers of commerce to exploit the opportunities offered by the fair. He also urged governments to follow the fair by organising trade missions.

League of Arab States assistant secretary-general Adnan Omran said solidarity between African and Arab nations was needed.



Trade and Industry Minister Trevor Manuel cuts the ribbon, marking the official opening of the second Afro-Arab trade fair at Nasrec, outside Johannesburg, yesterday. Looking on is Organisation for African Unity secretary general Salim Ahmed Salim, left.

Picture: NEIL SPENCE

SA asked to support developing nations

John Dlodlu (74) BD 11/10/95

THE UN Conference on Trade and Development (Unctad) has called on SA to participate in a UN-led initiative to support developing nations in multilateral trade forums, such as the World Trade Organisation (WTO).

Geneva-based Unctad senior economic affairs officer Said Guehria, who is attending the second Afro-Arab trade fair at Nasrec, said yesterday there was concern at the minimal involvement of developing countries in the GATT talks that led to the formation of WTO. The voice for poor countries had been Unctad which represented Africa, Latin America, Eastern Europe and Asian countries. Unctad's policy was to increase developing nations' share in global trade.

"Developing countries (most of which are still outside the WTO) are now faced with the task of acceding to the organisation by making far-reaching and sometimes detrimental concessions."

Guehria's call coincides with a warning by Trade and Industry Minister Trevor Manuel at the conference that the WTO trade provisions — mainly aimed at reducing trade tariffs — would not signal an end to trade barriers for the developing world.

Manuel said new non-tariff barriers — passing as health or environmental concerns — would be raised by rich nations as soon as tariffs were dropped.

'Developing states must fight the effects of Gatt'

Star 11/10/95 (74)

FROM SAPA

The economies of the southern hemisphere must increase co-operation in trade and development to counteract the short-term effects of Gatt on developing countries, Trevor Manuel, the minister of trade and industry, said in Johannesburg.

In a speech prepared for delivery to the Afro-Arab Economic Co-operation

Forum yesterday, Manuel said that to seize available trade opportunities, it was imperative for the developing countries of the south to pool resources and efforts to rebuild and strengthen their infrastructure and institutions.

The effect of the birth of the World Trade Organisation last year and the conclusion of the Uruguay Round of Gatt in 1993 could be significant for developing countries in the short-

term. "Serious constraints exist in the international economic system which make it difficult or impossible for developing states to benefit fully from global liberalisation that ought, in fact, to increase opportunities for growth and development," he said.

Certain preferential margins enjoyed by developing countries would be reduced significantly when tariffs were lowered, as stipulated in Gatt and new

non-tariff barriers passing as health and environmental standards would be raised as tariffs were lowered.

"Standards in general could prove to be the most prohibitive and restrictive barrier to accessing markets in developing countries."

In addition, Manuel said, Gatt did not make adequate provision for industrialisation in developing countries.

In effect, developing countries were being denied the mechanisms and the means through which developed countries had built up and diversified their economies.

These short-term effects of Gatt on developing countries "make it imperative for us to seize the opportunities available among the countries of the south to increase co-operation in trade and development," Manuel said.

15 000 jobs, if govt had a plan

~~EXPORT~~ 74
AT least 15 000 new jobs can be created by the expansion of the fruit growing industry, Mr Louis Kriel, managing director of Unifruco, said in Bellville last night.

But he said this was endangered by government departments with no plan to help foreign trade.

"It is stupefying that in these times of tough trade wars, South Africa is the only country that has scaled down its export support of agricultural products to a greater degree than dictated by the GATT.

"Time is running out to exploit a favourable climate for a new South Africa. Without a dynamic government plan this will become known as the period of lost opportunities." — Business Editor

● See Page 18

CT 11/10/95

IDC maps keys to regional trade upliftment

John Dlodlu

SA's firms could reap enormous benefits by taking part in the economic upliftment of the southern Africa region, the Industrial Development Corporation says in a paper released yesterday.

Manufacturing Trading Conditions, an occasional report which deals with regional trade integration, says areas of opportunity include outward investment following the removal of foreign exchange restrictions.

There was potential for huge investments in the extension and infrastructure upgrading throughout the Southern African Development Community. In the latter case, the paper points out that SA construction firms can play a

meaningful role.

SA business can also benefit from the fact that many SADC countries are signatories to the Lomé Convention, which grants African nations preferential access to European markets.

Further possibilities exist in the manufacturing projects which involve substantial investments of both foreign private and foreign aid capital.

Given the fact that the SADC includes some of the poorest nations, the most appropriate focus of economic integration should be on aspects that are aimed at boosting economic development in the region.

These efforts include the removal of exchange controls to allow for a free flow of investment funds, expertise

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and entrepreneurship within the SADC, and development of infrastructure to improve regional business potential, as well as enhance physical integration of water/electricity supply.

The SADC has already taken steps to facilitate regional co-operation on electricity. Recently also, the SADC heads of state summit passed a resolution paving the way for shared water systems, to alleviate the drought affecting parts of the region.

The IDC report points out that the most crucial impediment to trade is the highly underdeveloped regional production structures.

"Individual countries lack the productive capacity to produce goods that can be traded within the region."

Fair promotes Afro-Arab trade

By CHARLOTTE MATHEWS

STAFF WRITER

Opportunities for increasing trade between African states were immense, considering that intra-African trade accounted for only 5 per cent of total trade, the organisers of the Afro-Arab trade fair at Nasrec said yesterday.

Ambassador Adnan Oumran, the assistant secretary-general of the League of Arab States, and Ahmed Haggag, the assistant secretary-general of the Organisation of African Unity, are visiting South Africa for the fair.

The show is aimed at establishing import-export links between businessmen, and chambers of commerce are assisting in establishing contacts.

A wide range of goods is on show, from hand-made Egyptian glass perfume bottles to north African carpets, food, jewellery and clothing from all over the continent.

Haggag and Oumran said the initiative for the trade fair had its



TRADE TALK Adnan Oumran, the assistant secretary-general of the League of Arab States, and Ahmed Haggag, the OAU's assistant secretary general, at the Afro-Arab fair yesterday PHOTO: JOHN WOODROOF

origins in the political solidarity between their two organisations. "The purpose is to allow people from all countries learn about each other's products and exchange contracts," Oumran said.

South Africa's bilateral trade with Africa in 1994 was worth

R10,98 billion, with Zimbabwe, Mozambique and Zambia its largest trade partners.

Exports totalled R8,6 billion and imports R2,4 million.

"The more South Africa opens its markets the more other markets will open up to you," Oumran said.

SA lashed for 'failure' to open markets

Greta Steyn

WASHINGTON — Zambia yesterday lambasted SA for failing to open up its markets quickly enough to countries in the region, and called on it to speed up trade liberalisation.

The call was made by Zambian Finance Minister Ronald Penza at a breakfast arranged by the daily newspaper, Emerging Markets, to discuss relationships between SA and its neighbours. Penza, admitting that he was being "undiplomatic", said: "We can sit here and talk about moving slowly. We have been moving slowly for 30 years and there has been no growth." The SA market was not easily accessible to regional economies, but SA had easy access to them, he said.

Zambia had progressed far in liberalising markets and opening up its economy, but that served no purpose if the rest of the countries in the region were out of step. "If the major market in the region is not providing the necessary market access, it will itself not benefit in the long run."

Penza argued history had proved economies that had opened up had succeeded, while those that had battened down the hatches had suffered. If the world saw the region as one big open market led by the JSE, all the countries in the region, including SA, would benefit from improved foreign investor

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sentiment. He predicted social upheaval in the long run if SA did not open up. "Openness will create growth and jobs," he said.

Finance Minister Chris Liebenberg responded that SA would move as fast as it could. He described the lifting of tariffs as a sensitive issue. "The whole economy was based on import replacement. That cannot be changed in 24 hours." But Liebenberg said Penza's comments were "music to our ears and obviously music to all investors' ears". Everyone had the same objectives in mind, although they were moving at a slightly different pace. SA did not want to be regarded as an "economic bully" in the region and realised that the countries had to work together and rely on each other's competitive advantage. Economic liberalisation, opening up of borders and lifting of capital controls were inevitable.

Liebenberg said it was probably not that well known that SA was taking a much more lenient view of capital exported from the country for investments in Africa. Another example of its commitment to the region was its decision not to put in place export processing zones (EPZs), as these would compete with Namibia's EPZ.

Liebenberg said that a strong domestic manufacturing base was need-

Continued on Page 2

Regional growth

Continued from Page 1

ed to compete internationally. SA, with only 40-million potential consumers, could not achieve the desired economies of scale on its own. It knew it had to tap into a regional market of almost 130-million consumers to achieve international competitiveness. Powerful trading blocs were emerging worldwide and the southern African region had to keep pace with the trend. Foreign investors would like to see the re-

gion as a whole become investor-friendly. Zimbabwean Reserve Bank governor Leonard Tsumba warned that economic integration could not proceed rapidly if macroeconomic policies were not co-ordinated. Inflation rates and methods of addressing them differed across the region. He regarded export-led growth as important, but said world markets were more important than regional ones.

Former African Development Bank president Babacar Ndiaye said it was his impression that SA was shy to take responsibility for the region and that the region was afraid of its strength.

SA NEGOTIATORS have left for the second round of technical negotiations on a long-term trade agreement with the EU.

The negotiations, which began in Brussels this week, are expected to begin product-by-product discussions leading to a bilateral trade agreement. What may appear to be a mainly technical exercise could have major repercussions for all sectors of the economy.

Depending on the outcome, SA could, within the space of a decade or so, be in for another round of trade liberalisation that would make obligations to the World Trade Organisation (WTO) undertaken in terms of the Marrakesh agreement seem positively protectionist by comparison.

The negotiations with the EU are proceeding along two tracks: one leading to SA's qualified entry into the Lomé Convention, and the other to a bilateral agreement covering issues not included in the Lomé track.

The mandate given to EU negotiators in the first round of technical negotiations, held in Pretoria last month specifically precluded the possibility of SA's inclusion in the trade chapter of the Lomé Convention. This was a great disappointment to many in SA. Several studies conducted in SA and Europe indicated that an appropriately crafted integration into the Lomé trade arrangements would have been SA's best option.

This apparently bottom-line decision by the EU should be seen against the background of the changing face of European co-operation with developing countries.

A report on the Lomé IV mid-term review tabled by two members of the European parliament (Maartje van Putten and John Currie) at the EU-African, Caribbean, Pacific (ACP) joint assembly held in Brussels last month, noted that demands for reciprocity were increasingly displacing sentiment of solidarity among EU policy makers.

SA negotiators have argued that a trade agreement with Europe must at least secure the removal of any discrimination. Countries that enjoy better than most favoured na-

Trade talks with EU are moving along two parallel tracks

ROB DAVIES

(94)

BD 13/10/95

tion status account for 80% of EU trade. SA was excluded from this group during the apartheid period.

Although SA now receives the general system of preferences (GSP), mainly for non-agricultural products, it pays significantly higher duties than comparable countries for some product lines.

For example, we pay 11% duty on melons while Turkey, Venezuela and Costa Rica all enjoy duty free access; and 15% on fresh flowers, compared with 2,1% by Israel and nothing by Colombia.

The EU is now pushing strongly for a free trade area agreement. Unlike Lomé or the GSP, which are non-reciprocal arrangements involving only concessions by the EU, a free trade area would be reciprocal. Under WTO rules, it would require both parties to remove tariffs between the parties concerned, although EU officials appear to want something between 80% and 90%.

A free trade area could also operate asymmetrically, with the EU opening up its market to SA some time before (but under WTO rules no longer than 10 years) we are required to reciprocate.

In the previous round, our negotiators accepted the invitation to start a process leading to progressive and reciprocal trade liberalisation that could include a free trade area. Creating competitive industries is after all one of the govern-

ment of national unity's policy aims.

But it is necessary to appreciate the enormity of the challenge that faces us. For a free trade area with Europe not to have a devastating effect on our economy, we will need to have industries in place that can, within a decade, withstand the full force of competition from Europe.

Moreover, while at one level the final outcome of a free trade area with the EU may appear to be parity in that both sides accept similar obligations and receive similar benefits, we need to be aware that we are dealing here with parties with highly unequal economic power. Our GDP is about half that of Belgium, which has only a quarter of our population. The impact on the EU of allowing duty free access to our products will, in the end, be very modest. We produce, according to World Bank statistics, only 0,46% of world GDP and are thus unlikely to pose a threat to any sector of the European economy.

On the other hand, Europe accounts for nearly half our trade.

A free trade area agreement with Europe could also have major implications for the southern African region and for our efforts and those of our partners in the region to promote balanced and mutually beneficial regional economic co-operation and integration.

We are currently renegotiating the Southern African Customs Union agreement with Botswana, Lesotho, Namibia and Swaziland.

Any agreement with third parties which involves tariff issues will directly affect our customs union partners, all of whose trade relations with Europe are currently governed by the Lomé Convention. It will have implications also for the size of the common customs revenue pool, on which all customs union partner states are dependent.

We are also involved in bilateral and multilateral discussions on trade issues with other neighbouring countries. In particular, the government of national unity has indicated that it attaches great importance to the efforts within the Southern African Development Community (SADC) to develop a protocol on regional trade as a significant step towards promoting equitable and sustainable integration in our region. Any agreement reached with the EU must therefore be compatible with the priority both SA and Europe say they attach to promoting regional integration.

Our negotiators are, in my view, quite right to insist on the need for further details on precisely what is being offered by the EU so that precise cost benefit calculations can be made. The record of dealing with the EU to date suggests that gaining ac-

cess to sensitive areas of its market will not be easy.

There is, furthermore, a need for a greater awareness of the broader potential implications of our own negotiations. Our negotiations are being followed with great interest, not just because of sentiments of solidarity but also because it is felt they could set precedents for Europe's relations with the entire ACP after the expiry of the Lomé IV agreement in 2000.

Cross-continental reciprocal trade agreements between developed and developing countries of the kind now being proposed by the EU to us are relatively new to the world trade scene. They were not really envisaged when the WTO rules on free trade areas were drawn up. The present rules were largely intended to deal with regional integration arrangements between geographically contiguous countries.

If trade agreements between developed and developing countries are, as now seems inevitable, to involve a greater degree of reciprocity, more flexibility in the interpretation of WTO rules on free trade areas, or better still acceptance by the WTO of preferential trade agreements, is essential. WTO rules must not be used to bulldoze us into something unacceptable. If existing rules prove to be a barrier, we should take our case to the WTO and ask for Europe's support in doing so.

The director-general of trade and industry has called on business and labour to make inputs on an agreement with the EU. A delegation of the parliamentary committee on foreign affairs that visited Brussels last month recommended that Parliament monitor negotiations.

Not having an agreement with the EU would have enormous negative repercussions. But we do not want, at the end of the day, to be faced with a choice between two evils. We need an agreement that we, the southern African region and the ACP can not only live with, but positively benefit from.

□ Davies is an ANC MP who led a parliamentary delegation on a fact-finding mission to the EU. The views expressed are his own.

BACKGROUND & ANALYSIS

Juggling the give-and-take in Brussels

'Nothing is agreed until everything is agreed' is the guiding mantra for South Africa's negotiators as they explore a possible Free Trade Agreement with the European Union. Foreign Editor Dale Lautenbach, in the second of a two-part series, looks at the negotiations so far

There are about 10 000 tariff lines to be discussed and a tariff line could contain several products. If Europe is sensitive about gooseberries, we're going to hear about it in the months ahead. Or maybe it will be oranges, but not all oranges, just navel oranges.

In short, the negotiations between South Africa and the European Union (EU) which entered the second round in Brussels this week, and which will continue into next year, are highly detailed and technically obscure if you don't have an orange grove.

But they are also vital to South Africa as it defines its relationship to its biggest mass market and, in broader terms, as it gives an indication of the burgeoning global economic order.

After last year's election, the young South African democracy was welcomed into official dialogue with the EU for the first time where it signalled that it wanted full access to the Lomé Convention, the protocol binding 70 nations of Africa, the Caribbean and the Pacific to the EU in trade, co-operation, aid and political agreements.

As far as trade goes, Lomé is the best access there is, so good in fact that it breaks Gatt rules and continues to exist only by way of a hard-won waiver.

The EU position on full accession to Lomé for South Africa was cold from the start, however.

EU officials argued that the curious nature of the South African economy was just not "Gattable" to use Europeak, and would threaten the waiver for the 70 members.

Further, South Africa's relative weight would jeopardise the benefits that those members derive from Lomé.

In June this year, the trade and industry minister, Trevor Manuel, agreed to accept an invitation from the European Commission (EC) to start a process which would lead to progressive and reciprocal trade liberalisation with a view to establishing a Free Trade Agreement.

Behind the smoke and mirrors that seem inevitable during negotiations, South Africa signalled its willingness to "unpack a free trade agreement and agree on what it is and what it is not", as said by Neil van Heerden, South Africa's ambassador to the EU.

Details

South Africa is proceeding on the premise that nothing is agreed until everything is agreed, and could still pull out.

The most crucial details to be finalised are which products are in the agreement and which are not.

The World Trade Organisation requires that "substantially all" products have to be included, but this could mean anything between 70 and 90 percent of products.

There is also an agreement of asymmetry which would protect weak sectors in South African from a flood of competitive European products over a fixed period. Organisation rules provide 10 years for asymmetry but this could be stretched to anywhere between 12 and 15 years by Eurocrats.

Van Heerden's view was that to



WILLING Neil van Heerden, South Africa's ambassador to the European Union

get something, one has to give something. If South Africa were to open up to Europe sooner on some products, it could win lengthier asymmetry for others, he argued.

Another complication which has to be considered in the negotiations is the implication for the Southern African Customs Union.

"We need a lot of chewing on that," said van Heerden. "South Africa doesn't want to be a wrecker."

EC negotiators across the table are sensitive to the problem and in this context have reiterated their commitment to regional development, he said.

On the other side of the table, an EC official said that South Africa should not overplay the trade aspects of the negotiations.

The talks with the EU have been characterised as "dual track".

On one track there is the purely bilateral trade deal, while on the

other, a qualified access to Lomé.

On the second track, no problem is foreseen with South Africa having access to the political instruments within Lomé. Access to tender for EU projects in countries bound to the convention, however, may require some negotiating, as will the sensitive issue of the application of cumulative rules of origin for products made in a region.

Beyond that there is the EU aid package to South Africa which amounted to R550 million this year, and which is expected to rise next year, thanks to the European Parliament and its influence over budget lines. There are also provisions for co-operation in the fields of science and technology, on fishing and immigration problems.

In other words, said the official, don't overemphasise the most delicate aspect of the total package, trade. "If you emphasise trade it irritates seven members and works against you; nine are upset even more by agricultural trade.

"Make one objective," he advised, "the posting of aid at current levels and remember that 14 000 out of 15 000 European Commission officials don't deal with trade."

His message, in short, seemed to hint that South Africa should give the EU credit where it was due and not highlight the most sensitive aspect, that of opening markets.

"It is possible to have a free trade agreement because of the rest (of the package). Free trade alone wouldn't happen... it's a balance of powers."

Negotiating with the EU is a complex game and the more so as one has to appreciate that all this talk of the trade agreement remains somewhat hypothetical on the very side of those who dangled it as an invitation in the first place.

The trade agreement idea comes

from the EC, the EU's bureaucrats. But they still have to convince the Council of Ministers, the body which represents the 15 member states in their individual national capacities, that this is a good idea.

By the end of October the EC hopes to put its proposal to the Council, seeking a specific mandate to negotiate an agreement.

There are member states, however, which will not like that, particularly those with strong agricultural interests and vocal farming lobbies, namely France, Italy, Spain and Greece.

As South Africa has discovered, there is powerful protectionism in parts of Europe which will need to be dealt with.

Access to the generalised system of preferences for South African farming products has been seriously delayed. This week the offer from EU ambassadors fell far short of what South Africa had hoped for, and even short of what the EC had lobbied for.

Conceding that the European farming sector is difficult, a source in the EC advised that South Africa should propose to import agricultural products from Europe. It should also look at the total industry and link its agricultural products with agricultural inputs that it might derive from Europe.

"Does South Africa really need to drop trade barriers in agriculture, given the visibility of your products on European shelves," he asked.

"There cannot be a free trade agreement without the inclusion of agricultural products," was the view of a member of the South African negotiating team.

□ Next week we will carry an article in which Dale Lautenbach attempts to understand why agriculture is such an explosively sensitive issue for Europe

Govt backs down over rights clauses

John Dlodlu (74) BD 16/10/95

GOVERNMENT has softened its stance on the approach of its trading partners to human and worker rights, in what appears to be a major climb-down from its previous position.

In its formal response to the National Economic, Development and Labour Council due to be discussed next week, government said SA should pursue such rights at multilateral level with its trading partners within southern Africa. However, it failed to take any firm stance on bilateral agreements — an area seen as central to the debate.

Labour wants all SA's trading partners to uphold the right of workers to strike and to collective bargaining, as well as a ban on child labour and all forms of discrimination.

It has said such social clauses

should be central to all trade agreements, and that the clauses were basic and easy to uphold.

Government has previously insisted on the inclusion of the clauses in trade agreements — a stance partially to blame for the delay in reinstating trade preferences with Zimbabwe.

Singapore, Thailand, Cuba and the Philippines have rejected the inclusion of such clauses in trade agreements with SA.

But in its response to the Nedlac debate on social clauses, government said SA had not ratified any of the International Labour Organisation rights, which enshrine the social clauses labour want.

Government said: "Action (on social clauses) could start on the home front

Continued on Page 2

Policy shift

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with SA ratifying the ILO conventions, while simultaneously pursuing consensus with partners in the Southern Africa Customs Union and the Southern African Development Community on the need for making the core ILO conventions effective.

"This could involve getting the ILO conventions written into various regional co-operation treaties such as the customs union and the SADC."

The stance, if upheld by Nedlac, could throw new light on SA's negotiations with Zimbabwe on trade preferences for Zimbabwe's clothing and tex-

tiles industry. A new accord with Zimbabwe — complete with the social clauses — is expected to come into force at the end of this month.

Government's response to Nedlac said "on the basis of a regional consensus, the process (of advocating social clauses) could be extended" to the OAU, the Non-Aligned Movement and the ILO, World Trade Organisation and the UN. "The campaign could be a high profile process with the public backing of the President and a Cabinet mandate."

The document said that barring market access to least developed countries on the basis of labour standards was not consistent with a humanitarian approach since it could aggravate poor socioeconomic conditions.



SA Institute of Race Relations director John Kane-Berman addresses professional women in Soweto at the weekend while Soweto social worker Malikolo Motumi, top right, listens and consultant Sharon Trail explains the process of transferring council-owned houses to tenants.

Picture: CATHY PINNOCK

Support for open economy

⁷⁴
Nomavenda Mathiano

BD 16/10/95

SA INSTITUTE of Race Relations director John Kane-Berman has come out in strong support of Trade and Industry Minister Trevor Manuel's campaign to open the economy to global competition.

Kane-Berman, addressing a group of professional women in Soweto at the weekend, referred to SA's commitment to break its notoriously high walls of tariff protection in terms of the General Agreement on Tariffs and Trade, which began last January and will continue over the next five years.

He said the scrapping of the tariffs enabled supermarkets to import food from abroad, which benefited the consumer.

However, Kane-Berman warned that the agricultural community would suffer once SA started importing wheat from Australia, meat from New Zealand and maize from the US.

The women, consisting of social workers from the Soweto transitional metropolitan council, nurses and teachers, voiced concern about the local government elections, transference of houses and freehold title deeds.

Fund for retrenched workers is proposed

John Dlodlu

BD 16/10/95

THE labour constituency within the National Economic, Development and Labour Council has won the first round in its plans to establish a business-funded cushion for retrenched workers.

Nedlac's management committee decided on Friday that the proposal should remain within the overworked trade and industry chamber, despite business's call that it should be switched into the labour market chamber.

Sources within Nedlac said at the weekend ruling could give the proposal — the social plan Act — a far easier passage in its current form towards Parliament.

The sources said the trade and industry chamber lacked the expertise to assess the proposals, while the labour chamber was better equipped to stage an effective business resistance.

Nedlac executive director Jayendra Naidoo dismissed fears on Friday. "There's a lot of expertise

(within the trade and industry chamber) lying around," he said.

Nedlac's labour element tabled the social plan Act proposal on Thursday. The proposal has still to be fully discussed, but it includes an employer-funded national cash pool to retain retrenched workers and provide larger severance packages.

In its current form, the proposal would call on all industry to contribute. Business sources have dubbed the plan a "labour tax".

A task group — with representatives from labour, business and government at the trade and industry chamber — would be appointed to discuss the plan. A report on the group composition would be tabled on October 26.

Naidoo said government was still finalising details for resources to finance the long-awaited supplyside package. The proposed measures are aimed at helping firms with technology enhancement, human resources development and investment.

EU cuts back on SA trade concessions

(74)
BY JOHN FRASER

Star 16/10/95
Italy, Spain, France and Greece last week won a European Union battle and succeeded in cutting back on trade concessions for South Africa.

EU ambassadors reached a long-delayed agreement on the Generalised System of Preferences (GSP) for agricultural products from South Africa — more than three months after they were promised to South Africa. To add insult to injury, the list of benefiting products was cut back by 15 items from the original proposal.

The proposal, put forward by the EU Commission in July, covered 66 percent of South African trade eligible for agricultural GSP. This was watered down to 59 percent — with the cuts affecting potential trade worth R25 million.

Products which were struck off the list — largely at Italian insistence — include fruit juices such as lychee and mixed fruits, and citrus fruits such as clementines and mandarins. Asparagus was also

spearheaded during the negotiations. The list is now due to be rubber-stamped at a meeting of EU ministers, probably next week.

The new agricultural GSP list for South Africa is only due to last until the end of the year, when a fully revised GSP set-up will come into force.

However, given the seeming inability of EU governments to agree to anything on deadline, it is highly likely that the new set-up will be rolled-over for a further six months. South African diplomats in Brussels are deeply disappointed that the GSP list is so short. They argue that South Africa should have been eligible for 100 percent of the GSP advantages.

They seem to fear that the protectionist fervour of some EU states is a worrying sign for the long-term prospects for relations between the EU and South Africa.

Britain voiced its objection at the mean stance of its EU colleagues at last week's meeting of EU Ambassadors.

The British were supported by Finns, Swedes and Danes.

EU cuts back on SA trade concessions

BY JOHN FRASER

INDEPENDENT FOREIGN SERVICE

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Britain voiced its objection at the mean stance of its EU colleagues at last week's meeting of EU ambassadors. The British were supported by the Finns, Swedes and Danes.

EU and South African negotiators began their latest round of talks in Brussels last week.

SA warns Brussels on new trade deal

BY JOHN FRASER

INDEPENDENT FOREIGN SERVICE

Brussels — South Africa has warned Brussels that it may not be interested in a new trade deal with the European Union unless this offers big new export opportunities for South African agriculture.

The tough stance emerged during talks in Brussels last week between Steffen Smidt, the EU director of development, and Neil van Heerden, the South African ambassador to Brussels.

EU officials want South Africa to commit itself to a Free Trade Agreement (FTA). However, protectionist forces triumphed at a meeting of EU ambassadors last week. A package of agricultural tariff reductions for South Africa was cut back. The range of eligible South African goods which will benefit from the Generalised System of Preferences was cut from 66 percent to 59 percent.

The fear is that the same protectionist governments may not agree to an even more ambitious FTA for South Africa in the long-term.

However, Smidt noted that an FTA must cover "substantially all trade. This implies that in the future such agreements also will have to cover agricultural products".

Van Heerden said that while South Africa has agreed "in principle" to consider an FTA with the EU "our response will depend on the detail".

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("Remgro")

Further cautionary announcement

Holders of units and depositary receipts in Richemont and shareholders of Remgro, Rembrandt Controlling Investments Limited, Technical Investment Corporation Limited and Technical and Industrial Investments Limited, are advised that the negotiations referred to in the cautionary announcement dated 20 September 1995 are progressing and that they should continue to exercise caution in their dealings in the securities of these companies. A further announcement will be made no later than 31 December 1995.

Zug, Switzerland
16 October 1995

Stellenbosch, South Africa
16 October 1995

IONSSONS

Slimmer EU farm list a blow for SA

74
BD 17/10/95
Debra Percival

BRUSSELS — SA's envoy to the EU, Neil van Heerden, has said he is disappointed that EU ambassadors have slimmed down the list of farm products to benefit from easier access to the EU market.

He was speaking after the third round of bilateral trade talks between SA and the EU last week.

The reduction from 66% of the maximum possible to just 58% — because of opposition from Europe's main agricultural producing countries — still has to be put to EU farm ministers.

But EU director-general for development Steffen Smidt implied that SA would not lose out too much, due to a new range of general system of preference (GSP) benefits for developing countries to begin by January 1 next year.

Smidt said the World Trade Organisation's 10-year time-frame for concluding a free trade pact with a third country would be considered by the commission in its draft.

He also repeated that the commission was willing to offer SA an "asymmetrical" agreement under which the EU would open up its market at a faster rate than expected of SA.

Van Heerden welcomed Smidt's statement that any potentially negative effects of the agreement on neighbouring southern African nations would be taken into consideration when the mandate was drawn up.

Of particular note was the Southern African Customs Union with Botswana, Lesotho, Namibia and Swaziland.

The EU is anxious to wrap up a deal in the course of next year to be put into effect from January 1 1997.

Pinheiro ⁽⁷⁴⁾ CT (BR) 17/10/95 may quit EU to head Nato

By JOHN FRASER

INDEPENDENT FOREIGN SERVICE

South African trade talks with the European Union (EU) could face a major setback — if rumours in the Portuguese media are to be believed.

Several Lisbon papers have reported that EU commissioner Joao de Deus Pinheiro could quit his job which puts him in charge of relations with Africa — to become the head of Nato.

The organisation's secretary-general Willy Claes is expected to stand down this week as he faces trial for corruption charges.

The Belgian parliament votes this week on whether his immunity from prosecution should be lifted.

Several names are already circulating for a successor to Claes — including that of Pinheiro.

South African diplomats in Brussels are following events closely, for they will be affected if the jovial commissioner moves to Nato.

He has been the driving force behind negotiations on a future relationship between the EU and South Africa.

Despite heart problems, Pinheiro has been active in persuading EU governments to be as generous as possible to South Africa.

He has promoted the idea of a free trade agreement between Brussels and Pretoria.

If he stays at the EU, he will have the tricky task in the coming months of persuading both the South Africa government — and the EU's 15 members — that such an agreement is the best way forward.

"If Pinheiro were to leave, this might cause problems, as a new man or woman would have to take up the dossier from the beginning," said an EU source. "Inevitably, this might slow things down."

"The next few months are crucial, as Pinheiro first has to convince his EU Commission colleagues — and then the 15 EU governments — to offer South Africa a generous trade deal.

He is a seasoned commissioner, at home in the maze of Brussels bureaucracy, and it is difficult to see how a possible successor could be as effective, in the short term at least."

If Pinheiro, a former Portuguese foreign minister, were to leave his R650 000 a year job, he would be likely to be succeeded by another Portuguese politician.

Labour threatens clash over social trade clauses

BD 18/10/95 (74)

Mungo Soggot

PORT ELIZABETH — The first salvo has been fired against government for apparently climbing down on a social clause in its international trade agreements, with Cosatu general secretary Sam Shilowa threatening a major confrontation over the issue.

Shilowa told an SA Chamber of Business (Sacob) convention yesterday that the so-called social clauses on worker and human rights were a vital feature of SA trade policy.

Labour has pushed hard on the issue, but it emerged earlier this week that government had softened its stance, arguing that the issue should be pursued at multilateral level.

Government, in its submission to the National Economic, Development and Labour Council, also said that demanding such rights in agreements with less developed countries contradicted a humanitarian approach.

Shilowa said if such reports were accurate, government had set itself on a collision course with labour. "I hope it is not true. If it is we are heading for a train smash. How can one ask Volkswagen to compete against China which uses child and prison labour?"

In June, Nedlac's labour constituency, led by Cosatu, proposed that gov-

ernment should sign trade agreements only with countries which agreed to allow union participation and freedom of association, and would not use child labour. Although business and government have criticised the idea of a social clause in all SA's trade agreements, neither have publicly ruled it out.

The SA Clothing and Textile Workers' Union is expected to respond to government's new position in a statement on talks to reinstate a preferential agreement with Zimbabwe.

Addressing Sacob's debate on prices, wages and competition, Shilowa said he hoped Nedlac would debate ways of addressing SA's high prices and high inflation rate. This drew criticism from one delegate who called it socialist meddling. Shilowa said the markets were not always enough. "In certain instances there is a need to intervene. US President Bill Clinton asked Congress for money to intervene in Mexico's financial crisis."

The massive gap between top management remuneration and workers' wages was also putting SA on course for a "train smash. We all have to look at income policy carefully to find ways of closing the wage gap."

See Page 4
Comment: Page 14

Sigcau snubs Brussels trade conference

(74) (74)

Nov 18/10/95

■ BY JOHN FRASER

Brussels – The organisers of a major conference in Brussels have been the victims of a dramatic snub by South Africa's Minister for Public Enterprises Stella Sigcau.

She was due to have been a key speaker tomorrow at the conference on investment and trade in southern Africa.

On Monday, however, the organisers – the Club de Bruxelles – received a phone call from Sigcau's office to say she would not be coming.

Despite phone calls to the South African Mission to the European Union (EU), it was confirmed yesterday that the minister would not be arriving.

"I am greatly disappointed," said conference organiser Catie Thorburn. "I can only assume the minister has some urgent matter of state to attend to. We were not informed why she has cancelled."

The conference is of major importance, and will bring together several ministers from the SADC countries with EU officials and businessmen.

The conference is to be opened by the EU Commission-

er responsible for Africa, Joao de Deus Pinheiro.

This was not the first setback: the organisers initially hoped to attract Foreign Minister Alfred Nzo to the event.

Nzo – who has made no appearance in Brussels since his appointment – also declined.

Pallo Jordan, the minister of posts, telecommunications and broadcasting, will be attending the conference, however.

He is due to speak on the second day, in a specific debate on information technology and telecommunications.

The upshot is that the South African government may be represented in the debate on South Africa only by its ambassador to the EU, Neil van Heerden.

There may also be a video speech from a South African minister.

The South African business community will be represented in tomorrow's debate on South Africa by Ben van Rensburg, the director of Sacob.

Sigcau is believed to have withdrawn because she did not feel she was fully qualified to talk about trade relations between the EU and South Africa.

Northern Province takes action against fraud, theft

Kevin O'Grady

BD 18/10/95

PROSECUTIONS of a number of people — including former chief minister Nelson Ramodike — on charges which included theft and fraud totalling tens of thousands of rands in the former Venda homeland, have taken place since the Northern Province government came to power.

Premier Ngoako Ramatlhodi's spokesman Jack Mokobi said yesterday the province would not, however, institute a commission of inquiry similar to the Skweyiya commission which this week recommended former Bophuthatswana leader Lucas Mangope be charged with theft and fraud.

The province had instead set up an asset audit committee comprising members of the provincial legislature which had as its task reconciliation of the state asset register, Mokobi said.

When committee members were unable to reconcile entries, or found that state property had "disappeared", investigators from the SA Police Service were called in. Although he could not provide details, Mokobi said the process had resulted in the prosecution of "more than 10 people".

Eastern Cape DP leader Eddie Trent strongly supported a suggestion by Northwest premier Popo Molefe, who instituted the Skweyiya commission, that provinces which had incorporated former TBVC states should set up similar commissions.

There was "no question" that corruption involving more than R1bn in the former Transkei and Ciskei, that had been referred to publicly by President Nelson Mandela, should be the subject of "intensive investigation".

"Unless we weed out the corruption which took place under Gen Bantu Holomisa's regime, we will never be able to get that civil service running smoothly and honestly," Trent said.

"If the ANC is adamant about the truth commission ... it is just as important to weed out people who embezzled money, who are guilty of massive fraud and who indirectly caused largescale poverty and misery," he said.

This should be done without regard for Holomisa's present position as a deputy minister in the government of national unity.

Meanwhile, Standard Bank yesterday denied a finding by the Skweyiya commission that it bowed to political pressure when it agreed to finance the R177m Mmamatsuwe power station in Bophuthatswana that has since never been used. Spokesman Erik Larson said the bank "acted within normal business parameters".

"The actions taken were in good faith and with a view to preserving existing client relationships," he said.

The bank would co-operate fully with any further investigation.

Skweyiya recommended that the building of the station be probed by the Office for Serious Economic Offences.

Confidence over trade agreement

John Dlodlu

(74)

BD 18/10/95

THE preferential trade agreement granting Zimbabwean textiles better access to the SA market was on track for reinstatement at the end of the month, government said yesterday.

The trade and industry department said that despite concerns about the volume of negotiations still to be finalised, it was confident the agreement would be put into operation as scheduled.

Chief director for foreign trade relations Faizel Ismail said government was completing consultations with labour and industry, in talks with the SA Clothing and Textile Workers' Union and the Textile Federation and Clothing Federation. Both labour and business have vehemently opposed the reinstatement of the concessions.

The deal's reinstatement has been previously delayed by Zimbabwe's request that the preferential treatment be widened, which prompted SA to study the likely affect on SA jobs.

The new agreement is expected to include quotas to act as a safeguard for local industries. Government has also

said it will set up a mechanism to monitor the accord's implementation.

A meeting with the Zimbabweans would take place shortly, Ismail said.

Labour has said its support for the agreement hinged on SA jobs being safeguarded, and that the agreement included clauses guaranteeing workers a right to strike, as well as a ban on all forms of discrimination.

A motion to write the clauses into the agreement was tabled at the previous round of talks with the Zimbabweans, and will come under detailed discussion at the final meeting.

Judging by the state's submission on social clauses to the debate at the National Economic, Development and Labour Council, it appears that government might soften its stance on the inclusion of these clauses in the accord.

The government submission at Nedlac says denying market access to developing nations on the grounds of labour standards was inconsistent with a human rights approach.

Asked about this, Ismail said: "Our task is to work with our neighbours to develop common positions and to build consensus through persuasion."

Sigcau snubs Brussels trade conference on southern Africa

By JOHN FRASER
INDEPENDENT FOREIGN SERVICE

Brussels — The organisers of a major conference in Brussels have been the victims of a dramatic snub by South Africa's Minister for Public Enterprises Stella Sigcau.

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the organisers — who initially had hoped to attract Foreign Minister Alfred Nzo to the event.

Nzo — who has so far made no appearance in Brussels since his appointment — also declined the invitation.

Pallo Jordan, the minister of posts, telecommunications and broadcasting, will be attending the conference, however.

He is due to speak on the second day, in a specific debate on informa-

tion technology and telecommunications.

The upshot is that the South African government is expected to be represented in the debate on South Africa only by its Ambassador to the EU, Neil van Heerden.

There may also be a video speech from a South African minister — which is regarded as very much second best.

The South African business com-

munity will be represented in tomorrow's debate on South Africa by Ben van Rensburg, the director of Sacob.

Sigcau is believed to have withdrawn because she did not feel she was fully qualified to talk about trade relations between the EU and South Africa.

However, the gap she is leaving will be a severe embarrassment for the South African government, particularly after leaving it until the last minute to announce her withdrawal.

ET (32) 18/10/95

(74)



POLITICAL and economic solidarity with southern Africa is a recurring theme in the rhetoric of the SA government. Yet its actions to date suggest that instead of forging greater regional integration and freer trade, South Africa is slow in breaking down its fences.

With the exception of recent concessions to Zim-babwe's textile and clothing industries, South Africa's actions have been more protectionist in nature, as policymakers how to business and labour lobbies.

At the recent annual meeting of the International Monetary Fund, Zambia lambasted South Africa for having easy access to southern Africa "while making access to its market very difficult".

However, such political intransigence has not deterred South Africa's business sector from taking advantage of collapsing political barriers to make Africa a successful hunting ground.

In terms of exports and direct investment (see adjacent story), SA companies are making significant progress.

South Africa's exports to Africa (excluding those of the Southern African Customs Union) rose more than five-fold between 1987 and 1994, to R8,63-billion from R1,62-billion.

Trade figures for September show a 63% year-on-year rise in exports for 1995.

Including SACTU countries — Botswana, Namibia, Lesotho and Swaziland — total exports to Africa amount to about R22,5-billion, making it South Africa's second largest export region after Europe.

Trade with the continent weighs strongly in South Africa's favour: imports totalled R5,7-billion last year, leading to a trade surplus of R16,7-billion.

Exports are dominated by manufactured goods, such as machinery, equip-

Keeping up fences and neighbourly preferences

(74) ST (MT) 19/11/95

South Africa has earned the ire of its neighbours because of its slowness in breaking down trade barriers. However, despite the tardiness on the bureaucratic front, local business is pushing north aggressively. **SVEN LUNSCHE** reports.

ment, chemicals and vehicles, while imports comprise mainly primary mining and agricultural products.

The surge in trade between South Africa and the rest of Africa suggests the prevalence of protective tariffs has not acted as a major deterrent to trade.

But overall, intra-African trade is still minimal — 7% of the continent's total trade bill, which is strongly focused on Europe.

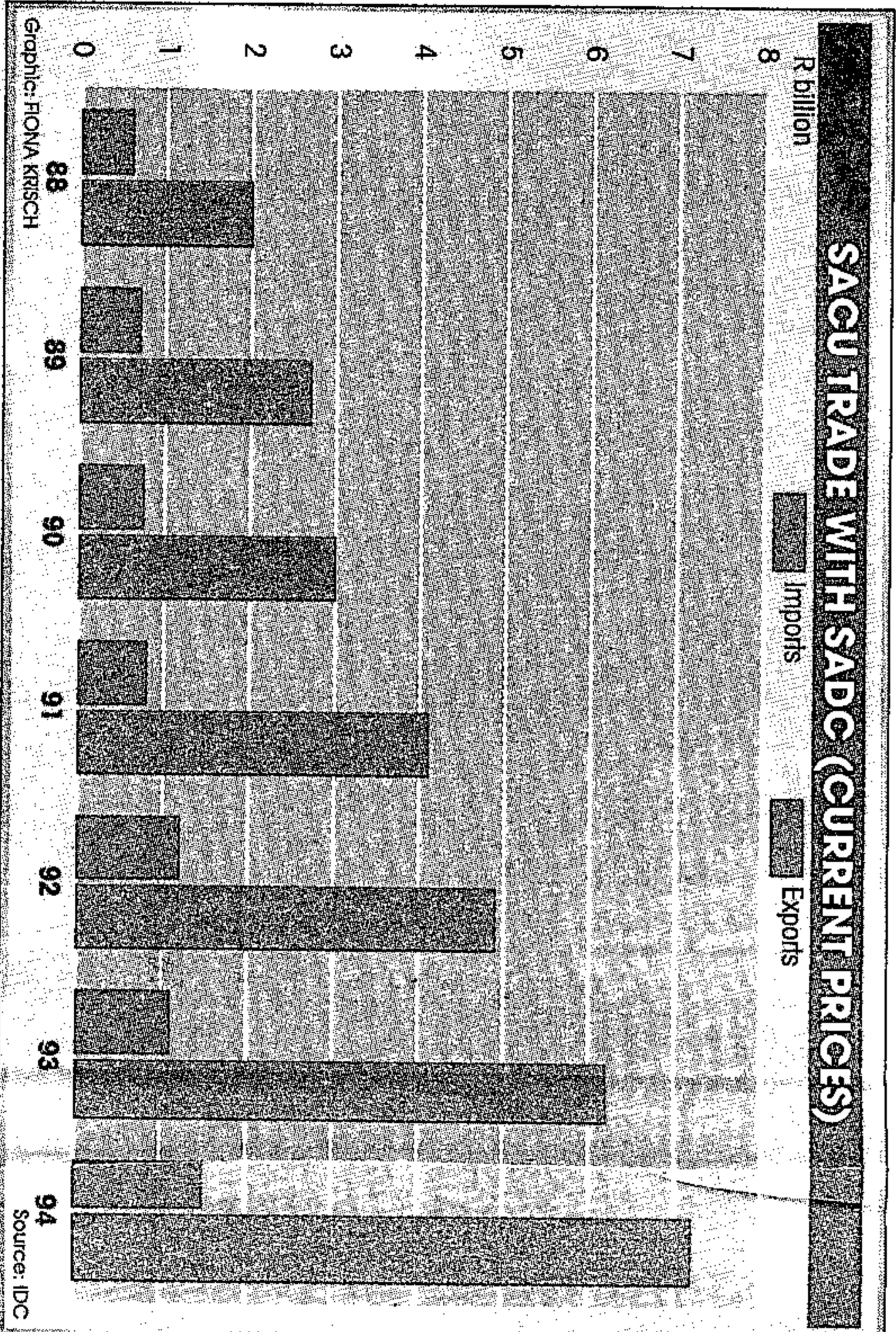
South Africa's emergence has helped to change the pattern but a lot more action is needed.

South Africa has clearly staked its future in the region and has tied itself to the fortunes of southern African trading blocks at the expense of wider African agreements, such as the Common Market for Eastern and Southern Africa.

The world's oldest customs agreement, SACTU continues to work well although there are major disagreements in current negotiations to upgrade the accord.

The second club South Africa joined, the Southern African Development Corporation, is embarking on practical measures to increase economic and trade co-operation very slowly — a pace that suits South Africa given its unwillingness to relax entry barriers to its markets.

To date the SA government, which last year took over the finance and investment portfolio at SADC, has not put any major issues on the agenda. Certainly, recent statements by Kaire Mbuende, the SADC secretary-general,



al, that a free trade zone is on the cards for next year, appear premature.

However, recent talks on financial and monetary integration in SADC have at least achieved consensus on what has to be achieved over a more realistic time frame of six to ten years.

Reserve Bank Governor Dr Chris Stals has been given the task to establish some preliminary guidelines on how the countries in the region could co-op-

erate more closely in coordinating monetary and financial policies.

For this purpose a committee of governors of central banks has been created falling under the structure of the ministers of finance. Its terms of reference still have to be finalised.

The SA Reserve Bank has provided the secretariat for this body, as well as a database for statistics and financial systems for the region.

L L Tsumba, the Governor of Zimbabwe's Reserve Bank, says steps to achieve a common financial market include:

- Liberalising capital movements and financial services together with the introduction of appropriate legislation related to cross-border investments;
- Removing residual foreign exchange controls;
- Harmonising provisions governing the right to establish financial institutions; and

□ Provide a legal framework for financial transaction and for supervision of financial institutions.

On the rating front South Africa has been playing a halting role in the current round of negotiations to establish new trade rules for SACTU.

It has benched the large payout to its partners in the union, who in turn have accused it of monopolising investments in the region.

□ Enhancing the physical integration of the region in functional areas such as water utilisation and electricity supply.

Implementing these steps will have major benefits for SA exporters:

- Outward investment will become feasible once exchange controls go.
- There will be trading advantages as other SADC countries get tariff-free access to the European Union via the Lomé Convention; and
- Construction companies could benefit from infrastructural projects.

The report made three key recommendations to facilitate closer trade:

□ Elimination of exchange controls to allow for a free flow of investment funds, expertise and entrepreneurship;

□ Development of new, and upgrading of existing, infrastructure; and

□ Enhancing the physical integration of the region in functional areas such as water utilisation and electricity supply.

SOUTH AFRICA'S TRADE BALANCE WITH AFRICAN STATES - 1994

COUNTRY	EXPORTS TO (R-m)	IMPORTS FROM (R-m)	BALANCE
Botswana	4 171,5	5 66,8	3 604,7
Namibia	4 057,7	1 414,3	2 643,4
Swaziland	2 816,4	1 147,9	1 668,5
Lesotho	2 742,2	214,1	2 528,1
Zimbabwe	2 459,4	1 021,6	1 437,8
Mozambique	1 406,8	91,9	1 314,8
Zambia	1 158,7	193,9	1 054,8
Kenya	664,7	28,1	636,6
Malawi	622,9	185,2	437,7
Mauritius	541,3	15,1	526,2
Zaire	349,6	353,6	-3,9
Angola	311,8	16,9	294,9
Tanzania	183,2	15,9	167,4
Reunion	147,4	0,9	146,5
Seychelles	84,2	4,8	79,3
Ghana	80,9	22,6	58,4
Egypt	70,5	12,5	58,0
Madagascar	68,5	3,7	64,8
Nigeria	63,6	21,2	42,5
Cote d'Ivoire	52,8	85,7	-32,9
Sudan	50,5	4,3	46,2
Comoros	49,8	-	39,8
Congo	32,0	3,1	28,9
Morocco	26,8	3,3	23,6
Burundi	24,2	1,4	22,7
Uganda	22,7	1,6	21,1
Ethiopia	16,4	0,9	15,6
Cameroon	15,4	7,4	14,6
Algeria	14,3	-	14,3
Gabon	13,5	-	13,5
St Helena	11,9	-	11,9
Togo	11,4	61,6	-50,3
Rwanda	11,1	-	11,1
Mali	11,1	-	11,1
Libya	9,7	5,8	5,2
Other states	40,5	27,4	9,7
TOTAL	22 419,8	5 697,1	16 722,7

Graphic: FIONA KRISCH

Source: MINISTRY OF TRADE & INDUSTRY, NEDCOR ECONOMIC UNIT

SA agricultural products a thorny issue at EU negotiations

Agricultural products amount to just 9 percent of South Africa's exports to the European Union. Why then are Eurocrats so intensely nervous about this sector? Foreign Editor Dale Lautenbach grappled with the question in Brussels and Rome

Put the question as bluntly as possible: if South Africa's negotiators won duty-free access to Europe's markets for our citrus products and for olive oil, would the Italian government support this aspect of the deal?

The vice-president of the Senate was expansive in his answer, offering a global view, so to speak.

He addressed the growing hegemony of the United States and Japan in world trade and said that the dangerously cosy relationship between France and Germany meant in effect, that the latter had the striking force.

At least you knew that oranges were sensitive.

South Africa's negotiations with the European Union in search of a package that would define its long-term relationship with its biggest trading-partner bloc had barely begun but trade muscled its way on to centre stage.

And at the heart of this most difficult part of the talks, the area of most concern, certainly to the Europeans, was trade in agricultural products.

Looking at South Africa's production, and the fact that only about 10 percent of the land was suitable for crop production and that the region was plagued by water shortages, it was hard to understand what threatened Europe so.

Protectionism around agricultural products found its most acute expression in the countries of southern Europe, namely France, Italy, Spain and Greece. In a number of these countries the so-called farming lobby was a powerful voice and

not one lightly ignored by politicians with an eye on national polls.

British member of the European Parliament Richard Balfe explained that the emotionalism of the lobby was founded on the fact that here were people who remember what it was like to be hungry during World War 2. It was an unimpressive explanation to someone from the African continent.

"Farmers fear everything," said Adriano Grazioli, director general of the EU's Economic and Social Committee (Ecosoc). Heading a body that represented the voice of civil society in Europe, including trade unions, farmer unions, social councils and chambers of commerce, his advice was to get South African farmers talking to European farmers and to address some of the myths around which the fears of competition were built.

"This is a component that can't be delivered by diplomats and politicians," he said, noting too that much of South Africa's fruit production was counter-season and should not be perceived as threatening.

South African farmers have already had a taste of the power of European agricultural protectionism though. While the current negotiations on the final shape of South Africa's relations to the EU proceed (and a possible Free Trade Agreement could be part of that package) South Africa in the meantime holds Most Favoured Nation status with the EU qualifying it for the generalised system of preferences (GSP), a set of tariff reductions which are non-negotiable and awarded by the EU.

Under GSP, agricultural products were the last to qualify following numerous delays and just last week the European Council awarded GSP eligibility to just 59 percent of the range of South African farm goods.

This was 7 percent down on the list recommended by the European Commission, the Brussels bureaucrats, and far short of what South Africa hoped to achieve. It was being taken by South African negotiators as a measure of things to come.

The broader picture of why agricultural products were seen as such a threat was not built on myth alone though. The sprawling European market was a finely balanced thing and it was not so much the fact that a mountain of South African oranges could upset this apple cart but that in global terms, the deal done with South Africa was being closely watched by other international interests which also wanted favourable access to Europe's markets.

Flemming Bjornekaer Jensen, a director in the general secretariat of the European Council, said that the dimensions of the problem were difficult to explain. He noted too the north-south split in Europe itself where northern Europeans — like himself — often found it hard to grasp the agricultural sensitivities of their southern cousins.

"To a limited extent it (the agricultural balance) is a real problem but it becomes a political problem."

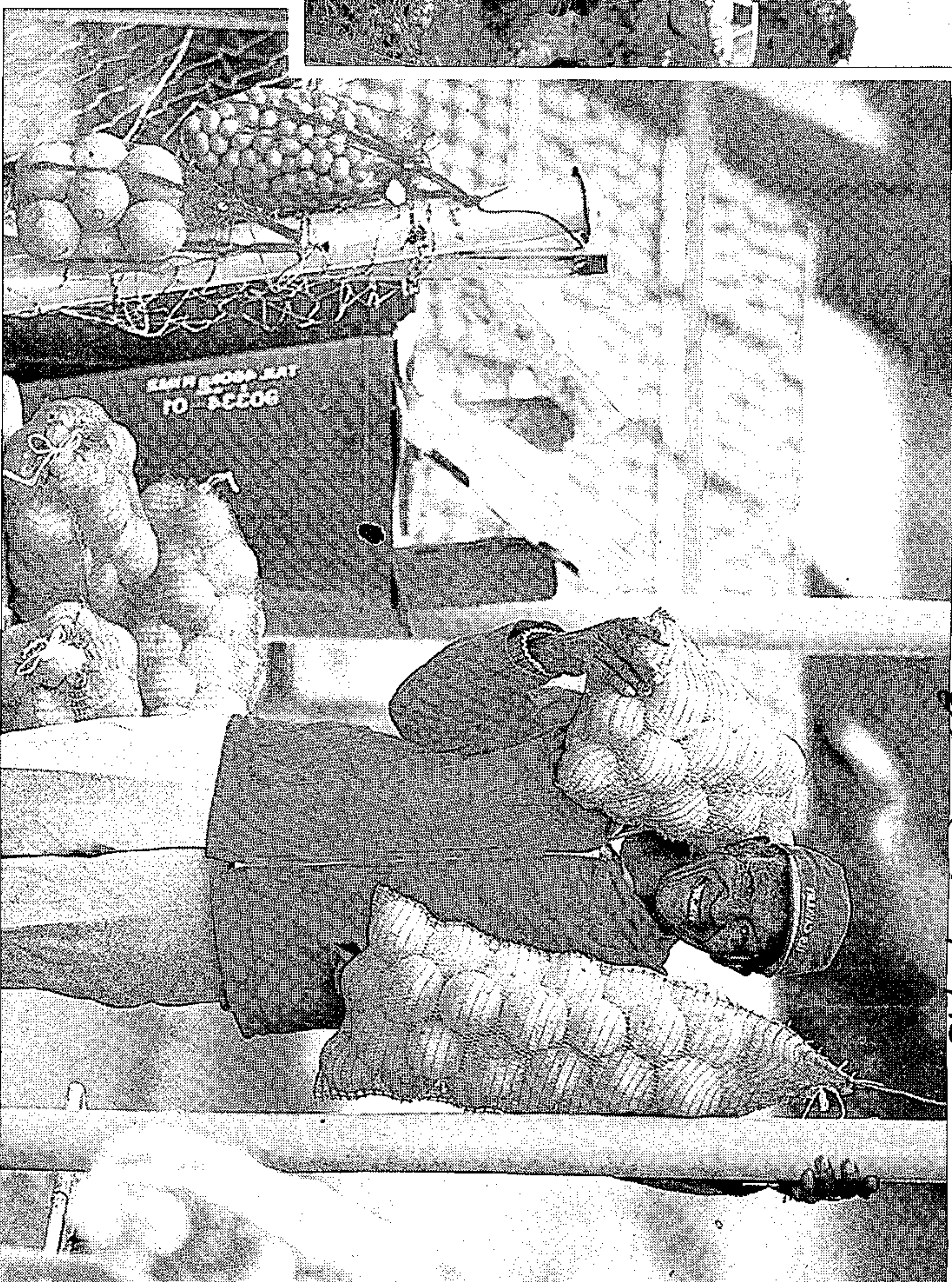
He told the story of Namibia, where EU money was ploughed into the ground to get a table-grape farm going. The project was successful, the fruit sweetened on the vine and Namibia put in a bid for a 1 000 ton export quota to Europe. "It gave rise to a hard fight," said Jensen. A compromise was



reached on 400 tons with a further concession on 125 tons but the inescapable irony was that the EU blocked the product of the very thing it had created. The sum of small quantities can tip the balance.

Politically too, north African countries on the Mediterranean had a cold eye on the EU's negotiations with South Africa and Europe's interest in the prosperity and stability of these immediate neighbours was realistically far greater than its concerns about southern Africa.

Not so coincidentally, it was the countries of southern Europe again which had most at stake. Most Eurocrats saw a hard fight ahead but felt that South Africa would come out with a reasonable package. "You'll get something," said Jensen. South Africa has its allies



AFRICAN THREAT European countries, particularly those of the south, feel threatened by the possibility of South Africa gaining duty free access to the European agricultural market, although much of South Africa's production would occur in the counter season

and many of the countries of northern Europe will bat for it. But what South Africans had to accept was that enduring political flavour-of-the-month status aside, the deal would not be a happy handout. It did seem sad though that the

agricultural aspect of the trade talks was absorbing so much energy and concentration. Negotiators would be talking tariffs on the perfect pear or nectarine when the wider issue in southern Africa was surely food security.

Within the enormously complex EU structure which worked, despite everything, it was hard to get a dialogue going between the narrow track of trade talks and the wider issues of co-operation and development. South Africa enjoys a 500 mil-

lion ecu development budget over four years thanks to the European parliament, but in the building just around the block in Brussels, we are going to have to fight tooth and nail over the price of peaches, wine and other sensitive commodities.

(74) (8) <T (BE) 19/10/95

McDonalds row may delay US trade deal

BY BRUCE CAMERON AND PETER FABRICIUS

Washington — The ongoing dispute over McDonalds' and other trademarks in South Africa is likely to delay the signing of a multi-billion rand bilateral preferential trade agreement between South Africa and the United States.

The protection of intellectual property rights forms a key part of the draft agreement.

And South Africa continues to remain on the warning list of what is termed the section 301 review on intellectual property rights.

If the issue is not resolved, South Africa could be upgraded on the list

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and face the possibility of retributory sanctions.

Howard Reed, the special counsel for finance to the United States Trade Representative office, said the protection of intellectual property rights had to be resolved before a trade agreement was signed.

He said the hijacking of American trademarks was wrong and hoped the McDonalds trademark issue could be settled "administratively".

His interpretation of the court ruling on the McDonalds trademark was that McDonalds had neither won nor lost the case.

He said McDonalds would

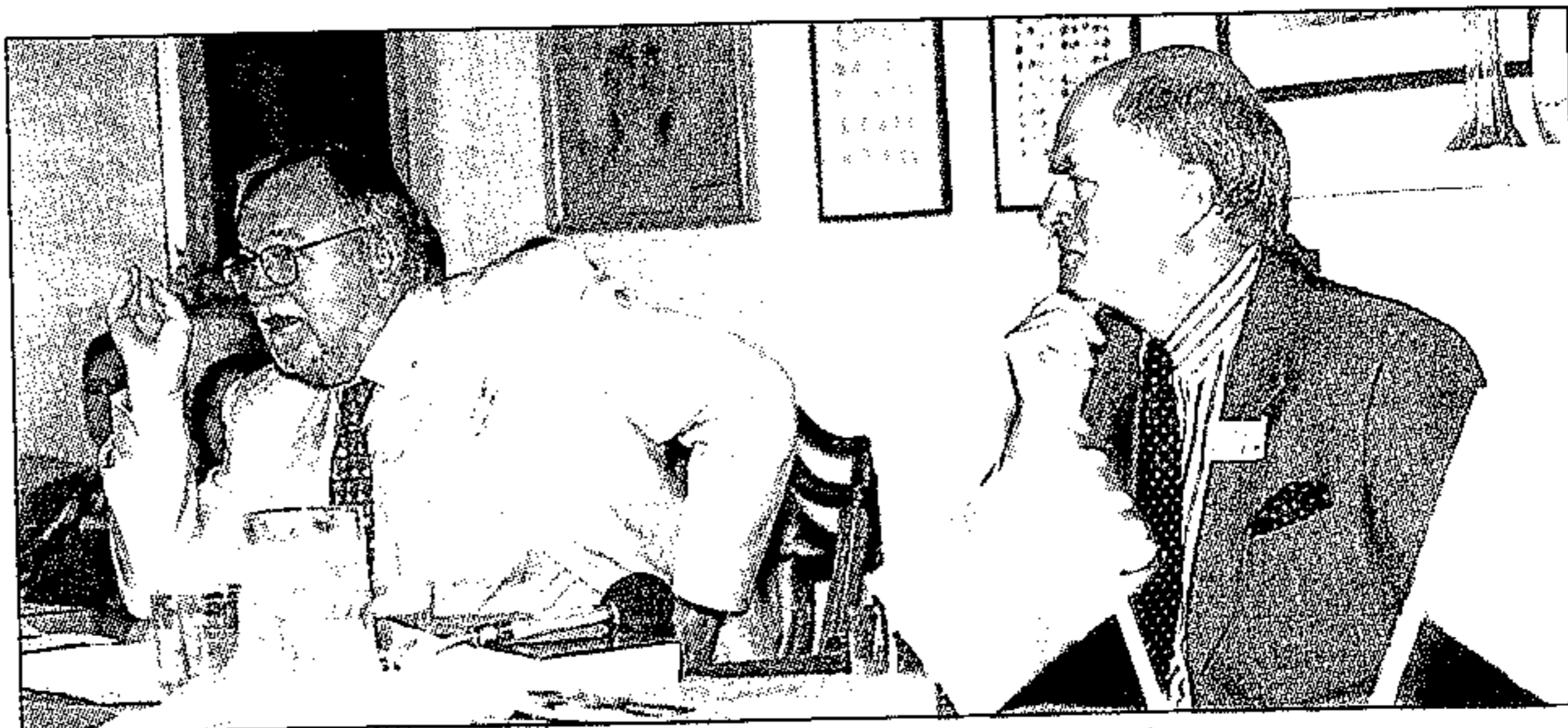
lodge an application to the Registrar of trademarks for their disputed trademarks.

Reed said he was not sure whether the trademarks could be registered while the court decision made earlier this month was on appeal.

He said he was shocked by the court's decision.

By that, he said, his department was not suggesting in any way that South Africa should bypass the legal system on such issues.

"We all have political responsibilities — they include defusing an issue like this — when the opportunity presents itself," he said.



Longworth (left) and Reeve . . . leading the charge

The seriousness of Britain's trade thrust is underlined by the recent visit of Trade Minister Anthony Nelson. His visit follows those of Queen Elizabeth II, Prime Minister John Major, Deputy PM Michael Heseltine, former Trade Minister Richard Needham, Minister for Overseas Development Lynda Chalker plus visits by top-level trade delegations and missions.

SA Foreign Trade Organisation (Safto) CE Johan Scheepers says the UK has, for decades, been one of our top four trading partners — it was once responsible for as much as a third of our foreign trade.

But from 1985 to 1994, the UK's share of SA imports dropped from 14,7% to 12,6%. There was only a slight drop in the proportion of our exports to the UK — from 10,8% of nongold exports to 10,2%.

Scheepers also points out that there were few British trade missions to SA during that period and most were not assisted by the British Department of Trade & Industry.

He says the recent increase in the UK's exports is a direct reflection of the growth in SA's imports due to the upsurge in our own economy.

"UK exports to SA may well have grown by 42% in the first six months of this year, but our total imports grew by nearly the same amount — so the UK is really only maintaining its position in overall terms."

Comparatively, SA's import bill from Europe grew by 38% in the first six months while its overall imports grew by 41%.

"Nonetheless, in view of the huge influx of suppliers from countries with which SA hardly traded in the past, the UK can be pleased that it has maintained its position in our market. This is no doubt a direct result of the determined drive by UK business people, now assisted by the British Department of Trade & Industry."

And, says British High Commissioner to SA Sir Anthony Reeve, Britain is also the biggest foreign investor in SA.

"Our stake has a market value approaching £10bn (around R56bn), while in 1994 total trade between Britain and SA was valued at £2,2bn. It is in our joint interest for

this trade to grow. Likewise our investment, strategic alliances, joint ventures in domestic and third party projects, involving both public and private-sector enterprises."

British Consul-General Peter Longworth says the 130-140 companies attending the recent Johannesburg trade fair, Britain Means Business, was "the biggest ever in SA and one of the biggest British trade shows anywhere." Top British companies, including British Aerospace, Rolls-Royce, Bovis International, BP, ICL, JCB and Littlewoods, as well as the Scottish and Welsh trade offices, took part in the three-day Nas-rec show.

"But, apart from the show, workshops and meetings were held in various parts of Johannesburg, focusing on issues like training, industrial design, primary health care, water technology and other important areas related to the RDP.

These were well-attended by leading local business and public-sector representatives and show Britain's seriousness in cementing strong links with the SA economy," he adds.

Britain is a leader in product design and its expert assistance could prove invaluable to local industrialists who are now beginning to meet with serious global competition in the post-Gatt trading world.

The major area of assistance provided to British exporters is in the marketing field, whether it be for trade missions, individual market visits and market research, or trade fairs.

UK/SA TRADE (74)

Full toss

FM 20/10/95

A concerted trade drive supported by the UK government has seen exports to SA surge 42% in the first six months of this year. Imports of British goods by SA have topped £900m, against exports to Britain of only £506,5m.

The all-out push is being made in the light of SA's burgeoning economic links with nontraditional east European, Middle East, Far East and Southeast Asian countries. Business pundits say the UK views the new connections as a threat to its long-standing trade relations with SA.

EXPORT OPPORTUNITIES

Manuel to push SA's case for access to Lomé accord

John Dladlu

TRADE and Industry Minister Trevor Manuel would use this month's summit of the European Union and its African, Caribbean and Pacific partners to push SA's case for access to the Lomé convention, trade and industry chief director for foreign trade relations Faizel Ismail said last week.

The ministers' councils of the EU and ACP nations are expected to meet in Brussels later this month to confirm the mid-term review of the fourth Lomé convention — a trade, political and aid accord between the EU and its former ACP colonies.

Ismail said Manuel, who is expected to attend the meeting at the end of the month, would advance SA's request for qualified Lomé membership.

Although the EU has ruled out SA's full accession to the convention, it has made room for qualified accession.

SA is interested in certain

trade-related benefits, including a part in projects funded by the European Development Fund in southern Africa, as well as the reform of the rules of origin to foster closer regional co-operation.

The development fund, made up of contributions from EU states, is a financing mechanism of the Lomé accord.

The difficulties involved in granting SA full Lomé membership include the size of the SA economy, and that SA's admission could require a waiver from the World Trade Organisation — a step that might be cumbersome.

Ismail criticised the decision last week by EU ambassadors to further cut the list of SA's farm products qualifying for preferential market access to the 15-nation EU single market under the generalised scheme of preferences.

The list of agricultural exports was cut from 66% to 59%. The EU ministers' council is expected to confirm this decision.

Ismail said the decision made

the whole idea of a long-term trade relationship questionable.

It would prevent SA farmers passing on the benefits of improved market access to small farmer development and social responsibility programmes on the farms, he said.

"We've made it clear to the EU that more preferences for agricultural exports would increase the number of jobs in the industry, which requires low capital input."

The EU has proposed talks on the free trade area to govern trade relations with SA. The accord would see the EU opening its markets faster than SA.

The current negotiations also seek to forge a series of co-operation agreements, including political dialogue, aid and science and technology.

Although agreements in other fields — except a trade accord — might be reached next year, the implementation of these co-operation accords would happen only in 1997, he said.

BD 23/10/95 (74)

Russian province to set up trade house in Durban

(74) BD 23/10/95

Nicola Jenvey

DURBAN — The Russian province of Udmurtia would establish a trade house in Durban next month to co-ordinate business links and joint ventures between KwaZulu-Natal and Russia, economic affairs and tourism ministerial adviser Bheki Langa said at the weekend.

The trade house — which would be used for Russian product exhibitions as a springboard to the local market — was the direct result of an inward-seeking investment mission undertaken by KwaZulu-Natal economic affairs and tourism MEC Jacob Zuma.

KwaZulu-Natal would reciprocate attempts to develop two-way trade by establishing a similar institution in Udmurtia early next year.

Langa said there was also the possibility of opening a Russian bank in KwaZulu-Natal to ensure the foreigners had access to their own institution. Details had yet to be finalised.

Izhmash Afro-Russian Industrial Trading Corporation MD Anatoly Piskounov said Russians had "a vast interest" in investing in KwaZulu-Natal, but required the support and backing of their own local bank to facilitate deals.

"This is the way we feel most comfortable about doing business," Piskounov said.

Langa said talks were under way with the Udmurtia provincial government to establish a branch of the Mezcom bank, but this was "a long way off".

Potential bilateral trade would include paper and pulp, chemicals, petrochemicals, motorcycle and vehicle production and tourism.

Forty percent of Russia's defence production was situated in Udmurtia and Langa believed KwaZulu-Natal would benefit from access to this technology.

Call for social clause is fair, says Shilowa

(74) B0 23/10/95

Renee Grawitzky

DEMAND for the inclusion of a social clause in international trade agreements was not being used to protect SA workers against their counterparts in countries where trade and human rights were suppressed, Cosatu general secretary Sam Shilowa said at the weekend.

This demand — not exclusively a Cosatu demand — was an attempt to ensure that a country's competitive edge was not achieved by repression and violation of worker and trade union rights, he said.

Labour Minister Tito Mboweni, at a recent International Labour Organisation (ILO) conference, said a country could not seek to have a competitive edge based on suppression of trade union rights.

Government's position — that such issues should be discussed at a multi-lateral level, for example, with the ILO — was not acceptable to Cosatu or the international trade union movement, Shilowa said.

If government wanted the unions to support free trade it had to accept the demand for the inclusion of social clauses in trade agreements.

Shilowa said: "We must be concerned about the absence of rights of workers producing goods we buy in the same way employers are concerned about free trade and barriers which could prevent free trade."

National Union of Metalworkers general secretary Enoch Godongwana

said: "We are calling not only for free but fair trade ... we are not saying workers in Volkswagen in Germany should earn the same as their counterparts in SA, but rather that they must have the same rights, not necessarily the same standards."

This demand, Shilowa said, originated within the international trade union movement, which was sending a delegation to next month's Commonwealth heads of state general meeting in New Zealand, where the issue would be raised.

A document released by the Commonwealth Trade Union Council, to be presented to Commonwealth heads of state, said the social clause represented "codification of the basic human rights of workers", did not propose a global minimum wage and was "anti-protectionist, aimed at opening markets and increasing growth and employment".

The development of strategies around political, economic and social transformation would be discussed by Cosatu during a two-day workshop starting today. Shilowa said the meeting would focus on the "deepening of democracy in the country and the role the union movement should play in this initiative, with the implementation of the reconstruction and development programme".

A common vision had to be developed to galvanise forces within the mass democratic movement to drive the process of change, "with government being able to govern".

EU gives SA '59% favourable access'

Debra Percival

74
SD 24/10/95
BRUSSELS — SA will benefit from only 59% coverage of a potential list of tariff reductions under the EU's generalised system of preferences (GSP) until December 31, officials at the EU's council secretariat said yesterday.

The European Commission had requested a 66% eligibility.

European finance ministers approved the proposal in Luxembourg by written procedure in a decision that was four months overdue. Its key features include a 3,5% duty for avocado pears from December 1 to May 31 and 6% for avocados imported between June 1 and November 30.

Clementines, mandarines, tangerines and satsumas can be imported at 16% duty between May 15, and September 15,

whereas a 7% duty stands on grapefruit juice.

SA will not enjoy the same 100% access as some Latin American nations like Bolivia, Venezuela and Columbia.

The original timetable for improving GSP coverage for SA fruit and vegetables was July 1 this year. But some major EU agricultural nations — notably France, Spain, Portugal and Greece — opposed improved access for fear of affecting their own producers. They also argued that it would generate "false hope" in SA over future entry to the EU's market under the bilateral trade accord which is being drafted.

EU officials expect better access for SA under the EU's new GSP for developing nations due to start on January 1 next year. But talks over this new system could be protracted too.

Pinheiro wants free trade for EU and SA

BY JOHN FRASER

INDEPENDENT FOREIGN SERVICE

Brussels — The European Union, the world's largest free-trade bloc, wants southern Africa to follow its example.

This was a key theme of a conference held last week in Brussels on trade and investment between Europe and the SADC region.

The EU is negotiating a new relationship with South Africa, but there was consensus by the European and South African representatives that this must not be at the expense of SADC.

The EU Commissioner, Joao de Deus Pinheiro, announced that he was preparing a new initiative for southern Africa. This will be welcomed by those who are keen to see some progress in the EU-SADC dialogue launched at a ministers' gathering in Berlin two years ago, but which has since stalled.

There is one element of the EU negotiations with South Africa which is bound to intensify the debate over co-operation between South Africa and its neighbours.

Pinheiro hopes to persuade EU governments, and South Africa, that there should eventually be a Free Trade Agreement between the EU and South Africa.

However, economists believe it will be impossible to bring this into effect without

also bringing the Southern African Customs Union (SACU) states into the same free trade set-up.

The result will be that South Africa's neighbours lose a large chunk of the revenue they gain from the SACU system, which is heavily slanted in their favour.

EU officials are aware of the problem, and Steffan Smidt, Europe's director of development, has hinted that EU cash may be available to compensate the SACU states.

EU and South African negotiators have to remember that South Africa is seeking partial membership of the Lomé Convention, the EU's treaty with 70 developing countries, including all of South Africa's neighbours.

These countries will have a veto over South Africa's membership, and could use it if they feel that the SACU states will lose out from South Africa's closer ties with Europe. No doubt Pinheiro is pondering how to keep all the SACU states on board once a deal with South Africa is thrashed out.

However, the EU is not just interested in regional integration in southern Africa because of its impact on EU-South Africa relations. The EU itself began as the common market, a free-trade area, and Brussels officials have an evangelical bent for this sort of integration between neighbours.

Durban port 'an open door' for smugglers

Nicola Jenvey

(74)
BD 25/10/95

DURBAN — Durban, the busiest container port on the African coastline, had been rendered an open door to smugglers and defrauders by a lack of customs and excise staff, a senior official said yesterday.

Customs and excise auxiliary services deputy commissioner Sarel du Plessis said restrictions on recruiting had left Durban staff able to check just 1% of the 2 000 to 4 000 containers that went through the harbour every day. The port, which needed a 300-strong post-clearance staff to have any effect in combating fraud, had a staff of 30. Many posts were vacant, including that of the main director.

"The public knows our manpower is limited, and this is an incentive to smuggle or defraud," Du Plessis said.

Up to 25% of the consignments that were examined had been fraudulently documented. False invoices and partial declarations were prevalent, he said.

He could not estimate how much SA lost annually through defrauding, but said post-clearance investigations in the year to June had recovered R95m from importers. "If the department had 300 law enforcement officers for post-clearance investigations, it would be possible to visit the premises of every SA importer. This would act as a deterrent to dishonest importing."

Staff increases had been impossible because of a moratorium on appointments. New staff often needed more than five years of training before they were effective.

Du Plessis said customs and excise's R98m budget was insufficient.

The finance department is expected to unveil its proposals on reshaping the customs and excise department tomorrow. Cabinet has approved the department's restructuring.

Government drops rights clauses from trade deal

John Dlodlu

GOVERNMENT has backed down on its demand that the Philippines safeguard human and worker rights as part of its trade agreement with SA.

In the strongest sign yet that the social clauses issue is slipping from SA's trade agenda, Filipino ambassador to SA Leonides Caday said yesterday SA's trade and industry department had dropped its demand for the clauses in a proposed trade deal.

The move, which follows the disclosure last week that government had softened its stance on the issue, emerged in talks with SA officials last month, Caday said.

A government official also said SA's earlier stance was a "miscalculated move" in that government had insisted on the matter before securing consensus within SA. The clauses — proposed by the labour constituency of the National Economic, Development and Labour Council — include workers'

(74) BD 25/10/95
rights to bargain and strike, and a ban on child labour and discrimination.

Caday said SA negotiators indicated last month the clauses were still at a preliminary stage of discussion at the International Labour Organisation (ILO), and the proposal for including them in the agreement had been done at the insistence of labour unions.

Nedlac is due to discuss the issue tomorrow, although Cosatu has already warned that government's backtracking could put it on a collision course with labour. Cosatu secretary-general Sam Shilowa last night said only that government had not informed Cosatu of its changing stance.

Caday said his country favoured an ILO agreement on the inclusion of social clauses. However, it felt the time was not appropriate for them to be written into trading arrangements.

SA has previously failed to sign trade deals with Malaysia, Thailand and Cuba because these countries have refused to uphold the social clauses.

EU 'should open all its trade doors to SA'

BD 25/10/95 (74)

BRUSSELS — The European Union should set up a free trade area with SA covering all the main economic sectors, the European Commission said yesterday.

The proposal, which would be sent to EU ministers for approval, followed the interest expressed by SA last month in a free trade zone.

"The creation, after a transitional period, of a true free trade area must conform with the new rules of the World Trade Organisation," the commission said.

Under the new world trade agreement no major sector can be excluded from a free trade area, meaning that farm trade would be included along with services, such as shipping, telecommunications and banking.

But SA should be given time to restructure its economy, especially uncompetitive sectors, the commission said, and the EU would need to protect industries such as steel and textiles.

The proposed free trade area should also not interfere with SA's growing links with regional organisations, such as the 12-member Southern African Development Community.

The EU and SA started negotiations at the end of June for a long-term bilateral trade and co-operation agreement, and to link Pretoria to some of the benefits of

the Lomé Convention.

Louise Cook reports the tariff reductions granted to SA in terms of the EU's generalised system of preferences (GSP) on farm exports have come under strong criticism from the farming industry.

The deciduous fruit industry and subtropical fruit growers' associations said they agreed with the views of SA ambassador to the EU, Neil van Heerden, who earlier had described the cuts as "highly selective, limited and late".

Unifruco CE Anton du Preez said the deal did not mean anything. "It will have only minimal advantage. The majority of agricultural products will not benefit in any way because the products mentioned are insignificant."

Subtropical fruit growers' association chairman Lindsey Milne said the SA avocado season ran from April to October and exporters would not really benefit as the tariff cuts on the fruit applied only between June and November and between December and May.

The Brussels deal also came four months late — the original timetable for improving GSP coverage for SA was July. France, Spain, Portugal and Greece feared the effect of improved access on their own farmers and opposed the proposed concessions, delaying negotiations. — Reuter.

Manuel urges ⁽⁷⁴⁾ joint APLT 25/10/95 ventures

JOHANNESBURG. — Trade and Industry Minister Trevor Manuel urged delegates to Saitex to look beyond the boundaries of the trade fair towards joint ventures with South African firms, particularly in previously disadvantaged sectors.

Addressing them at the opening of the third annual South African International Trade Exhibition in Johannesburg, he said an objective of the fair was the rebuilding and reconnection of trade links between the region and the world.

Southern Africa was becoming an increasingly important region for trade, not only because of its geo-strategic position, but also because of its infrastructure and industrial base, which was being redeveloped to suit global trends and meet international standards, Mr Manuel said.

South and southern Africa considered themselves good destinations for investment, not just "a seller's market".

He said South Africa's gross domestic fixed investment had risen significantly in past months and business confidence was at present the highest it had been in many months.

He urged the delegates to "beat the rest who are still trying to make up their minds on whether to invest" in South Africa.

Saitex is the largest multi-sector trade fair in Africa, with more than 1 000 exhibitors from more than 60 countries.

— Sapa.

SA trade negotiators undermining exporters

ET(PA) 26/10/95 (74)

By SHIRLEY JONES

STAFF WRITER

South African trade negotiators, intent on being the good guys in dog eat dog international trade politics, could be undermining the future of South African exporters.

That is the opinion of business leaders who feel that South Africans need to wake up to undercurrents in the international trade negotiations arena, toughen up and single-mindedly look to getting South African goods on to overseas shop shelves.

According to Mark Lowe, the chairman of the KwaZulu Natal Exporters Association, the soft approach prejudicing local exporters' interests is best illustrated by the cutbacks by Italy, Spain, France and Greece on trade concessions for South Africa.

He said the EU ambassadors' three-month delay on an agreement on the Generalised System of Preferences (GSP) for agricultural products from South Africa, coupled with a cutback on benefits for 15 items, was typical of international trade politics — hold back until you can get the best possible deal.

"We need to look to the East and ask if those countries are sticking to GATT. Their own interests are uppermost on their agendas."

Lowe warns that, because of isolation during the sanctions era, South Africans simply do not know the rules. This is worrying because it comes on the back of the loss of General Export Incentive Scheme (GEIS) incentives. As a result, most small to medium exporting operations that currently claim just 10 to 15 percent of GEIS benefits may have to quit exporting altogether.

According to Lowe, South African exporters are currently in no man's land — an issue he hopes will be raised at a meeting between the Department of Trade and Industry and the KwaZulu Natal Exporters Association's parent body, the Private Sector Export Advisory Committee (PSEAC), in mid-November. This body works closely with the Department of Trade and Industry in an advisory capacity.

Nora Hill, a co-delegate representing Sacob on the committee, is more outspoken in her criticism of the wheeling and dealing that underscores agreements within the international exporting arena.

"South Africa is always the nice guy, the disciplined one, that goes all out to do everything right. Meanwhile, the others operate in the dirty tricks department, doing whatever they like to protect their own interests until they are caught."

Explaining that agricultural, clothing and textile exports have traditionally been sensitive as far as negotiations with the EU are concerned, she also says that South Africans need a more far sighted approach.

Hill says emerging supply-side measures, chiefly aimed at much needed human resource development, will not radically enhance the competitiveness of South African products in the short term, no matter how laudable.

"International guys are not interested in our problems. They are looking at what is in it for them. The Mandela factor is waning and this country is no longer a novelty. We have no investment policy and no tax incentives to offer. Our labour is not productive. We need an investment policy that is very attractive and we have to do something very fast."

The PSEAC was particularly active before the establishment of Nedlac and could continue to be, says Hill. The Trade and Industry Chamber of Nedlac was too wide, with exports just one area of interest. In contrast, this body focuses purely on exporters' needs.

She says the status of the two bodies is not sufficient to guarantee the future of local exporters. Clashes between the Department of Trade and Industry and the Department of Foreign Affairs in the international export arena also need to be sorted out.

Hill praises the Department of Trade and Industry's stance on reducing protectionism and forcing South African industry to stand up for itself, but she says there is a need for this hard line to be carried forward into international negotiations.

'South Africa is always the nice guy, the disciplined one that tries to do things right'

TRADE

Route to the East

(74) FM 27/10/95

SA's future as a regional power is linked to that of the subcontinent



Over the past few weeks it has become clear that SA has lost the battle for Europe. Or, put another way, it cannot expect even limited Lomé Convention status, which would have given easy access for SA

exports to EC markets without a reciprocal reduction in our trade barriers.

We have won some concessions in Brussels, but by and large our main trading partners in Europe have shown a strong preference to express their affection for SA through aid rather than free trade.

It is time to put Europe behind us and focus our trade, if not our entire foreign policy, on other regional realities. If we are serious about uplifting the poor through a commitment to economic growth, we must avoid the ennui that preoccupation with domestic problems, difficult though they may be, tends to encourage in a government struggling to find its feet.

There are obvious advantages in our becoming part of an Indian Ocean Rim trade bloc. Among the core group countries — India, Singapore, Kenya, Mauritius, SA, Oman and Australia — there are identifiable interests, unity of thought, confluence of size and levels of development that favour the encouragement of free trade through market-friendly policies that have been applied voluntarily.

The creation of this bloc should not be what the Foreign Affairs Department calls a "slow track initiative" (*Leading Articles* April 21). The examples of the Pacific and Atlantic blocs are there to emulate. The core partners can negotiate as equals with substantial unity of purpose.

Nor is it necessary for SA to make a choice between the Indian Ocean Rim and southern Africa. Both are important, can be negotiated or pursued simultaneously and are actually interdependent.

But even in southern Africa, despite the grand ceremonies of our joining the Southern African Development Community, there is little enthusiasm and even less initiative coming out of Pretoria. "There's a feeling in SA," says

Africa Institute current affairs head Richard Cornwell, "that we've got enough problems of our own and don't want to seem to be acting like the big boy."

That's regrettable. SA does dominate southern Africa economically (its gross national product accounts for more than 40% of sub-Saharan Africa's) and it's generally accepted that SA's economic future is inextricably tied up with those of its neighbours. If our economy strengthens steadily while theirs don't, their people will continue flocking to SA.

Cornwell believes successful economies in neighbouring countries are important for other reasons as well. "SA's agricultural industry cannot possibly sustain the population for much longer," he reckons. "We must look to areas in Angola, Zambia, southern Tanzania and northern Mozambique."

Zaire's development will also be important to us, he adds, because of its pivotal role in providing SA with hydro-electric

power, a key component, Cornwell points out, of SA's future energy supplies if it is to avoid having to build many thermal power stations during the next century.

Some will argue that removing all trade barriers between SA and fellow members of the Southern African Development Community in eastern and southern Africa would harm local industry and aggravate joblessness. But the signing of the Gatt agreement in Marrakesh means SA will in any case in the years ahead have to lower tariff barriers substantially, not only for southern Africa but for the world.

SA exports much more to the rest of sub-Saharan Africa than it buys from these countries. Last year, our exports to Zimbabwe, Mozambique, Zambia, Kenya and Malawi (our main trading partners in Africa) were, at R6,3bn, almost five times as much as our imports from them.

That can be explained partly by the removal of sanctions but also because SA manufactures are substantially cheaper and more suited to these markets than similar ones from the industrial West. Another factor is the inability of African countries to supply SA competitively and appropriately.

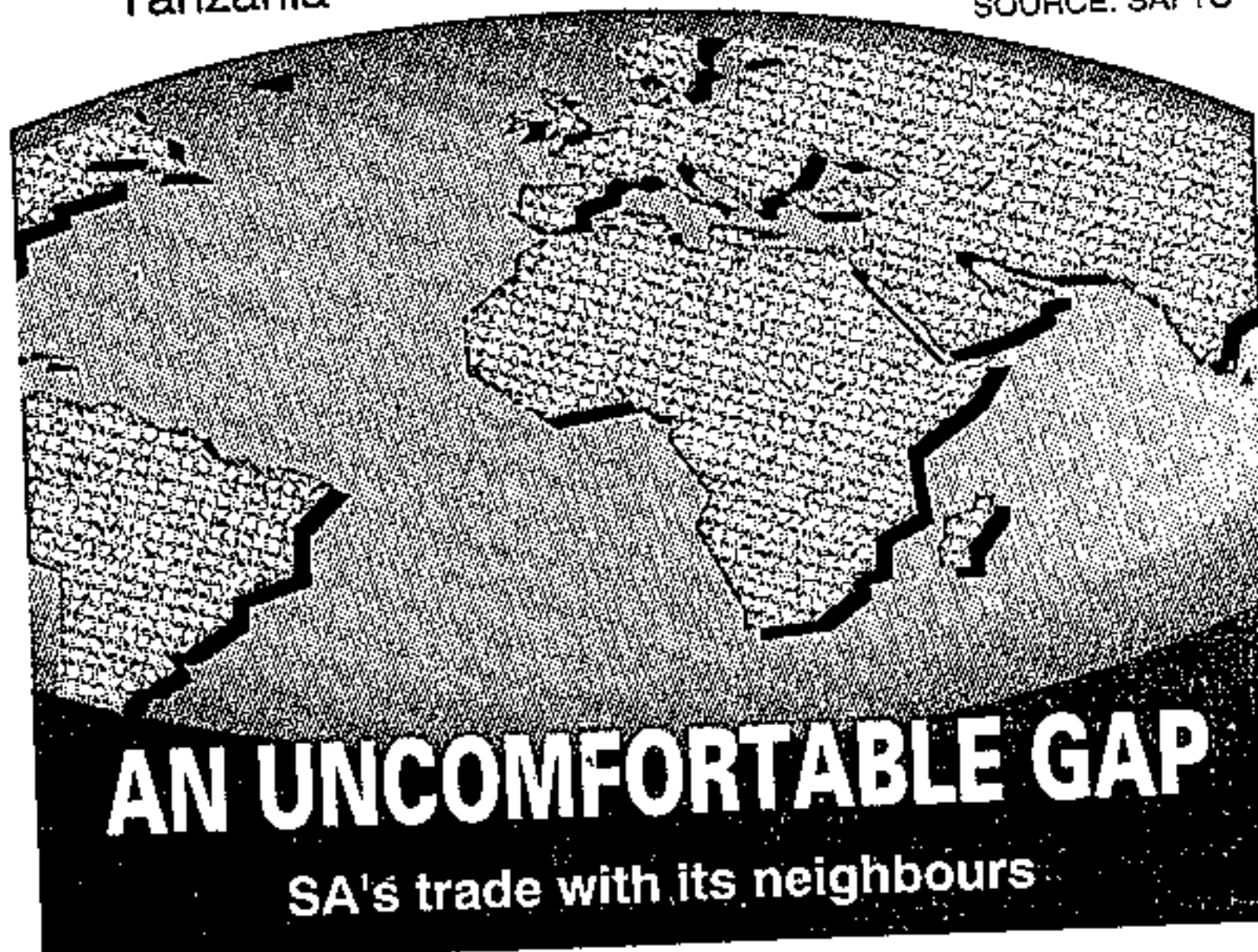
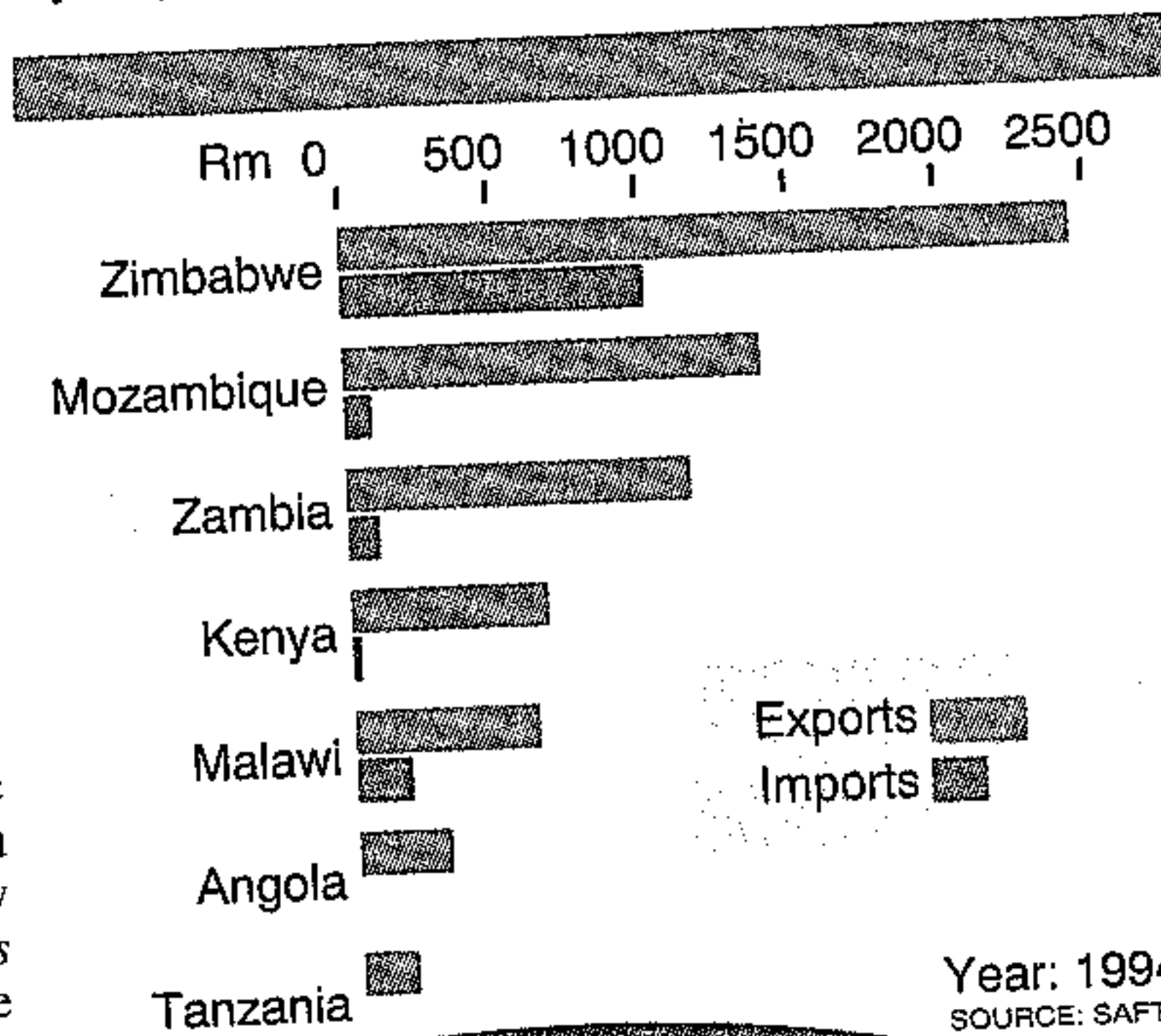
The biggest item in SA's African imports is precious stones & metals, followed by textiles, prepared foodstuff, beverages, tobacco, vegetable products, base metal and mineral products. By contrast, machinery and equipment, chemicals and vehicles make up much of our exports to Africa.

The continuation of such a huge trade imbalance already has some people talking about neo-colonialism.

Yet the best hope of regional upliftment lies in deploying SA skills and capital through southern Africa. If our neighbours lack markets to support their fledgling industries, it's mostly because those industries are not run well enough to win substantial exports even on the subcontinent. Indeed, by far the greater part of the region's trade is with countries outside it.

SA companies have not been slow to become involved elsewhere in Africa, sometimes hungrily seeking opportunities beyond our border either in search of raw materials or appropriate consumer markets.

The past year or so has seen expansion north of the Limpopo by SA mining corporations, including JCI, De Beers and Gencor. Engen, Protea Hotels, SA Breweries, major retail giants (including Pick 'n Pay, Shoprite Checkers and Pep Stores), Standard Bank, Eskom and SAA have undertaken their own business safaris.



This suggests SA business has an affinity with Africa, a familiarity with the way it thinks and operates, that could see it in time take the lead in development, at least in southern Africa.

Says Exhibition Management Services MD John Thompson: "Throughout Africa, multinationals are increasingly telling SA companies: 'You understand them and the way they work; so you take over and run it.' Toyota is an example. Toyota SA was never allowed into the rest of Africa, which was handled from Japan. Now it supplies the whole region. In my experience, Africans would rather deal with South Africans than with Europeans or Americans."

Two months ago, Trade & Industry Minister Trevor Manuel said he could not see the SA Customs Union — of SA, Namibia, Botswana, Lesotho and Swaziland — being extended to the rest of the Southern African Development Community "in the short term." This is hardly surprising as the union is a controversial one. Revenues from customs and excise duties are pooled by the Reserve Bank and distributed to members according to a formula that takes into account the loss of fiscal sovereignty and the tendency for industry to concentrate in SA.

SA believes it does not get its fair share of the pool. The other members believe that as their economies have grown faster than SA's, their share should be greater.

The union has hung together since 1969 and is complemented by the Common Monetary Area. But, effectively, these members have traded sovereignty for certainty and are in all practical respects SA's vassals.

Their economies are so small (their combined GDP makes up about 5% of SA's) that even apartheid had to be endured though they made a pretence at independence. The larger economies of the region, especially those with substantial potential, are not likely to be as pliant.

There has, however, been a substantial harmonisation of macro-economic and other policies in the region (urged by the IMF on reluctant governments) which has led to greater trade liberalisation.

But great differences occur over the question of human rights, the freedom of trades unions to organise and in the supply of social services. There are sharp differences, too, over the mobility of labour.

The two other groupings in the area are no more than aspirational organisations. They are the Southern African Development Community, formed to reduce southern Africa's dependence on apartheid SA, and the Common Market of Eastern and Southern Africa. Both hope to establish common markets.

Another problem is that SA's domestic aspirations, especially through the Reconstruction & Development Programme, are likely to be at odds with its free trade commitments under a regional bloc.

These differences are being aggravated by the constant stream of illegal immigrants into SA, which is aggravating social and unemployment problems.

Perhaps the biggest impediment to free trade and the development of southern Africa is the limited ability of SA business to invest capital elsewhere.

Reserve Bank exchange control head John Postmus says his department has for the past eight years had a more lenient policy towards investment in sub-Saharan Africa than elsewhere.

SA Reserve Bank Governor Chris Stals was asked early this year by his fellow central bank governors in the region to draw up a financial protocol. Among its aims are guidelines for cross-border investment.

The African forays of Anglo American, SA Breweries and Engen are among the SA initiatives which have benefited from International Finance Corp loans. The aim of this World Bank affiliate is to launch new

private-sector economic initiatives in the developing world. Its Africa department head, Tei Mante, says that his problem is a lack of entrepreneurs to back.

He is pinning his hopes on SA businessmen. "We're encouraged by the amount of business we're doing with SA concerns. We want to help them diversify up north."

Whether those sentiments will be regarded as quite so noble by the politicians of southern Africa is another matter. The key to their support for a southern African free trade area probably lies in putting forward a convincing argument that the whole sum of the resources of the region is worth more than the parts.

Moreover, if it can be demonstrated that a prosperous southern African trade bloc could achieve even greater prosperity from participation in an Indian Ocean Rim bloc, political opposition might become muted.

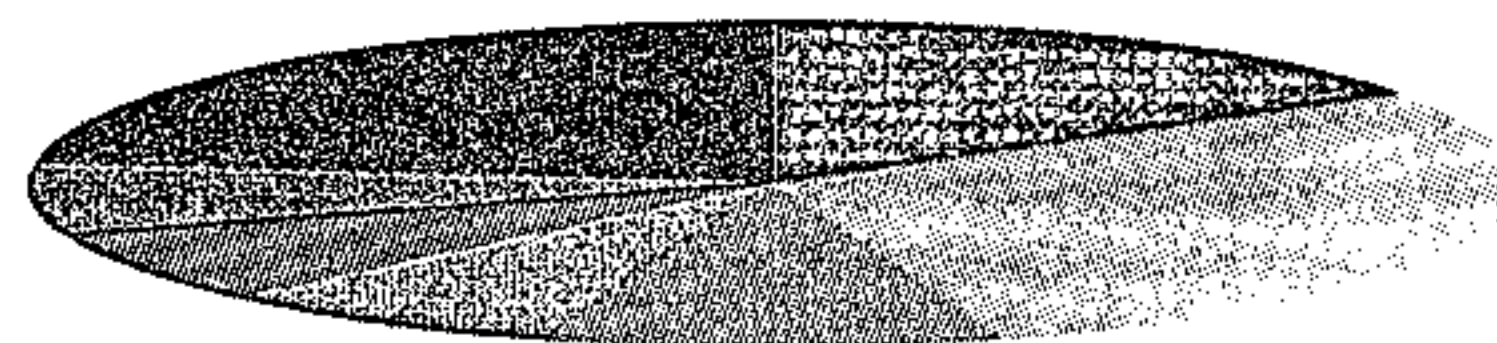
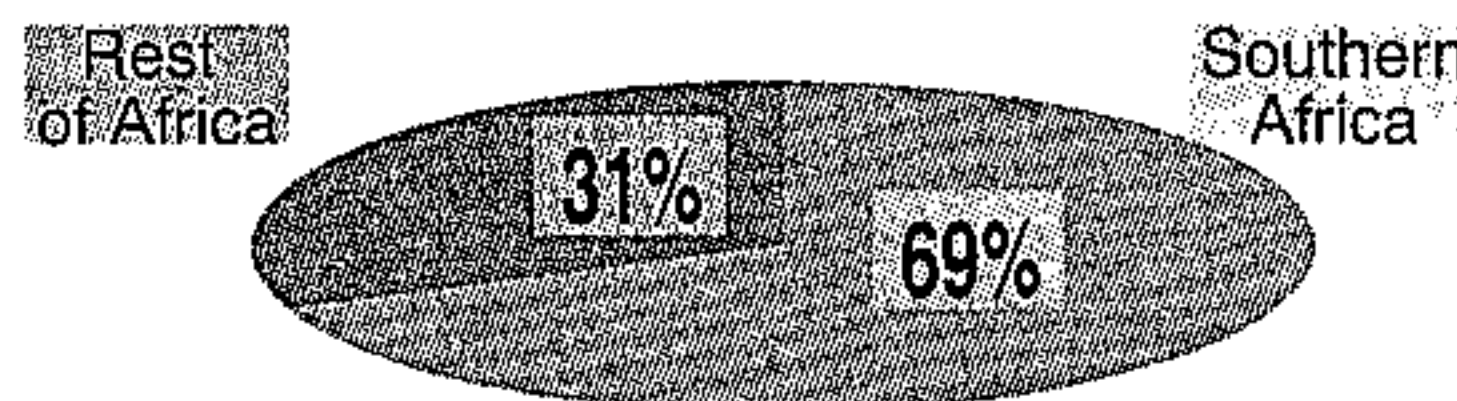
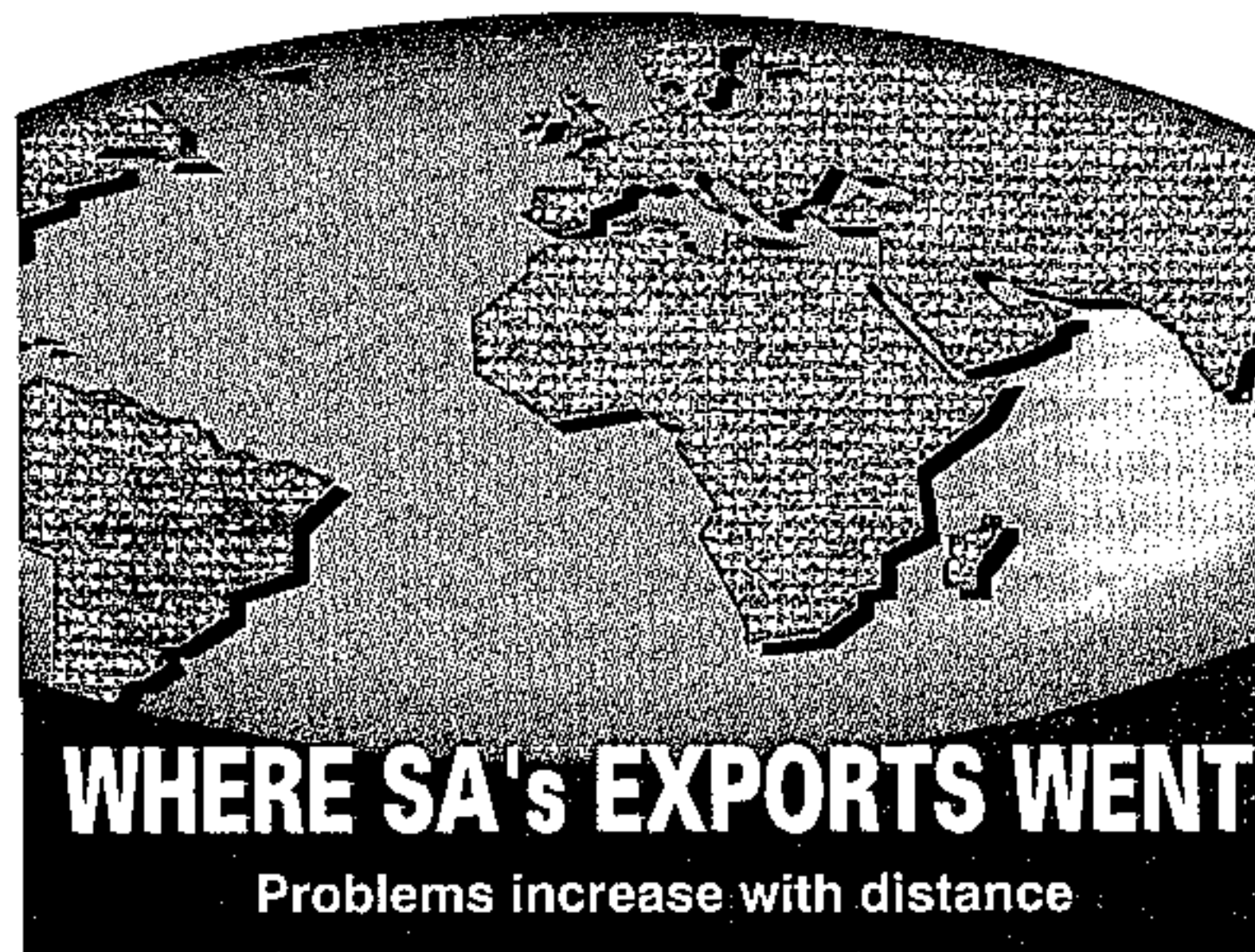
A few Southern African Development Community members already qualify as members of the mooted Indian Ocean Rim trade bloc. That grouping could eventually comprise 22 member states, stretching as far eastward as Malaysia and Australia and offering a total population of 1,5bn people, a third of whom are urbanised with all that implies for the development of skills and a market for consumer durables and industrial equipment.

But even before such a bloc becomes a reality, there is the lure of India. Though a poor country of 950m people, it has enjoyed the benefits of economic reform in recent years that have seen the real incomes of hundreds of millions of employees soar.

Most of those people live and work in the western state of Maharashtra. The market they present is regarded as one of the world's most exciting and southern and eastern Africa have a link with it through Indian communities.

These are markets that most of the countries of southern Africa, except SA, are just too small, feeble and poor to exploit on their own. Their prosperity lies only in some form of alliance. And the degree to which this realisation can be turned into reality depends on SA's diplomatic ability to mitigate their fears of loss of political sovereignty and convince them of the material benefits offered in return.

That should now be the foremost task of the ministries of Foreign Affairs and Trade & Industry.



- Machinery & equipment 16%
- Chemicals 15%
- Base metals & articles thereof 14%
- Vehicles 10%
- Prepared foodstuffs & beverages 8%
- Vegetable products 7%
- Pulp & paper 7%
- Other 23%

Year: 1994

SOURCE: SAFTO

Social clause 'has not been dropped'

BD 27/10/95 (74)

John Dlodlu

GOVERNMENT has moved to dampen growing anger within the ranks of its labour partner at the National Economic, Development and Labour Council following reports that it has dropped the proposal to include social clauses in trade agreements.

State representatives at Nedlac's trade and industry chamber yesterday denied they had withdrawn a demand requiring SA trade partners to protect workers' rights to strike and collective bargaining, as well as agree to a ban on child labour, Nedlac sources said last night.

Labour spokesman at Nedlac Hebert Mkhize said government had assured labour that it had not withdrawn the proposals.

This assurance came amid disclosures that government negotiators had dropped the demand in talks with the Philippines.

On yesterday's undertaking by the state, Cosatu secretary-general Sam Shilowa said: "Our people (at the talks) gave us the sense that we can now move forward with little conflict ... the processes are back on track."

However, labour would not back a proposal to set up a working group to begin negotiating the social clauses until government had clarified progress made on bilateral talks with Cuba, Malaysia, the Philippines and Thailand.

Mkhize renewed the threat of resistance against backtracking on social clauses. "We'll mount a campaign to fight it (backtracking)," he said.

A tripartite commission would be set up to negotiate labour's proposal for the establishment of a business-funded pool to help retrain laid-off workers, it was announced yesterday.

After a briefing by Public Enterprises Minister Stella Sigcau, Nedlac executive director Jayendra Naidoo said a multiparty sub-committee would be established "pretty soon" to look into the restructuring of state assets.

At the briefing, labour and business had expressed concerns about the job security of employees of state enterprises — notably, in Telkom and Transnet — caused by the process of implementing guidelines on the reorganisation of state enterprises, he said.

Renee Grawitzky reports the joint training of worker and management representatives around the new Labour Relations Act was discussed within the labour market chamber of Nedlac yesterday.

Nedlac said this idea had been under discussion for some time. Labour proposed a "training week" similar to the recent "settlement week" — a joint initiative between the labour department and the Independent Mediation Services of SA to reduce the Industrial Court's backlog of cases.

Hectic times as trade with SA increases

Container depots throughout South Africa are bursting at the seams following the dynamic growth in international trade with the country over the past months.

The industry has been forced to expand and upgrade facilities to cope with increased volumes, yet it must still offer the same standards of service to its clients.

Sometimes, however, unusual requests and strange cargoes are thrust upon the operators of these depots.

The Durban branch of South African Container Depots (SACD) recently received a request to move an abnormal cargo. Although the list of abnormal cargoes moved by SACD is numerous, the company pulled out all stops after it received this re-

■ The industry has been forced to expand and upgrade to cope with new volumes.

quest from the Natal Parks Board.

A number of baby elephants had to be transported to Europe in open containers. This highly unusual and specialised cargo was transported by sea with concern for their safety being of prime importance.

With the pressure on space at SACD's container depots, the company has now been forced to upgrade facilities.

SACD's port and inland facilities have been swamped with cargo handling requests, according to Geoff Popple, SACD's Business Develop-

ment Director.

"We have had to upgrade our operations extensively at all our depots to cater for increased demand for export and import cargo handling. Because of demand and increasing land costs, we have had no choice but to go up. This has resulted in a multi-million rand equipment replacement programme, which includes two seven-high container stackers, a first for South Africa.

"Upgrading of machinery and equipment is one thing but controlling the logistic container handling nightmare is another," said Mr Popple.

SACD has implemented a major investment in computer technology, striving to give clients instant information about their cargoes and containers.

(74)
ARG 28/10/95

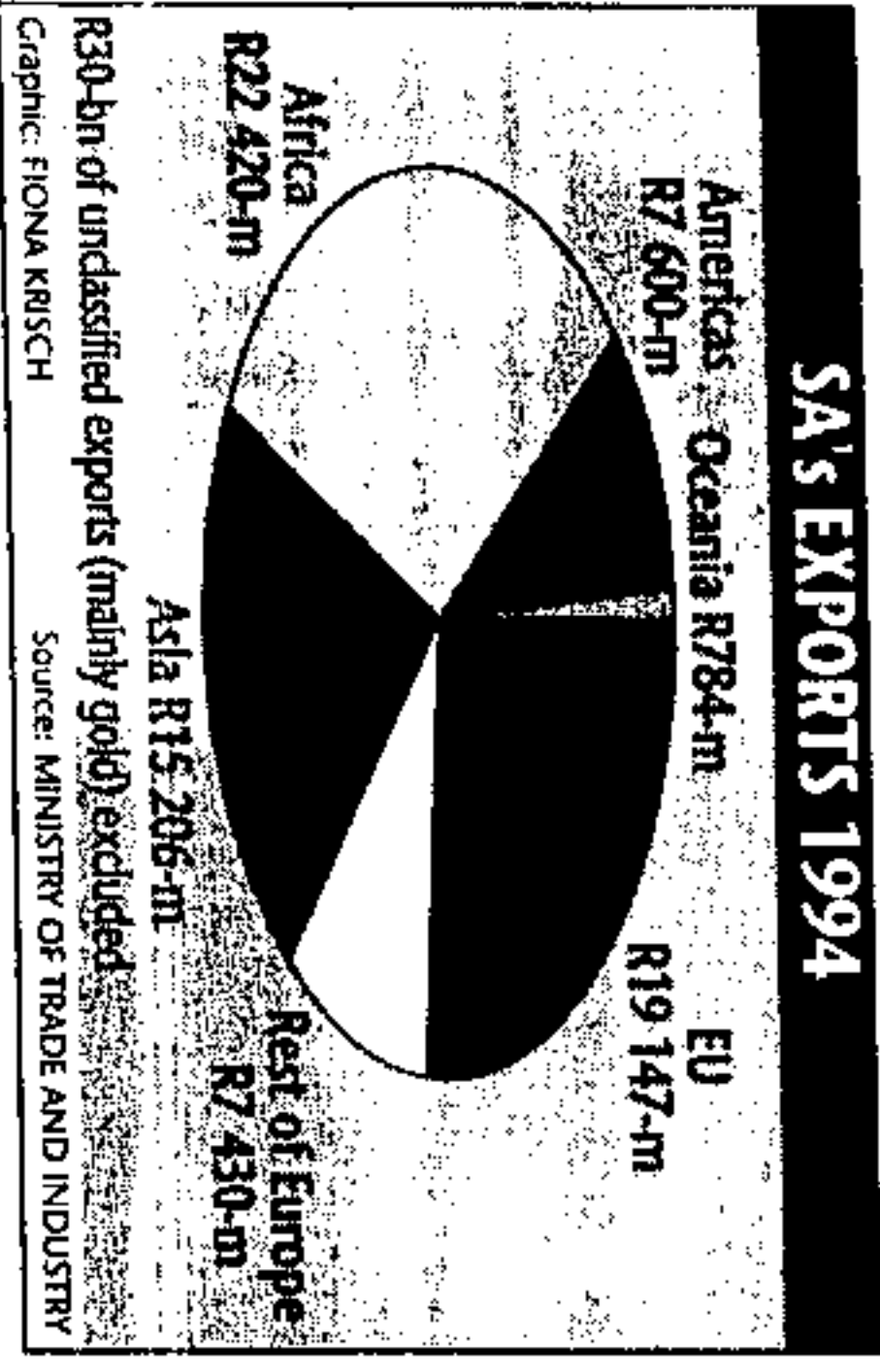
Trade makes SA a poor neighbour

SOUTH Africa's record to date in dealing with its neighbours suggests that the political rhetoric of closer economic and political co-operation is not matched by action.

With the exception of a new bilateral trade agreement with Zimbabwe — expected to come into effect on Wednesday — South Africa's actions to date have been more of a protectionist nature, as policymakers bow to the business and industrial lobbies.

At the recent annual meeting of the International Monetary Fund, Zambia lambasted South Africa for having easy access to southern Africa "while making access to its market very difficult".

South Africa's chair-



manship of the finance and investment portfolio of the Southern African Development Community has so far come to nought.

However, such political intransigence has not deterred South Africa's business sector from taking advantage of collapsing political barriers to make

THE ECONOMY

Despite the constant talk of neighbourly cooperation, the region's politicians have been dithering on measures to achieve just that. Business is leading the way, writes **SVEN LUNSCHÉ**.

Africa a successful hunting ground.

South Africa's exports to Africa (excluding those of the Southern African Customs Union) have risen more than five-fold between 1987 and 1994, from R1,62-billion to R8,63-billion.

The trade figures for

SAS AFRICAN TRADE PARTNERS - 1994

COUNTRY	EXPORTS TO (Rm)	IMPORTS FROM (Rm)	BALANCE
Botswana	4 171,5	5 66,8	3 604,7
Namibia	4 057,7	1 411,1	2 646,6
Swaziland	2 816,4	1 147,9	1 668,5
Lesotho	2 742,2	1 111,1	1 631,1
Zimbabwe	2 459,4	10 211,6	1 437,8
Zambia	1 158,7	1 93,9	1 054,8
TOTAL	27 497,9	5 691,5	21 806,4

Source: MINISTRY OF TRADE AND INDUSTRY, NEDCOR ECONOMIC UNIT

September, released this week, show a 63% year-on-year rise in exports for 1995.

Including SACU countries (Botswana, Namibia, Lesotho and Swaziland), total exports to Africa amount to about R22,5-billion, making Africa the second largest export re-

gion after Europe.

Trade with the continent weighs strongly in South Africa's favour: imports totalled R5,7-billion last year, leading to a trade surplus of R16,7-billion.

The surge in trade between South Africa and the region suggests that the prevalence of protective

tariffs have not acted as a deterrent to trade.

But overall, intra-African trade is still minimal compared with total global trade which is strongly focused on Europe.

South Africa's emergence has helped to change the pattern but a lot more

action is needed.

In a recent study the Industrial Development Corporation said the most appropriate focus of efforts at economic integration should be to lift the level of economic development in the region.

"Although important, trade integration through

the abolition of trade barriers is perhaps less critical than investment and infrastructural development, since trade reform amongst relatively poor countries is unable to stimulate development in the absence of investment in new economic activity," the IDC said.

The report made three key recommendations to facilitate closer trade:

- The elimination of exchange controls to allow for a free flow of investment funds, expertise and entrepreneurship.
- The development of new, and the upgrading of existing, infrastructure.
- Enhancing the physical integration of the region in functional areas such as water utilisation and electricity supply.

Zimbabwe stays top SA trade partner

John Dlodlu

BO 30/10/95

(74)

ZIMBABWE has maintained its position as SA's main trading partner in Africa, especially in the southern African region, despite long-running uncertainty over its preferential trade status with SA.

According to the latest bilateral trade figures collated by the Industrial Development Corporation, SA's exports to Zimbabwe for the first half of the year surged 77% to R1,7bn.

During the first half of 1995, SA bought Zimbabwean products worth R455m. This figure repre-

sents a modest rise of about 3,2% from the period in 1994.

SA Foreign Trade Organisation economist Anne Moore said at the weekend: "Zimbabwe and SA have been good trading partners for many years. These (figures) show that business links are strong and well established."

IDC data shows Mozambique is the second biggest buyer of SA exports. In the first half of the year, Mozambicans bought SA products worth R948m, compared with last year's R621m. In the period under review, Mozambican imports to SA grew 22% to R55m.

Lomé may be on its last legs

By PETER BLACKBURN

CT(BR)30/10/95

(74) (56A)

Brussels — Ministers from some of the world's richest and poorest countries will converge on the Indian Ocean island of Mauritius next weekend to put what may become the final seal on a special relationship of 20 years.

Close to the island's palm-fringed beaches, ministers from 15 European Union (EU) and a group of 70 countries from Africa, the Caribbean and the Pacific (ACP) are due to sign a new aid package under the Lomé convention.

The convention, hailed as a model for co-operation between industrialised and developing countries at its launch in 1975, is unlikely to be renewed when it expires in 2000.

Increasingly seen as a relic of the colonial past, its financial and commercial advantages have become

difficult to defend against competing claims from poorer Asian and Latin American countries as well as those of eastern Europe.

But the EU has agreed to pump in an extra 22 percent in aid, worth \$19 billion, to help the 500 million people in the ACP countries over the next five years.

"This increase demonstrates the EU's determination to keep the ACP states and their development at the top of the agenda," said Joao De Deus Pinheiro, the EU development aid commissioner.

But he also said the EU was making a special effort to assist prospective new members from eastern Europe and had increased aid to north African countries.

In an effort to revitalise the ageing Lomé partnership and to soothe public unease, the EU introduced new measures to ensure that human rights were respected and that aid

was used as effectively as possible.

Democratic government and rule of law were added to the convention's objectives in addition to a clause allowing for aid and trade benefits to be frozen if human rights were violated.

Pinheiro said efficiency would be the key word for aid. The EU had taken steps to speed up aid disbursement by cutting red tape and playing a bigger role in preparing development projects.

Although the EU granted some extra trade concessions, the main emphasis would be on helping the ACP countries to compete on world markets and develop dynamic small businesses.

Despite important trade benefits, the ACP share of the EU market has been halved to less than 4 percent since the first pact was signed in Togo 20 years ago.

Under Lomé, the EU offers free

access to all ACP industrial goods and many agricultural products so it appears there is little scope for further concessions.

Successive rounds of tariff cuts under world trade accords have eroded privileges enjoyed by the ACP states and focussed attention on the need to compete and develop regional trade.

Although it may be on its last legs, the Lomé convention has still attracted South Africa as a prospective associate member but because of its economic size and relative wealth it can get only limited trade breaks.

Mauritius, with its mountainous peaks and coral reefs, has been a major beneficiary from Lomé. The convention helped it to diversify from sugar into textiles and tourism, and rise into the ranks of middle-income developing countries. — Reuter

South Africa's negotiations with the European Union might be boringly technical, but each and every one of us will be affected, writes Foreign Editor Dale Lautenbach.

Trade accord will benefit all

Details of the highly technical (and dare one say boring) negotiations between South Africa and the European Union have rightly featured consistently in our sister newspaper, Business Report.

But the cold reality is that the outcome of these talks will have an impact on many aspects of South African life.

If we bow out of the debate, leaving it to the technocrats, diplomats and a few interested business parties, we bow out of a process which will, quite literally, determine the price of apples and pears.

Admittedly there is very little to liven up the story of technocrats meeting in smoke-free rooms.

The fact that later this week a gathering with bearing on the subject takes place in Mauritius will not make the dialogue any more engaging: only the view will be prettier.

Following South Africa's democratic elections, the EU could, for the first time, engage directly and officially with the South African Government.

Prior to that, all its assistance was channelled through non-governmental organisations and South Africa had no access to advantageous trade deals.

Now the EU is engaged in talks with the official South Africa that will shape all aspects of the relationship between the two: from trade, to aid and development co-operation, to scientific exchanges and even a political

relationship.

Obviously the complexity of these talks is enormous, but there are two main tracks along which the negotiators are travelling.

The one is a bilateral trade agreement, the other a plan that South Africa should have partial access to the Lomé Convention, the pact binding 70 of the world's poorest nations in Africa, the Caribbean and the Pacific to the 15-member European Union.

The trade access for these 70 countries to the EU markets is about as good as you can get in today's GATT-driven world, but South Africa does not qualify because, to put it crudely, we are too rich in the eyes of Europe.

Regionalisation

In Mauritius this week, if one can tear one's gaze off the turquoise bay, the eighth revision of the fourth Lomé Convention will be signed to see the agreement through to the end of the century and, some say, to the end of the life of the convention itself as the world tends towards greater regionalisation.

Because South Africa is still negotiating the details of its access to the convention, the Mauritius meeting will be asked to approve a "hook", a device in the convention on to which the South African agreement will literally be hung, once it is reached.

At issue here are some highly technical arrangements for things like the rules of origin of products, access for South African companies to EU-funded

(74) Star 1/11/95
projects in the member countries of the convention, various scientific and technical co-operation protocols, and, because politicians must bless this whole package, with various political protocols.

There are going to be little skirmishes around some of these areas but the big battles are going to be on the trade track.

Here, the offer from the EU is that of a free trade agreement or status quo, the latter being what is called Most Favoured Nation status with access to the non-negotiable generalised system of preferences.

Presently about 70% of South Africa's exports to Europe enter that market duty-free but the downside is that most of these are declining primary products and it is in the remaining 30% area of products that we have to fight for room to grow.

Europe envisages that South Africa's markets will be allowed a period of grace (about 10 to 12 years) before having to open fully to European competitors.

There is understandably a great deal of nervousness in the Department of Trade and Industry and in Foreign Affairs about a free trade agreement.

When that august newspaper, The Economist, begins an article on the subject with the words "Rarely has free trade seemed so fashionable", you know that there is a catch somewhere in the rush of sweetly argued trade liberalisation.

South Africa has to work out what that catch is, and it cannot

work it out just for itself, but must include its partners in the Customs Union and, beyond, within the Southern African Development Community.

A free trade deal might well improve the prospects of European investment in South Africa but with free trade areas and agreements under scrutiny by the world's economic brains, for every plus there is a counter argument.

"What does it mean for our movement of capital? How does it affect regional industrial policy? How does it affect domestic industrial policy?"

Industrial policy

These were just some of the questions from an official in DTI and in these early days of South Africa's integration into the southern African region, we don't even have a clearly articulated regional industrial policy.

Minister Trevor Manuel will be meeting the EU's commissioner for South Africa and the convention countries in Mauritius. In these talks Joao de Deus Pinheiro will be driving the free trade agreement because he seems genuinely to believe that it is the best hope South Africa has for a good deal with the EU.

So far South Africa has said "We'll talk about it but agree nothing until everything is agreed." On the sidelines of these numbingly technical talks stand the rest of us, South Africans in labour, business, industry and even straightforward consumers. All stand to be affected.

US firms 'concerned about regional tariffs'

John Dlodlu

US multinationals were attracted by the prospect of moving their capital and goods freely within the 12-nation Southern African Development Community, but were discouraged by the slow pace of tariff reduction in the region, finance department official Bongi

150 2/11/95
Kunene said yesterday.

Kunene, who is also SADC finance and investment sector co-ordinator, was part of an SADC team which launched an investment recruitment roadshow in the US last week. She said this concern was misplaced. Tariffs were already being dropped in the region as part of the

(74) (SADC)
commitment to GATT — an accord that sought to eliminate trade barriers.

Tariff reduction was the first step towards the creation of the SADC free trade area. According to the SADC's trade agenda, the community planned to achieve a free trade area by 2000, and a common market by 2004.

"There's a lot of commitment to investing in the region, and there's a curiosity about opportunities resulting from SA's participation in regional development."

She said most of the corporations canvassed seemed to be interested in using SA as a base to reach the region.

The aim of the roadshow, led by SADC executive secretary Kaire Mbuende, was to recruit investments by promoting the SADC as a regional economic bloc with vast opportunities.

France intends to catch up in its trade with SA

Trevor Bisseker

BD 3/11/97

(74)

IN THE scramble for SA business now that sanctions are a thing of the past, France has a lot of ground to make up — and it intends doing something about it.

“Only 1 500 South Africans were among the 500 000 visitors to our international exhibitions last year,” said Promosalons GM Claude Blot on a brief visit to Johannesburg this week. “It is obviously not enough. We want more South African exhibitors at our shows, and more visitors.”

Promosalons is a Paris-based organisation with the task of promoting French exhibitions worldwide.

Blot was disappointed, on paging through Business Day's Exporting SA survey, to find France did not figure among SA's leading export destinations. But this could soon change. SA's trade with France is increasing more rapidly than its overall trade.

Last year SA exports to France increased 16% to US\$600m, compared with an overall annual increase of 14%. Imports from France last year — mostly machinery and chemical products — rose 38% to \$920m, while SA's total imports increased 28%. France thus had a favourable trade balance of \$320m.

The trend of growing business with France is continuing. Bilateral trade

this year has already increased 9% compared with last year.

Promosalons has 46 branches worldwide, including one in Johannesburg which has existed for 18 years. This office will in future work more closely with the French trade commissioner in promoting participation in the 50 or so exhibitions held yearly. The exhibitions, from the Paris Air Show to the wine and spirits Vinexpo, cover virtually all aspects of business.

“Most of them are well known, and South African companies have won good orders by participating in the past, but we see plenty of scope for improvement, especially in fields like the building industry and civil engineering,” said Blot. Exhibitions provided the first step to increased trade.

Travel packages for exhibitors on a four- or five-day visit are being offered in a joint venture with Air France, which has just introduced a fourth weekly flight to Johannesburg.

Air France special events manager Philippe Duez, who accompanied Blot on the Johannesburg trip, said bookings were very good, and a fifth weekly flight was planned from next April.

Blot, asked if his job had been more difficult because of the response to France's nuclear tests, said he had not had serious problems. The tests were “not a problem for business people”.

than compensated for by rises in exports of diamonds and base metals. Diamonds are up 124,9% to R1,2bn.

Base metals, up 37,5% to R1,7bn, could indicate strong performances by Columbus and Alusaf, according to Osborn.

The consumer price index rose 6,4% over 12 months to September, after a monthly increase of only 0,1%. The 12-month figure is 1,1 percentage points lower than August's figure and the lowest since August 1972, when it was 6,1%.

Nonfood inflation is behaving well at 8,6% year-on-year and 0,2% in the month.

But the drop in inflation is partly due to technical factors. Mohr says: "In September 1994, the index rose 1,2%." But Osborn thinks the current trend will prevail for some time. "We can expect subteen inflation until the end of next year," he says.

"What is impressive is the trend of manufactured goods. Manufactured food inflation was down to 6,9% in September after 7,3% in August and 8% in April. Other (nonfood) manufactures inflation was 6,3%, after August and April figures of 7,3% and 8,8% respectively. Together these items form 51% of the index and their behaviour over the past two years is reassuring." ■

TRADE AND CPI (74)

Olé?

FM 3/11/95

Trade and inflation figures published last week caused debate about the accuracy of the one and the significance of the other.

September trade figures reveal a cumulative surplus of R3,2bn and a surplus in the month of R1,9bn, after a deficit of R516,5m the previous month, and meagre surpluses in January, February, April and July.

Old Mutual chief economist Dave Mohr believes the figure is correct. Economic consultant Edward Osborn agrees. "Scepticism about trade is justified, considering the bad press about Customs & Excise. But this concerns the rats and mice of trade not handled by clearing agents."

The large September surplus was chiefly the result of reduced imports. Major declines were in mineral products (mainly crude oil). This category of imports fell 44,2% to R565m in the month. "But the August figure was high," says Osborn, "R1bn after July's figure of R840m. So the slump is not as big as it seems."

Vehicle imports fell 65,2% to R690m month-on-month. Osborn believes this is not so much the expectation of surcharges being removed, as some commentators will have it, but a return to the pattern before the surge of the past seven months. The important items in this category are kits for assembly and built-up vehicles.

Monthly exports increased by only R103,9m to R9,3bn. A R400m drop in mineral product exports (which include coal and refined petroleum products) is more

Eastern opportunities

AM 3/11/95
SA companies may be missing valuable opportunities to export to eastern European countries. Ambassador to Vienna Jannie Roux says: "We could get into these markets easily if more companies were geared up to export."

With the fall of the Iron Curtain and the restructuring of former communist bloc economies, Austria has moved from the western periphery of Europe to its heart — a position enhanced by joining the European Union in January.

Almost half of Austria borders former East bloc countries and it has important historic ties with many of them. Before World War 2, trade with eastern neighbours accounted for about half of its total.

PROVISIONAL TAX**Good form**

Inland Revenue has established an improved procedure for provisional tax.

Until about a year ago, taxpayers had to work out how much provisional tax to pay to avoid penalties. Inland Revenue's Philip le Roux says his offices were bombarded by taxpayers, many elderly, seeking help to calculate provisional tax.

Revenue now sends out form IRP6(i), which is a guideline and not an assessment.

The first column (A) is for estimated taxable income for the current year. From this,

ECONOMY & FINANCE

The Cold War restricted trade for decades but the failure of the communist system led to ties being re-established, says the Austrian Federal Economic Chamber.

Austria accounts for 7% of eastern Europe's trade — a higher figure than that of any other OECD country. Its companies "have set up 9 000 joint ventures in eastern Europe, tourism each way has soared, many trade agreements have been reached and information about the east has increased."

SA economic counsellor in Vienna Martin Prinsloo has identified a number of areas in which SA has special expertise and

where market research revealed a potential market in Austria. These include:

- Electric sound or visual signalling apparatus (bells, sirens, indicator panels, burglar and fire alarms);
- Certain vehicle parts and accessories;
- Exercise, athletic and sport equipment;
- Knocked-down furniture for assembly;
- Tubes, pipes and hollow profiles of iron and steel;
- Various screws, bolts, nut rivets, pins and iron and steel washers;
- Flat rolled stainless steel products;
- Insulated conductors;

- Unwrought aluminium;
- Medical, surgical, dental and veterinary instruments and appliances;
- Rolling machines and cylinders;
- Dried egg yolks;
- Electrical, mining and optic cables;
- Safes for handguns and rifles; and
- Guns and ammunition for hunting and sport.

Prinsloo is "eager to help SA business identify Austrian companies interested in joint ventures in SA, Slovenia, Croatia and Slovakia or the supply of technical know-how under licence." ■

SAFTO

(74) SM 3 11/95

Debt of honour?

The Supreme Court has sanctioned a scheme of arrangement proposed by the Industrial Development Corp that will save the SA Foreign Trade Organisation (Safto) from insolvency.

New Safto CE Johan Scheepers says the scheme — in terms of Section 311 of the Companies Act — will mean that creditors to the end of June will “in all probability” be paid in full.

Says Scheepers: “Two-thirds of all creditors have already been paid in the normal course of business. Others need to submit their claims. The entire process is likely to take about two months.”

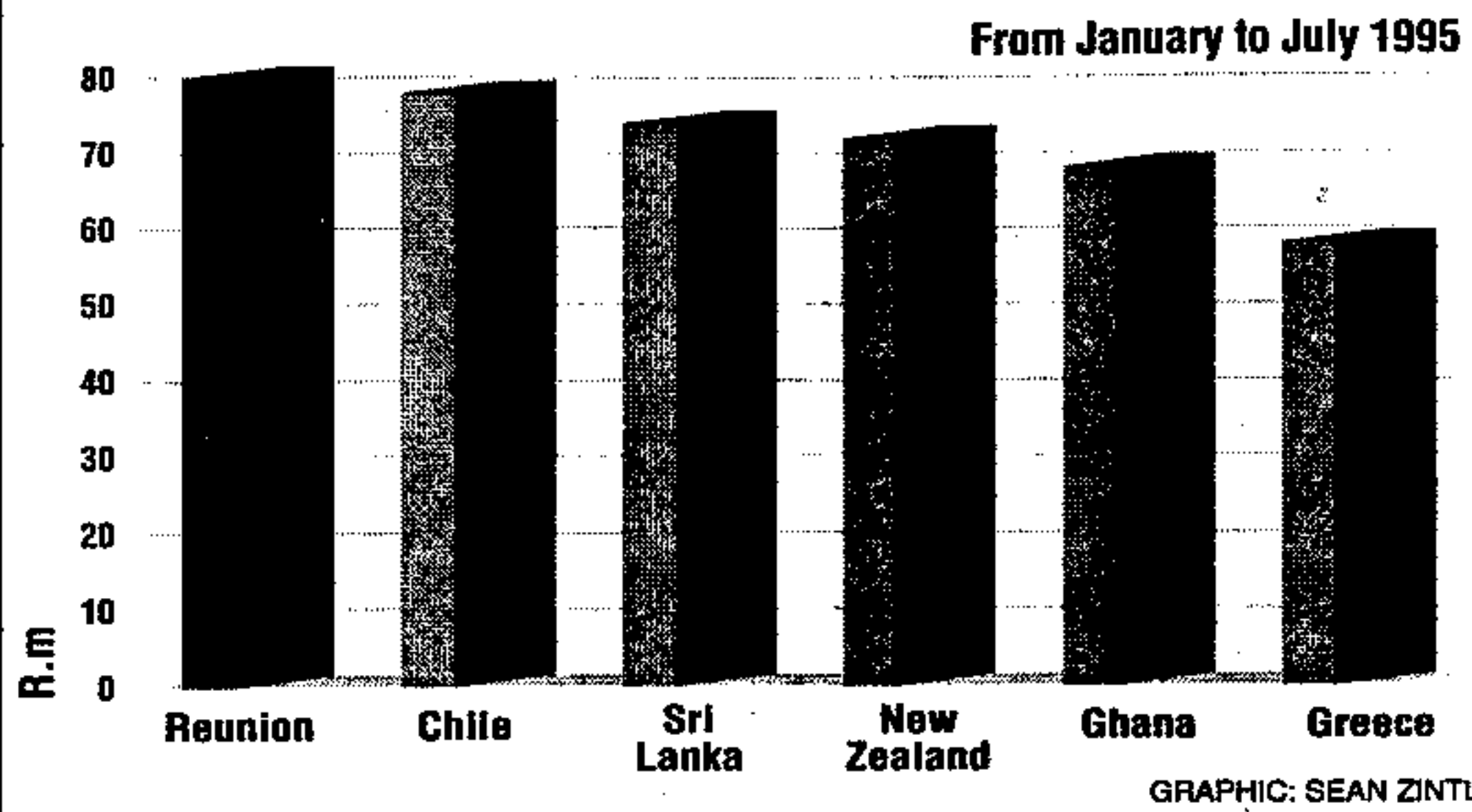
The agreement caps the development corporation’s liability for Safto’s debt at R7,1m — an amount that, Scheepers says, exceeds the organisation’s audited debts. He explains that R1,6m of this amount is owed to the corporation. Since Safto’s assets total R4,6m, the organisation was technically insolvent by R2,5m on June 30 1995. He says the proposed restructure has restored Safto to solvency.

Court papers show that auditor Price Waterhouse has qualified its report with the statement: “Our report is solely for the purpose of giving you limited assurance as to its (the balance sheet’s) suitability for use in an arrangement between the company and its creditors in terms of Section 311 of the Companies Act. As no statutory financial statements have been issued, the balance sheet does not reflect all disclosures which would be required to fairly present the financial information contained therein in accordance with generally accepted accounting practice.”

The concurrent claims shown in the court papers do not include an amount of R1,9m received from the Department of Trade & Industry, which is regarded by the department as a prepayment for services to be rendered in future.

Industrial Development Corp MD and Safto chairman Carel van der Merwe says that the question of Trade & Industry’s R1,9m claim is under negotiation between Safto and the department and will not affect payments to other creditors. ■

EXPORTS TO REUNION COMPARED WITH OTHER COUNTRIES



Export statistics: The target is to export R179-million to Reunion

Neighbourly trade

(74) (74) MG(BM) 3-9/11/95

Karen Harverson

SOUTH AFRICA exports more to the French island Reunion than it does to other developing markets such as Chile, Sri Lanka, New Zealand and Ghana.

"We have a logistical advantage over European countries in the supply of goods to Reunion which is only 2 820km away from South Africa," says South African Foreign Trade Organisation director Martin Smith.

Last year, South Africa exported some R147-million to Reunion and this year is on target to export R170-million.

The biggest export is animal products and livestock at about 25 percent of the total exports. "We expect exports in wood products, pulp and paper, glass and glassware, and machinery and appliances to increase by more than 50 percent this year," adds Smith.

In comparison, South African imports from Reunion were less than R1-million last year. "It doesn't have the right mix of products to increase its exports to South Africa," says Smith.

Instead, Reunion is encouraging foreign investment in the island to reduce

its 37 percent unemployment rate.

Incentives include a 10 year tax holiday for new investors and subsidies of up to 70 percent of the cost of investment for key industries such as tourism, manufacturing and agro-industry. The state also provides up to a 50 percent subsidy on minimum wages, phasing down over 10 years, for export-oriented industries.

Other advantages include a market of 640 000 people and the island's duty-free access to the European market. Manufacturers can stamp their finished or semi-processed products with the 'Made in France' label.

Reunion has the highest standard of living of all Indian Ocean islands and African countries. Its minimum monthly wage is about R3 500. Its gross domestic product (GDP) per capita is about R32 387 compared to South Africa's R10 150 and inflation is two percent to South Africa's 6,4 percent.

On exchange control regulations, Smith says South Africa is more lenient to applications to invest in African and Indian Ocean Islands. Reunion has no exchange control and currency is the French franc.

Infrastructure and investment 'the key to southern Africa trade'

(74) ARG 4/11/95
Business Editor

INVESTMENT and infrastructural development — not the lowering of tariff barriers — is the key to trade in southern Africa, according to a report by the Industrial Development Corporation (IDC).

In its October Economic Focus, the IDC says the trading blocs which have become fashionable elsewhere in the world may not be as useful in southern Africa as in more developed regions.

"Instead, efforts should be made to raise the overall level of economic activity in the region."

The IDC says while tariff and especially non-tariff barriers do play a part in restricting trade within the region, the most important block is a lack of capacity to produce tradeable goods.

The economies of southern African countries do not complement each other: typically, southern African countries produce primary products for export to the developed world,

from which they import manufactured goods.

"The promotion of intra-regional trade in southern African therefore requires a lot more than simply the abolition of various tariff and non-tariff barriers," says the IDC.

"Although important, trade integration through the abolition of trade barriers is perhaps less critical than investment and infrastructural development, since trade reform among relatively poor countries is unable to stimulate development in the absence of investment in new economic activity."

Important steps to raise the level of economic development in the region, says the IDC, are:

- the elimination of exchange controls to allow the free flow of investment funds, expertise and entrepreneurship;

- the development of infrastructure to improve the potential of southern African countries and to accelerate integration of water and electricity supplies.

Lomé benefits not all they're cracked up to be, says report

(74) ST(BT) 5/11/95

AS the second half of the 1990-99 Lomé Convention was signed in Mauritius this week by the European Union and the 70 African, Caribbean and Pacific member-nations, the real benefits of the agreement were challenged in London.

Published by the Overseas Development Institute, an independent London-based think-tank which for 35 years has studied the poorer economies of the world, a special report, *Europe's Preferred Partners?* raises serious questions about Lomé.

It should make illuminating reading for Trade and Industry Minister Trevor Manuel and his team who have spent much of the past two years shuttling between South Africa and Brussels to gain trade and aid advantages which the EU has offered to ex-colonies in terms of Lomé since 1957. The aim of the agreement

was to promote the ACP group's economic development through trade and encourage diversification of their exports away from dependence on primary products.

The ACP members are the EU's most petted trading partners, enjoying more preferential treatment than anyone else in the developing world. This advantage should have generated investment, industrialisation, growth and jobs.

Yet the ACP has done badly when compared with many other developing countries which enjoy less generous concessions on exports to the world's biggest trading bloc. "Despite all the preferences that the ACP states have received during the past 20 years, their trade performance has been poor," says the ODI report.

While its figures are not fully up to date, the report shows the ACP's total share of EU imports fell from 6,7% in 1976 to just 3,7% in 1992. If oil from countries such as Nigeria, Angola and Gabon, is excluded the decline was worse — from 6,1% to just 2,9%.

In stark contrast, the developing economies of Asia boosted their slice of EU imports from 4,2% to 13,6% over the same period as trade soared. Measured in money terms ACP exports to the EU had climbed from \$13,8-billion to \$24-billion after hitting \$35-billion in 1985 — totals which were largely affected by swings in the oil price.

Developing Asia, however, lifted its EU

sales almost 10-fold from \$8-billion to \$73-billion. Latin America's total trebled to \$32-billion while the Mediterranean group (the Arab countries of north Africa and the middle east plus Turkey) fared similarly, reaching \$37-billion.

There have been some success stories among the ACP states. The report specifically highlights Mauritius whose exports to the EU have shown compound growth of 10,2% and Zimbabwe which achieved a rate of 8,2%, helped by the industrial base developed during the sanctions years.

Zambia, however, saw its share fall at a rate of 3,3%. Others among the 70 countries showed faster annual growth — the Seychelles, for example, notching up 30% — but from a tiny base which still left

their share of the ACP total below 0,5%.

The report finds the ACP's showing in trade disappointing in comparison

with Asian countries which receive less favourable treatment. The poor performance is "particularly serious" given the bloc's heavy dependence on the EU which accounted for some 41% of its exports.

"Most ACP exports still originate from only a small number of countries," it notes — 12 account for over 70%, led by Nigeria's oil which gives it 22%. And these remain concentrated on raw materials and traditional products.

"In general, Lomé preferences have failed to stimulate ACP countries to diversify their exports."

Asking what went wrong, the report says expectations of what Lomé could deliver to the ACP were too ambitious. While the preferences were better than anyone else's, under most favoured nation treatment or the general system of preferences, they were not enough to give ACP exporters an advantage.

The report reckons that a tariff difference of 5% is needed to do that and only 7% of ACP sales to Europe enjoyed such a competitive margin.

Lomé's trade concessions may not have "provided sufficient incentives" to encourage the development and investment needed to build up exports of added-value goods.

Not only has Lomé failed to greatly improve ACP fortunes but it "may have created a psychological dependence on the EU", says the report.



JOHN CAVILL
FROM LONDON

State counts smuggling costs

BY BRUCE CAMERON

(74) Star 6/11/95

Cape Town - The government is losing huge amounts of revenue as a result of smuggling, with at least R500 million in payments being avoided between 1990 and 1994.

This was revealed by Trevor Manuel, the minister of trade and industry, in a written reply to a question asked in parliament by Democratic Party MP Ken Andrew.

Manuel said decreases in tariffs in line with the Marrakesh agreement, following the Uruguay Round of talks on the General Agreement of Tariffs and Trade, were expected to reduce the temptation to smuggle goods into the country.

This year the government budgeted for an income of R5,8 billion from customs duties and the import surcharge, but Manuel said government did not look at tariffs as a means of raising revenue. Manuel said studies showed a general reduction in customs

duties as a result of the Marrakesh agreement had "indicated increased state revenue".

This was as a result of less smuggling, improved customs administration through the simplification of the duty structure, and an increase in imports.

Function

The substantial lowering of import duties on motor vehicles had already led to a sharp increase in the importation of vehicles.

The function of customs' duties was "a protective one that should ideally be temporary in nature and is intended to create an environment in which industries can establish and create employment, wealth and growth."

"Revenue collection should derive from income generating effects in the industries rather than directly from levying customs duties," Manuel said.

Trade law reviewed

(74)
John Dlugdu
BD 8/11/95

TRADE and Industry Minister Trevor Manuel has appointed international trade lawyer Leora Blumberg to restructure SA's anti-dumping legislation.

Blumberg — an international trade partner at Johannesburg law firm Webber Wentzel Bowens — is to be seconded to the department for 18 months as deputy chairman of government's Board on Tariffs and Trade.

The lifting of trade barriers has left anti-dumping legislation one of few instruments nations may use to combat unfair trade practices.

The department said Blumberg would beef up anti-dumping and countervailing procedures, and align SA's anti-dumping laws with international standards.

In terms of GATT, countries are allowed to take action against allegations and incidents of dumping by competitors.

Sources said yesterday the key challenge for Blumberg would be to brush up and implement the year-old recommendations made by the now defunct National Economic Forum — predecessor to the National Economic, Development and Labour Council.

The forum has recommended that the anti-dumping authority be independent from the board.

The proposals also called for two separate sections: one for investigating cases from aggrieved parties and the other responsible for judgments and appeals.

Manuel said: "In addition, Blumberg will liaise with our southern African neighbours and contribute to the process of developing a democratic customs union tariff-setting institution and process."

Search for markets

Isidwetam 9/11/95 (74)

By Mzimkulu Malunga

TWENTY two black business people – most of whom come from the small business sector – will accompany Trade and Industry Minister Trevor Manuel to India on Friday next week.

The 22 are part of 32 business people Manuel is taking along on his five day visit to India and they range from black business leaders to those who own their business.

Among the prominent names that will be part of the delegation are Naf-coc's national treasurer Douglas Leokana, vice-president of the National Black Business Caucus Zamani Jali and the director of the Greater Durban Marketing Authority Thabo Mpakanyane.

New markets

Manuel's trip, says his spokesman Ismail Lagardien, is part of the ongoing programme to search for new markets and investment opportunities for South Africa.

"This is part of the broad thrust of the Department of Trade and Industry to encourage South African businesses to become more active and competitive internationally," he says.

He says one of DTI's targets is for the South African economy to grow at more than six percent annually

Exploring prospects to develop Indian Ocean Rim countries



Trevor Manuel with black business is exploring new markets for South Africa .

within the next four years.

Such a growth, says Lagardien, should be accompanied by job creation and the equitable redevelopment of South Africa.

Figures from the DTI show that

India-South Africa trade is on the increase.

By 1994 total trade between this country and India jumped to almost a billion rands, a more than 200 percent hike on the 1993 figure.

While in 1993, South Africa was exporting goods worth R95,2 million, by last year the figure stood at close to half a billion rands.

Last year after the elections, India sent a large contingent to this country to explore business and investment opportunities.

Trading bloc

During the presence of the Indian government officials and business people in South Africa, there was talk of a need to develop an Indian Ocean Rim, a trading bloc that would include these two countries as well as other countries bordering the Indian Ocean.

Lagardien says modalities of establishing an Indian Ocean Rim are yet to be explained fully.

"Impact studies and analyses will have to be done and South Africa's regional responsibilities, to name but one issue, will have to be considered," he says.

R1bn countertrade arms deal with the Philippines, the issue has placed Cosatu in a spot. The labour movement will have to quickly rethink its insistence on the imposition of special labour and social conditions on trade and co-operation agreements. That is, if it doesn't want to be accused of harming economic growth and job-creating export prospects.

Filipino ambassador to SA Leonides Caday says he wants to push through the R1bn countertrade deal as soon as possible. Proposals drawn up by Armscor and Denel "are already on the table in the Philippines." The country has problems monitoring its 320 km exclusive fishing zone and is looking for patrol boats, helicopters and radar systems from SA.

"We are also in the process of negotiating a special trade deal with Trade & Industry but the major outstanding issue is the social clause, which is not acceptable to us. Our major imports from SA are steel products, though we might also consider switching some of our coal imports from Australia to SA. We would like to increase trade between our two countries," says Caday.

In 1994, SA exported goods to the value of R166m to the Philippines, whose imports from SA totalled R85m.

Tshediso Matona, deputy director of multilateral trade relations at Trade & Industry, says both the International Labour Organisation and the World Trade Organisation are looking into ways of halting unacceptable global social practices such as the use of child and prison labour.

"SA cannot unilaterally impose such social conditions on its trading partners as we have to be part of the international consensus on both labour and trade issues."

Matona says the best way to overcome differences over social and labour practices followed by SA's trading partners is through patient negotiation and by setting a good example, rather than by imposing conditions seen as interference in another country's domestic, political and social policies.

Other countries which may be affected by possible social clauses imposed on special trade deals (still to be negotiated) include Malaysia and Thailand. Bilateral trade with Malaysia almost tripled — to R1,1bn — over the last three years (SA's 1994 exports totalled R343m, with imports at R748m), while trade with Thailand doubled to R1,7bn over the same period. Rash, prescriptive conditions imposed on burgeoning trade relations could therefore be a costly mistake.

But, says Matona, the "sensitive issue" of a social clause only affects trade agreement between the two countries — normal trade is proceeding apace. And, he adds, while the social clause issue is still being debated at Nedlac, government feels that its unilateral imposition on trade agreements is unacceptable. ■

TRADE

Spare the rod

(74)
FM 10/11/95

Government appears to have brushed aside the so-called "social clause" issue in its bid to conclude bilateral and multilateral trade deals with selected countries.

Despite the fact that its stance could bring it into direct conflict with trade unions on highly charged, emotive issues such as child and prison labour, the Department of Trade & Industry says it will be guided by the World Trade Organisation.

And while Nedlac is still debating labour's request that a human rights type proviso be included in trade agreements — business and government agree that this could harm trade relations at an early stage of reintegration into the world economy.

Brought into the limelight by a proposed

Freight forwarders are alarmed by duty changes

CT(BR)13/11/95(74)

BY JOHN SHERROCKS

Durban — The department of customs and excise has announced dramatic changes to the removal in transit (RIT) duty payment and procedures, which freight forwarders have warned will create chaos in the transportation of goods to African countries.

As from November 20, road bonds will no longer be accepted as security for RIT removals.

Provisional payments to cover 125 percent of the duty will have to be lodged for all RIT removals, including those by rail.

Syd Frederic, the KwaZulu-Natal chairman of the South African Association of Freight Forwarders, has accused the department of "acting out of spite" as a result of losing a landmark court case.

Customs and excise said in a letter to the freight forwarders association that the changes were in reaction to "widespread irregularities".

In the case of RITs to African countries the following procedures will apply:

Road removals will only be able to leave South Africa through Beit Bridge or Komatipoort;

The present acquittal documents will have to be supported by a copy of the duly processed bill of entry in the country of destination;

Documentary evidence of the existence of a foreign principal/consignee must be produced.

The current acquittal period of 60 days for all RITs is to be cut to 30 days. In cases where the acquittal documents are not produced within the prescribed period, duty will be brought to account immediately.

Frederic said millions of rands of cargo would be delayed.

He said the majority of forwarders could not afford the 125 percent duty and the notice period was "totally unreasonable".

He said it was not the responsibility of freight forwarders to provide the documentation being demanded and they would not be able to meet the 30 day acquittal period.

The association is to seek a meeting with the commissioner to discuss the changes.

Frederic said the customs department was reacting to a judgment which was handed down in the Pretoria Supreme Court last month.

The landmark decision, which put the onus of recouping losses from export fraud clearly at the door of the department, brought to an end a four-year legal battle based on a claim by the commissioner that forwarding companies be held responsible for duty losses.

Trade appointee outlines challenges

John Dladlu

74
BD 13/11/95
SA's new anti-dumping laws would have to be linked to competition policy, newly appointed deputy chairman for the Board on Tariffs and Trade Leora Blumberg said at the weekend.

Blumberg said that in the past anti-dumping measures were applied without reference to competition issues. "Sometimes, the board was not too sensitive to competition policy," she said.

One of the key challenges of her job was to help formulate anti-dumping laws and procedures that would not undermine competition policy. Previously SA companies have been accused of using the complex 15-page anti-dumping guidelines to ward off the cold winds of international competition.

Blumberg, an international trade partner at Webber Wentzel Bowens, has represented SA and overseas companies on anti-dumping cases in the past.

SA has already amended its definitions of anti-dumping to bring them in line with international standards. Her other task would be to build up expertise to enable SA to effectively use the definitions in accordance with Gatt, without impeding trade.

Blumberg will take up her new position in January for 18 months.

Sanctions-busting fund to go

BY BRUCE CAMERON

Cape Town — One of the last economic-support structures of apartheid, the formerly secret National Supplies Procurement Fund, should be dismantled by early next year.

The fund was the channel for billions of rands used by the National Party government at the height of the international sanctions campaign to finance the stockpile of essential equipment and supplies, ranging from chemicals to high-technology equipment.

In a written submission to the parliamentary committee on public accounts, Zav Rustomjee, director general of trade and industry, said there was R12,6 million outstanding in loans owed to the fund while the fund owned 42 000 tons of contaminated sulphur.

The interest-free loans were for glass tubes, liquid seals, bearings and electronics.

With the exception of a loan of R449 000 to Kopp Electronics, all other loans would soon be repaid to wind down the fund.

(74) (280) / MW 13/11/95

BUSINESS

World trade grows faster than output

(74) PD 15/11/95

GENEVA — World trade in merchandise was growing markedly faster than production and was a sign of "increasing economic globalisation", the World Trade Organisation (WTO) said in its annual report, released yesterday.

The study, titled International Trade — Trends and Statistics, found that trade in goods this year would increase three times faster than output, and twice as fast next year.

In volume, world trade would grow by 8%, considered a high rate even though slightly down on the record 9,5% growth recorded last year.

For next year the WTO predicted a further modest slowing, but added that "trade growth will remain above the average of the past decade".

The report said that from 1950 to 1994, the volume of world trade in goods increased an average of slightly more than 6% a year, against an increase in production in the same period of about 4% a year.

"Thus, during those 45 years world merchandise trade multiplied 14 times and output 5,5 times," according to the study, which found that the gap between the two growth rates had widened considerably starting in 1990.

"But it is not yet clear whether or not this represents a permanent shift to a faster rate of increase in the world's trade-to-output ratio."

The WTO attributed the surge in trade and "global integration" to governmental policies as well as technological innovations that had cut communication and transport costs.

"Those developing and transition economies which have participated in

globalisation by opening up their own markets have enjoyed faster economic growth," according to the report.

For developed nations, members of the Organisation for Economic Co-operation and Development, "there is evidence the deepening of trade linkages helped moderate cyclical downturns".

The study noted that technological change and "evolving strategies of firms and individual investors" were likely to provide momentum to globalisation. But it cautioned that government policies could "speed up, slow down or even reverse progress on global integration".

Last year, the value of trade in merchandise increased 13%, surpassing the amount of \$4 000bn for the first time to reach \$4 090bn.

The value of trade in services went up 8% to reach \$1 100bn after having stagnated in 1993.

For the first six months of 1995, merchandise trade rose 23% in value, which, allowing for the depreciation of the US dollar, corresponded to an 8% increase in full-year growth in volume.

Among the world's top 20 trading nations, the WTO found that trade measured in exports grew more than 20% in the first half of 1995 in China, Malaysia, South Korea and Mexico. Exchanges measured in imports increased 20% in South Korea, Malaysia, Thailand and Brazil.

In the last decade trade in products from extractive industries fell from 14% of the total to 11% while the percentage of business machines and telecommunications equipment rose from 9% to 11%. — Sapa-AFP.

Customs and excise in drive to recruit officials

(74)
Yuri Thumbran

30 15 / 11 / 95

THE customs and excise department's campaign to fill 300 departmental vacancies was well under way with more than 60 posts advertised at the weekend, commissioner Daan Colesky said yesterday.

Colesky said advertised posts ranged from deputy director to chief customs officer. He recently acknowledged that there were only 50 investigators and 20 inspectors in his department, far less than the required complement.

However, he denied the sudden drive to fill vacancies was in response to allegations of poor customs control, especially from the clothing and textile industries. The department had responded to problem areas by the recent appointment of an additional 30 officials at the Beitbridge border post between SA and Zimbabwe, Colesky said.

The current posts were being filled in keeping with public service guidelines, but once the new SA Revenue Service — the merger between customs and the inland revenue departments — was in place, market-related salaries would be paid to attract trained officials and to retain current staff.

The Textile Federation welcomed the moves.

Mandela sees boost in NZ trade

ET 15/11/95 (74)

WELLINGTON: President Nelson Mandela yesterday confidently predicted increased trade and investment from New Zealand after his talks yesterday with Prime Minister Mr Jim Bolger and other officials.

Mr Mandela also pledged his support for efforts to protect the rights of the indigenous Maori people.

Mr Mandela started his first full day of a state visit to New Zealand at a breakfast with about 700 busi-

ness people, assuring them of equal conditions for foreign investors.

"There are no restrictions on areas you can invest in, and you will enjoy the right to repatriate your profits," he said.

Trade officials say South Africa has a positive trade balance with New Zealand, exporting R98 million of goods in 1994 against R95m in imports.

"I am confident meetings we will hold with your prime minister

and governor-general tomorrow will further strengthen our relations, particularly in trade, investment and tourism," Mr Mandela told the 125th anniversary dinner of the capital Wellington's parliamentary press gallery.

He had the highest praise for New Zealand's press corps and their contribution to ending apartheid. "New Zealand ... emerged as one of the most reliable friends of the anti-apartheid struggle," he said. — Sapa

World trade growing faster than output

FROM SABA-AFP

Geneva — World trade in merchandise was growing markedly faster than production and was a sign of increasing economic globalisation, the World Trade Organisation said.

A study, entitled International Trade — Trends and Statistics, showed that trade in goods this year would increase three times faster than output and would be twice as fast next year.

In volume, world trade would grow 8 percent, which was considered a high rate although slightly down on the record 9.5 percent growth recorded last year.

The organisation predicted a further modest decrease for next year, but said trade growth would remain above the average of the past decade.

The report said that between 1950 and last year, the volume of world trade in goods had increased by an average of slightly more than 6 percent a year against an increase in production in the same period of about 4 percent a year.

ET(BR) 15/11/95 (74)
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to globalisation. But it said that government policies could "speed up, slow down or even reverse progress on global integration".

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The organisation said that among the world's top-20 trading nations trade measured in exports grew more than 20 percent in China, Malaysia, South Korea and Mexico in the first half of this year.

Exchanges measured in imports increased 20 percent in South Korea, Malaysia, Thailand and Brazil.

In the past decade trade in products from extractive industries fell from 14 percent of the total to 11 percent.

COMPANIES

Trade concessions under fire from King

Yuri Thumbran

SA's decision to improve preferential trade agreements with neighbouring countries, especially Zimbabwe, came under fire from Frame group chairman Mervyn King at the textile group's AGM in Durban yesterday.

King said the over-hasty willingness to improve trade preferences was of concern. In the case of Malawi, one of SA largest end-user manufacturers had already relocated the larger part of its manufacturing base to Malawi.

"This has happened because there is an ability to import fabrics into Malawi free of duty, add value of not less than 25% and then export the product back to SA free of duty. There are no quotas in regard to exports into SA from Malawi," he said.

He warned of creating a precedent, as other countries north of SA's borders were also knocking on the door to obtain preferential entry into the SA market. Another problem was that any quota arrangement would be ineffective without adequate customs policing.

He urged the authorities to re-evaluate the duty-free imports from Malawi and the free entry of goods from Zimbabwe into the SA Customs Union through Botswana and Namibia.

"All these matters must be carefully evaluated before the trade and industry department arrives at any final agreements with these countries."

King said the department of trade and industry should not be driven by political imperatives, but by financial ones. The textiles sector was committed to playing a significant role in SA.

Mixed feelings as manufacturers grapple with Gatt

(74) ST (BT) 19/11/95

By DON ROBERTSON

THE partial phasing out of import tariffs on cars, clothing and textiles, and the dropping of the surcharge on some consumer goods is good news for the customer, but not all manufacturers are happy with the government's timetable in its aims to meet Gatt requirements.

After almost two and a half years of fairly acrimonious debate which led to the introduction of the Motor Industry Development Programme, car makers have accepted the inevitable. Among other factors, the programme provides for reducing import duties on fully built up vehicles from the current 65% to 40% by 2004, but it also offers partial duty-free imports based on the value of exports.

Basically, this means volume production cars will be manufactured locally, while luxury cars will be imported.

Some producers — including Nissan which will import a new range of Fiats and Alfa Romeos next year and Delta with the SAAB — have embraced the idea.

Motor dealers, including McCarthy Motors with Peugeot, Imperial Motors with Renault and Combined Motor Holdings with Volvo, have also joined the fray.

Others, such as Nissan, Toyota, Delta and Samcor, plan to increase exports, particularly to Africa, while BMW and Audi are considering the manufacture of the 3-Series and A4 models respectively for world markets.

The increased pressure these moves have introduced to the market has significantly increased competition and has seen a spate of cheap entry-level cars entering the market.

Car makers believe that by the end of the century imported cars will make up at least 25% of all local sales.

Component manufacturers under the National Association of Automotive Component and Allied Manufacturers, however, are less than happy with the new moves which will see the local content programme dropped and import duties cut from the present 49% to 30% by 2004.

These manufacturers will also be able to earn import rebates on exports which no longer have to be linked to a local car producer.

They fear that jobs will be lost among the less sophisticated producers who will not have access to the international technology needed to enter the overseas markets.

The Textile Federation has welcomed the move, while their clothing counterparts say it will have little impact because of the labour intensive nature of the clothing industry.

Brian Brink, executive director of the Textile Federation, is pleased with what he says is a "near cast in concrete" plan to phase down import duties, but feels that the government might well have introduced some "supply side" assistance to the industry to make the transition more palatable.



BRIAN BRINK: Cheered up by the phasing out of some import duties.

The import cuts will see duties on clothing come down from 90% at present to 40%, from 55% to 30% on household textiles, from 45% to 22% on fabrics, from 32% to 15% on yarns and from 25% to 7,5% on polyester over the next seven years.

Mr Brink hopes, however, that the appointment of a working group to study possible help for the industry might provide assistance for important items such as training and export incentives to replace the duty credit certificate which expires in two years.

Now that full details of the phasing-down process have been determined, textile manufacturers are more optimistic than they have been for some time, he says.

Indonesian and Chinese textile manufacturers have shown an interest in investing in the local market, while local players, after a period of about six lean years, are again investing in new equipment to meet international competition and to facilitate exports.

However, clothing manufacturers, which have been at odds with the textile industry for years, believe thousands of jobs will be lost in the labour intensive industry if cheap imports are allowed. They point to the recent sharp rise in imports, which has apparently escaped the eyes of Customs and Excise, and blame this for the decline in sales this year.

Plans by some clothing firms to relocate their production facilities to neighbouring states with cheap labour has also prompted small and medium-sized companies to predict that about 30 000 jobs will be lost.

Hennie van Zyl, executive director of the Clothing Federation, claims that any relocation will have only a temporary impact on jobs and that plans now in place for the industry to become a producer of high-fashion clothing in South Africa will more than compensate for this.

What did bring the two groups together, however, was the government's plan to allow Zimbabwe easier access to the South African market for the sale of clothing and textiles.

In a joint announcement in August, the Textile Federation and Clothing Federation said: "It defies all understanding that the SA government is electing to sacrifice the SA textile and clothing industries by attempting to provide Zimbabwean authorities with an even greater advantage over SA companies."

Decrying promises that imports will be subject to quotas, they say: "Customs and Excise has all but lost control of SA's ports and smuggling is rife. At most, only 1% of imports are inspected, therefore the assurance of our trade officials that they would ensure that no import leakage entered the country are ridiculous."

The Zimbabwean deal also drew flack from Aaron Searil, chairman of the Seardel group, and Syd Muller, managing director of Woolworths.

The two bodies, however, disagree again on plans by the Industrial Development Corporation to offer financial assistance to companies needing technological upgrading while the phase-down period is in operation.

But, even with tariffs in place, manufacturers of white goods such as refrigerators, freezers and washing machines are being hit by cheap imports which have been landed in South Africa since sanctions were relaxed.

In the middle of this year, Barlows Consumer Electric Products announced it was closing two plants, affecting about 1 250 people, because of cheap imports from countries such as Hungary, Italy and Turkey. They blamed cheap labour in these countries plus low local volumes for their predicament.

Ronnie Hermann, chairman of the Domestic Appliance Manufacturers' Association of SA, says most manufacturers are operating at a loss, having been forced to cut prices drastically to compete with the imports.

Import duties on these items range from 20% to 30%.

Lomé signatories brush off SA

John Dlodlu

SA's prospects of winning highly concessionary trade benefits under the Lomé Convention had been severely damaged by the mid-term review of the trade and aid accord, trade and industry department director for southern Africa trade relations Mfundo Nkuhlu said at the weekend.

Nkuhlu said the recent Mauritius summit of Lomé signatories had clamped down on SA's ability to enjoy the benefits.

Instead of automatic access to the Lomé benefits, manufacturers of products with SA input had to apply for the benefits each time they tried to export to Europe, Nkuhlu said.

The "clumsily crafted" provision would create great uncertainties for investors in the southern African region, he said.

It reflected Europe's misplaced fears of SA exports.

30 20/11/95
"This (provision) is inimical to the way investment decisions are taken," he said.

Nkuhlu, who accompanied Trade and Industry Minister Trevor Manuel to the Mauritius summit, said the provision was of great concern to SA, and hoped it would be reviewed.

Manuel, who attended Friday's briefing at the House of Trade and Industry, said SA's partners in the Southern African Customs Union — notably Lesotho and Namibia — had made passionate pleas against the provision, saying it would make it harder for them to attract direct investments.

The current 10-year Lomé accord provides for a mid-term review of the agreement which expires at the turn of the century.

The summit decided also to allow SA companies to take part in development projects funded by the European Development Fund — Lomé's financing mechanism —

74
but this would be on less preferential terms than fellow signatories to the convention.

"In effect, SA will be treated as an EU member."

At the same briefing, foreign trade relations chief director Faizel Ismail said the EU ministers' council was expected to expand the commission's mandate to negotiate a free trade area with SA next month.

The mandate given to the commission — which represents the EU at the talks with SA — has been a growing source of frustration to SA negotiators.

SA has asked for a 10-year period of grace before it is made to expose its protected industries to European competition.

Ismail indicated also that the parties were nearing agreement on the less controversial areas of bilateral co-operation. These included science and technology and political dialogue.

Soares to sign accords with SA

By JOVIAL RANTAO

Political Reporter

74
STW 20/11/95

South Africa and Portugal are expected to conclude negotiations for bilateral agreements in air services, trade and investment when Portuguese President Dr Mario Soares starts his state visit to South Africa today.

Soares arrived in the country on Saturday for his initial private visit to a game reserve.

His visit, undertaken at the invitation of President Nelson Mandela, is considered to be important because of the role Portugal played in recognising the reforms undertaken in South Africa and the positive contribution the country made to the development of the European Union's policy towards South Africa.

The visit is also considered important to the estimated 600 000 members of the Portuguese community in South Africa.

Soon after the Union Buildings ceremony to mark the start of his official visit, Soares will go into bilateral talks with Mandela. Later today Deputy President Thabo Mbeki will pay him a courtesy call at the presidential guest house.

Tonight Mandela will host a state banquet in honour of the visiting Portuguese leader.

Tomorrow Soares will confer with Home Affairs Minister Chief Mangosuthu Buthelezi and Water Affairs and Forestry Minister Prof Kader Asmal.

The balance of trade between the two countries currently favours South Africa. The most important South African exports to Portugal are coal, iron and steel, synthetic fibre, wool and frozen fish.

Main imports from Portugal are cork, electrical appliances, and wall and floor tiles, according to the South African Department of Foreign Affairs.

Talks on trade are expected to focus on increasing exports and imports between the two countries.

South Africa's exports to Portugal make up less than 1% of total Portuguese imports, and Portuguese exports to South Africa amount to 0,5% of their total exports.

Meetings with leaders of the main political parties, as well as with Premiers Tokyo Sexwale (Gauteng), Hennis Kriel (Western Cape) and Dr Frank Mdlalose (KwaZulu Natal) have also been scheduled.

During his visit, an honorary doctorate will be conferred on Soares by the University of South Africa.

On Wednesday, the Portuguese leader will also lay a wreath at the Bartholomeus Dias Monument, in Cape Town, and visit the Dias Cross at Kwaaihoek, near Port Elizabeth.

During his visit to Durban on Thursday, he will visit the Durban High School, which the great Portuguese poet Fernando Pessoa attended at the beginning of the century.

Consultant appointed to southern Africa trade post

(74)
John Dlodlu

BD 21/11/95
THE trade and industry department has appointed its long-standing consultant Mfundo Nkuhlu as director for southern Africa trade relations.

Nkuhlu, who joined the department as consultant on multilateral trade relations a year

ago, would be responsible for reviewing SA's trade arrangements in the region, the department said yesterday.

Nkuhlu is one of the first blacks to take up such a senior appointment in the department.

One of his immediate headaches is to reinstate the lapsed tariff concessions on Zimbabwean clothing and textiles. Last week Zimbabwe and SA failed to reach agreement on the conditions for the reinstatement of the preferences. Another item on his job description is to review the accord which grants duty-free access to Malawian exports and respond to Zambian request for a preferential bilateral agreement.

SA also has a bilateral agreement with neighbouring Mozambique which might soon come under review.

Nkuhlu also has to accelerate the pace of redeveloping the integrity of the Southern African Customs Union.

He is involved also as a representative of SA in the team of the Southern Africa Development Community responsible for drafting the community's trade protocol. The protocol seeks to create a regional free trade area.

SA, India vow to stand up for Southern rights

CJ(BR) 21/11/95 (74)

FROM REUTER

New Delhi — India and South Africa have resolved to stand up for the rights of developing nations at multilateral trade bodies, Trade and Industry Minister Trevor Manuel said yesterday.

"One of the major battles India and South Africa has is to look at future trade flows," Manuel told a news conference. He said a newly liberalised world trade regime could adversely affect developing nations' economies.

"As leading countries of the South, we have the responsibility to see that benefits accrue to developing countries, to see no preordained rights accrue to developed countries just because they are developed," Manuel said.

He said India and South Africa were working towards forging a trade bloc comprising nations on the shores of the Indian Ocean. "Together, we are the two countries that have the responsibility for the Indian Ocean rim," Manuel said. "That concept needs to be shaped."

South Africa, inspired by the success of growing Pacific Rim economies, proposed the idea of an Indian Ocean trade bloc in

1993 as it started opening its economy, long blocked by trade embargoes against apartheid.

Manuel, who is leading a 43-member business delegation in India, urged Indian businessmen to tap South Africa's rich mineral resources and take advantage of gaps in the economy. "We have very large players but there is a gap in small and medium enterprises," he said. "But India has done very well in small and medium enterprises."

India's Commerce Minister P Chidambaram called on Indian industry to seize the opportunity of doing business with a nation that strongly resembled their own.

"Our level of exports is roughly the same, as are our inflation rates and current account deficits," Chidambaram said. "The fact that they have a million Indians settled there might have something to do with these similarities."

He said South Africa, which has surplus labour and more than 75 percent of the world's manganese, was hungry for capital goods and needed bauxite, drugs and pharmaceuticals. The country was a major producer of phosphatic fertilisers, of which India imports huge amounts, the Indian minister said.

Reduced import duties kick in

(74) BD 23/11/95

THE EU's improved agricultural generalised system of preferences package, extending the number of SA agricultural products entitled to reduced duties in the European market, came into effect on Monday.

The trade and industry department said yesterday the new regulations contained in the Official Journal of European Communities of October 16 extended the benefits to SA exporters of certain agricultural products.

It said those eligible for reduced import duties would include exporters of natural honey, live trees, plants and bulbs, cut flowers and ornamental flowers, edible vegetables, certain roots, edible fruits and nuts, peels of citrus fruits and melons, and those involved in the preparation of vegetables, fruits, nuts or other parts of plants. The reduction in import duty would be specific to the exported product. — Sapa.

Beitbridge toll starts collecting

(74) BD 24/11/95
Michael Hartnack

BEITBRIDGE — Presidents Nelson Mandela and Robert Mugabe will open a controversial new toll-bridge today giving a private consortium monopoly over direct road traffic between SA and Zimbabwe.

Sources in the road transport industry fear the bridge, brain-child of vice-president Joshua Nkomo's Development Trust of Zimbabwe, could add significantly to the cost of imports and exports. Much of the R3bn annual trade between Zimbabwe and SA will cross the bridge.

The bridge will cost Zimbabwe US\$40m. The consortium, headed by the trust, will own and operate it for about 20 years, after which it should revert to the Zimbabwean government. The existing bridge will be restricted to rail traffic.

Under legislation passed in Zimbabwe, motorcycles will pay the equivalent of US\$3, light vehicles US\$6 and heavy vehicles US\$12 for each crossing.

Outcry over container duty

(74) BD 24/11/95
Nicola Jenvey

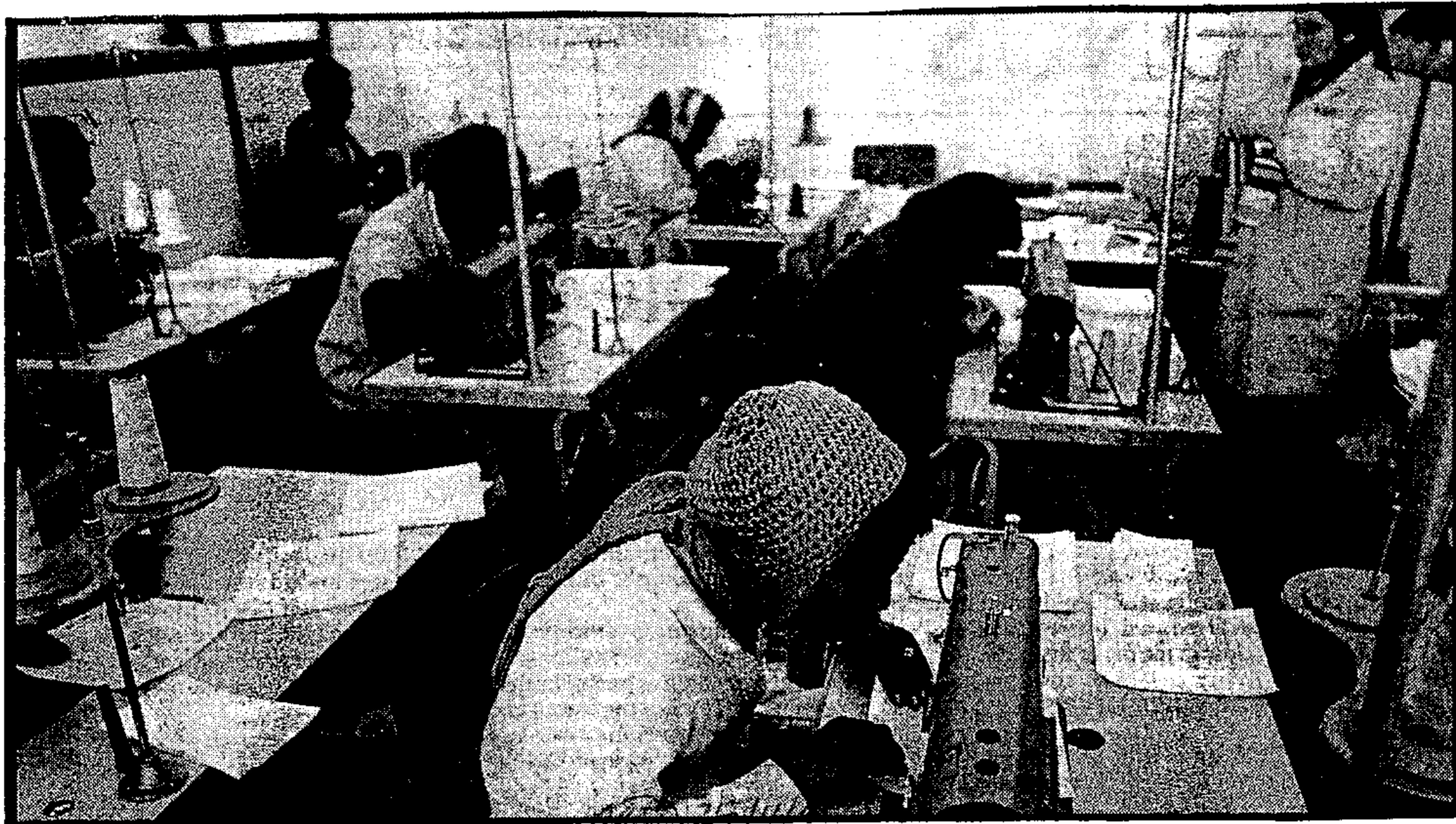
DURBAN — Government's decision to impose a 125% cash duty on in-transit containers passing through SA has set it on a collision course with southern African transport organisations.

Failure to reconsider the move could lead to a clash in court between the transport organisations and the customs and excise department.

Responding to the departmental demand that freight forwarders lodge in cash 125% of the maximum duty and VAT on in-transit goods, SA Association of Freight Forwarders executive director Alan Cowell said yesterday "everyone concerned" supported an urgent Supreme Court interdict to prevent government implementing the new measures.

Cowell's response emerged from a meeting earlier this week of SA, Zimbabwean, Zambian and Mozambican associations representing transport operators and forwarding agents. Customs and excise had until Monday to respond.

Traders could also reroute goods through other ports.



□ **ZIM ZAG?:** Deal with Zimbabwe "just the thin edge of the wedge", say the South African clothing and textile industries ... but work goes on.

SA ragtrade cool on Zimbabwe deal

MAUREEN MARUD
Business Reporter

A **TRADE** agreement now being negotiated with Zimbabwe is "just the thin edge of the wedge", say the South African clothing and textile industries.

"Other countries in Africa could ask for the same sort of concessions," said Bernard Richards, vice-president of the National Clothing Federation (Clofed), referring to the government's intention to use the final Zimbabwe-South Africa agreement as a model for trade agreements with other southern African countries.

Zimbabwe has asked for increased preferential treatment for clothing and textile exports to South Africa.

In response local manufacturers have stipulated that Zimbabwean products should have 75 percent local input in labour costs and materials to qualify for better market access.

One aim of this requirement was to prevent products from other countries in the Far East or elsewhere from entering South Africa duty free via Zimbabwe, Clofed executive director Hennie van Zyl said.

Dr Richards said South African manufacturers paid duty on fabric bought in other countries and brought into South Africa. The duty increased the cost of the commodity.

If Zimbabwe was allowed to export garments to South Africa made from imported fabrics, Zimbabwe wouldn't have to pay duty on what would be finished goods, irrespective of the content.

This would give Zimbabwe an unfair advantage over South Africa. That advantage would translate into the loss of as many as 1 000 jobs in the clothing industry alone, which currently employed about 160 000 people, he said.

In the most recent round of talks between the two countries, Zimbabwe balked at the

75 percent local content requirement, calling it too onerous. The South African government has now asked the clothing and textile industries here to review that requirement and possibly lower the percentage.

"We are duty bound to review the issue, but that doesn't mean we will accede to Zimbabwe," said Mr Van Zyl.

Whether or not Clofed would reduce the local content quantity would depend on feedback it got from its members, he said.

"We will go back to the department next week to say we can accommodate a slightly lower percentage or we can't."

The local content requirement was non-negotiable, said Brian Brink, executive director of the National Textile Federation (Texfed).

"Zimbabwe seems to have a problem with what we thought shouldn't be a very difficult condition. It makes me suspicious as to what they intend to export to South Africa. Maybe

it is from China or Pakistan."

He said the major components of the costs of making anything in textiles in particular would be raw materials and labour.

"Any trade agreement like this should be to develop the domestic industry and create jobs for Zimbabweans."

Mr Brink said his industry's response to Pretoria had been made.

"Now Harare and Pretoria will get together again, to try to finalise the agreement by February."

The clothing industry's response could differ from that of the textile industry, because "clothing is distinctly different from textiles", said Mr Van Zyl.

There were different local content requirements in the current agreement for clothing and textiles, he said.

Representatives of the SA Clothing and Textile Workers' Union could not be reached for comment yesterday.

ARG 25/11/95 (74)

THE GUESTHOUSE SPECIALS

No sign of EU trade deal yet

74
BY JOHN FRASER

Brussels — There is still no sign in Brussels of a decision by the 15 EU governments to offer a free trade agreement to South Africa.

The request for a mandate to negotiate a deal was tabled a few weeks ago by Joao de Deus Pinheiro, the EU commissioner to South Africa. *ET (BR) 28/11/95*

European diplomats said there was slow progress in winning the support of all 15 governments.

"The proposal is still at an early stage of discussion," said an EU official. "What has emerged is that the Mediterranean states, led by Italy, have expressed worries about opening up our market.

"They are particularly worried about agricultural products, as South Africa produces many of the things that are also grown in southern Europe."

However, the Spanish government, which has the presidency of the EU, is still hoping to win a deal at the next meeting of EU foreign ministers on December 4.

Meanwhile, it still is not clear that South Africa will agree to negotiate a free trade agreement with the EU. Such a deal would force Pretoria to dismantle its trade barriers against exports from Europe. — Independent Foreign Service

ARG 28/11/95

Canada-SA deals will boost trade ~~74~~ (74)

TORONTO. — Canada and South Africa have signed trade agreements that officials say will reduce business taxes and encourage trade between the two countries.

A tax treaty and foreign investment deal were signed in Toronto yesterday by Roy

MacLaren, Canada's Minister of International Trade, and Trevor Manuel, South Africa's Minister of Trade and Industry.

Stephen Pincus, chairman of the Canada-South Africa Chamber of Commerce, said: "This really completes the process of normalization of business rules

between the two countries which started with the lifting of sanctions in 1993."

The foreign investment deal ensures Canadian companies will not face unusual tariffs in South Africa. This type of agreement usually is made with countries that have risky economies.

The tax treaty will prevent a company from paying the same taxes in both countries, as well as reduce the amount of tax paid on dividends. -AP.

SA delegation to attend Indian Ocean Rim talks

ET(BR)29/11/95 (74)
BY DAVID CANNING

Durban — The Indian Ocean Rim initiative will reach another milestone next month when a delegation of South Africans travels to New Delhi, India, for talks.

Professor Gavin Maasdorp, the head of the economic research unit at the University of Natal, says the meeting, from December 11 to 13, will focus on research and business issues. He says academics and researchers will be looking at two specific projects. Researchers in about 10 countries will discuss co-operation on a two-year project to analyse trade and investment flows in the region. They will study key economic factors, using information from a variety of sources.

Whereas governments involved in the initiative appeared to favour looking only at maritime countries, the researchers said landlocked countries should be included.

A second project will look specifically at mining, mineral processing and their support systems.

Mining is an important industry in South Africa and Australia, and the initiative affords considerable potential for co-operation.

A third possible area for study is transportation.

Organised business will also meet at the New Delhi meeting, which will be private-sector oriented. The next inter-government meeting on the initiative will be in Mauritius next March.

Maasdorp says the initiative is following a similar route to that taken by Pacific Rim nations in setting up their trade pact. It will take several years for the initiative to pick up momentum, but so far there has been an encouraging response. Representatives from about 25 countries could attend the New Delhi meeting.

Comesa states in move to boost trade

(74)

~~1994~~

ARLT 30/11/95

HARARE. — Common Market for Eastern and Southern Africa member states have agreed to accede to the international convention on the simplification and harmonisation of customs procedures in an effort to boost low intra-Comesa trade.

Comesa secretary-general Bingu Wa Mutharika said the treaty, commonly known as the Kyoto convention, simplified customs administration.

"The application of the convention will assist in reducing these cumbersome, time-consuming and costly procedures applied by customs administrations and other organisations in the sub-region in the conduct of international trade," he said in a speech read on his behalf at the continuing Comesa buyers' and sellers' meeting on wood products and furniture.

He said a road customs transit declaration document had also been introduced to facilitate the movement of transit traffic in the 23-member Comesa market.

This simplified and harmonised document replaced the previous 13 customs documents needed when moving goods across borders.

With the new document, transitors would no longer have to fill in new transit declarations and load and unload at every border crossing.

"So the system reduces costs, delays, pilferages and breakages which add to the cost of intra-Comesa trade," said Mr Mutharika.

Trade within Comesa has been static at five per cent for a long time.

Mr Mutharika said the adoption of the Comesa customs bond guarantee system in 1990 was also expected to facilitate Comesa transit traffic.

The scheme enabled transit operators to execute bonds from countries where they are based to guarantee customs duties on transit goods in other Comesa countries through which the goods might pass.

The system was expected to save foreign exchange and do away with the cumbersome procedure of entering separate customs bonds in every transit country.

Mr Mutharika said three member states had already ratified the agreement, with others engaged in transit traffic expected to do so in due course.

— Sapa.

Discord over SA and trading bloc

(74) *Sowetan 30/11/95*

6 The Department of Foreign Affairs has decided that South Africa must be a part of the IOR process

Africa should be a member of the bloc or not.

Although most observers including government representatives agree that South Africa joining the Indian Ocean Rim (IOR) can significantly benefit the southern African region, but that a number of serious obstacles need to be dealt with before IOR membership will bring the necessary benefits.

Department of Foreign Affairs and some academics believe that IOR membership is a viable one and that the spin-offs from this association will increase trade and investment.

The department's officials say South Africa should be encouraged to join this trade bloc as it will benefit politi-

A DEBATE on whether South Africa should join an Indian Ocean trading bloc appears to have sparked off sharp differences between the Department of Foreign Affairs (DFA) and the Department of Trade and Industry (DTI).

This difference emerged during a meeting organised by the Foundation for Global Dialogue at the University of the Witwatersrand last week.

During the meeting, it was clear that the two departments - Foreign Affairs and Trade and Industry - could not come up with a clear policy position on whether South

cally and diplomatically from the process in the long run. "The Department of Foreign Affairs has decided that South Africa must be part of the IOR process," says one official.

On the other hand, the Department of Trade and Industry believes the concept of IOR membership is not a viable one.

The department's representative Mfundo Nkuhlu says the department is not yet convinced that the people of South Africa will gain significantly from the IOR membership.

Trade flows among the countries that fringe the Indian Ocean (India, Australia, Mauritius, Kenya, Oman, Singapore and South Africa) are very low, argues Nkuhlu. Using 1992 figures, trade flows among the "core countries" constituted a paltry 2,5 percent of their total trade.

"If all the countries bordering the Indian Ocean are considered, trade flows amounted to 9,2 percent of total trade," Nkuhlu says.

"South Africa's exports to the core countries in 1994 amounted to R2,29 billion and constituted a mere 2,54 percent of her total imports from this group amounted to R1,42 billion, an equivalent of 1,78 percent of total imports," he explains.

These figures exclude trade with the countries in the Custom Union.

DTI believes that trade agreements South Africa is negotiating with the European Union, Southern African Development Community and South African Custom Union are of major priority and that IOR does not appear on South Africa's top list of priorities.

During the meeting nobody from the Foreign Affairs could explain the benefits that could flow from the IOR membership despite the department's insistence that South Africa should join it. DTI and other critics of the IOR membership maintain that South Africa must understand what it means to be part of the South (developing world) before making any deals.

Complicated concept

Nkuhlu says DTI has a problem with the "core countries" which helped in initiating and driving the IOR launch in Mauritius last year, because the concept is an inherently complicated one.

"To start with, there does not appear to have been any set of criteria established to choose the seven as the core group. In that case, the initiative is vulnerable to claims that it is from the beginning a highly subjective exercise, with special interests determining who is in or out," says Nkuhlu.

Complicating the issue, India, like Australia, has intentions of becoming a key player in the association as this will boost economies.

The questions remaining to South Africa, according to DTI, is the benefits South Africa will get and what will the political relationships between India and Australia be after the membership. Cooperation or competition? ask the DTI.

Foundation for Global Dialogue research director Mr Anthoni van Nieuwkerk, whose organisation organised the discussions, says they organised the meeting to start debates on the issue and get a clear government policy position.

He says his organisation is of the opinion that the Government of National Unity has no clear policy regarding what its role is supposed to be in the IOR.

His opinion is that economic issues diplomatic issues and the faster Foreign Affairs understand this the better.

Trade ministers to meet in Zambia

Trade ministers of the Southern African Development Community (SADC) are to meet in Zambia on Saturday to discuss ways to improve intra-regional trade and economic integration.

The meeting, which is the first since the formation of the SADC in August 1993, will be held in Lusaka. It is expected to last for several days.

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

He was referring to the need for SADC and the larger Economic Community of Southern Africa (ECSA) to rationalize their activities and to coordinate their programmes and projects which are stretching their resources.

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

hwe — Reuter

(1374) (74)

Concern over EU delay

(74)

Brussels - South African ambassador to the European Union Neil van Heerden has expressed concern at EU delays in making a firm trade offer to Pretoria.

EU foreign ministers will be discussing South Africa on Monday, but diplomats say there is little chance they will reach agreement. There is a big division among the 15 EU states.

Countries such as Britain, Sweden and Denmark favour an offer that would result in virtual free trade. But France, Italy and Greece want to water down the proposal, particularly regarding agriculture.

Officials in Brussels concede that EU governments seem more worried about pressure from their nervous farmers than they are about cementing democracy in South Africa. - Independent Foreign Service

stav 2/12/95

(74)
**Brands
dispute
holds up
US trade**

STB 3/12/95

ALTHOUGH at least 60 US companies have made their way into South Africa this year, the unresolved trademark disputes involving McDonald's, Burger King and Toys "R" Us may slow future investment, writes
KOBOKOANE.
THABO

Meg Voorhes, director of the US-based Investor Responsibility Research Centre, says: "If the US and SA governments can resolve such contentious points on bilateral trade and investment issues through forums such as the national commission, executives at other US companies are likely to gain confidence in the country's sustainability as an investment destination."

There are currently 235 US corporations with equity ties or employees in South Africa — the highest since the lifting of sanctions. Over the past six months, 12 US consumer goods and services companies have invested or made commitments to invest more than \$200-million in South Africa, Ms Voorhes writes in the IRRC's latest survey.

Leading the wave of US investments are PepsiCo, which took a \$55-million stake in Foodcorp subsidiary Simba, and fast-food chain McDonald's, which has invested about \$5.5-million.

Four major factors have influenced the latest spurt of US activity in South Africa, says Ms Voorhes. "US companies are reacting positively to recent economic growth in the country, to the strong response to American brand names, to government pledges to reduce tariffs and to fierce global competition."

In addition, she notes that American companies are encouraged by SA government efforts to promote US-South Africa trade, one of the benefits of a more open trade policy. She says US companies are anxious to establish themselves in South Africa.

"US companies have been out of the SA market for more than a decade. Many US companies mention recent economic expansion as an important factor for entering or making more substantial investments."

British plea on SA trade

(74) BD 4/12/95

BRUSSELS — British Foreign Secretary Malcolm Rifkind will urge his European Union counterparts today not to back away from their commitment to opening their markets to goods from post-apartheid SA.

The talks are also due to focus on moves which will toughen up sanctions against Nigeria, whether to ratify last week's agreement with the US on trade compensation for the EU's enlargement and preparations for next month's debates on enlargement into eastern Europe and institutional reform.

Britain has forced SA on to the agenda because of concern that the most recent draft mandate produced by the European Commission for the negotiation of an economic co-operation accord places too many restrictions on SA's ability to export its goods to Europe, particularly agricultural goods, reflecting competition concerns in southern EU states.

Sweden is expected to reiterate its support for EU oil sanctions against Nigeria. However, similar proposals, which would hit the interests of Anglo-Dutch oil group Shell, were blocked at the last foreign ministers meeting by Britain and the Netherlands.

Instead the EU will discuss restricting some preferential trading arrangements, the closing of military missions and the possibility of a sports boycott. Last month the EU imposed an embargo on new sales of weapons, munitions and military equipment and slapped a ban on issuing visas to the junta. — Sapa-AFP.

Trade war averted by transit duty freeze

Michael Hartnack

HARARE — SA on Friday withdrew from the brink of declaring a trade war with landlocked Zimbabwe, Zambia and Malawi by deferring for two months the imposition of a 125% transit duty on all their imports and exports, the Sunday Gazette reported.

The newspaper said the transit duty would have affected more than R3,2bn annual international trade and put tens of thousands of jobs at risk.

"The decision to defer the levy was a great relief to the local freight industry," Shipping and Forwarding Agents' Association of Zimbabwe chief executive Sandy Welsh said.

SA authorities say the move is to clamp down on incidents of fraud at its ports, involving goods consigned to or from its northern landlocked neighbours, but SA Association of Freight Forwarders executive director, Alan Cowell was quoted saying it would only "hammer the innocent".

BD 4/12/95 (74)
The crisis over the proposed duty is the latest in a series of incidents to imperil relations between SA and its neighbours.

Industrialists have been urging retaliation for SA's subsidised exports and punitive import duties, while updating of the 1964 "most favoured nation" trade pact remains stalemated.

Diplomatic sources said if President Nelson Mandela had heeded calls from Transport Minister Mac Maharaj to boycott the opening of the controversial Limpopo toll bridge, it would have wrecked relations with President Robert Mugabe, who performed the ceremony. The bridge gives a consortium headed by vice-president Joshua Nkomo a monopoly.

In October there was a further postponement of the signing of an agreement to restore access of Zimbabwean clothing and textile exports to their pre-1993 SA market. SA announced a "cautious approach" to any agreement because of its obligations to the provisions of the World Trade Organisation.

74

EU discusses SA free trade

Brussels — Foreign ministers from the European Union will today discuss a plan to tear down trade barriers against imports from South Africa.

They said there was still fierce opposition to the plan, which would set up a free trade area between the EU and South Africa. The proposal comes from the EU commissioner, Joao de Deus Pinheiro. He wants the EU and South Africa to agree to drop tariffs on almost all trade within 10 years of the signing of a deal. EU ambassadors held their first discussion of the plan last week, and pinpointed a number of areas of difficulty. — The Independent Foreign Service

CT(BR) 4/12/95

Trade talks referred to foreign ministers

BD 5/12/95 (74)

Linda Ensor

LONDON — Deadlocks in talks between the European Commission and member states over a negotiating mandate for a free trade agreement with SA have led the commission to approach the council of European foreign ministers for guidelines on the agreement's drafting.

The issue was due to be discussed, but not decided upon, by the council late last night or some time today.

Sources said yesterday that the discussion, which followed six weeks of debate by a representative working group of experts, would clarify issues so that the commission could prepare a final draft of the negotiating mandate for approval at the European council of ministers' meeting on December 22.

Negotiations with SA would then begin early next year.

The committee of experts from the 15 member states could apparently not agree on all issues and had formulated options which it wished the foreign ministers to give directives on. A key issue was the relative extent of the inclusion of agricultural and industrial products in the free trade agreement.

Northern states were divided from southern Mediterranean countries, which argued for a more restrictive access for SA agricultural products.

SA ambassador to the EU Neil van Heerden said the referral to the council of ministers indicated deep conflict in the working group. Member states were proving more resistant to the idea of a liberal agreement the closer it got to their own national self interests.

Other disagreements concerned the degree of flexibility which the mandate should allow the commission's negotiating team, with the commission want-

ing as much flexibility as possible and some member states wanting the mandate terms to be as precise as possible.

A senior European Commission official said the council of foreign ministers would indicate the degree of urgency with which they regarded the negotiations and when they should begin.

They were also likely to give a broad indication of the specific meaning of an asymmetrical free trade agreement, which was the initial negotiating position agreed to by the European council of ministers in June.

That is, the ministers would discuss in broad terms the effect of an asymmetrical trade agreement, and also give some indication of the percentage of SA imports into Europe which would fall within the free trade agreement at the end of the transition process.

One option was 90% of all actual trade between SA and Europe in the last year, while other member states said the objective should remain just free trade without fixed percentages.

The official personally believed it would not be possible for member states to stipulate a definite figure until the conclusion of the negotiations as the final percentage would depend on which products were included or excluded — itself the main subject of the negotiations with the SA team.

The official said the general framework for the negotiators would not be binding on the European council. It could change its mind when notified about the willingness of the SA government to lift trade barriers and after examining the outcome of negotiations.

Another vital aspect to be discussed was the period which the asymmetrical transition period should last.

Picture: Page 10

Call for new tariff system on oil cake

Louise Cook BD 5/12/95

THE Animal Feed Manufacturers' Association called for a new tariff system on imported oil cake, which had resulted in government creaming off R13m a year from the industry, association spokesman Hansie Becker said yesterday.

Oil cake is the raw material used for the manufacture of animal feed products. He said an unreasonably high tariff had been charged on imported soya oil cake, with the tariff rising to R241/ton in January 1995 from the previous R100/ton.

The association called on the Board on Tariffs and Trade (BTT) to decrease the duty to R105/ton as a temporary measure, but a permanent solution

will see tariff on soya oil cake fall to R30/ton. This rate should be fixed for an indefinite period and adjusted only if major changes occurred.

Becker said in terms of the current system, the BTT reviewed the tariff on imported oil cake every three months, but it took government nine months to implement any changes.

"The process took too long — tariff adjustments have to be approved by three ministries. The high tariff has now pushed production costs up to R1 144/ton instead of R900/ton, costing the country R37,5m a year."

Becker said consumption was 500 000 tons of oil cake, and about half was imported from Argentina.

The BTT was not available for comment.

Mandela's diplomatic image put at risk by talks

John Dlodlu

THE current negotiations between SA and Zimbabwe to reinstate trade concessions on Zimbabwean exports will be a serious test of government's commitment to the regional reconstruction and development programme. If not properly handled, the talks could affect both President Nelson Mandela's diplomatic image and the track record of Trade and Industry Minister Trevor Manuel.

The trade preferences granting Zimbabwean clothing and textile exports better access lapsed in December 1992. And last year the new SA government began considering the Zimbabwean request for the reinstatement of the pre-1992 preferential trade regime.

Negotiations have just missed a crucial deadline — end-October — when the new agreement, which proposed to renew the preferences almost on the same scale as the pre-1992 dispensation, was to have come into operation.

The latest snag arose from the SA offer tabled to the Zimbabweans early last month. Among other conditions, SA required the Zimbabweans to agree to a 75% local content (including materials and labour costs).

SA negotiators, led by the trade and industry department, further proposed a series of safeguard measures including regular monitoring of trade flows, a safeguard clause and import quotas.

The SA offer was the subject of months of intense negotiations between the department and vested interest groups such as the Clothing Federation, Textile Federation (the two represent industry employers) and the Southern African Clothing and Textile Workers' Union.

Initial opposition to the deal was based on fears of SA job losses and damage to local industries. But studies conducted by the department showed the preferential regime would have limited effect on jobs.

The two federations, which were vehement in their opposition, argued that extending concessions to the Zimbabweans might open a floodgate of similar requests from other countries and, worse still, Zimbabwe might be used as a conduit for imports from countries such as China.

Predictably, at last month's meeting — which came well after the deadline — the Zimbabweans reacted with shock to the SA offer, saying that it would be impossible to enjoy the benefits under the 75% local content requirement.

It has subsequently emerged, from a letter the department wrote to Clofed, Textfed and Sactwu, that the government team knew the offer would not be acceptable to the Zimbabweans but tabled it on behalf of the three organisations.

The department has called for the Zimbabwean local content requirement to be lowered, and for a higher percentage to be phased in from a less onerous level. This followed concessions made by the Zimbabweans at the talks, including the promise to take up the issue of a social clause with relevant authorities. Sactwu wants a social clause written into the accord.

Another gain for SA was Zimbabwe's apparent willingness to accept restrictive tariff and import quota proposals.

In the letter, the SA government reminds local manufacturers and workers that SA exporters are assisted by duty rebates, export incentives and other measures. But days after the disappointing outcome of talks with the Zimbabwean delegation, Textfed executive director Brian Brink said in an interview that the federation was not prepared to back down on the 75% local content requirement.

Brink said the requirement was a "non-negotiable", and expressed surprise that the Zimbabwean negotiators had rejected the offer.

He argued, contrary to the government's view, that it would be easier for Zimbabwe to enjoy the concessions with the provision. "I am becoming very suspicious about this (Zimbabwean rejection), unless they want to supply SA with Chinese products, I cannot see how they can reject the offer." At the time of writing, Clofed had not disclosed its response. However, a highly placed source in the clothing industry admitted that the 75% requirement was "too high even by international standards".

The current state of play (government's letter and Textfed's comments) already present an interesting dilemma for the government. One of the key questions is: is it not time that government, especially the top management at trade and industry, showed some leadership in the issue and stopped pandering to sectarian interests? Is it not time that the department pointed out what would be in SA's interests?

It is understandable the Mandela administration wants to base its policies on consensus with interested parties. But consultation should not be allowed to stand in the way of good decisions based on considerations that would be to the long-term benefit of the country.

Electricity trade an option for sub-Saharan countries

Paul Vecchiatto

THERE was a growing realisation that electricity trade between sub-Saharan countries was now a practical proposition for some countries to earn much-needed income, World Bank energy department director Richard Stern said yesterday.

Speaking at the World Bank symposium on reform in the power sector in sub-Saharan Africa, he said that if the Cahora Bassa project came on line in 1997 it would earn Mozambique revenue at a price acceptable to it and client countries.

But little investment could be expected to come from governmental sources which were already strained, he said. "Some of the more radical reforms will include charging tariffs that will cover the cost of power generation and there is also a general consensus on privatisation of state-run utilities."

Tore Hervei, CE of Southern African Development through Electricity, a non-governmental consultancy, said there were a number of problems related to privatisation. These included limited access to electricity and the weak performance of the majority of the utilities in the region.

Peter Cordukes, analyst with the World Bank's Industry and Energy department said few of the region's utilities were likely to move to a position where they would be able to sell off a majority of their equity until well into the next century.

Eskom chairman John Maree said Eskom supported the development of an inter-connected electricity grid joining all countries of southern Africa. "There is a regional surplus of 9 000 MW of electricity generating power, mostly in SA."

BD 6/12/95 74

EU backtracks on agreement

ET(BR)6/12/95 (74)

BY JOHN FRASER

Brussels — South Africa's Ambassador to Brussels Neil van Heerden has reacted with deep concern to a new delay by the EU in agreeing to a trade offer.

He said the EU was going back on its promises to South Africa.

He was reacting to news that the 15 EU foreign ministers, who met in Brussels on Monday, had failed to strike an accord. The 20-minute discussion on South Africa revealed deep divisions between the ministers.

Britain, Germany and the Nordic states pressed for the most generous offer possible to be made to South Africa.

But Europe's southern Mediterranean states' positions amounted to naked protectionism, and they called for agriculture to be virtually

removed from the trade offer.

This would mean that South Africa would be kept at bay from boosting exports — of fruit, vegetables and processed food products — to the EU market by high tariffs.

Spanish Foreign Minister Javier Solana tried to play down the significance of the rift.

He said that EU governments were being given a questionnaire to help expose the problems they had in negotiating with South Africa.

"We hope for an agreement as soon as possible," he said.

Nonetheless, he admitted that there might not be an agreement before January 1, when Spain hands over the presidency of the EU to Italy. "I can't guarantee that we will get a deal before the end of the year," he said.

In contrast, British Foreign Secretary Malcolm Rifkind called

for a speedy accord — and a generous one.

It was very unlikely that Italy would be able to keep up the momentum in discussions on the South African issue if the matter was not resolved before Rome took on the EU presidency.

And that could delay ratification of an eventual accord.

Van Heerden was not surprised at news of the EU divisions.

He said that in April last year, EU foreign ministers had signed a declaration promising to support South Africa. "What we are seeing is a poor reflection of that resounding will and willingness to do well by South Africa," he said.

A spokesman for EU commissioner Joao de Deus Pinheiro said there had been progress towards EU agreement on a trade offer. — Independent Foreign Service.

Rim states 'have SA role'

BD 6/12/95

(74)

Alan Fine

MELBOURNE — The Indian Ocean nations had potential not only to expand intraregional trade but also to define common objectives for SA's participation in global markets, Anglo American gold and uranium division CEO Bobby Godsell said yesterday.

Addressing the opening session of the National Trade and Investment Outlook Conference, convened by the Australian government and focusing primarily on Asia, Godsell said international trade rules had, until now, been written by and for the triad of the US, Europe and Japan.

Indian Ocean rim nations had common objectives with regard to the meaningful and universal liberalisation of market access, ensuring that the newly established World Trade Organisation promoted freer trade in the interests of its small as well as its larger members. "Clear objectives also unite southern Africa and Indian Ocean countries, and smaller economies in other regions with regard to the activities of the IMF, the World Bank and other international agencies," Godsell said.

A final area of challenge was the creation of globally effective companies. The most vital issues here were cutting edge technologies and effective global market access. "All world class companies must seek technologies, resources, people and markets across international borders," Godsell said.

SA's trade in the region had increased substantially. For southern Africa to benefit fully from the benefits of international trade required political and civil liberty and freer markets. He was convinced the region would, early in the new century, "demonstrate these lessons dramatically".

Other delegation members include Premier Group chairman Doug Band, Barlows' Russell Chamber, Dorbyl CE Bill Cooper, Airports Company GM Stuart Hickwell, Thebe MD Vusi Khanyile, National Housing Forum chair Eric Molobi and Tongaat Hulett Group MD Cedric Savage.

Earlier, in an interview, Australian Trade Minister Bob McMullen, the conference host, described his SA counterpart Trevor Manuel as "one of the outstanding ministers" he had met in his two years in charge of Australia's international trade affairs.

On criticism that Manuel lowered trade barriers more rapidly than was required in terms of the SA's GATT commitments, McMullen described it as the "responsible application of intelligent self-interest".

He recalled that Australia had begun, almost unilaterally, the process of trade liberalisation 10 years ago. "We did it for us, to create a more competitive business environment," McMullen said.

However, the key was that Australia had achieved a national consensus on the way forward. The government had achieved this by the way it had managed the process. It had been crucial to involve organised labour and others who would be affected.

Part of the process included assistance and incentives to companies to move into export markets, labour market adjustment programmes including income support and training for those displaced by the contraction of various sectors.

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US companies complain about SA's trade barriers

BD 7/12/95

(74)

Simon Barber

WASHINGTON — Complaints about SA trade barriers have been made by US soda ash producers, Hollywood, the American paper industry and Polaroid in written submissions to US trade representative Mickey Kantor.

The complaints were lodged at the end of November in response to the routine request of the trade representative's office for public input to its annual national trade estimate report, released each March to highlight foreign practices seen to be hampering US exports.

Absent from the submissions was any reference to the violation of US trademarks. McDonald's, Burger King, Victoria's Secret and Toys 'R' Us, all of whom have ongoing disputes in SA over what they claim is inadequate protection of their intellectual property, chose not to raise their voices.

The loudest cries came from the American Natural Soda Ash Corporation (Ansac), an export association representing six US producers, which demanded action against SA's 10% tariff on soda ash imports from outside the SA Customs Union.

Export market

The tariff, imposed in 1991 and renewed in 1994, was designed to protect Soda Ash Botswana's Sua Pan project, "an uncompetitive ... plant, constructed by SA's AECI in conjunction with the governments of SA and Botswana," Ansac said.

Prior to the imposition of the tariff, SA was the US industry's second largest export market for the chemical, which is used in the manufacture of glass, paper and detergents. SA imported 215 420 tons from the US in 1990. This plummeted to 64 124 tons in 1993, said Ansac, but picked up slightly last year to 75 858 tons.

Soda Ash Botswana, reorganised last August as Newco in a desperate series of manoeuvres to avoid liquidation, "has substantially failed", Ansac said, and, after posting losses of R137,8m in 1994, expected to lose R222,3m this year.

"Even if the plant remains operational ... the current tariff is harmful economically to SA itself," the US group told Kantor.

It backed its argument with letters from SA customers, including Consol and Unilever, contending that the Soda Ash Botswana product was unsuitable for their needs at any price.

In the Uruguay Round of international trade negotiations completed last year, SA agreed that its soda ash tariff would go no higher than 10% over the next five years, and would gradually fall to 5,5% in five years after that.

This was not good enough, said Ansac, which charged that SA consumers were being forced by the tariff to pay a premium for the sake of a few jobs in Botswana. Worse, Ansac warned, SA companies might be forced to lay off thousands of workers because they could not buy a vital ingredient for their goods at world-competitive prices.

Meanwhile, the Motion Picture Association of America, which represents Hollywood's major pro-

duction houses, asked Kantor to keep his eye on an ANC proposal to create an "independent film board which will promote the national film industry and administer funds to be collected from various sources including ... discriminatory taxes on international film exhibition and cinema tickets.

"Additionally, the proposal calls for broadcast quotas, subsidies and incentives for national production and exhibition and a restructuring of distribution and exhibition."

Of more immediate concern to the Motion Picture Association, one of the most influential lobbies in the US, was video and satellite piracy which would cost members \$11m in lost revenues this year. (What the Motion Picture Association did not say was that \$10m is actress Demi Moore's price for one picture.)

"The prevalent forms of video piracy are back-to-back copying in video outlets and organised importation, duplication and distribution of pre-video release pirate products from the Middle East, Asia and the UK.

"Wholesale mail order distribution is also a growing concern."

On the satellite front, Motion Picture Association was annoyed that pirates, especially in Western Cape, were stealing Hollywood products transmitted by Sweden's Film Net.

"Pirates supply unauthorised smart cards to enable dish owners to obtain access to encrypted signal(s)," it said.

"A new 24-channel satellite was launched in October 1995 with a large footprint covering SA and large parts of adjoining countries.

"This satellite's transmissions are retransmitted by pirate TV stations in the countries along SA's borders and are a source of video masters for some pirate products now appearing in the region," the association said.

Surcharges

Finally, the Motion Picture Association was unhappy that SA government subsidies "are only available to film productions in which 75% of the 'above-line' talent is South African."

The other complaints were briefer.

Polaroid told the trade representative that high excise taxes and import surcharges had cost it up to \$100m in lost camera and film sales, but the company offered no further explanation.

The American Forest and Paper Association said: "1992 tariff increases for certain products amounted to blatant, unjustifiable protection of SA's domestic paper industry, which the SA government itself has characterised as having 'comparative advantages'.

"For example, the tariff rate for folding cartons rose from 10% to 25% (subsequently reduced to 20%) and the tariff on saturated kraft and coated bleach paperboards rose from zero to 12%."

These gripes will likely be mentioned in next year's national trade estimate report, which is due to be released next March.

They will not, however, become a big deal until the SA market is so large that its trade policies really matter to US companies.

SA envoys push for mandate from EU for free trade accord

Linda Ensor

(74)

BO 7/12/95

LONDON — Intense lobbying by SA envoys in Europe is taking place to urge the speedy finalisation of the European Union's negotiating mandate for a free trade agreement with SA, which suffered further delays this week.

SA's Brussels ambassador Neil van Heerden was disappointed that the European foreign ministers had failed to reach agreement on the fundamental areas of conflict at their meeting on Monday night and had referred the matter back to the working group of permanent representatives to sort out.

Until the EU produced a mandate, he said, SA negotiators could not seriously consider the European position and respond to it.

Fundamental issues on which agreement could not be reached included the admission of SA agricultural goods into the European market, with member states being far more protective than expected.

The hope of the mandate being finalised during the Spanish presidency of the European parliament had faded, and it was now likely it would be a task for the Italian presidency which begins next month.

Van Heerden said from past experience he knew each presidency had its own agenda and priorities; as Italy had grave internal problems and difficulties with the EU, it could not be assumed an agreement with SA would be high on its priorities list.

Nor could it be assumed that the mandate would be processed in January, as there was a tendency to sideline issues relating to countries outside Europe.

Spain aims for SA trade agreement before new year ⁽⁷⁴⁾

CT(BR) 7/12/95

BY JOHN FRASER

Brussels — The Spanish government yesterday told its EU partners that it would strive to reach agreement on a trade offer for South Africa before the new year.

This followed the failure of 15 EU foreign ministers, who met in Brussels this week, to agree to a new mandate for negotiations with Pretoria.

Spain's ambassador to the EU said he had told his colleagues, after a meeting to review the foreign ministers' talks, that he would do his best to secure a compromise. Junior diplomats are to review the issue in the next few days, and are expected to report back to the EU ambassadors next week.

They will then decide if more work needs to be done, or if the issue can be put to a meeting of EU ministers for a decision.

"There were no precise conclusions at the end of the ministers' meeting," said an official at the EU's council of ministers, who was in Monday's meeting.

"Those with problems stated them, with some voicing concerns about the impact of a generous trade offer to South Africa on our own European farmers.

"There was a call by France for a detailed analysis to be done on this.

"Certainly, this all needs further work, as there are questions over whether all 15 EU states will accept a generous deal on agriculture."

Spokesman of the EU commission, Joao Vale de Almeida, said yesterday that a deal had not yet been finalised, denying reports that an accord had been struck on Monday.

"Such reports must involve a misunderstanding," he said. "There is not yet a new mandate for trade negotiations.

"We are optimistic there will be an agreement on a mandate either by the end of this year, or early next year."

South African diplomats in Brussels were closely monitoring events.

They wanted the 15 EU states to agree to a trade offer, which could then be studied and negotiations could be relaunched.

They were deeply concerned that an original, relatively generous free-trade proposal by EU commissioner Joao de Deus Pinheiro had been watered down.

This was most likely to be the basis for the EU's offer to South Africa. — Independent Foreign Service

Microprojects get R60m EU boost

CT(BR) 7/12/95 ~~(74)~~

BY CATO PEDDER

East London — The European Union (EU) yesterday signed a R60 million contract with the Microprojects Programme Trust to develop microprojects across the Eastern Cape.

The contract was signed at a ceremony in East London.

The Microprojects Programme Trust has offices in Umtata, East London and Port Elizabeth. It supports small, commu-

nity-based development initiatives in the Eastern Cape.

The programme seeks to promote a grass-roots development process by channelling resources directly to poor communities. Local communities usually contribute at least 25 percent in cash or in kind to these projects.

The grant is part of the European programme for reconstruction and development, under which R593 million has been allocated to South Africa this year.

Sacob trade study calls for diversified export base

CT(BR) 8/12/95 (74)
BY DEREK TOMMEY

Johannesburg — It is imperative that the country's economic growth should be based on diversified export growth, says the South African Chamber of Business (Sacob) in a study proposing a comprehensive trade policy for South Africa.

It said that while exports of minerals would remain important in the generation of foreign earnings, the country would benefit more from the faster growth of beneficiated or manufactured exports, as this was likely to create more jobs for each dollar earned than the primary export sector.

"Such a path will also have a larger multiplier effect in the economy," it said.

However, it would be not only preferential arrangements but international competitiveness that would be crucial to a successful outward-looking development strategy.

In this respect, factor productivity and specifically labour productivity was essential.

Other factors that would be required were consistent government support and effective incentive systems, adequate infrastructure, realistic exchange-rate levels and an environment that would encourage foreign investment.

Small business also deserved support systems that would enable

it to export competitively. But export policies should not have as their primary aim the development of small and medium enterprises.

Sacob was also concerned that the competitiveness of export industries might be reduced by redistribution measures.

"Efficiency and economic growth are of prime importance, and must be a prerequisite for the alleviation of poverty.

"South Africa has to expand its trade with its traditional partners and expand into markets in Asia, the Middle East and Latin American.

"While trade relations with Africa must be explored, the ability of African countries to pay will remain a problem. The best way to solve this is through increased South African investment. This requires the removal of the remaining exchange controls on residents."

Sacob warned that South Africa's Gatt and World Trade Organisation obligations meant that it had been inextricably locked into a process of trade liberalisation and that the economy would have to adjust to lower levels of protection.

Exporters should not expect too much from trade pacts with other countries, it said.

"In the international environment, special preferences for developing countries are losing their appeal and are bound to fall out of favour," it said.

Bonnita lifts half-year earnings

CT(BR) 8/12/95 (BR)
BY AUDREY D'ANGELO

Cape Town — Dairy products and fruit juice company Bonnita Holdings lifted net earnings by 22 percent to R26,6 million (R21,9 million) for the six months to October on a 15 percent rise in turnover to R473 million (R413 million).

Operating profit was 15 percent higher at R53,3 million (R46,4 million). Shareholders will be given a choice of a capitalisation share award or an interim cash dividend of 2,6c (2,2c) a share. Interest-bearing debt has been reduced to R2,9 million (R12,1 million).

Managing director Louis du Plessis said there had been a steady growth in demand for the company's products. The new UHT milk factory at Parow in the Western Cape was running at full capacity and two new ice cream factories at Midrand and Cape Town were fully operational.

The company's cheese factory at Bonnievale had been upgraded and it was producing more varieties.

The market showed excellent growth potential.

The company was negotiating with black entrepreneurs for joint ventures which would supply dairy products to previously untapped markets.

DILBERT

By Scott Adams

Oz warms to trade with SA

(74) Melbourne - South Africa is a comfortable business environment and it doesn't have the complexity of coming to grips with new cultures that might have to be faced in places like China and Korea, according to Australia's senior trade commissioner in Johannesburg, Anton Meyer.

South Africa offered "a host of opportunities", especially for small and medium companies, he added.

Since trade sanctions were lifted in 1993, Australian exports to South Africa had expanded rapidly and were now worth R1,75-billion a year.

In the next 12 to 18 months, they

Star 13/12/95
would reach R2,5-billion annually.

Meyer said key areas were rural telecommunications, processed food and food technology and dairy packaging systems.

The housing shortage was potentially lucrative for companies with innovative building and construction systems, he added.

Although South Africa lacked some elements, it had a sophisticated and well-established infrastructure, including banking and communications, and the country was the gateway to a vast, untapped continent. - Independent Foreign Service.

Indian Ocean nations seal pact

APR 14/12/95
(74)

NEW DELHI. — Commercial needs overrode political differences as business leaders and academics belonging to nations bordering the Indian Ocean made headway on creating a regional economic bloc. The first meeting of the Indian Ocean Rim Consultative Business Network, bringing together academics and more than 50 IOR countries, ended in the delegates adopting a goal "to work for a free and open trading and investment environment in the region".

The group agreed to build a research network as a first step towards economic co-operation, delegates said. The IOR would study how member countries could co-operate on common needs, including information technology, customs and trade documentation, non-tariff and investment barriers, maritime issues, energy and environmental matters.

Indian Ocean rim nations stretch over three continents, from Oman west to Australia and New Zealand in the east. They are home to a third of the world's population, two-thirds of the world's oil reserves, a fifth of its arable land and vast mineral resources.

Delegates rejected the notion that the creation of a massive Indian Ocean community was taking the international trading to an extreme.

"It's incredibly important (to India)," said Dr S L Rao, director general of India's National Council for Applied Economic Research and an organiser at the talks.

"South Asia has been very inactive on regional groupings. Even Australia, one of the largest economies in the group, is pushing the IOR."

Delegate Donna Botha of South Africa is getting back into the international scene after said: "South Africa is getting back into the international scene after sanctions. This (IOR) is an opportunity we would be unwise to miss."

— Reuter.

Southern fears

FMTS/12/95
Chances are slim that the European Union will present its proposed Free Trade Agreement to SA before the end of the year, despite promises made by the Spanish presidency. At the start of the month, the union's General Council failed to reach consensus on a draft by its administration, the European Commission.

Outgoing ambassador to the union Neil van Heerden believes the concerns of south European states, over free market access for SA agricultural products, is the main reason for the delay. The Free Trade Agreement is part of a much wider bilateral agreement the union wants to offer SA. Other spheres of interaction include development aid and scientific co-operation.

The commission has drafted a proposal for approval by the 15 member states. Only after approval will the text be handed to SA. The commissioner responsible for SA, Joao de Duniões Pinheiro of Portugal, who used to live in Mozambique, is well acquainted with southern Africa.

The free market access the commission has recommended to its member states is relevant to 20% of SA's exports to the union. (The remaining 80% already enters

the union without any tariffs or taxes being levied.) Half are agricultural products, mainly deciduous fruits and fruit juices.

The general rule is that tariffs are levied only on products that are also made in Europe, such as orange juice. Litchi juice, however, is exported to the union freely.

Van Heerden says the main challenge is to convince the southerners SA products are not competition because harvest seasons are different. And, the products themselves differ. "They should see SA as a complementary producer rather than a competitor."

The draft has been referred, by council, to member states' permanent representatives committee, generally described as the clearing house for its problems with the commission. This committee has been requested to work out a compromise to present to the union's development council on December 20, the last union council meeting under the Spanish presidency.

Should the committee not arrive at a compromise in time, the matter will be passed on to the next presidency, Italy.

Van Heerden is concerned. Italian governments fall like rain from Brussels' skies and speculation is that Italy will have parliamentary elections in either March or April — a scenario unlikely to lead to a decisive presidency.

Van Heerden stresses SA is under no obligation to accept the union proposal.

"The Free Trade Agreement must take into consideration the unique position of our economy. SA's industries are still adapting to nonisolation, and, while some sectors have already succeeded, sensitive ones are struggling. Furthermore, SA has a contractual agreement with the other member states of the SA Customs Union who, under the Lomé Convention, do not have to reciprocate free market access."

The draft proposes SA's economy be given more time to adjust to zero tariffs and the scrapping of State subsidies than the union, simply because of the comparative sizes of the two markets and the condition of the SA economy.

In the longer term, the outgoing ambassador believes our relations with Europe will change dramatically. He does not expect the union to renew the present Lomé Convention, because of past experience with poor management of development aid.

The union has shifted its focus to creating frameworks in which the private sector can flourish and Van Heerden is convinced SA should seize the existing opportunities. "Europe will remain our most important market for a long time and the union's expansion towards the east creates enormous opportunities for SA entrepreneurs."

But he warns: "If SA wants to be a player on the European markets, it will have to

inform itself better. And why shouldn't we learn from the mistakes of the European unification process if it helps to achieve regional integration in southern Africa?" ■

CAPE TIMES

BUSINESS REPORT

SOUTH AFRICA'S NATIONAL FINANCIAL DAILY

WEDNESDAY DECEMBER 13 1995 15

New trade era begins with Gatt's demise

By ROBERT EVANS

Geneva — Gatt, the revered and reviled global trade watchdog, slipped quietly into history yesterday after five decades of pushing the world towards the open markets — now seen as a panacea for international prosperity.

"It did its job too well," said one trade official as delegates from some 70 countries politely applauded the last speech at the final meeting of the contracting parties to the 1947 treaty that launched Gatt on to the world stage.

"It was an enormous success,"

the session was told by Renato Ruggiero, the director-general of the World Trade Organisation, which was born on January 1 this year out of the seventh and last trade round under Gatt.

Ruggiero and Mounir Zahran, the chairman of the contracting parties over the 48th and last year of Gatt's existence, said that it made a central contribution to the huge boom in the global economy after World War 2.

"The economic growth of many countries has been increasingly stimulated by the growth of their trade, a fact made possible by the

improved conditions for trade that we have realised through the various rounds of negotiations," said Zahran.

Formally Gatt disappears on December 31, when it is absorbed by the organisation.

By common consent disputes that marked its final years — Latin Americans versus the European Union over banana tariffs and Mexico against the United States over bans on tuna imports — will also be consigned to history or taken up again in the organisation.

Members who have not yet completed entry to the more pow-

erful organisation will be admitted in the coming months.

It has only 112 members at the moment but the new body expects to have at least 155 members within a few years, representing almost 95 percent of world trade.

China and Russia, the major absentees, are knocking insistently on its doors.

Although China under Nationalist leader Chiang Kai-shek was a founder member of Gatt when the first accord was signed in Geneva on October 30 1947, it pulled out promptly after the communists took power in Beijing in 1949.

Gatt, the country's new rulers declared, was a capitalist club at the service of the tycoons of Wall Street and the City and irrevocably hostile to real freedom and global economic justice.

Moscow, then the capital of the Soviet Union, scorned the fledgling body as "a colonialist creation bent on ensuring the domination of world imperialism over the toiling masses in Africa, Asia and Latin America".

Even the United States was not so sure it was a good idea. Congress, fearing a more formal body would put limits on its pow-

ers to legislate trade policy, scuppered proposals to quickly turn Gatt into an international trade organisation.

As former colonies of the Western powers won independence during the 1950s and 1960s, they followed the Moscow-Beijing line, largely staying clear of Gatt as they built state-run or highly protected economies.

But by the mid-1980s, the perceived failure of communist countries to ensure high living standards for their people was winning converts to the free trade philosophy for which Gatt stood. — Reuter

SA govt objects to US delay on trade hurdles

John Dluclu

BD 19/12/95

(74)

THE SA government has complained to the US government about continued delays in renewing trade concessions for local exporters to the US market.

Trade and industry official Basil van der Merwe said yesterday the concern had already been raised with the US government. The matter was also discussed at the recent meeting of the US/SA Business Development Council, co-chaired by Trade and Industry Minister Trevor Manuel and US counterpart Commerce Secretary Ron Brown.

The council, which is part of a binational commission co-chaired by Deputy President Thabo Mbeki and US Vice-President Al Gore, is aimed at removing hurdles to trade and investment.

Van der Merwe said the delay in reinstating the general system of preferences, which grants better market access for specified SA products into the US, was having a negative effect on trade, especially for small and medium-sized firms.

He said the US party at the committee had promised to reinstate the concessions, although no time frames were given. The concessions were extended to SA last year and lapsed early this year. SA had, he said, undertaken to address US concerns about the increase in duties on washing machines.

What the effect of the lapse of trade preferences between the two nations will be, is unclear. The US embassy was unavailable for comment yesterday.

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Poor statistics a 'problem'

BD 19/12/95

(75)

CAPE TOWN — A lack of reliable SA social statistics could be a large stumbling block for the Financial and Fiscal Commission as it tries to allocate funds to the provinces, a local economist said.

"The issue of reliable information is going to be a major headache," said the University of the Witwatersrand's economics department head Charles Simkins.

Writing in the latest issue of Budget Watch, he said "social statistics" had been neglected for the past 50 years, resulting in inadequate information about the needs of the black population in terms of labour, education and housing.

Therefore the commission would have to rely on "the best estimates possible" to ensure an equitable distribution of state revenue to the nine provinces.

The estimates would have to be officially recognised to prevent disputes and delays, Simkins said. — Reuter.

SA govt objects to US delay on trade hurdles

John Dlodlu

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Trade watchers predict export growth

John Dluclu

(74) BO 20/12/95

TRADE analysts yesterday predicted a continued surge of between 7% and 9% in SA's exports in the new year.

The SA Foreign Trade Organisation said that its fourth-quarter survey of exporters' expectations for the coming year showed the optimistic mood recorded in the third quarter still prevailed.

SA Chamber of Business international trade manager Riaan de Lange said the chamber expected the growth trend in exports to continue into the new year.

De Lange forecast 7% growth in exports, while another trade watcher put the estimate at 9%.

"The forecast for the dollar value of export sales and orders received again both registered 170 (a positive indicator) on the exporters confidence index," the Safto survey said.

Safto, which is now part of the Industrial Development Corporation, said exporters were antici-

pating a rise in the index in the coming 12 months.

De Lange said a better than average increase in export volumes was likely to come from the Indian Ocean rim (which includes India and Australia) and the Asian regions as well as Africa. Stable growth was anticipated in SA's traditional markets of the EU and the Americas.

Carl Nöfke, director of the American Studies Institute of the Rand Afrikaans University, said SA exporters had been carving a niche in the southeast Asian markets — especially with products such as military equipment — while consolidating their shares in the EU and the US.

While agreeing with predictions of an optimistic outlook for exports, Nöfke warned that "the clarion call is that we should remain competitive".

Nöfke predicted a good showing for the motor industry and SA's primary sector, notably the country's farm exports following

the good rains this season.

Safto said several categories of manufactured goods were showing sustained growth and, "contrary to some expectations, this growth is not limited to exports to Africa: manufactured exports to sophisticated markets in Europe and Asia have also risen".

The organisation noted concerns over delays in shipping. Other concerns were production problems and production capacity. "The cost of transport is still seen as an important threat, while an unfavourable rand exchange rate also rates fairly high — there's a clear link to the competitive pricing issue."

Other trade observers said the continued preferential trade status SA enjoyed — under the general scheme of preferences — should continue to underpin the growth of exports.

SA has been granted GSP status by several countries including Japan, Canada and the EU. The US GSP has not been renewed.

Govt social clause proposal is criticised

Greta Steyn

GOVERNMENT's proposal to include a social clause in bilateral trade agreements showed a lack of understanding of the issue in the global context, according to an article in the latest Trade Monitor.

Trade and industry deputy director for multilateral trade, Tshediso Matona, said SA did not appreciate the complexity and political sensitivity of the social clause, which had been universally rejected by developing countries. Matona was writing in his personal capacity.

Global agreement on the promotion of labour standards in trade agreements was "far from being clinched, if likely at all". SA should not try to go it alone on an issue on which even the US had so far been unable to make progress.

BD 21/12/95
"Insistence on social clauses by SA is strategically and politically difficult, let alone potentially conflictual," he said.

Developing countries were against social clauses as they feared the imposition of labour standards would provide room for protectionism against developing countries, disguised as concerns about labour standards. "Lesser developed countries have been vociferous and unanimous in their opposition to the social clause."

The insistence on a social clause in bilateral trade agreements, which labour wanted, held potential dangers for the country's international standing. The majority of countries were against the approach, and it also threatened SA's policy alignment with other developing countries.

SA's approach, which was to

(74)
prevent trade in products which involved labour practices which were "socially unacceptable", could be pursued by trying to use its influence on other countries.

Yet this was unlikely to succeed, given SA's limited economic power, although it commanded international moral respect.

SA could include social clauses in agreements in which it granted preferential market access. The argument was that preferential treatment should serve as an incentive for the observance of labour standards.

Rather than try to introduce social clauses in bilateral trade agreements, Matona concluded SA should focus its campaign on the International Labour Organisation conventions, which could lead to a human rights framework for upholding labour standards.

Chalker calls for generous EU offer to SA

CT(BR) 21/12/95

(74)

BY JOHN FRASER

Brussels — Britain has predicted an early EU trade offer to Pretoria, following a meeting of development ministers of the union in Brussels yesterday.

Lynda Chalker, the British overseas development minister, said the best way to help the new South Africa would be by offering it a generous trade deal.

"South African trade is important to us and to all other European nations," she said. "Trade is an absolutely important aspect of the overall development plan."

However, the minister said she accepted that there was widespread disappointment that the union would not be able to make its trade offer to South Africa this year — as had been scheduled.

Chalker rejected calls by some southern EU states for just 45 per cent of South African exports in agriculture to be covered in a future

trade offer. "I am very disappointed indeed by the delays. South Africa deserves encouragement because what happens in South Africa is very influential on neighbouring countries," she said.

"If South Africa gets the trade access, it will be able to help itself. More can be done by trade than by development aid."

Chalker said she had received assurances that the issue of trade with South Africa would be treated urgently by Italy, which takes over the EU presidency next month.

She said a ungenerous offer to South African would backfire on protectionist EU states: "A mean offer will not give them the access they want to South African markets."

South Africa is expected to be offered a virtual free trade area with the union. Once the offer has been made, South African ministers will decide whether it is worth accepting. — Independent Foreign Service

86-93

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Govt social clause proposal is criticised

Greta Steyn

GOVERNMENT's proposal to include a social clause in bilateral trade agreements showed a lack of understanding of the issue in the global context, according to an article in the latest Trade Monitor.

Trade and industry deputy director for multilateral trade, Tshediso Matona, said SA did not appreciate the complexity and political sensitivity of the social clause, which had been universally rejected by developing countries. Matona was writing in his personal capacity.

Global agreement on the promotion of labour standards in trade agreements was "far from being clinched, if likely at all". SA should not try to go it alone on an issue on which even the US had so far been unable to make progress.

PSD 21/12/1974
"Insistence on social clauses by SA is strategically and politically difficult, let alone potentially conflictual," he said.

Developing countries were against social clauses as they feared the imposition of labour standards would provide room for protectionism against developing countries, disguised as concerns about labour standards. "Lesser developed countries have been vociferous and unanimous in their opposition to the social clause."

The insistence on a social clause in bilateral trade agreements, which labour wanted, held potential dangers for the country's international standing. The majority of countries were against the approach, and it also threatened SA's policy alignment with other developing countries.

SA's approach, which was to

prevent trade in products which involved labour practices which were "socially unacceptable", could be pursued by trying to use its influence on other countries.

Yet this was unlikely to succeed, given SA's limited economic power, although it commanded international moral respect.

SA could include social clauses in agreements in which it granted preferential market access. The argument was that preferential treatment should serve as an incentive for the observance of labour standards.

Rather than try to introduce social clauses in bilateral trade agreements, Matona concluded SA should focus its campaign on the International Labour Organisation conventions, which could lead to a human rights framework for upholding labour standards.

THE SA ambassador to the EU, Neil van Heerden, leaves Brussels at the end of January to become SA Foundation executive director.

During his three years and four months in Brussels, the decision was taken for SA to seek agreement on a free trade area with the EU. The draft has suffered an initial setback as the EU's industrial northern states and southern farmers do battle over the extent to which the EU should open its gate to SA's farm produce.

Van Heerden explains the process of negotiating with the EU.

Q: Are you satisfied with how the EU is handling the free trade agreement mandate?

A: With all due recognition to the complexity of the EU system and the fact that it is 15 people who have to reach consensus, we are anxious the mandate should be approved because until we have the details of the free trade agreement on offer, we cannot consider it in substance.

Q: If formal talks on the trade side have not yet started, what have the recent technical talks between the EU and SA been about?

A: We have been working with our colleagues in the commission on which articles of the Lome Convention (the EU's co-operation agreement with 70 African, Caribbean and Pacific [ACP] states) we will accede to under "qualified membership" — this is quite a lengthy list. Most are not contentious; not directly affecting trade. Secondly, the bilateral agreement also has non-trade aspects — preamble clauses and other legal and procedural aspects such as general co-operation.

Q: Are there any advantages in Lome membership, given that the EU has already said no to Lome's non-reciprocal trade openings?

A: On the political side, inclusion in the Lome dialogue is very important. We will be able to participate at meetings — joint assemblies, ministerials, just as freely as full members. There could be substantial benefits such as participation of SA companies in ACP tenders and regional development projects.

Q: EU officials openly admit that under a free trade agreement, most of the effort to open

Van Heerden gives SA's view on EU free trade talks

B/D 21/12/95 (74)

DEBRA PERCIVAL in Brussels

markets will be SA's since the bulk of SA exports to the EU market already enter duty-free.

A: The percentage of trade entering the market tariff free at the moment is high, but SA has made very courageous commitments under the Uruguay Round, and we are ahead of schedule in implementing these.

Q: EU chief negotiator Joao de Deus Pinheiro has referred to a dozen sensitive products on which it will be difficult to negotiate new openings.

A: We have not spoken about this yet. I would be surprised if there are only a dozen, if you put the EU's and ours together. But that should not be a deterrent to an agreement.

Q: Early EU drafts suggest that as much as 45% of agricultural goods might be excluded altogether from a free trade agreement because the EU is concerned about SA fruit and vegetables flooding the market.

A: We think there are a lot of myths. There is just a perception that SA is an agricultural colossus. This is not so. When we sit down and do the analysis, it can be seen that SA is a country with a limited agricultural potential — 10% arable land, very low, irregular rainfall and poor soils and long distances — nine to 16 days — to market. Our potential is at the top segment of the market. We cannot compete further down. What you have to say is; we do not compete with you, we are in a different season, we are prepared to

buy your apples in season. The bottom line is that SA is an attractive partner and please drop all ideas of us as producers with rock-bottom labour costs.

Q: It seems SA will have to make an offer from day one to open its market. There will be no "grace period" for SA produce.

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VAN HEERDEN

P.T.O.

I FTTERS

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VAN HEERDEN

compassing "substantially all trade" over a maximum of 10 years. The WTO does not include a "holiday". So, if you are drawing up a free trade area, the clock starts ticking from day one. The EU has said that it is prepared to offer SA an "asymmetrical" agreement, moving faster in one area.

A.T.O

very clear understanding on the part of Cape Span, for instance, to help disadvantaged farmers. In the bilateral agreement, there will be several areas of co-operation in non-trade areas. Other areas of future co-operation, such as science and technology, will not only be high-tech stuff between large corporations. They will also speak of bursaries for disadvantaged students, of extending the benefits of science and technology down the social ladder.

It is true that the large corporations might benefit greatly, but the mega-operators, people who produce chrome or stainless steel, their products are — interestingly enough — already in that category which is tariff-free. The current situation is detrimental to the so-called bottom layers of society. The labour-intensive areas like farm production are the ones carrying high tariffs. One of the most labour-intensive farm products is table grapes which have to be picked by hand. We pay 18% on those grapes.

Q: How important is the EU's agricultural generalised system of preferences (GSP) — on both industrial and agricultural products — and what will happen at the end of the year when, legally speaking, it expires?

A: We estimate that 12,6% of our total farm exports will benefit, mainly because the list in the end was massacred by some EU member states and reduced to items that we are really not strong in. GSP has not turned out to be a winning hand for us. There are countries like Singapore, Korea and Asian tigers who have made magnificent use of GSP, mainly in the industrial field. GSP is a unilateral (non-negotiable) instrument for developing countries, and there was a feeling right from the beginning that SA is not a developing country.

I expect they will roll it over until the new system is in place, and apparently they are making better than expected progress in revising the new system (It could come into force by July 1 1996). The exceptions — under the revised system — will be that if you, for example, become too smart in making gizmos, they will graduate you out of GSP. Although SA has not been specifically targeted for graduation, it could happen that we could be graduated out quite soon. GSP is a bonus, but it has been little in our case.

Q: Is the opposition SA is facing from some EU ministers a sign of waning political interest?

A: Our popularity is bound to be a diminishing asset. I also have to say there is a voice rising in the EU that is warning against the wisdom of extending the free trade area in all directions, and I had reason to believe that (at the meeting of EU foreign ministers) on December 4 this voice was there. We understand that Chile has been refused a free trade area. Chile has been very keen on a free trade area. Before it was decided that Mercosur (the regional market between Uruguay, Paraguay, Brazil and Argentina) would not have a free trade area.

Q: Will there be clauses to guarantee that the bilateral pact will benefit the disadvantaged black population as much as it does big business?

A: There is an emphasis on both sides that specific attention should be given to the needs of the disadvantaged part of our population and also to our region. It is already important to express that intent in your formal documentation. If you take a look at agriculture, there is a

Patel slates official's view of social barriers on trade

BD22/12/95 (74)
Greta Steyn

LABOUR's convenor in the National Economic, Development and Labour Council (Nedlac), Ebrahim Patel, has slated the views of trade and industry deputy director for trade Tshediso Matona on the inclusion of social clauses in trade agreements.

Patel was reacting to an article Matona wrote in his personal capacity in the latest issue of the Trade Monitor. Patel said Matona's approach was to strip economic policy from the social and moral objectives of society, which was unacceptable.

He rejected Matona's suggestion that SA campaign for social clauses only through the International Labour Organisation, saying the ILO's conventions had no mechanism to ensure they were

enforced. The World Trade Organisation (WTO), by contrast, set trade rules that had to be followed by member nations.

He said the WTO rules protected the rights of entrepreneurs through its protection of intellectual property rights. By analogy, the labour rights should also be protected using trade rules. SA was not trying to act unilaterally on this issue and would champion the cause in WTO debates.

Government, labour and business agreed in Nedlac to insert a clause into bilateral trade agreements that parties should not export any products that involved labour practices which were "on reasonable grounds, socially unacceptable to the other party". The proposal has since come under fire from SA's trading partners among developing countries.

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EU trade offer to SA taking shape and hopefully ready by Easter

By JOHN FRASER

Brussels — The European Union hoped to conclude a trade deal with South Africa by Easter, union spokesman Joao Vale de Almeida said yesterday after a meeting of European development ministers in Brussels.

He said he hoped union foreign ministers would agree on what offer to make to Pretoria at the end of January, allowing negotiations to be

re-launched. The union has failed to meet its own deadline for agreement on the trade offer by the end of this month, which also sees the end of Spain's six-month presidency of the union.

Italy takes over the presidency on January 1 next year — and will hope to see a trade deal signed and sealed during its six-month term.

Already the outlines of the union's offer are emerging, and they reveal the strength of Europe's

protectionist tendency.

Just 55 percent of South African agricultural exports would be offered free-trade status once the deal was fully implemented, with restrictions applying to the remaining 45 percent.

However, union officials hope to have the flexibility to flesh out the details in direct negotiations with Pretoria. That would enable the South African side to win the best possible deal.

The South African ambassador to the European Union, Neil van Heerden, who is also the chief negotiator with Europe, described the planned strategy as "innovative".

He said he hoped the union would be as flexible as possible, but that there was no guarantee that South Africa would sign up to an accord. "It is clear these will be immensely delicate and complicated negotiations," he said. He also said there were power-

ful forces inside the union which were arguing against free trade with South Africa and other partners.

"We want to see what the Europeans have in mind, and then we can decide if it is acceptable," Van Heerden said.

He said that South Africa had made an urgent request to the union to speed up agreement on a trade offer. "We have made very strenuous inputs to European Union governments, asking them please to get

on with it. We shouldn't lose the momentum. However, if the trade offer is made at the end of January, it is not unrealistic to think there could be a conclusion within three to four months. There could be a deal — or an agreement that a deal is off."

Van Heerden leaves his post at the end of January, and a long-awaited trade offer from Europe would be a fitting farewell gift. — Independent Foreign Service

Trade figures at odds with reality

ST (DT) 24 | 12 | 95 (74)

By JOHN SODERLUND

ELEMENTS of the country's official trade figures suggest we have developed some quirky import habits.

While the administrative errors make for amusing reading, they reflect a disturbing unreliability in trade numbers being used for anything more than pointing to broad trade trends, economists say.

According to trade statistics released this week, some 8,7-million buses were imported in the first half of 1995, up from the one bus which made it into the country during the same period in 1994.

But the cost of imported buses — reflected in the figures as 38c apiece compared with last year's R303 144 per imported bus — goes some way to explain their newfound popularity.

Racing cars, which seat one and have an engine capacity of over three litres, are hardly a niche market.

In the first half of 1995, 296 578 such vehicles — more than the total number of passenger vehicles produced in South Africa annually — were imported at a cost of almost R70 each.

While these figures and others are

obviously the result of administrative errors and are unlikely to distort the bigger numbers, they reflect the more serious problem of how capricious official trade statistics can be, says Mike Schussler, an economist with Transnet.

In addition to the smaller details mentioned above, the wide swings in the monthly trade figures, which are subject to sharp revisions, should be taken with a pinch of salt.

A R1,08-billion surplus in July was revised to a R319,8-million surplus, while a R226,6-million deficit in June was restated two months later as a R553,9-million surplus.

"I wouldn't believe monthly figures to the nearest R100-million," said Azar Jamine of the independent economic group Econometrix.

Official statistics released on Thursday show a trade surplus of R602-million in November from a trade deficit of R1,07-billion in October. — *Reuter*.

SA trade surge can boost world listing

BA 27/12/95 (74)

Greta Steyn

AN UNPRECEDENTED surge in SA's trade with the rest of the world should see the country move up the list of the largest traders in the world for the first time in the past 15 years, Transnet economist Mike Schüssler said last week.

He predicted SA would move up from its current ranking of number 26 in world trade, with a share of about 0,7% of the total, but could not predict its new spot.

Schüssler ascribed SA's trade boom largely to the country's participation in tariff reforms in terms of the general agreement on tariffs and trade (GATT).

Lowering of tariff barriers had pushed SA's import bill massively higher. Volumes through Portnet suggested customs and excise was understating the situation, especially concerning vehicle imports.

Portnet's volume figures showed an increase of 88% in the volume of completely knocked down vehicles imported. Vehicles now accounted for about 8% of harbour tons imported compared with less than 4% in 1993.

The volume of imports of wheeled vehicles had risen by a massive 270% from last year. Volume figures are only available up to the end of September.

Schüssler ascribed the surge in vehicle imports to tariff reductions, as per the GATT agreement.

Imports of miscellaneous manufactured goods had also surged due to tariff reforms, as did mechanical and electrical appliances.

SA had restricted imports in several ways in the past, which had been removed or were in the process of being abolished. These were import surcharges, high tar-

iffs, quotas on agricultural products, sanctions and the depreciation of the rand.

Schüssler said SA's motor industry had adjusted to massive tariff reductions with great success. He argued that the huge import bill should not be cause for as much concern as appeared to be the case, as foreign competition was good for local industry.

A boom in exports of manufactured goods was counteracting the effect of a fall in gold exports. Schüssler noted exports of manufactured goods had grown from an average of less than 13% of the total in the 1980s to more than 28%.

The 1990s average was more than 20%. Gold exports had fallen dramatically as a percentage of the total, from about 50% to less than 30%. "Exports have grown only because manufacturing made them grow," he said.

The export categories which experienced the biggest compounded annual growth rate for the past five years were manufactured goods. The leading product group was miscellaneous manufactures, with a compound growth rate since 1989 of 165%.

Then came mechanical and electrical machinery (71,5%), transport equipment (70,8%), footwear (69%), medical and opticals (47%), and plastics and rubber (43%).

Portnet's export volume statistics this year showed that SA was fast becoming an industrial country. Up to September (the latest available figures), the 10 categories of exports showing the biggest volume increase were all manufacturing — including completely knocked down vehicles (up 113%) and paper (up 111%).

Portnet figures exceed year's forecasts by 3%

Nicola Jenvey

DURBAN — Portnet handled 69,9-million tons of cargo for the six months to September, exceeding forecasts by 3% and recorded a 10% improvement on the same period in 1994, the latest quarterly journal Portlink said.

The journal indicated exports during the six months amounted to 81,7% or 57-million tons of total volume with major commodities including coal, iron ore, chemicals and chrome ore.

Imports accounted for 15% (10,5-million tons), trans-shipment for 2% (1,2-million tons) and coastal movements 1,3% (900 000 tons).

Estimates for Richards Bay Coal Terminal export throughput for the 1995/96 financial year were about 58-million tons.

The journal said the current demand for iron ore remained strong and Portnet expected to handle 21-million tons in the year to March 1996.

An international shortage of chrome ore units, coupled with declining production in the former Soviet Union, was expected to result in the demand for ferro-alloys and chrome ore remaining strong.

The nationwide upgrading of processing plants and the development of new products had been responsible for chemical export volumes to rise above forecasts. However, the strong local demand for imported chemicals had kept import volumes buoyant and Portnet expected a throughput tonnage of 1,2-million tons for 1995/96.

The country's seven ports saw 6 732 vessels berthing with a gross register tonnage of 261-million cubic metres.

(74) BD 28/12/95

BD 28/12/95

EU to promote intra-regional trade

HARARE — The Southern African Development Community and the EU have pledged to strengthen co-operation to promote intra-regional trade in southern Africa, focusing on small and medium-scale enterprises.

The SADC said yesterday other priorities for next year agreed at a recent meeting of EU and SADC officials in Madrid, Spain, were strengthening democracy in the SADC, development and management of water and energy resources, as well as fighting the AIDS scourge.

The meeting was co-chaired by Miguel Angel Moratinos, director-general for Africa and the Middle East in the Spanish ministry of

foreign affairs, and C Lekaukau, chairman of the SADC standing committee of officials.

The SADC said delegates welcomed progress achieved in developing relations between the EU and SADC since the Berlin ministerial meeting held in September 1994.

The delegates reviewed co-operation between the EU and discussed the promotion of regional integration in the SADC.

"The meeting agreed that the relationship should continue to develop and expand ... and in this context underlined the importance of holding a ministerial meeting as soon as possible in southern Africa," it said. — Sapa.

FOREIGN TRADE

1996

JANUARY — APRIL

tectionist EU to maintain barriers against about half of South Africa's agricultural exports to the EU.

Liberal EU nations such as Germany, Britain and the Nordic nations, are pressing for the offer to be as generous as possible. However, the protectionist "Club Med" states in southern Europe are under heavy pressure from their powerful farming lobbies — and want to further water down the agricultural concessions to South Africa.

Pretoria is also worried about the effect a Free Trade Area with Europe would have on South African firms, which would be subjected to the full force of competition once a deal comes into effect.

If South Africa does not win the best available deal during Italy's presidency it is unlikely anything better will come along again. — Independent Foreign Service

Zimbabwe's mineral exports at record level

FROM SAPA

Harare — Zimbabwean mineral exports for last year were estimated to have reached a record Z\$6 billion, with gold output exceeding 22 tons for the first time since 1916.

Foreign currency earnings in 1994 totalled Z\$4,3 billion.

An official from Zimbabwe's Chamber of Mines said that last year's production had increased on the back of firm prices on the international market.

These had benefited producers of nickel, ferrochrome and copper, the official said.

"Gold production looks good and by the end of November, we

had 22 268kg worth Z\$2,356 billion," he said.

"We are pretty confident we reached 24 tons and that is quite pleasing considering that we have not achieved that since 1916 when about 29 tons were produced."

By the end of October last year, the value of mineral production, excluding gold, had reached more than Z\$2,8 billion, and indications were that by year-end, the value would exceed Z\$3,5 billion.

Gold output in Zimbabwe — Africa's third largest producer after South Africa and Ghana — has increased every year over the past five years, forcing many producers to intensify exploration activities.

Roy Pitchford, the Chamber of Mines' president, said yesterday that, despite increased production, rising input costs were seriously affecting the viability of the mining industry, which contributes more than 45 percent of the country's foreign exchange earnings.

In his end-of-year message, Pitchford said that fuel, rail, electricity, and minimum-wage increases, together with hefty sales-tax hikes, had added another 30 percent to production costs over the past year.

"At the same time, interest rates for local borrowing remained prohibitively high, a situation which shows no sign of improving in the foreseeable future," he said.

Amusing maybe, but SA's trade data is useless

BY JOHN SODERLUND

Johannesburg — Some of the entries in the breakdown of South Africa's official trade figures would suggest South Africans have developed some quirky import habits since the country's return to the world economic fold.

The administrative errors make for amusing reading but they also reflect a more disturbing unreliability in trade statistics when used for anything more than pointing to broad trade trends.

According to the monthly abstract of trade statistics, some 8,7 million buses were imported during the first half of last year, up from the one bus which made it into the country during the same period in 1994.

The cost of imported buses during the period — reflected in official figures as 38c apiece, compared with last year's R303 144 an imported bus — go some way to explaining their newfound popularity.

Racing cars with a seating capacity for one person and an engine capacity of over three litres are not as much of a niche market as might be supposed.

In the first half of last year, 296 578 such vehicles — more than the total number of passenger vehicles produced in South Africa annually — were imported at a cost of R69 998

each. CT(BR) 3/1/96

But, while these figures and others are obviously the result of administrative errors and are unlikely to distort the more important statistics, they still reflect the more serious problem of how capricious official trade statistics can be, said Mike Schussler, an economist with Transnet.

Other figures in the official breakdown suggest a more alarming problem — the widespread fraudulent activities which the country's dimly understaffed customs inspectorate can scarcely police.

In addition to the smaller details mentioned above, the wide swings in the country's monthly trade figures, which are subject to sharp revisions, should be taken with a pinch of salt.

This year's June and July figures are two cases in point. A R1,08 billion surplus in July was revised down to a R319,8 million surplus, while a R226,6 million deficit in June was restated two months later as a R553,9 million surplus.

"I wouldn't believe monthly figures to the nearest hundred million," said Azar Jammine of independent economic group Econometrix.

Official statistics show the country recorded a

trade surplus of R602 million in November from a trade deficit of R1,07 billion in October.

Transnet's Schussler says the disparity between harbour authority Portnet's trade figures and those of the customs and excise department suggest the bigger figures, which effect more important macroeconomic decision-making, might also be somewhat skewed.

Portnet's import figures for the first 10 months of this year show a 32 percent increase in volume terms, while those of the customs and excise department reflect a 30 percent rise by value.

"With a devaluing rand and local inflation, the value of imports should have risen by about 34 percent and the 4 percent difference equates to nearly R4 billion. That is a

lot of money in terms of our overall trade balance," said Schussler.

Ann Moore, the general manager of the foreign trade organisation Safto, said: "There probably is an element of distortion... but whether it is enough to distort the overall trends is open to question." With the finance department directing much attention to the revamping of its revenue collection, she says trade figures can only become more reliable in the future. — Reuter

'I wouldn't believe monthly figures to the nearest hundred million' — Azar Jammine of Econometrix

Manuel due in Jordan to address Asian group

(74) BD 5/1/96

Tim Cohen

CAPE TOWN — Trade and Industry Minister Trevor Manuel leaves for Jordan on Sunday to address the Asian group of the G-77 in preparation for the ninth UN conference on trade and development, at which SA will take up the presidency of the organisation.

The ninth conference of the UN Conference on Trade and Development is due to take place in Midrand from April 26 to May 10 next year.

The conference takes place at a critical point in the history of the body, and as host SA would play a crucial role in leading and reshaping the body to play a more constructive role, trade and industry spokesman Ismail Lagardien said yesterday.

The body was regarded as the think-tank for developing countries.

The conference would be the first in the life of the body since the creation of the World Trade

Organisation.

Meanwhile, Reuter reports that emerging markets will see average real GDP growth of more than twice that of G-7 countries to the end of the century, and sustained reforms are building formidable economic potential, according to an ING Barings report.

The research from global strategist Ralph Lazar says the growth rate differential between emerging markets and rich industrialised countries is likely to widen.

From 1996 to 2000 he sees an annual average real GDP growth of 5,7% for emerging markets against 2,2% for G-7 countries.

"Growth prospects in developing countries are being supported by healthier overall fundamentals (improving anti-inflationary credentials and credible moves to tighten fiscal policy)," Lazar said.

The following are the main forecasts from the report:

□ GDP growth was expected to be fastest in China, Thailand, Malaysia, Singapore and Korea, with the slowest in Venezuela, Russia and Greece;

□ Consumer price inflation in 1996 in emerging

markets was seen at an average 15,5%, with G-7 countries at 2,2%. The highest inflation was likely in Mediterranean countries, central and eastern Europe;

□ The trade surplus of G-7 countries was declining while the deficit of emerging markets "appears sustainable";

□ Emerging markets' gross external debt relative to GDP would decline to 31% in 1996 from 34% in 1990;

□ Least indebted countries this year were expected to be Taiwan, Korea and SA, with the most indebted including Jordan, Zimbabwe, Morocco and Hungary;

□ Cumulative budget deficit for emerging markets as a percentage of GDP 1996 was seen at 1,5% from 2,5% in 1990;

□ Average gross domestic savings as a percentage of GDP in emerging markets was expected at 26,6% in 1996 from 25,3% in 1990; and

□ Unemployment was expected to increase in developing and industrialised countries. Emerging markets' unemployed as percentage of total labour force was seen at 6,3% in 1996 from 4,8% in 1990. The southern Africa region was seen as "acute".

Trade policy 'curbs growth'

BD 10/1/96 (74)

Paul Vecchiatto

GOVERNMENT trade policy and a protracted consultative process between business and labour were hampering growth in the electronics sector and could lead to job losses and the closure of manufacturing facilities, Altron chairman Bill Venter said yesterday.

"Government has moved too rapidly to lower certain tariffs, often below GATT binding levels. A case in point is telecommunications where 5% has been gazetted whereas GATT binding levels are 15-20%," he said.

"This makes for an unlevel playing field since countries to which the local industry would want to export would apply the 20% tariff rate. GATT allows five to eight years for tariff adjustments, yet government has made their cuts almost overnight."

Venter said individual industries might disagree on the appropriateness of certain tariff reductions.

However, the encouraging aspect of the policies from a macroeconomic point of view was that they were clear and generally accepted to be irreversible, therefore prompting industry to restructure as quickly as possible.

He said the main criticism of Nedlac was that in some respects there was too much consultation, which delayed delivery at best and, at worst, produced compromises which hampered SA's competitiveness.

"However, given our history this is perhaps unavoidable.

"Ways in which the consultative process can be speeded up need to be examined," Venter said.

"Certain consultative bodies such as the National Electrification Forum and the National Telecommunications Forum have reached broad consensus, so allowing government to restructure the relevant parastatals with obvious beneficial results, should the restructure be properly managed."

Cargill sets up to exploit farm commodities trade

CT(BR)12/1/96 (74)

BY BEN HIRSCHLER

Johannesburg — Cargill, the American commodity trader, is gearing up to exploit the deregulation of South Africa's agricultural market and an expected boom in regional trade.

"Our primary focus is to become a significant regional trading company," said Thad Goff, the managing director of Cargill South Africa.

South Africa's domestic maize market was liberalised last year and a number of traders, including international houses Dreyfus and Glencor, were already active in buying from farmers and selling to local consumers.

Cargill plans to join them from the start of the next season on May 1.

A major constraint was the monopoly on exports enjoyed by the Maize Board.

But Goff said he was "very hopeful" the single-channel export system would be scrapped by next year.

Goff, who reopened the Cargill office here a year ago after its closure in 1988, said he expected a sizeable increase in trade in southern Africa.

"Historically, South Africa has been a food exporter, but there are forecasts that suggest it might become a net food importer," he said.

"The rest of southern Africa is likely

to become an increasingly important supplier to South Africa — trade flows in the region are going to be significant."

The shift would be triggered by growing consumption in South Africa, a move away from protectionist policies, and improving agricultural prospects in the rest of the region.

Cargill is bullish on the farming outlook in Zimbabwe, Zambia, Tanzania, Malawi — where it already has operations — and Mozambique, where it hopes to gain a presence.

Wheat and oilseeds are two commodities that South Africa could turn increasingly to imports: "I do not see South African wheat production keeping up with increased demand," he said.

At present, the country imported 400 000 to 500,000 tons of milling wheat. But that could increase as South African cultivation declines in marginal areas.

The future of the local oilseed industry was uncertain, with some production marginal and crushers facing reduced margins as import tariffs fall in line with Gatt rules.

Goff said rationalisation of the crushing industry was inevitable and Cargill could have a role to play in the process.

The privately owned group had global sales of \$51 billion in the year to May 31 last year. — Reuter

ET (P) 17/1/96
**Customs
and excise
in trouble**

(74)
From Page 1

He admitted there had been instances recently of fraudulent cargo releases. He said that over the past four to five months, customs officials had taken to personally delivering documents to Portnet by car. "Technically this is ridiculous. We have had to resort to archaic measures. It is pathetic, but what else can one do?" he said.

Britz believed there was only one solution — the shelving of outdated systems and the use of electronics to regain control.

To the disgust of the private sector, customs and excise physically inspects just 2,5 percent of containers entering Durban. However, with this estimated at about 80 000 containers in a good month, Britz said this still represented a considerable amount of work.

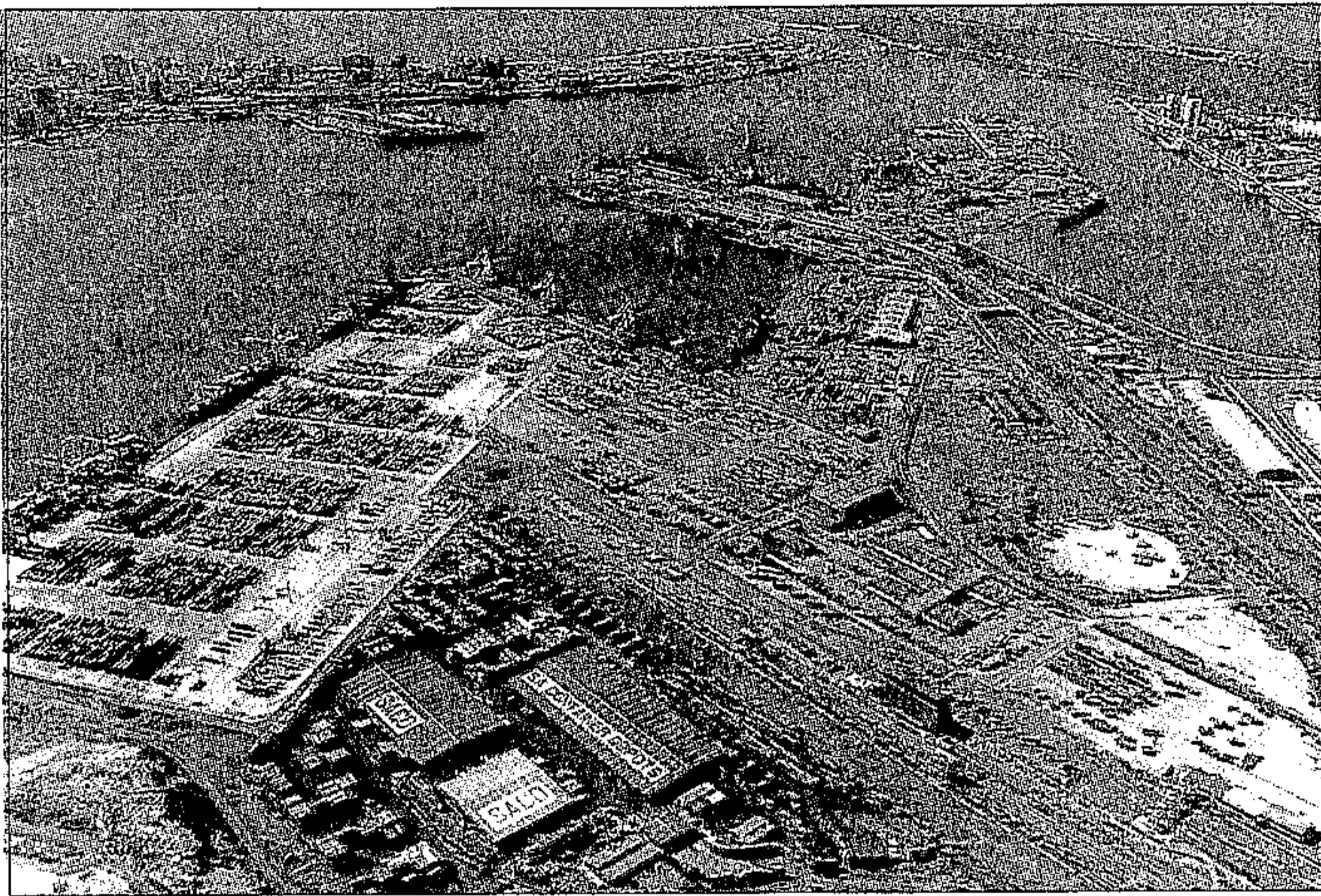
With adequate training, he said it should take about half an hour to examine each set of documents properly. With each staffer working an eight-hour day, this translated into 16 clearances each and at most 250 clearances a day. As things stand, each of the 1 000 documents processed received no more than a cursory glance.

Nationally, the loss in duties is estimated to top R18 billion a year.

When goods are detained, containers have to be physically unpacked. The Durban department responsible boasts a staff of just 10. Britz said that they were barely able to cope with the 2,5 percent of goods coming their way. "You'd need to increase staff by more than 1 000 percent to check the 30 percent of goods that the private sector is demanding," he said.

There are now 25 vacancies at junior level. Britz said there was a marked lack of expertise at middle management, admitting that some posts were filled by inexperienced staff. "The problem is that you can't get people with customs expertise from the outside. There are no commercial courses. Training has to be done through internal courses and experience," he said.

Where customs officials do manage to catch smugglers, there is a good chance that inefficiencies in the system undo their most valiant



UNDER STRAIN Seized containers are piling up in Durban. Customs officials are unable to cope because of a shortage of manpower and an archaic infrastructure

Durban customs and excise near collapse

(74) CT (P) 17/1/96

By Shirley Jones

Durban — Customs and excise, which polices Africa's busiest port, Durban, and oversees the entry of more than 70 percent of the country's containerised goods, is in a state of near collapse.

Demoralised employees, frequently the butt of accusations of bribery, have lashed out at archaic processing systems which they say encourage corruption.

Working conditions have apparently become so difficult that resignations are mounting by the month.

Furthermore, the infrastructure, which has not been upgraded in decades, is now crumbling. The filthy and disorganised government warehouse is jammed full of siezed textiles, clothing and electrical goods.

Lobbying by South African industry has blocked the disposal of these goods on the local market. As a result, customs and excise can accept no more deliveries into

the warehouse. Seized containers are now piling up in commercial depots near the harbour.

Durban's acting customs controller, Adriaan Britz, said the state warehouse was a ridiculous and inaccessible facility.

Customs and excise was allowed to hire a forklift for the first time in decades just two months ago. At present, goods are dumped on the floor.

Britz said that there had been no tangible evidence of officials having been corrupted. He said it would be safe to assume that less than 5 percent of smuggled goods were likely to enter through bribes.

The real crisis stemmed from desperate staff shortages and archaic systems, Britz said.

"The person who bribes a customs official has rocks in his head. This is a crude, unsophisticated route. There are far more sophisticated measures which are 10 times safer," he said.

Transactions were authorised

by rubber stamps which could be duplicated cheaply. Britz said until recently, when Durban received a single fax machine to put it in touch with Beit Bridge, there was no way of checking whether documents submitted for customs duty rebates had been legitimately processed at Beit Bridge.

This fax machine, together with a few outdated computers, is the sum of electronic wizardry available to customs in Durban.

Britz said despite the fact that there was no computer network in place, Durban was regarded as one of the more sophisticated customs and excise departments in the country.

However, it was impossible to even communicate with Portnet electronically. Authorisation of goods leaving the port was given by way of a rubber stamp and delivered to port authorities by hand.

□ Continued on Page 16

efforts. Undervaluation of goods is a classic example. According to Britz, an importer who claimed to have legally landed BMW bicycles at R2,50 each and proved he had paid this, was eventually forced to pay duties on bicycles which were re-valued at a paltry R12 each.

As far as proposed reforms to the department are concerned, Britz and his staff are sceptical. Grasping at straws, he said his department was desperately trying to formulate and enforce interim measures.

France blocking EU's offer of free trade for SA

By JOHN FRASER

Brussels — France is blocking a European Union offer of a free trade area with South Africa.

This has emerged in a series of secret meetings of European diplomats in Brussels.

The union's commissioner for Africa, Joao de Deus Pinheiro, proposed offering South Africa a free trade accord and had hoped to win the 15 union governments over to the idea before Christmas. However, no offer was made because of divisions among the 15.

The southern union states are deeply worried about the impact of scrapping tariffs on exports of farm products from South Africa, and want an eventual agreement to allow continued barriers against about half of South Africa's agricultural exports.

France apparently has an even more fundamental objection. "The French question the very principle of the EU offering free trade to South Africa," said an union official. "They believe this would set a precedent for other trade partners such as the Mediterranean states, eastern Europe, the South Americans and so on.

"The fear is that if South Africa gets a free trade area it will be

impossible to say no to others — and that could leave the EU very vulnerable indeed."

Italy currently holds the presidency of the union, and Italian diplomats said yesterday that they hope to overcome the French problem soon and to agree on a trade offer to Pretoria.

The aim is to get agreement among ambassadors next week, to prepare for formal agreement by the union's foreign ministers, who meet in Brussels on Monday week.

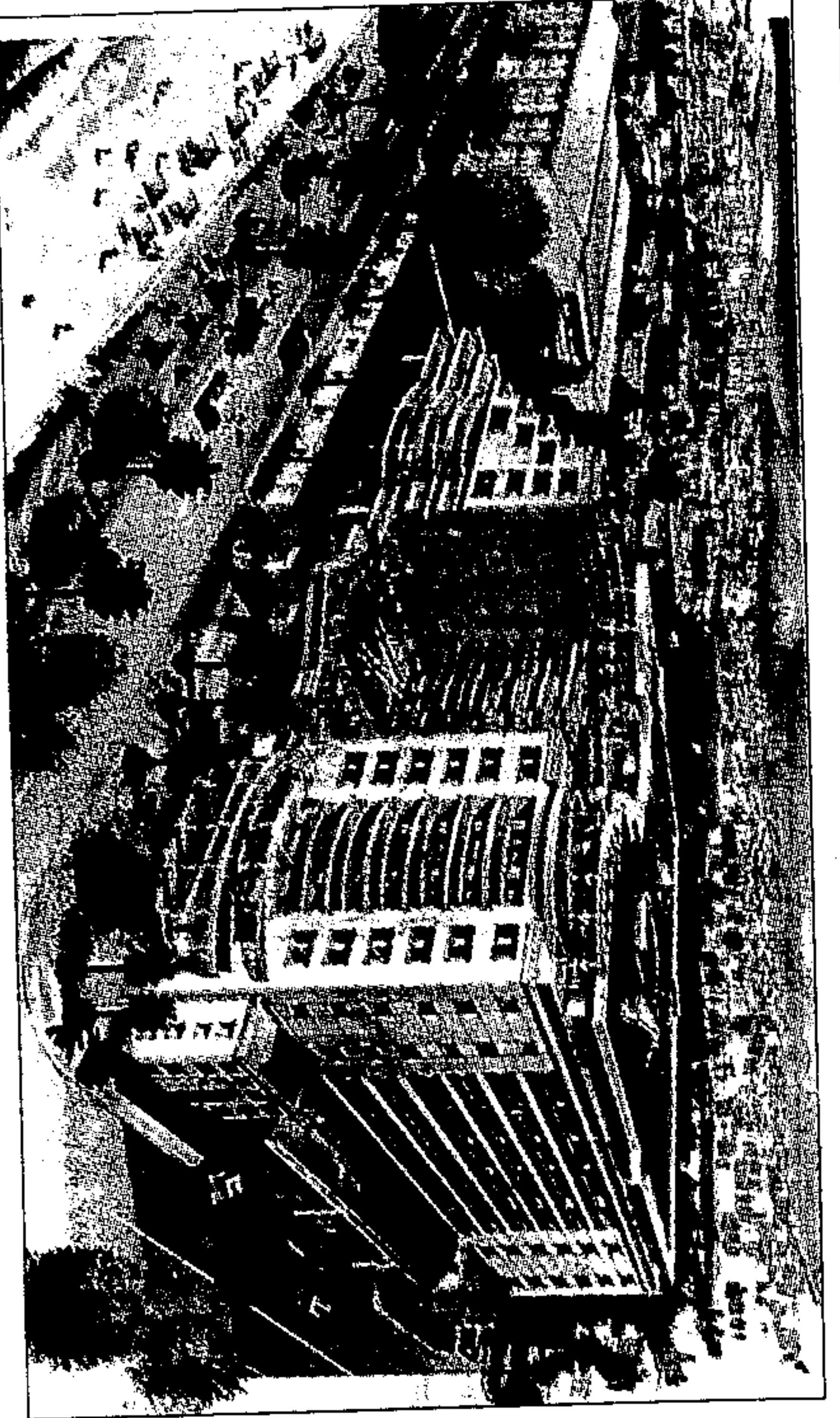
If there is any movement from the French, this may become clear when junior diplomats meet in Brussels on Friday to review the South African dossier.

Pinheiro will be visiting southern Africa next month, and would like to have a clear mandate from union governments to relaunch trade negotiations.

Ideally he wants an agreement with Pretoria by Easter, although the union and South African diplomats believe this is too optimistic.

South Africa still has to decide whether or not it will accept a free trade area with the union — if this is eventually offered.

While such a deal would help exporters, it would expose domestic industry to fierce competition. — Independent Foreign Service



HOT PROPERTY An artist's impression of the Gateway hotel, to be built in Mouille Point, Cape Town

R85m hotel for Cape Town

By Maggie Rowley

Cape Town — A new super-luxury 132-room hotel aimed mainly at the European tourist market will be built on a beachfront site in Mouille Point, Cape Town, at a cost of R85 million.

The hotel, to be known as the Gateway, will be developed by Western Seaboard Development, the owner of the five-star Place on the Bay hotel in Camps Bay. It will be partly financed by a group of German investors.

Inner Cape Investment this week took transfer of the 3600m² site on the corner of Beach Road and Surrey Place, which it bought for a record R13 million. Jochen Buechel, a spokesman, said the developers

were putting up most of the finance, with R25 million coming from the German investors.

Construction of the seven-storey hotel is expected to start in the middle of this year, with completion due for next year's high season.

Buechel said the project already had sketch-plan approval and the building contract would be put out to tender shortly.

He said further development was justified by the demand for niche five-star hotels catering to the European trade.

"The Place on the Bay has been running at 90 percent to 95 percent occupancy levels this season, which could extend right up to May.

"About 70 percent of bed nights sold are to foreigners, with Ger-

mans accounting for the largest slice of the foreign trade."

He said the Western Cape had about 16 000 hotel rooms. This would need to triple or quadruple over the next five years if the region was to keep pace with the growth in tourism, particularly as a destination for European tourists.

Buechel said his company was looking at further developments in the medium term.

It was negotiating with the Victoria & Alfred Waterfront for one of the proposed leisure-industry sites where it hoped to build a holiday apartment block.

Inner Cape Investment was also looking at a site in Camps Bay for a small, exclusive hotel development, he said.

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Centre will expand business horizons

(74) Sowetan 18/1/96

By Isaac Moledi

SOUTH AFRICA'S emerging as well as some established businesses must take advantage of the export and import contacts offered by the Africa International Trade Centre, the centre's chief executive, Juan Kirsten, says.

Formerly known as the Africa Trade Centre with its head office at the Carlton International Trade Centre in Johannesburg, the centre offers a variety of opportunities that could enable local businesses to extend into international trading.

The facility, if effectively utilised, could create more job opportunities and transfer much needed technology to the country.

Kirsten's concern is that emerging and established businesses in South Africa are not using the centre to expose and promote themselves to import and export markets.

AITC, officially opened by the Department of Trade and Industry in

The Trade Centre is a gateway to import and export opportunities

February 1995, promotes small to medium-sized companies to the export market, while assisting larger companies to increase their market share. Through the centre the buyer is able to source goods or services directly from manufacturers and distributors all over the world.

Variety of services

Apart from offering accommodation to local and international companies wishing to promote their goods, the centre also offers exhibition space, travel and hotel facilities, a property and freight forwarding inquiry service, a media marketing centre and the hiring of office space for meeting rooms and conferences.

The centre's media library facilitates easy access to more than 170 publications which detail current trends in specific industries and how

to make contacts.

"As a permanent exhibition site the centre is accessible all year round to local and international business travellers and trade delegations who wish to source products and services and establish joint ventures or business contacts," Kirsten says.

"We facilitated trade movements into Africa worth more than R22 billion last year and with South Africa set to become the shopping centre of Africa, we expect this to increase dramatically," adds Kirsten.

The centre will be given official recognition by the United Nations Economic Commission for Africa at a seven-day meeting of the technical committee of African Ministers responsible for trade, regional cooperation, integration and tourism in Addis Ababa, Ethiopia, from February 7.

Boost for customs and excise

CT (BR) 18/1/96 (74)
BY SHIRLEY JONES

Durban — In an unprecedented deal between the government and the private sector, key industries are to inject millions of rands into customs and excise.

The deal, to be ratified by the cabinet within the next two weeks, will supplement the R100 million the government will foot to completely restructure the inland revenue and customs and excise departments. The two will be merged to form the South African Revenue Services on April 1.

According to industry leaders, who asked not to be identified because they had been threatened by crime syndicates in the past, the recently publicised illegal import crisis in Durban reflected conditions countrywide.

As in Durban, the refusal by the clothing and textile industries in particular to allow the disposal of seized goods on local markets is creating massive backlogs in state warehouses.

Breakdowns in policing are at unprecedented levels in some centres, with a number of border posts between South Africa and neighbouring states unmanned at night.

So severe is the problem that companies claiming to be facing certain ruin because of illegal imports have taken to employing private detective agencies to protect their interests.

The heads of some of the industries, which have joined the private



HOT GOODS Customs and excise officer Attie Davidson with a small portion of the confiscated textiles in Durban's jam-packed government warehouse

sector task group consulting the government, said that in an attempt to "empower government" once more, companies in the clothing, textile, pharmaceutical, chemical, electronics, food and tyre industries, would provide hands-on assistance, equipment and expertise.

Details may be released by the government following a comprehensive briefing on January 23.

The manager of the new revenue service, George Lindeque, said the services of international advisors would be used. He said South

Africa was trying to "leap-frog" experience from Europe, North America, the East, Australia and New Zealand.

However, he cautioned that the creation of the new service would only mark a technical change in April. More far-reaching changes would follow later.

Lindeque admitted that many of the 1200 employees on whom the department would rely for its transformation were completely demoralised. He cautioned that it was impossible to completely change the culture of an organisation within five years.

However, he promised a number of quick-fix solutions in the interim.

Lindeque said the evolving new service would have three major thrusts — human resource intervention, the creation of a charter and the weeding out of inefficiencies.

He said he was not sure of the number of additional posts needed for the creation of the new service, but it was likely to exceed the 332 posts identified by the finance minister, Chris Liebenberg, last August.

The creation of a charter which would give the new department the authority and accountability to create a culture of ownership and manage its own resources was an overriding challenge, he said. Eight task groups, to focus on information technology, finances, communication, corporate image, business management, human resources and legal issues had been formed.

EU obstacles to SA trade deal

(74) BD 22/1/96
Debra Percival

BRUSSELS — European Union diplomats are pessimistic that the trade mandate for SA will go through at the next meeting of EU foreign ministers scheduled for January 29.

EU council secretariat officials said at the weekend that two obstacles — France and the Mediterranean nations — blocked approval of

the draft mandate, now being assessed by the EU's 15 ambassadors.

France has requested an EU study on the "implications of a free trade agreement" with SA, which will also probe the implications of other EU free trade agreements.

The unanimous approval of all EU states is needed, so France's current objection is enough to stop it going through.

France wants the study completed prior to the mandate's approval.

Other EU states say this could set back the European Commission's target date for the coming on stream of the first-time bilateral trade agreement from 1997.

Only when EU foreign ministers give it the green light, can talks — expected to last several months — get under way with SA on its agenda.

The agreement, according to the commission, should come into force at the same time as the protocol on SA's admission to the Lomé agreement, due to be approved in June.

The other stumbling block on the trade mandate is differences between member states about the list of products to be excluded from tariff cuts under the mandate. Some nations are drawing up a long list of 'exclusions'. Britain wants a more open market.

Tough customs laws may hit cargo routes

CT (BR) 23/11/96 (74)
FROM SAPA

Harare — Many of South Africa's landlocked neighbours, such as Zimbabwe, could be forced to divert their cargo through Mozambican ports.

This would happen if the customs department implemented tough new measures to combat widespread smuggling, Ziana news agency reported.

David Zausmer, the managing director of the Beira Corridor Group, said yesterday there had been no progress despite appeals to the South Africans to review the proposed measures.

Implementation of the new measures was temporarily suspended until February 1.

"So far, there have not been any changes at the ports."

However, the department caused widespread concern among many local importers when it announced the tougher measure, Zausmer said.

According to the group, if the South Africans implemented the

measures as planned, the Beira port would have to handle increased volumes of cargo from landlocked countries.

The department announced the stiff new regulations last November.

The new regulations included not accepting road bonds as security for removals in transit.

A requirement for provisional payment of 125 percent of the duty payable on goods imported to South Africa was also introduced.

Specific regulations regarding removals in transit to African countries stated that where removals occurred by road goods would only leave South Africa through Beit Bridge or Komatipoort.

The acquittal period of all removals occurring in transit was also reduced from 60 days to 30 days.

The group said that Mozambique Railways and the National Railways of Zimbabwe were examining ways of efficiently carrying the increased volumes expected when the new regulations were implemented.

EU to keep its promises to SA

(74) CT(BA) 23 11 96

foreign ministers promised that the EU would make every effort to support the new South Africa.

The South African ambassador is worried that the union's foreign ministers may not be able to agree on an offer for South Africa at their first gathering of the year in Brussels next Monday.

He suggested that if the EU is unable to offer a free-trade agreement to South Africa the negotiations will get nowhere.

EU spokesman Joao Vale de Almeida confirmed that there is a problem over the timing of a free-trade offer to South Africa. But he said that there is agreement on the contents of a trade offer to Pretoria.

He said the EU had a policy that

no country should be offered free trade with the union until a study had been carried out on the effect of such an accord on the union and Europe's other trading partners.

France is insisting such a study take place before negotiations are launched with South Africa. This could delay the process for months.

EU officials have agreed to a list of agricultural products they want excluded from a free trade agreement, but South African negotiators are expected to try to shorten the list.

EU ambassadors will discuss the matter tomorrow to decide whether it should be on the foreign ministers' agenda next week. — Independent Foreign Service

SA's hopes for speedy EU trade deal torpedoed

BY JOHN FRASER

Brussels — Hopes of a trade accord between the European Union and South Africa being speedily concluded have been torpedoed by France and Germany.

French and German ambassadors united at EU talks in Brussels this week to demand a study into the effects of a free-trade accord with South Africa. They insisted that the study be completed and assessed before such an accord was formally offered to Pretoria.

The two countries pointed to an EU debate in June last year, when it was agreed that the union would not offer a trade agreement to any country before first studying the consequences, both for Europe and for the union's other trading partners.

"The French and Germans are adamant, so it won't be possible for EU foreign ministers to agree on a trade offer on Monday, as had been hoped," said a senior European diplomat. "We are not even sure that South Africa will be discussed at all by the ministers."

(74) (56) CT(BR) 25/1/96
This is the second significant setback for South Africa, and follows a failure by EU foreign ministers to agree on a trade offer at their last meeting in December.

The delay comes as a deep disappointment to Joao de Deus Pinheiro, the commissioner of the union, who had hoped to see a trade offer being endorsed by the ministers on Monday.

He flies to southern Africa next week to pay a visit to Angola, and also to attend a meeting of SADC ministers in South Africa.

An Italian spokesman in Brussels confirmed yesterday that his government would not be putting relations with South Africa on the formal agenda for the foreign ministers' meeting.

Neil van Heerden, South Africa's outgoing ambassador to Brussels who has returned to Johannesburg, expressed deep concern at the delay. He refused to point the finger of blame, but said it was "bad news" that no trade offer could be expected this month. "This means a loss of momentum, which is not good for Europe or for South Africa." — Independent Foreign Service

SA's sea trade at record levels

INTERNATIONAL trade with South Africa continues to show upward trends with heavy demands being made on sea and air transport.

The increase in trade has also seen a boom in the forward and clearing business with many of the leading companies expanding operations in the major South African centres.

In response to the unprecedented demand for airfreight, several important decisions have been concluded by major carriers.

744
Lufthansa and South African Airways joined forces last month boosting their air cargo alliance. The two airlines now share flights between Frankfurt, Nairobi and Johannesburg.

The four weekly schedules using a Boeing 747 aircraft give the airlines an extra capacity of 400 tons a week.

South African Airways is presently having one of the older 747s converted to a full freighter.

With air cargo showing substantial gains on the SA-Gulf route - in the first nine months of 1995 cargo uplifted in Johannesburg for Dubai increased by 35

ARC 27/1/96

By IAN SHIFFMAN

percent to 582,8 tons, with westbound cargo increasing by 20 percent to 168,8 tons; SAA have been talking for some time about introducing an all-cargo service to Dubai and onward to India.

The high theft rate and lack of efficient security at the cargo section at Johannesburg International Airport has prompted the authorities to introduce a new security system, which should be up and running in two months.

With sea trade experiencing record figures and container ships often sailing

to capacity, most major lines have announced increased sailing schedules.

On the route between South Africa and Europe, the SAECs consortium introduced the 3 000 teu DALKalahari offering increased capacity and more frequent sailings.

Taiwan-based Kien Hung Shipping entered the Europe route last year and in an aggressive move captured the shipment of Volkswagen components from Germany to South Africa.

This necessitated the line adding additional vessels to the route and offering weekly sailings.

Unicorn-CMBT has increased its sailing frequencies on the SA, Gulf and Indian sub-continent route. Afris Line now serves the same destinations twice monthly while Gold Star Line has introduced a weekly service between Durban and the United Arab Emirates.

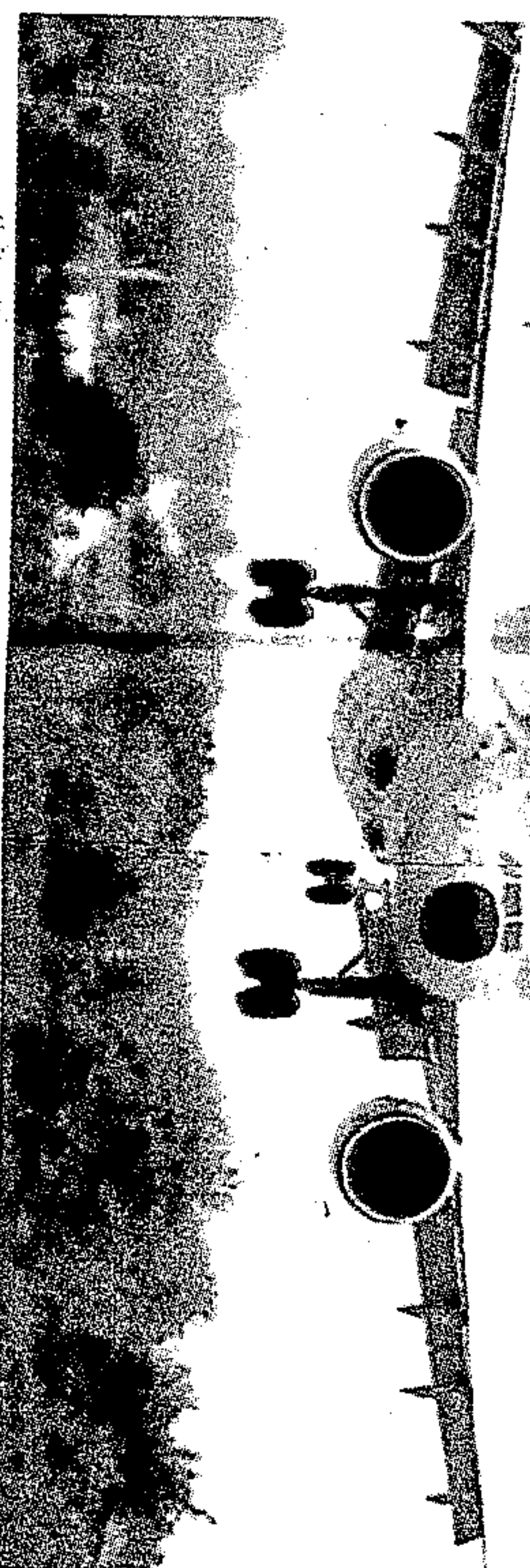
Additional container volumes have prompted several container companies to expand their facilities locally with others opening up new depots.

Servicing, storing and repairing of

containers has developed into an enormous business and prospects for this industry for 1996 look buoyant.

The express courier business has not been left out by the boom in trade, to the extent that some companies have now acquired their own aircraft and offer daily flights between the Cape Town and Johannesburg.

The long haul road industry is worried as a result of recent regulations introduced by the department of customs and excise on over border trade. This is prompting many Zimbabwean and Malawian importers to consider shifting their import ports from South Africa to Beira in Mozambique.



AIR GIANT: Airbus Industrie have converted four A300 aircraft into "super transporter" freighters to transport aircraft sections between their factories.

Customs chief caught in a crossfire

Search for smuggler-trap

ARG 27/1/96

(74) (BSP)

MAUREEN MARUD
Business Reporter

CAUGHT in the crossfire between powerful lobby groups, Commissioner of Customs and Excise Daan Colesky has once again postponed a controversial plan to stop smugglers who are robbing the economy of billions of rands a year.

Mr Colesky has issued an ultimatum to the private sector: Either propose a workable solution to the ever-increasing problem of illegal imports or live with stringent new measures he will implement on February 19.

These measures include a cash payment upfront of 125 percent of the duty and VAT liability on all goods arriving at South African harbours destined for countries north of the border.

Huge quantities of these goods — duty free because they are marked for removal to either Zimbabwe, Zambia, Malawi, Mozambique or Angola — never reach those destinations. Instead, they are sold in South Africa at lower prices than it costs domestic industries to produce them.

While Mr Colesky welcomes financial and other help, the

private sector has offered his department in the fight against fraudulent imports, he wants specific suggestions from those sectors unhappy with his proposal to implement the surcharge on goods in transit to neighbouring countries.

"Everybody's complaining and looking to customs, but it's easy for them to say this is our problem and we must stop it," says Mr Colesky.

"We would like a joint venture between the private sector and government to find what can never be a foolproof solution, because nobody has ever found one to stop smuggling, but something that's workable."

He is waiting for the private sector's recommendations, some of which are still outstanding from Sacob members.

"If they tell me they think they have a possible solution and would like a further extension, I am quite prepared to do so.

"But if they say, 'Sorry, we can't give you any alternatives that will work,' we will have to very seriously consider imposing this."

A customs investigation in 1994 involving only a limited number of goods from Durban that did not reach neighbouring countries estimated the reve-

nue loss to the government in the region of R100 million over 12 months, Mr Colesky said.

He first proposed the provisional payment in November last year, but has since twice deferred its implementation.

The payment will be refunded on proof that the goods arrived at their destination, and proof of the existence of the importer.

In addition, he proposes that all but two South African border posts be open for goods in transit. They are Beit Bridge and Komatipoort.

While these measures are welcomed by industries that say thousands of South African jobs are threatened by the smuggled goods, a strong lobby has been mounted in opposition, mostly from the Association of Freight Forwarders and other road and rail carriers.

"We have said to him these measures are targeted at the forwarder who is responsible for organising the delivery across the border," says Alan Cowell, executive director of the freight forwarders' association.

Mr Cowell argues that while the forwarders are not committing the frauds, they are being asked to make cash payments involving sums of up to R50 million a month to fight

what is essentially a customs problem.

Traditionally, the forwarder accepts responsibility for submitting documents to the customs controller in Durban or Johannesburg requesting permission to remove goods across the border. In return, he guarantees by way of a bond that the goods will reach their destination.

Now the commissioner has said all such bonds will be replaced with hard cash to be released only when customs is satisfied the goods have reached their intended destination.

"There is no way that the forwarding organisations are going to put that money up front. They don't have that sort of cash," says Mr Cowell.

He argues that it will be next to impossible to get the person doing the trading from overseas to pay the money. Neither will the consignee in the African country pay because reserve banks there will not release their limited foreign exchange to South African customs.

"How can we as forwarders cover it when we have no certainty that the money will ever come back? When it does come

Continued on page 2

Customs chief caught in a crossfire
P.T.O.

Ministers told to speed up SA-EU trade deal

By JOHN FRASER
INDEPENDENT FOREIGN SERVICE

Brussels - Britain and France go into battle on Monday - over how generous to be to South Africa.

The French government, under heavy pressure from its farmers, is attempting to water down and delay an EU trade offer to South Africa.

Last year, all 15 European foreign ministers agreed that the EU would set up a free trade area with SA, with both sides scrapping nearly all tariffs and other barriers to trade.

However, a few days later, the EU governments took another decision that before the EU offers

any partner a free trade area, there must first be an in-depth study on the impact it would have both on the EU itself and also on Europe's other trading partners.

France is using that decision to try to delay trade negotiations between Europe and South Africa. These were due to have been launched last month, but the French blocked a decision.

And again, there will be no accord on Monday when the 15 EU foreign ministers gather in Brussels.

France has some support from Germany for its argument that more work should be done on the impact of scrapping trade barriers against imports from SA, although

the Germans are among the nations seeking a generous EU trade offer to SA.

British Foreign Secretary Malcolm Rifkind has written to all his EU colleagues, urging them to get a move on.

He will insist at Monday's foreign ministers' meeting that if they cannot agree this month, there must be a decision at their next meeting at the end of February.

Any further delay would reduce the chances that a trade deal can be finalised on schedule before the end of July.

If negotiations drag on beyond July, there is little chance that an accord between Pretoria and Brussels can be signed, sealed and

delivered early next year, as EU officials have demanded.

Brussels chiefs say they will do all the work they need to on the impact of a trade deal with SA - but they insist that negotiations must be kept on a fast track.

Even if the EU does settle its internal differences, and the British and French can agree with one another for once, there is no guarantee that Pretoria will accept a trade offer from Brussels.

Although it would mean greater export access for SA firms, there will be a long list of SA agricultural products which will be excluded from such an accord, and which will thus continue to face high tariffs. And the accord would require

SA to lift its own trade barriers against imports from Europe - putting vulnerable industries at risk.

Rifkind's letter to his EU colleagues warns that they must not break clear promises which they made to SA last year.

It reads: "We are all agreed on the political importance of supporting the peaceful transition to a nonracial democracy in South Africa. We agreed unanimously last June that we would offer South Africa the option of negotiating a free trade area.

"We must not be seen to be back-tracking from promises we have already made. The mandate (for negotiating a trade deal with

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SA) now on the table fulfils the criteria we agreed to last June."

Rifkind demanded that a positive signal be sent to South Africa from Monday's meeting of EU foreign ministers, which is known in Euro-jargon as a general affairs council. "I am keen that we should use Monday's general affairs council to make a clear commitment to adopt the mandate, on the basis of the present draft, at the February general affairs council," Rifkind insisted.

"We must move forward on Monday. The South Africans must be reassured of the EU's goodwill. We all stand to benefit in the long run, both economically and politically."

Chaos at customs makes SA a smugglers' haven

By MARLENE BURGER

THE chaotic state of customs control has turned South Africa into a smugglers' paradise, and unscrupulous people have been quick to take advantage.

Evidence presented to the Kumlleben commission of inquiry, appointed in October 1994 to investigate illegal trade in ivory and rhino horn, has exposed serious flaws in the control of goods leaving and entering South Africa by sea and air.

The situation is so serious that Mr Justice Mark Kumlleben has recommended that urgent attention be given to a "complete overhaul" of the system.

His call comes amid reports that customs control at Durban harbour, which handles more than 70 percent of all containerised goods, is on the verge of collapse because of a lack of staff and equipment.

Details of the apparent ease with which contraband may be hidden in containers were given to the Kumlleben commission by Wayne Tonkin, assistant finance director with the Department of Customs and Excise in Durban.

Mr Tonkin said the department's main task was to ensure that the correct export

and import duties were paid to the state and that exchange control regulations were not contravened. Detection of contraband was considered "incidental".

No provision was made for random inspection of containers, he said, and only three percent of the 60 000 containers passing through Durban each month were inspected.

Permission to export goods can be obtained at any container terminals or regional offices by means of Form DA550 — an export bill of entry. Details required on the form include the exporter's name, the destination, the vessel on which the container is to be shipped and a description of the goods.

But the form may be completed before or after a container is packed, and there is thus no assurance that the contents correspond with the details on the form.

Containers of "free" goods — those on which there is no excise or rebate to be paid — are not sealed, but customs officials do not carry out routine or spot checks.

Smuggling is made easier by the fact that customs and excise officers are hopelessly ill-equipped to do their job.

The full extent of this problem was spelt out by Adriaan Britz, the acting cus-

toms controller in Durban, regarded as one of South Africa's more sophisticated customs and excise branches.

"We were allowed to hire a forklift for the first time in decades just two months ago and, until recently, when we received a single fax machine to put us in touch with Belt Bridge, there was no way of checking if documents submitted for customs rebates had been legitimately processed there," he said.

"Apart from the fax machine, we've got a few outdated computers here, but we can't even communicate electronically with Portnet. For four or five months now, customs officials have resorted to personally getting into cars to deliver authorisation documents to Portnet."

Smugglers have also found loopholes through which to move contraband on international flights to centres such as Durban via Johannesburg, and at airports used by privately owned aircraft.

In the case of the flights, aircraft from, say, London touch down briefly for passengers to disembark in Johannesburg before going on to Durban.

Local travellers then fill the vacant seats for the last leg of the journey to Durban. Their boarding passes are marked with a sticker which allows them

to avoid going through customs.

According to the Kumlleben report, "there is nothing to stop such a passenger from swapping, by prior arrangement, hold or hand luggage with a passenger who boarded in London."

No resident customs officials man airports such as Lanseria. The onus is on the pilots of aircraft flying in from foreign countries to contact customs staff while still in the air to ensure they are there on arrival. As Judge Kumlleben observed, however, this is something a pilot "would hardly do if he did not wish his cargo to be subject to inspection".

The Customs Union agreement between South Africa, Lesotho, Botswana and Swaziland makes the detection of illegal goods even more difficult. Once goods are cleared by a member country, no further formalities are needed.

Any contraband coming from signatories to the agreement would pass through South Africa undetected because, as Mr Tonkin put it, "those containers have diplomatic immunity".

The government has set aside R100-million to restructure the inland revenue and customs and excise departments, which are due to be merged into the South African Revenue Services on April 1.

EU free trade talks with SA 'in March'

(74) ARG 30/1/96
BRUSSELS. — European Union foreign ministers have failed to agree on a mandate for the negotiation of a free trade zone with South Africa but have signalled that they will give a green light next month.

France indicated that it would continue to block the talks until the European Commission had completed a detailed study of its implications.

The commission, which will carry out the negotiations, gave a commitment to do this, which should pave the way for the negotiating mandate to be approved on February 26 and for the talks to begin in March.

In their conclusions, the ministers "noted the commitment by the commission to come forward with the necessary studies to allow the council to approve the mandate on trade and commercial co-operation with South Africa at its session on February 26 and 27 1996 with a view to concluding the negotiations by June."

The commission said this represented a firm commitment to approval in February, but French officials indicated that the decision would depend on what the study said.

French Foreign Minister Herve de Charrette had earlier rapped the commission for presenting free trade proposals without assessments of their impact. — Sapa-AFP.

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Union concerned about China pact

Lucky Madikiza
and Amanda Vermeulen

THE SA Clothing and Textile Workers' Union (Sactwu) was concerned about SA's trade agreement with China, with that country's cheaper goods and its record of human rights abuses seen as obstacles, the union said yesterday.

This followed an announcement by the trade and industry department at the weekend that it was considering signing a voluntary export restraint with China.

The SA Textile Federation has voiced opposition to the department's plans, and has asked the department to disclose fully its proposed trade pact with China.

Textfed president Mervyn King said

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yesterday. "Based on the department's commitment to a seven-year phase-down in import tariffs, the textile industry is proceeding with a R3bn capital expenditure and training programme. Any trade deals which may affect these plans must be transparent and debated publicly."

"Apparently the department will rely solely on China to monitor its own compliance with the restraint. We believe this would be extremely naive."

Sactwu spokesman Ebrahim Patel said the union was concerned about the flood of textiles from China to SA, and indirectly through third party countries and territories, such as Hong Kong. "Chinese imports are destroying local jobs. We are discussing our concerns with the department."

War of words erupts over Chinese trade pact

BY ROSS HERBERT AND SHIRLEY JONES

Johannesburg — A war of words has erupted between the trade and industry department and the Textile Federation president, Mervyn King, who accused the department yesterday of negotiating a new trade pact with China in secrecy.

"We fully support the department's attempts to control legal and illegal imports to South Africa from China, but we are perplexed by the secrecy surrounding negotiations," King said.

Ismail Lagardien, the trade and industry department's spokesman,

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said that King's comments were "simply untrue".

Lagardien said representatives of the clothing, textile and shoe industries had been part of the discussions on the China trade and a public forum on the pact was planned for the end of February.

King said the best way to prevent cheap imports from China was to enforce existing customs regulations.

King said the department's reliance on China to monitor its own compliance with the restraints appeared to be naive in the extreme.

"China is well known for its

abuse of human and worker rights and its total disregard for intellectual property rights. We cannot rely on World Trade Organisation compliance as China is not a signatory," he said.

King also suggested that the department was considering changes that would put South African industry on an inferior footing to Chinese firms.

"The department will not, consciously or unconsciously, do anything to harm South African industry. The department will always put South African industry first," Lagardien said.

EU stalls on SA trade accord

BRUSSELS: European Union foreign ministers failed to agree yesterday on a mandate for the negotiation of a free trade zone with South Africa, but signalled that they would give a green light next month.

France said it would continue to block the talks until the European Commission had studied the implications in detail.

The commission undertook to do so. This should pave the way for a mandate for the negotiations to be approved on February 26 and for the talks to begin in March.

Noting this in their conclusions, the ministers said it was hoped that the negotiations would be completed by June.

The commission said this represented a firm commitment

to approve a mandate in February, but French officials said the decision would depend on the findings of the study.

French Foreign Minister Herve de Charette rapped the commission earlier for presenting free trade proposals without assessments of their impact.

"I want to express our concern at the disorderly development of initiatives from the European Commission in the area of free trade," De Charette said.

Before approving any proposal for a free trade accord, France would insist on an analysis of its compatibility with World Trade Organisation rules, EU policies and preferential arrangements, he said.

The stance over South Africa reflects France's hardening atti-

tude to trade issues. France fears that the growing trend for the EU to include a medium-term commitment to free trade in co-operation accords will undermine the high level of protection that certain sectors, notably agriculture, enjoy.

The EU states have indicated their support for free trade with South Africa, but France and other southern European states insist that a list of agricultural products be excluded. The list includes fresh and canned fruit and vegetables and white wine.

British Foreign Secretary Malcolm Rifkind slammed yesterday's failure to reach agreement as "another example of dilatoriness when it comes to the EU's developing free trading relations with other countries".

— Sapa-AFP

ET 30/1/96 (74)

Model C schools set to stay

White Paper on School Organisation, soon to go before the Cabinet, is said to propose retaining Model C schools in everything but name

EDUCATION REPORTER

The White Paper on School Organisation scheduled to be handed to the Cabinet this week is almost identical to a draft white paper released last year which recommended the continued existence of Model C schools, albeit under a different name, a source has confirmed.

The draft white paper – which was based on the recommendations of the Hunter Committee to review the organisation, governance and funding of schools – was published for comment in November last year.

Following the closure for submissions last week, the final recommendations are to be sent to the Cabinet committee tomorrow, Education Ministry spokesman Lincoln Mali said. The committee will study the document before

forwarding it to the Cabinet.

Once passed by the Cabinet, the bill becomes law – a move that will signal the end of an anxious wait for Model C schools.

But, according to a source, these fears can be set aside because the new policy is based largely on the draft white paper that sees Model C schools being largely retained in all but name.

According to the draft, all present varieties of state-aided and state schools, including Model Cs, will in future be known as public schools.

The only other category of school that will be recognised will be independent schools. These are the present private schools.

In terms of the proposals, independent schools will be required by law to register with the provincial education department and to comply with the con-

ditions of registration. Independent schools that wish to apply for a state subsidy will also be required to meet conditions of eligibility.

In terms of governance, the draft proposes that:

- Decision-making be shared among parents, teachers, the community and learners.
- Each public school have a governing body which conforms to the norms and standards laid down by its provincial education department. Other representative and deliberative structures within schools should support, but not replace, the governing body. While parental rights are bolstered by this clause, their exact representation on the governing body is still to be decided.
- Each public-school governing body should be responsible for a set of basic functions ("basic

powers") and should be entitled to negotiate with its provincial education department to take responsibility for additional powers ("negotiated powers").

While the categories of these basic and negotiated powers are not outlined in the draft, basic powers may include the ability to:

- Recommend teachers for appointment by the provincial authority.
- Select temporary teachers for appointment.
- Appoint administrative staff.
- Set school times, the timetable, curriculum choices, extra-mural curricula, and codes of behaviour for staff and pupils.
- Raise funds, control finances and set school budgets.

Negotiable powers may include the maintenance of buildings, and purchase of textbooks, materials and equipment.

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Pledge to boost trade links in southern Africa

Southern African states have stressed their commitment to boosting trade to develop the region.

The Ministerial Council of the 12-nation Southern African Development Community wound up a three-day session in Johannesburg yesterday after agreeing on a series of protocols to be submitted to the SADC's annual summit in Lesotho in August.

"The most important decision is related to co-operation, in particular the trade protocol," SADC executive secretary Kaire Mbuende told a news briefing.

He said the aim was to achieve a multilateral trade agreement that would be considered by trade and industry ministers in June before submission to the summit.

This would include establishment of a SADC trade negotiating

forum, eventual elimination of administrative and other non-tariff barriers, and the notification of such bodies as the World Trade Organisation on the proposed establishment of a free trade area in southern Africa.

The ministers met as part of the annual SADC conference with Western donors, whose theme this year is "towards enhanced trade and investment" in the region.

SADC ministers also met yesterday with the Nordic countries, which have been active in the region since 1986 through the so-called Nordic Initiative.

Botswana Foreign Affairs Minister Mompoti Merafhe said at the opening session that the initiative had largely failed to bring significant investment to the region or increase trade substantially over the past decade. – Reuters.

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ET (BR) 31/1/96
Green light
for regional
trade plans
74
FROM REUTERS

Johannesburg — Southern African states have agreed to push ahead with plans for the formation of a free-trade area for the 12-nation region of 133 million people, senior regional officials said yesterday.

The ministerial council of the Southern African Development Community wound up a three-day session after agreeing on the series of protocols to be submitted to its summit in Lesotho in August.

"The most important decision is related to co-operation, in particular the trade protocol," said Kaire Mbuende, the organisation's executive secretary.

He said the aim was to achieve a multilateral trade agreement that would be considered by trade and industry ministers in June before submission to the summit.

This would include the establishment of a trade negotiating forum, the eventual elimination of administrative and other non-tariff barriers, and the notification of bodies like the World Trade Organisation of "the proposed establishment of a free trade area in southern Africa", Mbuende said.

Other measures which were discussed included free movement of people through the development community region, energy co-operation and ways to combat illicit drug trafficking.

Unions criticise trade talks

BY SHIRLEY JONES

Durban — A meeting between trade unions from South Africa, Zimbabwe and Mauritius sharply criticised the bi-lateral trade agreement which was under negotiation between South Africa and Zimbabwe.

At a meeting yesterday, the co-ordinating committee for the textile, leather and garment workers' trade unions in southern Africa said the controversial free-trade proposals, over which the two administrations were wrangling, failed to deal with critical problems in the region.

Speaking after the meeting, South African Clothing and Textile Workers' Union (Sactwu) general secretary Jabu Ncgobo said the agreement would erode jobs in

South Africa and create none in Zimbabwe. Nor did it provide any solution to the problems of dumping and illegal imports.

Neither South African nor Zimbabwean labour had been consulted, according to Ncgobo. His Zimbabwean counterparts had had to come to South Africa to clarify what was happening, he said.

"We don't want to be informed. We want to be included. Government should protect our interests. At this point, labour has nothing to gain by this agreement," he said.

Ncgobo said that old structures such as this trade pact had helped to erode the region's economy

"At this point, increasing unemployment is contributing towards the economic instability of the region. The peoples of the region are

resorting to desperate measures, such as illegally crossing borders to seek employment. Another symptom of this cancer is the ever-increasing crime rate," he said.

He said a revised agreement negotiated in good faith between all parties might have a positive effect in the region.

However, he insisted on a number of crucial clauses, including a local content stipulation of 75 percent rather than the 25 percent the South African government proposed. He also demanded an agreement to promote employment throughout the region and which offered protection against unscrupulous employers. He also called for the creation of proper monitoring structures and strong border controls to police the system.

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SADC wants changes

Sowetan 1/2/96

(279)

Body hopes trade barriers will go first

By Mzimkulu Malunga

IF THE PROGRAMME tabled at the Southern African Development Community's Council of Ministers in Midrand this week is implemented, Southern Africa could be a totally different place within the next few years.

The programme centres on free trade, investment and free movement of people in the region.

SADC executive secretary Dr Kaire Mbuende says the draft documents on free trade and freedom of movement will be tabled at the organisation's next annual summit to be held in Maseru in August.

He says the highest priority is being put on finalising agreement trade.

However, even though SADC's officials are in an upbeat mood, a closer look at the organisation's history casts some doubt on whether the mammoth task it is setting itself will be realised this century.

For instance, out of the 15 or so issues on which agreement has to be reached, Protocol has been signed on only one of them – and this is the sharing of the region's water resources.



SADC's secretary general Dr Kaire Mbuende

Even here, when the agreement was signed during last year's summit at the World Trade Centre, the Mozambican delegation had serious reservations and only hard behind-the-scenes diplomatic shuttling saw Mozambique put its signature to the agreement.

Throughout its sixteen-year history, SADC's main problems have not been different from those faced by all other multilateral organisations internationally.

Often national interests take precedence over regional ones and it does not look as if the organisation will be able to get over this hurdle in the short term.

While it may be easy to sign an agreement to phase out trade tariffs between states in the region, implementation is never easy

The disagreements characterising the restructuring of the Southern African Customs Union – comprising Botswana, Lesotho, Namibia, Swaziland and South Africa – are a living testimony of how national interests always come before regional ones.

As for free movement of people in between SADC member states, there do not seem to be sufficient ingredients for this proposal to be implemented – at least not in the short term.

In the past, richer SADC members like Botswana and South Africa were wary of allowing free movement in the region, fearing that people from poorer areas of the region would flock into their countries creating a social problem.

Swedes keen to help informal sector

Sowetan 1/2/96

By Joshua Raboroko

A DELEGATION of Swedish business people and parliamentarians is to visit South Africa on a mission to empower informal enterprises by investing in their operations.

The African Council of Hawkers and Informal Business (Achib) is optimistic that the visit on February 24 will help boost the viability of micro businesses, including spazas and hawkers, as well as help create jobs and wealth.

Achib president Lawrence Mavundla says that during his recent visit to Europe business people expressed a willingness to help disadvantaged communities.

The visit by the delegation is the result of communication with business and politicians who feel "sympathetic

to the poor" and want to invest here in order to empower small businesses, including forming joint ventures.

Achib says it is geared to help the small business sector develop skills that will enable them to create jobs and wealth this year.

Already, says Mavundla, the council has formed "micro banks" where the informal businesses can obtain loans. The project is supported by the corporate world.

"The Swedes' investment will help many of our marginalised communities to start businesses," he says.

Achib marketing director Mr Kabelo Mooki says they intend to expand their "scratch card" campaign. More than 200 hawkers have been making between R100 and R300 by selling the cards.

Texfed demands transparency from the DTI

Sowetan 1/2/96

(197) (74)

By Shadrack Mashalaba

THE Textile Federation has called on the Department of Trade and Industry to reveal its secrecy on its proposed trade pact with the Peoples' Republic of China.

"If DTI proceeds, however, and gets these negotiations wrong, enormous and irreparable damage will be inflicted on South Africa's industry," says King.

Enforcing regulations

Texfed feels the best way to prevent a flood of cheap industrial imports from China, or anywhere, is to enforce existing customs regulations, as it would eliminate the need for agreements with individual countries.

King adds that the textile industry makes a net contribution of R8 billion to South Africa's balance of trade and employs 360 000 people.

Calming the trade headwinds

By DALE LAUTERBACH

Johannesburg — South Africa's prospects for a formalised trade deal with the EU by the end of the year are better — if not quite yet plain sailing.

The EU Council of Ministers has reached "an understanding" that its negotiators in the EU commission are not trying to lead Europe blindly into a Free Trade Agreement with South Africa, said Joao de Deus Pinheiro, EU commissioner in charge of South Africa.

He was speaking to the Independent Foreign Service after his address to the Southern African Development Community consultative conference in Midrand yesterday. "It's very simple: it's a complex agreement and there are worries on both sides," he said.

For the past few months, the prospects of smooth trade negotiations between the EU and South Africa have looked bleak. EU member states dug in their heels and refused to give Pinheiro and his commission negotiators a mandate to discuss the proposed FTA with SA. However at a meeting in Brussels on Monday the Council of Ministers representing the 15 European member countries undertook to revisit the mandate on the 26th of this month if the commission provided a full impact study of the FTA.

"I've said it before, an FTA is not very appealing to EU ministers," said Pinheiro. Anything that touched the "sacred cow of the EU Common Agricultural Policy" was bound to run into headwinds.

"There is now an understanding that we're not trying to mislead the council and that we want to be as transparent as possible," said Pinheiro.

The council would have the commission's study looking at the terms, conditions and consequences of the proposed agreement in time for its meeting this month.

Chief negotiator for the commission in its talks with South Africa, Steffen Smidt, also attending the SADC meeting, said the



MEDIATOR Joao de Deus Pinheiro is helping to smooth the way for South Africa to formalise a trade deal with the EU

PHOTO: UNIVERSAL PICTURES

study would have to present a picture of how an EU/SA/FTA would affect EU internal policies, how it would affect relations with EU's main trading partners and whether it would be compatible with the World Trade Organisation.

Both Smidt and Pinheiro said EU members were worried about the precedent that such an agreement would set. Pinheiro acknowledged that some EU countries had greater concerns than others but he said the finger should not be pointed exclusively at the French for obstructing the smooth pas-

sage of negotiations. He characterised France as the EU member most involved in the welfare of Africa.

There would be no Lomé convention if not for the French and they are the greatest donors to Lomé. There has been no change of mood," said Smidt, reflecting on Monday's breakthrough meeting.

"It was not only France looking for a prior assessment. It was a request from member states unanimously. So if you are looking to blame someone, blame the Council."

Smidt was confident that an agreement on a mandate was "possible" this month. Thereafter, he envisaged negotiations taking until mid-year and the necessary ratification process until year-end.

"I'm worried that if we don't arrive there this month, the objective of finalising an agreement in tandem with Lomé won't be reached."

The so called two-track negotiations between South Africa and the EU comprised a bilateral trade agreement on the one hand but also, importantly, a qualified accession to the Lomé convention which binds 70 of the world's poorest nations in a highly favourable partnership with the EU.

"The total set of agreements will be important for the launching of co-operation with South Africa," said Smidt, noting too that this concern went beyond SA and included the new spirit of co-operation which would see benefits for southern Africa too.

"But the political aspect is also important to show the attachment for the EU to democratisation in SA and southern Africa," said Smidt.

He was worried that if negotiations did not proceed with a mandate this month South Africa would be left with the impression that "it had virtually nothing".

South Africa's original attempts to gain full access to Lomé had failed and if it could not even secure a two way FTA with Europe it would be left with only the Generalised System of Preferences which "is not a lot".

In a confidential report apparently leaked to Reuters, Smidt is said to have accused the South African government of not pushing for the agreement and that he would have been happier had the government been "barking at him".

Responding to the report, South Africa's foreign affairs deputy director, Abdul Minty, said he had not seen the report but that during Smidt's visit to South Africa he would have ample opportunity to make his point on the FTA and South Africa. — Independent Foreign Service.

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Trade imbalance threatens relations

By Gumisai Mutume

Southern 2/2/96 (74)
Pretoria has been unwilling to open up its markets since joining SADC

THE HEAVY IMBALANCE in trade between South Africa and the rest of Southern Africa threatens to drive a wedge between the former apartheid state and its neighbours, experts have warned.

The analysts say other members of the Southern Africa Development Community (SADC), which had seen South Africa as an engine of regional economic growth when it was admitted into the SADC in August 1994, are now peeved over Pretoria's apparent unwillingness to open up its market to their goods.

Cordial atmosphere

"The cordial atmosphere that characterised South Africa's formal entry into the SADC is evaporating," observes Kenneth Kotelo of the Africa Institute of South Africa.

"Barely one year after that meeting (in August 1994), dissension over trade matters has surfaced," notes Kotelo in a research bulletin produced by the institute.

The South African Government has been unwilling to reduce the heavy tariffs it imposes on goods from other African nations except members of the Southern African Customs Union (SACU), which links it to Botswana, Lesotho and Swaziland.

While South Africa allows goods from other SACU members duty-free entry, it slaps a 75 percent tax on textile imports from Zimbabwe, for example.

It is such tariff barriers that have been blamed for at least part of the imbalance in trade between South Africa and other nations on the continent.

Pretoria's exports to the rest of Africa jumped from US\$456 million (about R1 627,5-m) in 1987 to \$6,3 billion (R22,05-bn) in 1994. In the first half of 1995, its sales to other African nations were 50 percent more than in the corresponding period of 1994, the highest increases being in exports to Tanzania, which grew by 565 percent,

Having such a huge economy it stands to gain more than any other country by opening up the region

and to Nigeria, 347 percent.

However, its annual imports from the rest of the continent stagnated at an average US\$1,6 billion dollars (R5,6-bn) annually in 1987-1994.

"Herein lies the potential source of conflict or disagreement over trade," says Kotelo.

SADC countries that are not members of SACU have complained that they find it impossible to penetrate South Africa's markets since Pretoria has done little to open up.

If a tariffs row with neighbouring Zimbabwe is anything to go by, the future looks bleak. While Zimbabwe would like Pretoria to reduce its tariffs on Zimbabwean goods by 50 percent annually over the next two years, South Africa will not hear of it.

Zimbabwe exports hit

Pretoria has balked at renewing a preferential trade agreement dating back to 1964, when both countries were ruled by white minority regimes. Since the pact expired in 1992, Zimbabwean exports to South Africa have been hit by high tariffs.

"South Africa cannot continue with such policies for too long," says Vishnu Bassant, principal economist in the Mauritian Foreign Ministry. "Having such a huge economy it stands to gain more than any other country by opening up to the region,"

he argues.

Bassant says it would be a shame if South Africa, which has the strongest economy in the region, only removes its trade curtain when compelled to by the World Trade Organisation.

The Mauritian economist is part of his country's delegation to the 1996 annual consultative conference of SADC taking place this week. The theme this year is: "Towards enhancing trade and investment in SADC".

Although the community's goals include economic integration, SADC members conduct the bulk of their trade - 80 percent - with industrialised countries.

Low level development

South Africa's tariff barriers are not the only hurdle the SADC has to contend with. According to a report by Johannesburg-based Industrial Development Corporation (IDC), trade within the grouping has been limited by the low level of development of most of its countries.

The report said trade integration could only take off if appropriate focus was placed on infrastructural development.

"Although important, trade integration through the abolition of trade barriers is perhaps less critical than investment and infrastructural development since trade reform amongst relatively poor countries is unable to stimulate development in the absence of investment in new economic activity," noted the IDC.

It prescribed the elimination of exchange controls to allow free flow of investment, development of infrastructure and enhancement of physical integration in functional areas like water utilisation and electricity supply.

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

MAUREEN MARUD
Business Reporter

A MIXTURE of hope and pessimism surrounds a trade delegation to the People's Republic of China to seek a better deal for South African exporters.

Deputy Director General of Trade Gerrit Breyl and an assistant will use a week's official visit to China to attempt to "normalise trade relations between our two countries".

The second phase of the trip would be to "do something about" the massive quantities of cheap Chinese products imported into South Africa and threatening jobs, especially in the footwear industry, Mr Breyl said.

Textile and clothing industries have also asked for Chinese imports to be curbed.

Mr Breyl said in an interview from Pretoria the main objective of the visit was to

win the same treatment for South African exporters that Chinese exporters enjoy when they bring goods into this country.

Goods from China are afforded "most favoured nation" status by South Africa, which means the same import duty is imposed on them as on most other countries' goods coming into this country.

But South African exports do not enjoy the same treatment in China, where they attract higher duties. This is what Mr Breyl will try to change.

But, he points out, South Africa has not extended full diplomatic recognition to the People's Republic of China, which may make complete normalisation of trade relations more difficult.

"We are not politicians, but as trade representatives our main focus is to try to reach agreement with China that we enjoy most favoured nation status."

Only if South Africa could establish that relationship would he then "try to create a mechanism in terms of which we would be able to take appropriate action against Chinese imports".

He said it was the Department of Trade and Industry's duty, together with the Board on Tariffs and Trade, to do something about the quantities of goods Mainland China imports into this country.

Nic Swart, chairman of the Board on Tariffs and Trade, said he hoped Mr Breyl would return with some kind of hard deal which would include an undertaking from China voluntarily to restrain its exports to South Africa.

Otherwise the BTT would have to look at other options open to South Africa, including a special column in the tariff book applicable only to China.

"We don't want to raise tariffs again, because we are in

the process of bringing them down," Dr Swart said.

His board had already held talks with the Great Wall Group in South Africa, which had access to the Chinese government.

Those talks led him to believe there was some likelihood of the People's Republic agreeing to restrain its exports to this country.

Hennie van Zyl, executive director of the Clothing Federation of South Africa, said a voluntary export restraint agreement from China would not only help the current situation regarding goods from that country, but would have future benefits as well.

"We know China's competitive advantage lies in labour intensive activities because of the abundance of cheap labour. Therefore it is true to say that in terms of clothing in particular, but also textiles to a lesser

●Turn to page 2

Exporters pin hopes on mission to China

"some sort of dual tariff system, but given the situation with our customs at the moment that is just a pipe dream".

If the talks between Mr Breyl and the People's Republic were handled cautiously, the outcome could be positive, Mr Brink said.

"They can't police customs as it is, so God forbid you introduce a more complicated tariff structure."

Clothing Federation president Bernard Richards said he did not think it would be possible to achieve full compliance with a voluntary export restraint undertaking.

"It has worked in the United States, but their customs department is very powerful and able to control imports.

"Whatever agreement is come to, unless our customs department is able to monitor and control it, it will be a total waste of time."

Textile Federation president Mervyn King said the South African government realised it had to do something about Chinese goods swamping local markets and destroying jobs in this country.

"I think there is an identity of interest. We are going to get together and try to do something about it."

●From page 1

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Bid to secure 'most favoured nation' status
Exporters pin hopes on key
China mission

Trade deal
threat to
Cape Town
rag trade

Labour Reporter

CAPE Town's clothing industry is under threat from a proposed preferential trade agreement with Zimbabwe that could allow cheap clothes from the Far East to swamp South Africa.

The 200 000-member South African Clothing and Textile Workers' Union (Sactwu) is holding talks today with employers about industry-wide protest action against the proposed preferential trade agreement with Zimbabwe.

The trade agreement could result in products from the Far East and elsewhere entering South Africa duty-free through Zimbabwe, unless there is a high enough Zimbabwean local content stipulation.

This is aimed at ensuring that imports from Zimbabwe are genuinely from that country and not from other countries using Zimbabwe as a back door into South Africa.

The clothing and textile industry had proposed an initial 75 percent Zimbabwean local content for imports from Zimbabwe, as well as import quotas. They argued that the Zimbabwe agreement would set a precedent for trade deals with other countries.

In response, the Department of Trade and Industry suggested a local content stipulation of 25 percent. But Zimbabwe has not accepted this.

South African manufacturers currently pay duty on fabric bought in other countries, which increases product costs.

In terms of the trade agreement which Zimbabwe wants, Zimbabwean manufacturers would not have to do so. This would give Zimbabwe an unfair advantage over South Africa which could translate into substantial job losses.

Sactwu has estimated that up to 100 000 jobs could be lost in the sector if local manufacturers shifted their operations outside South Africa's borders to combat the tariff cut.

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SA trade policies unfair — SADC

BD 5/2/96
Lukanyo Mnyanda

SA's use of protectionist policies and export incentives may damage the economies of its neighbouring countries, delegates at the SADC conference in Midrand said at the weekend.

"SA's aggressive and unfair stance on trade is a deliberate ploy by the country's manufacturers to ensure total access to neighbouring markets once a free trade zone is established."

Southern Africa's poor, who had made sacrifices during apartheid, were looking at SA as an engine for regional growth. However, the country's reluctance to open its markets would perpetuate poverty and instability in the region, they said.

Meanwhile Sapa and IPS report that SA's exports to the rest of Africa jumped to \$6,3bn in 1994 from \$456m in 1987 while imports from the rest of the continent stagnated at an average \$1,6bn annually between 1987 and 1994.

Ian Felps, representing battery manufacturers in Zimbabwe, said SA's export incentives, which provided rebates of up to 50%, had already led to the closure of several companies.

"SA manufacturers can sell batteries in Zimbabwe for up to 40% cheaper than in SA and the local (Zimbabwean) industry simply cannot compete."

He called on SA to stop the practice which can be called dumping in GATT regulations.

"We are asking SA to disqualify regional exports from earning export credit."

Illegal immigrants will continue to be a problem for SA unless there is meaningful and sustainable development in the region.

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Zambian Association of Manufacturers chairman Mark O'Donnel said SA, as the strongest economy in the region, was likely to benefit more from free trade but its protectionist policies were "destroying the same markets they are trying to create. SA seems to be out to conquer the rest of Africa," he said.

It was impossible for Zambia's industry to compete with SA's heavily subsidised exports which had also created a trade imbalance by mid-1995. Zambia's GDP had, as a result, fallen by 30% during the past three years.

O'Donnel said most of the ANC leadership had lived and enjoyed Zambian hospitality for many years during the apartheid era and their indifference to the poverty and suffering perpetuated by SA's trade policies in that country was surprising.

Linda Ensor reports from Cape Town that France was committed to increasing its aid package to SA this year, although other leading world powers were all intent on cutting their global aid budgets. French co-operation minister Jacques Godfrain said in an interview on Friday.

"The exact amount will depend on the proposals made by the various government departments. In 1995 France advanced Ff441m to SA, 40% higher than the previous year, which was used mainly for water, electrification and housing projects.

Godfrain said the US was proposing a 15% cut in its aid budget, and Britain and Germany were also reducing their aid.

In contrast, French president Jacques Chirac was pushing for a greater commitment to global co-operation and aid.

Voluntary export restraint deal with China will include unions

MO 6/2/96
Jacqueline Zaina

74
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policing issues.

THE Textile Federation (Texfed) has toned down its initial response to government's proposed voluntary export restraint of trade agreement with China following a meeting last week with key industry players.

The trade and industry department announced last week that it had been engaged in non-binding trade talks with Chinese officials aimed at capping that country's increased exports to SA.

Texfed president Mervyn King had hit out at the department, warning that a deal which granted China preferential rights could harm local clothing, footwear and textile industries.

But a department delegation headed by deputy director-general Gerrie Breyl left for China to continue talks on the issue, indicating that industry parties and labour would be invited to debate the possible establishment of a voluntary export restraint of trade agreement with China and related

King said yesterday Texfed, the Footwear Manufacturers' Federation and the Clothing Federation, which met last week to discuss the proposed agreement, had been "greatly encouraged" that government had at last accepted their offer to assist in upgrading customs operations.

"We are certain that together with the footwear industry, we will make an important contribution to the trade and industry department's discussions with China."

However, spokesmen for the three industry bodies expressed concern about the policing of such an agreement and the current absence of an effective SA customs function.

"Although measures are being taken to address the serious issue of illegal imports, detailed import statistics required for the effective policing of legal imports are four months out of date," Clofed executive director Hennie van Zyl said.

D. VAN ZYL

FORUM

Trade negotiations with China to address injury to local industry

By SHIRLEY JONES

Durban — Normalising economic relations between the People's Republic of China and South Africa and reversing a negative trade balance would lead to income gains and job opportunities, said Ismail Lagadien, a spokesman for the ministry of trade and industry.

He was frustrated by the "one-sided" future that followed revelations the department of trade and industry was negotiating with China. Lagadien said the fall-out had reflected negatively on Trevor Manuel, the trade and industry minister.

Despite retractions from the textile, clothing and footwear federations, which had slammed trade deals with China, Lagadien said little could be done to undo the damage.

A government trade delegation led by deputy director-general Gerrie Breyl left for China at the weekend to continue negotiations. The delegation would discuss the harm Chinese imports caused to local industry.

It would also look at establishing relations that would benefit South African manufacturing and consumer industries, such as the automotive industry and machinery and plant manufacturers.

Lagadien said that no measures on import controls could be guaranteed, but the route followed by the department appeared to be the best option.

"It does not in any way provide additional or preferential access to Chinese imports into the South African market, but rather creates mechanisms for dealing with imports more effectively," he said.

Lagadien said the department was concerned by the increase of



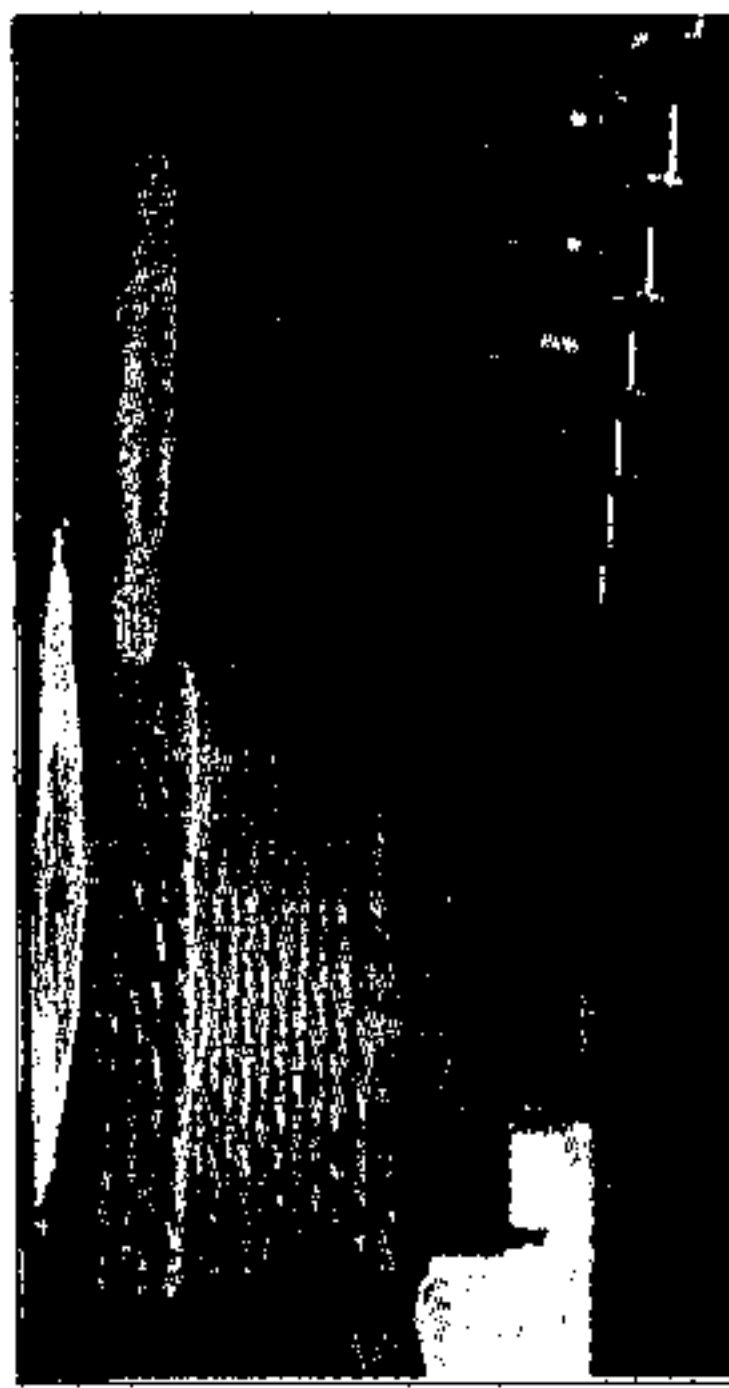
CHINESE PUZZLE Trevor Manuel ponders trade with China

lem, taking into consideration China's pending membership of the World Trade Organisation and South Africa's unemployment and structural concerns.

Lagadien said many countries had taken a tough stand by not assisting industries facing external competitive pressure and forcing them to adjust or close.

"The South African government has chosen not to pursue this avenue for the time being due to the high level of unemployment and the knowledge that space is required for industries to adjust to global competition and liberalisation," he said.

Lagadien said some countries had increased tariffs on Chinese goods, but now they were turning to anti-dumping measures since this would be the only avenue open to authorities once China became a member of the WTO, which would



SPIN OFF The textile industry has been flooded with Chinese exports

probably be within a year.

However, he said this was not the best response to Chinese exports as China's contesting claims extended the time period for redress.

Many countries had entered into bilateral arrangements with China that provided quantitative restric-

tions on exports, Lagadien said.

Chinese membership of the WTO would mean these arrangements had to be phased out, but the opportunities to continue anticompetitive measures would be substantial.

"The People's Republic of China prefers such restrictions and has

been reliable in upholding agreements since they are less obvious than tariff barriers."

Lagadien said voluntary export restraints were the best option for South Africa now that its customs and excise machinery was to be restructured.

"Currently, under-invoicing and other leakages render tariff measures almost useless. A voluntary export restraint would be administered by the People's Republic of China while the South African authorities would perform a monitoring rather than an implementation function."

Lagadien said voluntary export restraints would only be considered where there was clear evidence of injury as a direct result of escalating exports. He gave the assurance that these restraints would be discussed with the relevant sectors before being implemented.

Lagadien said the lack of formal relations with China was an obstacle to negotiations. The department was discussing an exchange of notes in which most favoured nation status was reciprocated and safeguard mechanisms created.

"A most favoured nation agreement was necessary not only to create a vehicle for engagement, but also to level the playing fields for South Africa's exporters to the People's Republic of China. South Africa does not discriminate against Chinese exports, affording them de facto most favoured nation status."

"In the People's Republic of China on the other hand, South African products are subject to between 6 and 20 percent higher duties, which has resulted in substantial losses and foregone opportunities for South African businesses attempting to penetrate this market," he said.

(74) CT (13R) 7/12/96

'Tighter import controls needed to enforce trade agreements'

BY JAMES LAMONT

ET (BR) 7/2/96 (74)

Johannesburg — Customs and excise would have to keep tighter control of imports if agreements between South Africa's trading partners were to be enforced, industry representatives said yesterday.

The clothing, textiles and footwear trade federations have welcomed an initiative by the trade and industry department to reach a voluntary export restraint agreement with Beijing.

But they cautioned that any agreement to curb low-priced Chinese imports should be supported by reforms in the customs and excise department.

"The biggest threat is illegal goods coming into the country," said Brian Brink, the executive director of the South African Textile Federation.

The onus of a voluntary export restraint agreement with China would be on Beijing to control its exports, but Brink said the effective-

ness of any agreement would rely on the policing ability of South African customs and excise.

"I am afraid our customs is in nowhere near a position to control imports," he said.

The government is negotiating with China to stem growing exports to South Africa, seen as a threat to small local industries, particularly in textiles and clothing.

Li Lan, a spokesman for the Great Wall Group, a subsidiary of the Chinese department of foreign trade, said South African industry should become more internationally competitive rather than restrict a potential major trading partner.

"Many South African manufacturers think that it's (Chinese imports) that are a problem, but I don't think they should blame the Chinese. They should rather improve productivity and skills," she said.

She believed the negotiating parties were considering a most favoured nation status agreement.

This would promote the import of Chinese products such as machinery, electronic products and textiles, and the export of South African goods such as mineral products and car parts to China.

Hennie van Zyl, the executive director of the South African Clothing Federation, said that an export cap on China was a pre-emptive measure.

Between January and August last year China's exports to South Africa totalled R1,1 billion and South African exports to China amounted to R817 million.

Although Van Zyl acknowledged Chinese imports as a future threat, he advised against punitive duties as "it sends out the wrong political message at this time".

Europe and the United States have used the copyright and intellectual property abuse by China, which is not a signatory of Gatt, to stem the tide of cheap imports.

n See Forum

More opposition to EU trade agreement

By JOHN FRASER

Brussels—The head of the European Union's (EU) farming lobby, Sir David Naish, has warned against "one-sided" trade deals between Europe and countries such as South Africa.

Naish presides over the EU farmers' group and is also head of Britain's National Farmers' Union.

He expressed deep fears about planned trade accords between the EU and countries in North Africa and South America, as well as with South Africa.

He warned that trade accords could lead to a flood of imports into Europe from these countries. They would be cheap because the supplying states did not have to meet Europe's strict environmental and food safety regulations, he said.

Naish said the trade "will inevitably put our agriculture

under a lot of new stress unless it's done under sensible trading arrangements.

"The trade deals always seem to be one-sided because so many of these countries have no other exportable product than food," he said. The remark was not aimed directly at South Africa, but at other countries that sought access to the European market.

"The consumers should have absolute trust that what they're given to eat is 100 percent safe."

"We know the structures of some of these countries. They haven't got the policing mechanisms—never mind the laws—to make some of those warranties."

The EU was expected to agree to a trade offer with South Africa at a meeting of European foreign ministers later this month.

France has delayed the process, demanding that a comprehensive study of the implications be under-

taken before a free-trade area was offered to South Africa.

Union officials were working on a report for the ministers. They hoped to secure French backing for the negotiations.

The negotiations would consider the impact of the planned trade deal with South Africa on the union itself and also on Europe's other trading partners. They would also analyse the compatibility of such a deal with world trade rules.

Whatever the union called its trade offer to South Africa, it would be far from a free-trade accord in the purest sense.

Protectionist pressures from the French, Spanish, Italians, Greeks and others were likely to tie the hands of EU negotiators.

Diplomats in Brussels said efforts were being made to reduce a long list of South African farm products that would not receive

the benefits of a free-trade deal with the European Union.

Though the list had been cut considerably, there was still no final agreement. Products such as wine, canned and fresh fruits, and fruit juices were likely to be affected.

"We have powerful farming interests, putting pressure of powerful governments," said an EU official. "The result is that South Africa will be fighting an uphill battle in attempting to win better access for its agricultural exports to the EU market."

South Africa has not yet said whether it would be interested in a free-trade agreement with Europe. It was waiting to study the details.

The aim was to conclude negotiations before the second half of this year. But many observers believed that the process would take far longer than that. — Independent Foreign Service.

Marseilles draws more SA exports

By JEAN-JACQUES CORNISH

Johannesburg—The volume of South African exports entering Europe through Marseilles increased by more than 150 percent last year, said Francois van der Merwe, South Africa's consul general in the port city.

Van der Merwe was speaking at the opening of the French South African Association of Marseilles, which has been established to promote social and cultural exchanges between that region in the south of France and South Africa.

He said provisional figures showed 1 280 000 tons of South African goods were shipped into Marseilles last year, compared with 499 500 tons the previous year.

In the same period France exported 87 900 tons of goods through Marseilles to South Africa, a slight decrease on 1994.

VIEW

'Tighter import controls needed to enforce trade agreements'

By JAMES LAMONT

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n See Forum

SADC ends trade dispute: The Southern African Development Community secretariat directed Pretoria to open its trade to Zambia and other neighbours which had the capacity and potential to export to South Africa, effectively ending a trade dispute, the chairman of Zambia's manufacturers' association, Mark O'Donnel said yesterday. (~~2778~~) (74) CT(BR) 8/2/96

Minister vows to act on import-export fraud

(74) ARG 8/2/96

CLIVE SAWYER
Political Correspondent

PRIVATE enterprise and the government are to launch a joint campaign against fraud in the import and export business.

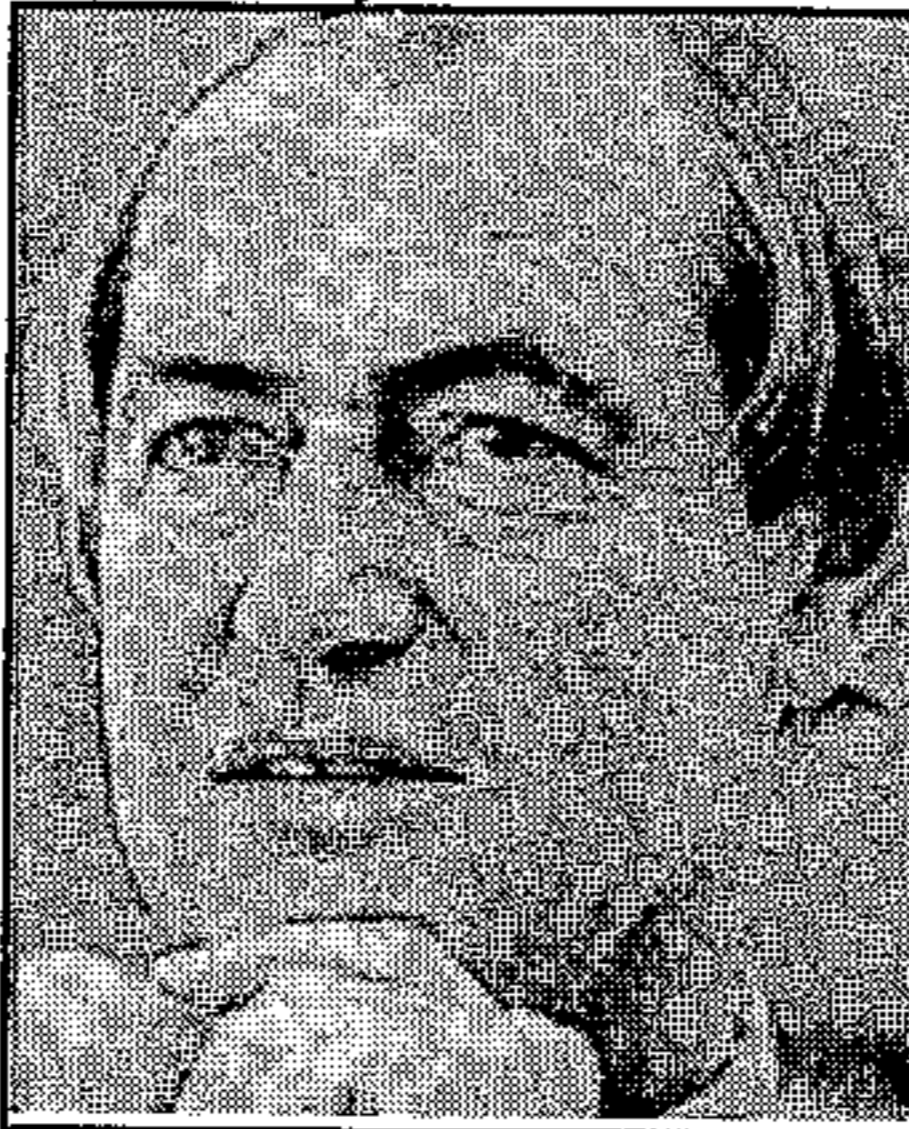
Deputy Finance Minister Alec Erwin said it was impossible to tell how much such fraud cost the country annually because much of the crime went undetected.

"We are going to act against them and act against them fast," he said.

One device for evading duties was to falsely label goods as exempt from tariffs.

Another was "round-tripping" to evade value-added tax, by claiming that goods were for export to neighbouring countries while in fact they were sold illicitly on the domestic market.

This type of fraud was understood to be widespread in the



ALEC ERWIN ... anti-fraud

clothing and textiles industry.

Private enterprise had an interest in stemming the crime because the practices amounted to unfair competition, Mr Erwin said.

Government bodies which will be involved in the campaign include the customs and excise branch, inland revenue,

police fraud squads, department of trade and industry, and Reserve Bank.

The private sector is to set up a task group and will hire a surveillance agency to assist it.

Mr Erwin said the cabinet had noted with appreciation the efforts by the private sector.

Meanwhile the national tax task team set up by Transport Minister Mac Maharaj had made interim recommendations to the cabinet, a Press briefing has been told.

The recommendations cover regulation and control of the industry, and training.

While the cabinet has endorsed the recommendations, they will be the subject of further talks before being implemented.

Considerable progress had been made in assigning the administration of laws to provinces, the cabinet was told yesterday.

Fight against illegal international trade practices intensifies

(74)
BY PATRICK BULGER

Political Correspondent

Star 8/2/96
Cape Town - The Cabinet agreed yesterday on tough measures to root out illegal international trade practices and VAT evasion, Deputy Finance Minister Alec Erwin said.

He was speaking at a briefing after the Cabinet had met for the first time this year.

Erwin said the private sector-initiated customs and excise caucus, which was a group of private sector companies, had agreed to co-operate with the Government in taking action against the importers of goods who defrauded the Government of money by declaring certain goods VAT exempt when they were not exempt.

Erwin said illegal trade practices had a negative effect on the economy.

Other decisions taken by the Cabinet included the approval of the interim recommendations from the National Taxi Task Team which had made recommendations on regulation and control of the industry.

A new white paper on education and the funding of schools was also approved.

EU report on SA readied for talks

ET (BR) 9/2/96

(74)

By JOHN FRASER

Brussels — European Commission officials will complete a crucial report on relations with South Africa in time for a meeting of European ambassadors next Wednesday.

Officials made the announcement on Wednesday during a discreet gathering of the 15 EU ambassadors in Brussels.

France, backed by Germany, has demanded the report be completed before Paris will agree to the relaunch of trade talks between the EU and South Africa.

If all goes well the 15 European foreign ministers will meet on February 26 to agree formally to the launch of negotiations.

The report will look at the effects

of a proposal by Brussels officials to offer South Africa a free-trade area.

The study will examine the effects on the EU itself, on Europe's other trading partners and the compatibility of such an accord with world trade rules.

Some EU diplomats suspect that the French call for the report is a delaying tactic, designed to derail the momentum of negotiations with South Africa.

"There is still a danger that the French will say this report is not good enough, or that it exposes unacceptable risks," said a senior EU diplomat.

"If so, we will be faced with a further delay — or worse.

"That must not be allowed to happen and most other EU states will

be pressing for the stalled negotiations to begin again."

The framework for future trade is technically called a free-trade area, but a number of South African exports will be denied free access if the Europeans get their way.

If EU foreign ministers do give the go-ahead for trade talks to resume next month, the South African government will be asked whether it is prepared to accept the EU's offer.

South African negotiators still have their reservations about agreeing to set up a free-trade area with Europe — because this would involve eventually opening up the South African market to fierce competition from the EU. — Independent Foreign Service

SPOTLIGHT



South Africa has to rely on foreign willingness to invest, politics notwithstanding

By HOWARD PREECE

Capital inflows mask a drop in exports

CT(BR) 9/2/96 (74)

A disappointing performance in the final quarter of last year took a lot of the gloss off what had until then been a most encouraging export showing — gold excluded, of course.

The extent of the poor export outcome over the October-December months seems to have attracted rather less attention so far than might normally have been expected.

That is presumably a result of the massive net capital inflows that South Africa has enjoyed during the past 18 months and more. These have been more than enough, not only to offset the hefty deficit on the current account of the balance of payments (BoP), but also to give a large and much needed boost to the country's gold and foreign exchange reserves.

It is also true that exports put up a most encouraging growth over the first three quarters of last year. In its December quarterly bulletin the Reserve Bank commented: "The continued good export performance (in the third quarter) brought the increase in the volume of exports to 20 percent in the first nine months of 1995 compared with the corresponding period in the preceding year. As a ratio of real gross domestic product, merchandise exports at constant prices rose further to a

heavily in the red. First, such a deficit was always a precondition of any major upturn in gross domestic fixed investment (GDFI) — essential for any sustained, significant rise in overall economic growth. Second, for years the country was compelled, because of sanctions, to make a current account surplus its overriding priority.

Even without sanctions South Africa is still only able to finance current deficits from capital inflows. So if this country were given the financial thumbs-down by foreign investors, these inflows would obviously not take place, certainly not on the scale required, irrespective of political hostility or vague expressions of goodwill.

That said, though, there are also two important reservations that must be made:

□ South Africa will not be able to secure a rapid and ongoing advance in real GDP unless export growth acts in its traditional and critical role as an essential engine of such a GDP surge. There is no way that the economy can continue to advance at a tolerable pace without a vibrant export sector.

□ Even with a strong export performance South Africa dare not, as I have repeatedly stressed, become over-reliant on short-term capital inflows to pay for huge import bills,

ter of last year.

Trade balance (Rm)	
1stQ	+788
2ndQ	+721
3rdQ	+1 700
4thQ	-205

For South Africa to incur a deficit on the trade account was almost unheard of — until that last quarter. But had the shortfall been the result primarily of an acceleration in the import bill that might have been acceptable and perhaps even welcome if it signified an even firmer upturn in GDFI. However, that was not the case.

This is how the quarterly values of exports were last year on Customs & Excise figures:

Exports	(Rm)
1stQ.	23 782
2ndQ	25 056
3rdQ	28 002
4thQ	24 214

As is evident, there was a steep decline from the third quarter to the fourth one. Sure, some of that can be explained by normal seasonal factors. December, in particular, is always going to be low-production, low-sales month on the export side because of the holiday situation both here and in all of the country's foreign markets.

But the extent of the deterioration on the export side goes clearly beyond that. This is particularly well illustrated in an analysis of the export figures by Azir Jammie, head of Econometrix. He has plotted the trend of exports last year by comparing each quarter's growth against the same quarter in 1994. That necessarily eliminates the seasonal factor. This is his finding.

Export growth

SA trade — going out, coming in

	Exports (Rm)	Imports	Trade balance
January 1995	7 840	6 797	+1 043
February	8 183	7 867	+ 316
March	7 759	8 330	- 571
1st quarter	23 782	22 994	+ 788
April	6 956	6 650	+ 306
May	8 920	9 055	- 135

	(Rm)		Balance
January 1995	7 840	6 797	+1 043
February	8 183	7 867	+ 316
March	7 759	8 330	- 571
1st quarter	23 782	22 994	+ 788
April	6 956	6 650	+ 306
May	8 920	9 055	- 135
June	9 180	8 630	+ 550
2nd quarter	25 056	24 335	+ 721
July	9 410	9 100	+ 310
August	9 244	9 760	- 516
September	9 348	7 442	+1 906
3rd quarter	28 002	26 302	+1 700
October	8 007	9 077	-1 070
November	8 939	8 337	+ 602
December	7 268	7 005	+ 263
4th quarter	24 214	24 419	- 205
1995 Total	101 054	98 050	+2 999

Source: Customs & Excise

level of 20,1 percent in the first nine months of 1995. This can be compared with a ratio of 17,7 percent in 1994 and a low of 10,7 percent in 1984. ... In the past 12 years an increasing proportion of production therefore became geared towards the export market."

The Reserve Bank attributes that rise in particular to:

- The opening up of new international markets with more vigorous growth than the traditional outlets of South African exports;
- The gradual lifting of trade sanctions and embargoes against South Africa; and
- The assistance received by exporters under the general export incentive scheme (Geis).

If anybody still wonders what happened to all the promised benefits to South Africa from the lifting of sanctions there is a pretty good answer right there — and the huge inflows into the capital account of the BoP add further massive weight to that.

Nedcor's economic unit elaborated last month on the export side: "In the first 11 months of 1995 gold production fell by 10,6 percent" (figures issued in recent days confirm that pattern for the full year). Nedcor continues: "In contrast, other exports performed extremely well." It attributes much of this to "higher metal and mineral prices and a relatively firm international economy."

For all that, however, the current account of the BoP is now in large deficit. For the present, and for some time to come, that is fine.

I have long argued that South Africa should be delighted to have the BoP current account running

no matter what the composition of the import account is.

But let's start with the import and export figures for last year as estimated by Customs & Excise.

The table shows the quarterly aggregates and the position of the balance of trade (exports and imports) for each quarter and shows a balance of trade surplus for last year of R3 billion.

However, South Africa's overall current account of the BoP also includes payments and receipts on the services account — interest charges, dividends, tourism, shipping and others — the so-called invisibles. This account is permanently in deficit.

The latest figures from the Reserve Bank — the final, official source of all balance of payments statistics — shows that for the first nine months of last year service payments totalled R25 187 million against receipts of R14 069 million. This means that the average net monthly shortfall on services is a fraction under R1 250 million — or about R15 billion for last year overall.

So the provisional balance of trade surplus of R3 billion translates into a whacking deficit of roughly R12 billion on the aggregate BoP current account for last year. That is R500 million-R1 billion more than was generally predicted right into December.

The table below shows that the quarterly position of the trade balance account was knocked by the unexpectedly adverse export/import position for the last quar-

ter. He has plotted the trend of exports last year by comparing each quarter's growth against the same quarter in 1994. That necessarily eliminates the seasonal factor. This is his finding.

Export growth (% Q-on-Q)

1st Q 1995	+16,3
2nd Q	+18,3
3rd Q	+15,3
4th Q	+2,5

Source: Econometrix

These figures leave no doubt about the sharp slowing in the export trend in the last quarter of last year. There are basically two reasons.

The world economy has, as I have stressed earlier, gone into a rather sluggish growth period overall. The "relatively firm international economy" correctly referred to by Nedcor for the January-September period last year has for the moment come off the boil and that had an adverse effect on prices and volumes of some key South African exports.

Further, there is no great expectation that world growth is set to pick up again this year. On the contrary concern about Germany and France and the knock-on effect of low growth there is having some adverse impact on current demand and anticipated demand for many commodities. (Gold, as so often, is out of step but then it is often a law of its own).

This was how Nedcor a few weeks ago forecast South Africa's BoP current account deficit picture.

1995	-R11,2bn
1996	-R13,5bn
1997	-R14,1bn

Already the 1995 figure has proved an under-estimate. It could also be that the deficit for this year will be higher than predicted if GDP goes over 4 percent — the Reserve Bank Governor thinks it can — and if world conditions take the edge off export growth.

All this strengthens my view that the Reserve Bank should be more willing to let the foreign exchange rate of the rand slip by at least five percentage points, maybe more. But, after all, if the Bank is indeed going to take some significant new steps on exchange control relaxation that might happen naturally — although there are those who argue that a show of strength on this side will bring in more than compensating extra capital inflows.

I am not so sure about that, but if it does happen it will make it easier to relax the controls even more.

The dangers of lending long (domestic capital exodus) and borrowing short (foreign short-term hot-money inflows) requires a lot more attention than it has so far attracted.

The country will not be able to secure a rapid advance in real GDP unless export growth acts in its traditional, critical role as an engine

EU president to press for free trade agreement for SA

Political Correspondent

PRESIDENT of the European parliament Klaus Hansch is to ask European Union member states which are blocking talks on a free trade agreement with South Africa to withdraw their opposition.

Speaking to MPs during a visit to parliament yesterday, Mr Hansch said it was hoped tariff-free trade between the EU and South Africa would be achieved within the next 10 years.

This was linked to South Africa joining the Lome Convention.

"Already, in the preliminaries, we envisage removing barriers to trade for nearly 90 percent of all goods exchanged."

But the talks would be difficult, Mr Hansch said.

Securing agreement among member states on a negotiating mandate was bedevilled by their having to cope with high unemployment and monetary constraints.

"I ask for your understanding. We are all politicians. And at the end of the day we all must answer to our own electors."

Mr Hansch said he and his colleagues would put maximum pressure on governments to kick-start the talks.

(74) ARG 9/2/96
The European parliament would ratify the agreement if it believed it was fair to both sides.

The delay in the process was causing economic uncertainty.

"I personally will be asking the leaders of those governments concerned to lift their blocking of the agreement on the union's mandate."

South Africa's future economic development should not become a hostage to Europe's internal problems.

Free trade brought prosperity, and this should not just be to a few stock market traders, speculators and risk takers.

The opening of markets should contribute to higher minimum standards of social protection, cultural diversity and limits to environmental damage.

Mr Hansch today signed an agreement with Frene Ginwala, Speaker of the national assembly, on research assistance.

He said he hoped the agreement would contribute in a practical way to help the South African parliament learn from its European counterpart's experience in monitoring complex legislation and enhancing the control of the executive by the legislature.

17

SA trade 'destabilises' its neighbours

Iden Wetherell in Harare

It was particularly ironic, the Zimbabwean industrialist said, that South African Home Affairs Minister Mangosuthu Buthelezi had been in Zimbabwe last week to discuss the tide of illegal immigrants pouring into his country, when South African trade policies were contributing to de-industrialisation and unemployment in the region.

The industrialist was Ian Felps, managing director of Chloride (CA), Zimbabwe's leading battery manufacturer. He said his profit margins have been squeezed and Chloride's factory in Zambia is closing because export credits of as much as 50% offered to South African manufacturers by their government have undercut the market for indigenous producers.

That South African battery manufacturers sell on the Zimbabwe market at a 40% discount — cheaper than they would have sold in South Africa — underlines the predicament of industry in countries neighbouring South Africa.

Export incentives in South Africa were not designed with regional cross-border markets in mind, Felps said. "Getting to Zimbabwe from Gauteng is no more difficult than getting to Cape Town or Durban."

Zimbabwean industrialists, including Felps, were at the fore of those who raised a chorus of complaints at the South African Development Community (SADC) consultative conference which ended in Johannesburg last week.

Delegates accused South African manufacturers of "flooding the region" with their goods — while Pretoria's protective tariffs prevented reciprocal trade — and warned it could have an impact on good relations between South Africa and its neighbours.

Pretoria's exports to the rest of Africa jumped from \$456-million in 1987 to \$6.3-billion in 1994, while imports from the continent stood still at an annual average of \$1.6-billion in the same period. In the first half of last year South African exports to the rest of Africa shot up 50%.

Zimbabwe has been trying for three years to negotiate a trade pact with South Africa following the demise of the 1964 preferential trade agreement. South Africa declines to negotiate piecemeal with its neighbours, citing World Trade Organisation requirements.

Hardest hit among Zimbabwean manufacturers are textile companies and motor trade firms. One large Harare-based textile manufacturer went under last year while two Bulawayo firms that depend on the South African market face collapse.

(74) MTG 9-15/2/96

Supply-side measures may be delayed

John Dlodlu

BD 9/2/96

OBSERVERS within the National Economic, Development and Labour Council (Nedlac) last night expressed doubts that the new and extensive supply-side measures would be implemented this year.

The trade and industry chamber, in which the matter was discussed, yesterday had identified investment incentives, support for sensitive industries and training as key priorities. But a Nedlac source said some of these measures might take some time

before being implemented.

This followed increasing signs that government was prepared to implement some of the measures after the announcement of the Budget next month.

However, Nedlac executive director Jayendra Naidoo ruled out chances of a "big bang" approach in implementing the measures.

A Nedlac source said: "In the short-term we could see more cash channelled towards the expansion of measures such as the export marketing scheme and making the scheme less restrictive. But I can't see how we can get tax incentives (this year)."

Government has said these measures would be financed through savings on the general export incentive scheme. Naidoo also said parties appeared to be inching towards a deal on labour's proposal that SA's trade partners be asked to uphold basic human and worker rights such as the rights to strike, collective bargaining and a ban on child labour.

A compromise was likely to be to push for a social clause in bodies like the World Trade Organisation and the International Labour Organisation, but taking a softer line on bilateral trade agreements.

Yesterday's public finance chamber meeting, which covered key aspects of the forthcoming Budget, was attended by Finance Minister Chris Liebenberg and his deputy, Alec Erwin.

Naidoo said the discussion was "thought-provoking and mature", but felt it inappropriate to reveal positions of various constituencies. It is understood Liebenberg gave "no indication of a particular cause of action", except to stress the need for striking the delicate balance among key aspects of the Budget.

EC extends antidumping laws on SA producer

David McKay

THE European Community has extended antidumping legislation on imports of silico-manganese by steel and ferroalloys producer Highveld Steel & Vanadium.

The EC, which had imposed the ruling in October, said it had decided to extend the regulations in January following the Anglo-American-owned company's withdrawal of its 1994 undertaking on minimum prices.

The EC has now set a minimum import price on silico-manganese of \$612/ton.

Highveld ferroalloys GM Mike

Winstanley ^{50.972/96} said the EC had agreed to the company importing below that price, provided its European traders paid the duty on the difference. But with silico-manganese trading at about \$664/ton, there was no immediate benefit of selling below the minimum import price.

Regulations concerning definitive antidumping duties were applied to silico-manganese imports from Brazil, Russia, SA and the Ukraine in October last year.

Provisional duties had been imposed in 1994 for an initial period of six months.

According to the EC the orig-

^{(74) (1994)}
inal investigation concluded that Highveld's imports had been "injurious" and would have been subject to the antidumping duties applied to imports originating from the other countries concerned, had it not offered a price undertaking which had been accepted.

But following Highveld's withdrawal of its undertaking, the EC announced plans to register all of its imports of silico-manganese as from November 23 in order to apply the duties retrospectively.

The registration requirement of imports has now been discontinued and the variable antidumping duties substituted.

SA firms losing out on mega-buck Africa deals

(74) ARG 10/2/96

Exporters urged to seek new markets and forge stronger trade links

MAUREEN MARUD

Business Reporter

SOUTH African companies are losing out in a major way by not bidding on multi-million dollar projects in southern Africa, a visiting trade expert said in Cape Town.

"You are not sufficiently taking advantage of bidding on all sorts of African projects which are funded through the World Bank and other agencies, like the African Development Bank," said Hendrik Roelofsen, Geneva-based senior trade promotion adviser for the Africa office of the United Nations International Trade Centre.

"There are multi-million dollar projects for which you are well placed to bid."

In addition, there were trade opportunities in Africa for almost any South African business sector which were not being exploited, he said.

"For instance, the mining sector has a very well developed service in the area of equipment, where South Africa has a major comparative advantage vis a vis the rest of the world."

And the financial sector here could become involved in trade financing, which was completely under developed in the rest of Africa.

Instead, African countries did not trade among each other.

"Only five percent of Africa's total trade is exchanged among this continent's countries."

South Africa was selling four times the amount it was buying from the rest of Africa.

"We know there are a large number of products South Africa is currently importing from outside Africa that could be obtained in the region."

If South Africa obtained whatever goods it needed that were available from other African countries, those countries in turn would have the money to buy South African goods.

"At the same time you would be creating employment in those countries, thereby preventing their citizens from coming to South Africa to look for jobs."

Mr Roelofsen said his office had identified a large number of products that were being exported by some African countries to the rest of the world and imported by other African countries from the rest of the world.

These included a whole range of food products, light manufacturing industry products, like household goods, and clothing.

The reason for the lack of trade among African

countries was lack of information about trading opportunities, he said.

"It is much easier for business people to obtain information on European markets, both for goods wanted and to sell, than to obtain information from the country next door."

This was probably the result of historical linkages and a colonial past.

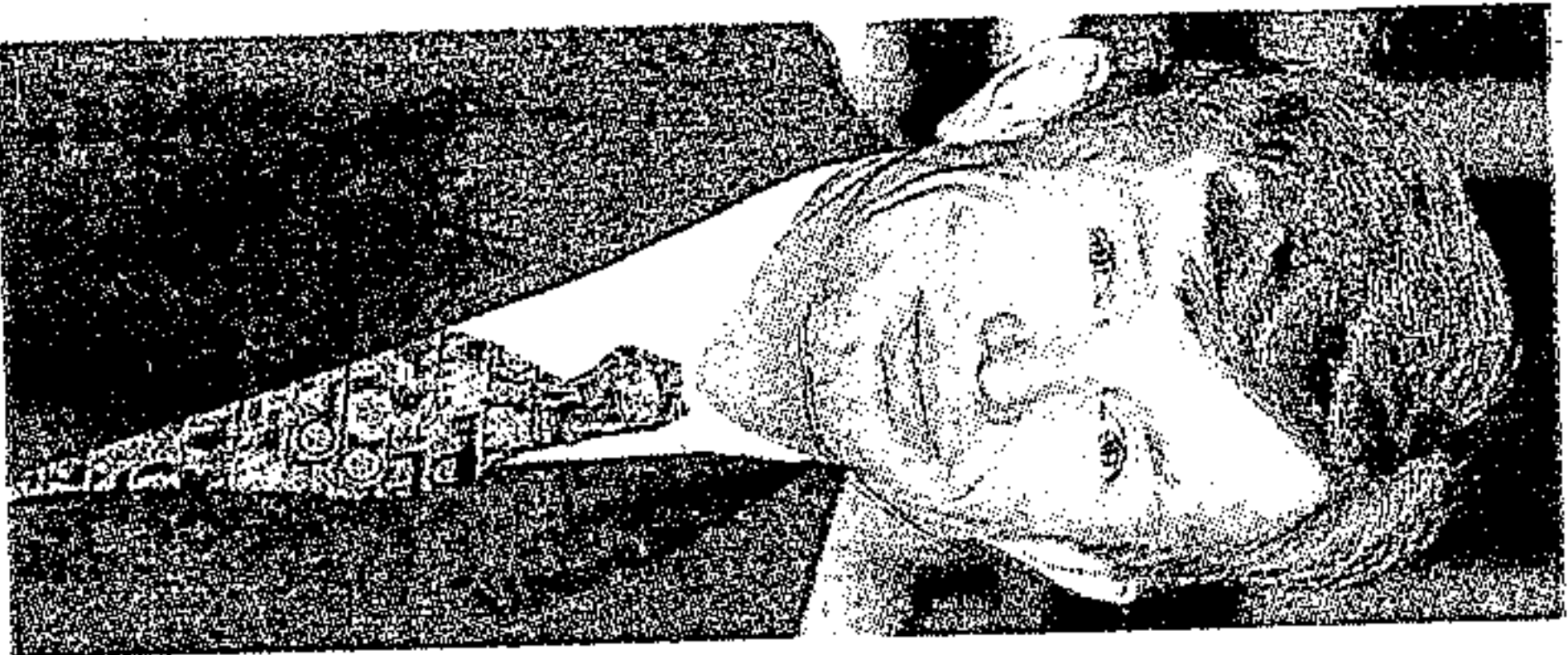
He said his office was working on making information available on trade opportunities in Africa, and was holding regular buyers and sellers meetings.

Networking was an important way of hearing about opportunities, he added.

"You have to start building a network of personal contacts. Start exchanging experiences and contacts, and develop some kind of partnership with people who know the markets and who can be your representative."

To local industries worried about being swamped by imports from China in particular, Mr Roelofsen had this message: "You can go out and try to find new markets in the rest of Africa so that you would increase your output and reduce your cost by making three times as much.

"By fighting to gain new markets you are much more likely to achieve your survival than by closing yourselves in behind high tariff walls."



Hendrik
Roelofsen

African nations 'need more direct trading'

CT(BR)12/2/96(74)

By AUDREY D'ANGELO

Cape Town — African countries — including South Africa — are importing goods from Europe which they could buy more cheaply from each other, said Hendrik Roelofsen, the senior trade promotion adviser on Africa for the United Nations Conference for Trade and Development and Gatt.

In some cases, he said, these goods were initially exported to Europe from Africa only to be imported by other African countries.

"Direct trade between African countries would keep the money in Africa, where it would create wealth and jobs."

Roelofsen has spent 20 years in Africa, following a stint in South America. He said trade between African countries had been hampered by bureaucracy, the lack of communi-

cation and transport difficulties. African exporters and importers found it easier to obtain trade information about Europe and to arrange contacts and ship goods there.

His organisation arranged meetings between people with complementary interests and gave advice on differing business cultures and methods. Bureaucratic hold-ups were easing as Africa opened up.

Transport was "a chicken-and-egg situation". The transport industry provided it once it realised demand was there.

Roelofsen said it was a fallacy that there was no money available in Africa to pay for goods. Africa imported \$100 billion worth of goods a year, of which only 5 percent was accounted for by intra-African trade. This 5 percent could easily be doubled.

Some African countries, includ-

ing Uganda, with an economic growth rate of 10 percent a year, and Ghana, which also had a healthy growth rate, had "foreign exchange coming out of their ears".

But South Africa should not think only in terms of selling to other African countries. His organisation had counted 400 products which South Africa could import from Africa, including beef, rice, and seasonal fruits. Although there were shortages of food in some parts of the continent, there were surpluses in others.

Aid organisations, which previously had imported food from countries like Argentina to relieve famine in some parts of Africa, had realised this and were now buying from neighbouring countries.

Botswana and Zimbabwe were exporting huge quantities of meat to Europe, said Roelofsen.

STIMULATING INVESTMENTS IN AFRICA

EU stance to SA is lukewarm as 'special status' wears thin

John Dudgeon
BD 12/12/96
74

WHEN you walk into the offices of the European Commission at 12 Rue de Genève, Brussels, you are confronted by a big map of the world, titled the EC and the Third World — a network of co-operation agreements. Huge chunks of the African continent — save SA — are painted in orange, denoting the trade and aid co-operation linkage the EU has with Africa through the Lomé convention.

The white spots in the map, including SA (with an orange dot for tiny Lesotho), show countries with which the EU does not have co-operation relationships.

A bid to launch a process to establish a multifaceted co-operation relationship between SA and the EU failed last month when member states could not agree on a negotiating mandate with SA.

Last year the EU, via its commissioner responsible for relations with African, Caribbean and Pacific (ACP) nations João de Deus Pinheiro, proposed a twin-track approach for a framework of co-operation with SA on trade, political, aid and economic fields.

The first strand of the approach recommended SA's integration into the ACP group through partial accession to the Lomé convention. This would entitle SA to participate in political dialogue with the EU, but excludes SA from the trade and financial benefits of the convention. If all goes well, SA's accession to

the accord will take place a year from now — the same time as the implementation of Lomé's mid-term review recommendations.

The second level of the Pinheiro proposals dealt with economic co-operation through an asymmetrical free trade accord, which would allow SA a chance to sharpen its competitive edge before opening its markets to European products.

It was the mandate on the free trade area that led to disagreement among the EU's 15 members. The mandate, if passed, would have paved the way for the beginning of talks with SA. The sticking point came when a group of nations, led by France, called for detailed studies on the impact a free trade accord would have on EU economies (especially the common agricultural policy or CAP), on its trading partners and whether it would be compatible with the provisions of the World Trade Organisation on free trade.

The mandate would also have given the commission — which is negotiating on behalf of member states — an indication of the time-frames and products to be covered by the accord.

The sensitivities on the mandate include the inclusion of SA agricultural exports and the possible threat to the CAP. This may prove hard for governments to sell to farmers in southern countries.

SA, through its former ambassador to the EU Neil van Heerden, has consistently countered the argument of being an "agricultural



PINHEIRO

colossus". Before joining the SA Foundation as executive director last month, he said: "We have different seasons... I think we can be partners more than competitors."

Initially, an informal understanding existed in Brussels, thanks to the lobbying of the so-called Friends of SA group in the union, that SA would be treated as a special case. This was understood to mean that a special accord would be signed with SA, but this would not set a precedent for future accords.

Detailed studies would then be carried out on the principle of free trade accords with the EU during

the WTO era. Sources in the commission now feel an accord with SA might trigger a flood of requests from other environments trading partners, such as Latin America, the US and Mediterranean countries.

Another interpretation of the latest setback in the talks is that the goodwill enjoyed by SA after 1994's historic elections might be starting to evaporate.

Proponents of this theory feel the member states' reluctance may, in part, be due to SA's lukewarm attitude to what has been sold as the most ambitious deal with any third country. SA has agreed to "explore" the possibility of such an accord, but left the door open that "nothing is agreed until everything is agreed".

This suggestion is strenuously denied by Pinheiro's spokesman, João Vale de Almeida. "I don't think people are turning their backs on SA. SA is still very important."

Almeida said: "SA has to pay the price of being the first country on the list of EU partners to seek a trade agreement after the WTO (which requires that free trade must cover substantially all trade between contracting partners)."

Apart from being time-consuming, carrying out a detailed analysis will be difficult to do without knowing SA's "shopping list" and its list of sensitivities.

What compounds the problem is that SA's exclusion from world trade has made it difficult to assess the real potential of trade in certain

products. However, a compromise deal is being brewed in the commission. This includes doing an urgent, but general, assessment of the implications of a free trade area.

The commission hopes this will secure it a mandate from members and revive the talks with SA. The matter will then be tabled for discussion at the monthly meeting of foreign ministers later this month.

Further studies, probing the sectoral impact of the accord, will be done in parallel with the talks as more information becomes available from SA's shopping list.

European parliament president Klaus Hänsch has promised to ask members to remove the obstacles to get the talks back on track.

The Italians, holding the rotating presidency of the union, want the talks concluded during their six-month term. If this ambitious timetable is met, the deal will come into force in February next year.

But in the meantime nothing should be left to chance. Maybe a short note to Paris, Bonn and Rome et al from President Nelson Mandela calling for urgency might help boost the process.

Perhaps all this will see SA's name on the commission's map being painted orange, signifying not only a co-operation relationship with the EU, but also an alignment with the ACP club of nations by February 1997.

□ Dudgeon was in Europe as part of the EU visitors' programme.

Kampala and Pretoria exploring closer links

ET (MR) 13/2/96 (74)

By JOE KHAMISI

Nairobi — A bilateral initiative is under way to boost diplomatic relations and explore trade between South Africa and Uganda.

Uganda's first high commissioner to its newly opened mission in Pretoria is Edward Rugumayo, a trained environmentalist.

Rugumayo was on the staff of the United Nations development programme in Swaziland until his appointment as high commissioner to Pretoria. He was a politician during Uganda's turbulent 1970s and 1980s, and eventually went into exile abroad.

Pieter Andre van Zyl, the special envoy at the South African office in Kampala, said South Africa expected to open a full diplomatic mission in Uganda later this year.

He said expenditure for the embassy had been included in the Budget to be presented to parliament next month.

The South African liaison office was opened before the visit by Foreign Minister Alfred Nzo to Uganda last October. During his stay, Nzo visited centres of economic development and toured a former training camp for ANC activists.

A communiqué, agreeing to establish a joint commission to deliberate on various bilateral issues, was also signed.

Ugandans are said to be interested in a free-movement arrangement with South Africa.

Uganda's foreign minister, Ruhakana Rugunda, told Nzo that to have vibrant economic co-operation between the two countries, there had to be "unhindered people-to-people" contact.

The establishment last year of the Alliance Airline, a joint project of South Africa, Uganda and Tanzania, was considered by Ugandans as a step towards achieving such an arrangement.

The next step will be negotiations on the abolition of visa requirements.

Nzo announced on September 26 that a visit by President Mandela to Uganda was in the offing.

The visit did not materialise last year, but Ugandans hope it will take place this year.

Observers in Kampala say the new thrust in relations is bound to boost trade between the two countries, which is already on the increase.

The combined trade in 1994 rose to \$7 million from \$3 million the previous year. Uganda exports mainly textile products.

Last December, President Yoweri

Museveni announced a redefined foreign policy with more emphasis on trade and commerce.

Several South African trade delegations have visited Uganda during the past year, attracted mainly by the country's agricultural and commercial potential. Last September, a group of 12 South African tour operators and journalists also visited the country. A group of

Transvaal farmers wants to settle permanently in Uganda.

The Uganda Investment Authority reports it was inundated with hundreds of inquiries since a group of South African businessmen attended an international fair in Kampala early last year.

Areas of interest among South African investors include information technology, mine exploration, tourism and joint ventures in hotels and catering services.

Uganda has generous incentives for investors.

Uganda is recovering fast from years of economic and political destabilisation. Museveni, who has been in power since 1986, announced last October that he was ready to wage a "protracted war" to eliminate obstacles to foreign investment. — Independent Foreign Service

'Ugandans are interested in free-movement arrangements with South Africa'

SA demands EU speed up trade talks

ET(CBR) 14/2/96 (74)

By BRUCE CAMERON

Cape Town — South Africa, tired of European Union (EU) tardiness on trade negotiations, has issued a demarche, demanding the union speed up talks on improved market access for this country.

A demarche is one of the strongest forms of diplomatic protest. It was served on Bruno Cabras, the Italian ambassador, on Monday by the foreign affairs department.

Cabras received the demarche because Italy holds the presidency of the union at the moment.

Faizel Ismail, the chief director in the trade and industry department in charge of the negotiations, said the demarche called on the EU to meet its commitments to provide a favourable trade regime with South Africa as soon as possible.

But at a media conference in Cape Town yesterday, Trevor Manuel, the trade and industry minister, suggested the negotiations may be a waste of time because South African

companies were not showing any interest in the Generalised System of Preferences already negotiated with the union to cover a limited number of goods.

Manuel said there had also been a poor response to a questionnaire circulated to business through the National Economic Development and Labour Council.

It asked for an input on which industries in South Africa would be sensitive to a free trade agreement with the union and what goods required preferential trade access to union markets.

There were only about 40 responses.

"There is no point in batting for business if there is no response," Manuel said.

Ismail said South Africa was caught up in a debate within the union on the principle of free trade agreements.

He said this was not right as the union had made a political commitment to South Africa for a preferen-

tial trade agreement.

"The protracted and laborious process now under way tends to erode the commitment of the community," said Ismail.

□ John Fraser of the Independent Foreign Service in Brussels reported yesterday that the EU's trade chief, Sir Leon Brittan, yesterday called on the French not to be so protectionist.

His speech in Paris made no mention of France's foot-dragging over the launch of trade negotiations with South Africa.

Brittan warned: "There is a strong tendency in Europe to view open markets too defensively.

"Free trade is seen all too often as an invitation to outside companies to penetrate our markets, rather than as a chance for our firms to boost their exports outside Europe.

"It is time to adopt a more offensive strategy towards opening the markets that French and other European economies need outside Europe," said Brittan.

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Erwin outlines measures to fight trade fraud

(74) ARG 14/2/96
Business Reporter

THE GOVERNMENT will do everything in its power to stamp out all forms of fraudulent trade, and will "mercilessly" prosecute transgressors, says deputy minister of finance Alec Erwin.

Speaking in Cape Town, he outlined special steps to deal with escalating incidences of fraudulent imports, exports and the evasion of excise duties and VAT on traded products.

He said government would also seek the co-operation of Botswana, Lesotho, Namibia and Swaziland to improve the policing of cross border trade frauds.

Industries particularly heavily affected by fraudulent trade had established a customs and VAT enforcement caucus, with its own constitution and secretariat and, with the support of organised labour, had made proposals to the Department of Finance aimed at strengthening the law enforcement capacity of the authorities to police illegal trade practices.

Customs and Excise, Inland Revenue, the South African Police Service, the South African Reserve Bank and the Department of Trade and Industry

had now established a customs law enforcement task group which would share information relating to trade fraud.

This group would evaluate reports of alleged contraventions, co-ordinate investigations and make staff available in accordance with the agreement outlined in the customs law enforcement task group document.

The customs and VAT enforcement caucus would route reports from the various sectoral industrial task groups to the customs law enforcement group, Mr Erwin said.

The industrial groups would provide, if necessary, investigative resources, audit functions and legal services to assist in the prosecution of transgressors.

"The government welcomes and supports this joint effort by the law enforcement authorities, the caucus group and organised labour to join forces in order to stem the rising incidence of fraudulent trade practices.

"It is determined to do everything in its power to stamp out all forms of corruption and transgressors will be mercilessly prosecuted," Mr Erwin promised.

China to become most favoured trading partner

ET (PR) 15/2/96 (74)
BY SHIRLEY JONES

Durban — South Africa and mainland China have exchanged most favoured nation status through an exchange of notes, and the signing of an agreement is a mere formality.

Reporting back on the much maligned trade mission to mainland China, which returned last weekend, the deputy director of foreign trade relations, Kate Kuper, said the agreement was "an incredibly significant" achievement which would make a material difference to both job creation and the income stream into the country.

She said that until now China had, in effect, enjoyed favoured nation status as far as South Africa was concerned, but South Africa did not enjoy reciprocal treatment.

This agreement would open the gates for many more South African companies to export to mainland China — a crucial development as the only means of addressing the current account deficit was by increasing exports.

South African exports to mainland China increased 106 percent in the period from last January to August from the same period in 1994. Kuper said although this was off a low base, increases had been in the order of 100 percent for the past

five years, indicating the potential market penetration for value added products.

"This translates directly into job creation. South African companies have said that if they can increase imports into China, they will have to employ more people," she said.

Kuper said most favoured nation status would benefit South African exporters who faced trans-shipment costs and duties of between 6 percent and 80 percent. These acted as barriers to the massive Chinese market, which was less brand conscious than most.

The extra costs raise the entry level for South African companies and local exporters have a smaller share of the market.

Kuper said the trade and industry department was sensitive to industry and labour concerns and had begun to address these during last week's negotiations with mainland China.

She said although strict criteria were being applied to these, the government was not out to protect South African industry without good reason and sufficient evidence, and would consider each case on its merits.

She said allegations of dumping had been vigorously contested and extremely hard to prove.

SA urged to pursue deal

(74) CT (BR) 15/2/96

BY JOHN FRASER

Brussels — The South African government was urged yesterday not to abandon the search for an ambitious trade accord with the EU.

This came after the trade and industry minister, Trevor Manuel, warned that such negotiations could be a waste of time. Manuel was commenting on the apparent indifference of South African businessmen to the prospects of a free-trade area linking South Africa with the EU.

EU ambassadors began a three-day meeting yesterday, at the end of which they would be presented with a report from Brussels officials on the implications of a free-trade area with South Africa.

France and Germany demanded the report, and have refused to allow negotiations with Pretoria to resume until it has been presented and approved.

A leading British member of the European parliament, Alex Smith, who had compiled a report on the implications of a free-trade area between the EU and South Africa, issued an appeal yesterday to South African ministers "to hang on in there".

He said that a successful deal between Brussels and Pretoria would bring "a vast area of mutual benefits, which should be explored for the benefit of both sides.

"We have lost momentum, and it is critical that we pick up that momentum again. We understand that there are sensitive trade areas on both sides," he said.

"But these should be brought out in the open and placed in context. I think we will discover the difficulties

are less than we imagine, and that there is a lot to be gained — not just in commercial, but in political terms."

Smith said that many in Europe wanted to offer South Africa "the best possible deal" and he warned Manuel that it was too early to close the door on trade opportunities.

"South African industry needs time to adjust to modern-day life, but that can be accommodated in an accord," he suggested.

"We in Europe also see South Africa as the key to the whole region of southern Africa, and this is too big an opportunity for us to miss."

The South African government delivered an angry complaint to the

**'We in Europe
also see South
Africa as the key
to the whole
region of
southern Africa'**

EU on Monday, with a protest to the Italian ambassador in South Africa, Bruno Cabras. Italy holds the presidency of the union, and it has the task of getting negotiations with South Africa back on stream.

The message to the Italian ambassador stressed the importance of exploring the possibilities of a trade deal with Europe.

It said that job creation was vital to South Africa, and that jobs could flow from greater trade access for South African exporters to their major market in Europe.

A media release from the South African government attacked the delays by the EU, saying these had meant that valuable opportunities for the South African economy were being lost at a time when it was critically important to South Africa — where one third of the workforce was unemployed and needed upliftment.

South Africa was also desperately worried that protectionist EU governments — such as the French, the Greeks, the Italians and the Spanish — planned to water down the benefits of an eventual trade accord between Brussels and Pretoria by excluding a long list of South African agricultural products from the terms of such a deal.

A spokesman for the EU commission on South Africa, Joao Vale de Almeida, was dismissive of Manuel's remarks.

"South Africa has asked for better access to the European market, and we are ready to supply better access," he said.

"We believe South Africa will realise that its own interests lie in increasing its trading relations with Europe. It is not up to us to show South African business the opportunities which will be available to them — in the largest market in the world.

"We hope to offer free access to our market for most South African goods, and it is up to South African business to decide if it wants this — that is an issue for South Africa."

Privately, EU officials were surprised by Manuel's remarks, and noted that they seemed to be in conflict with earlier requests by the South African government for a new trading relationship with Europe. — Independent Foreign Service

SA is sitting on a time bomb

The current trade policies favour this country

By Mzimkulu Malunga
Business Editor

IF SOUTH AFRICA does not take seriously the rumblings from its neighbours about its trade policies, the country could be sitting on a time bomb that may have devastating results.

Although it is difficult for a big country with so many resources not to be arrogant, the kind of insensitivity demonstrated at the consultative conference of the Southern African Development Community in Midrand two weeks ago could be dangerous in the long term.

During the gathering, a substantial part of the discussion was devoted to drafting a trade treaty which must be ready for finalisation at the next SADC summit in Lesotho in August.

But when the conference came to a close, it did not appear as if there was enough commitment from South Africa, the most powerful country in Southern Africa. As if this were not enough, no South African minister was available to hear the concerns of its neighbours about its trade policies.

This makes a mockery of the Government's official position on the region.

While on paper the formal line is that Southern Africa features high on the economic agenda, the Government's actions suggest the contrary. In fact, it looks as if Western Europe and the United States are much higher on the priority list.

No one denies the importance of this country's negotiating favourable trading terms with industrialised countries as they are South Africa's traditional trading partners.

But this should not be done at the expense of the region of which South Africa is an integral part. The economies of other Southern African countries may be small compared with South Africa's, but this does not mean there is nothing this country can buy from them.

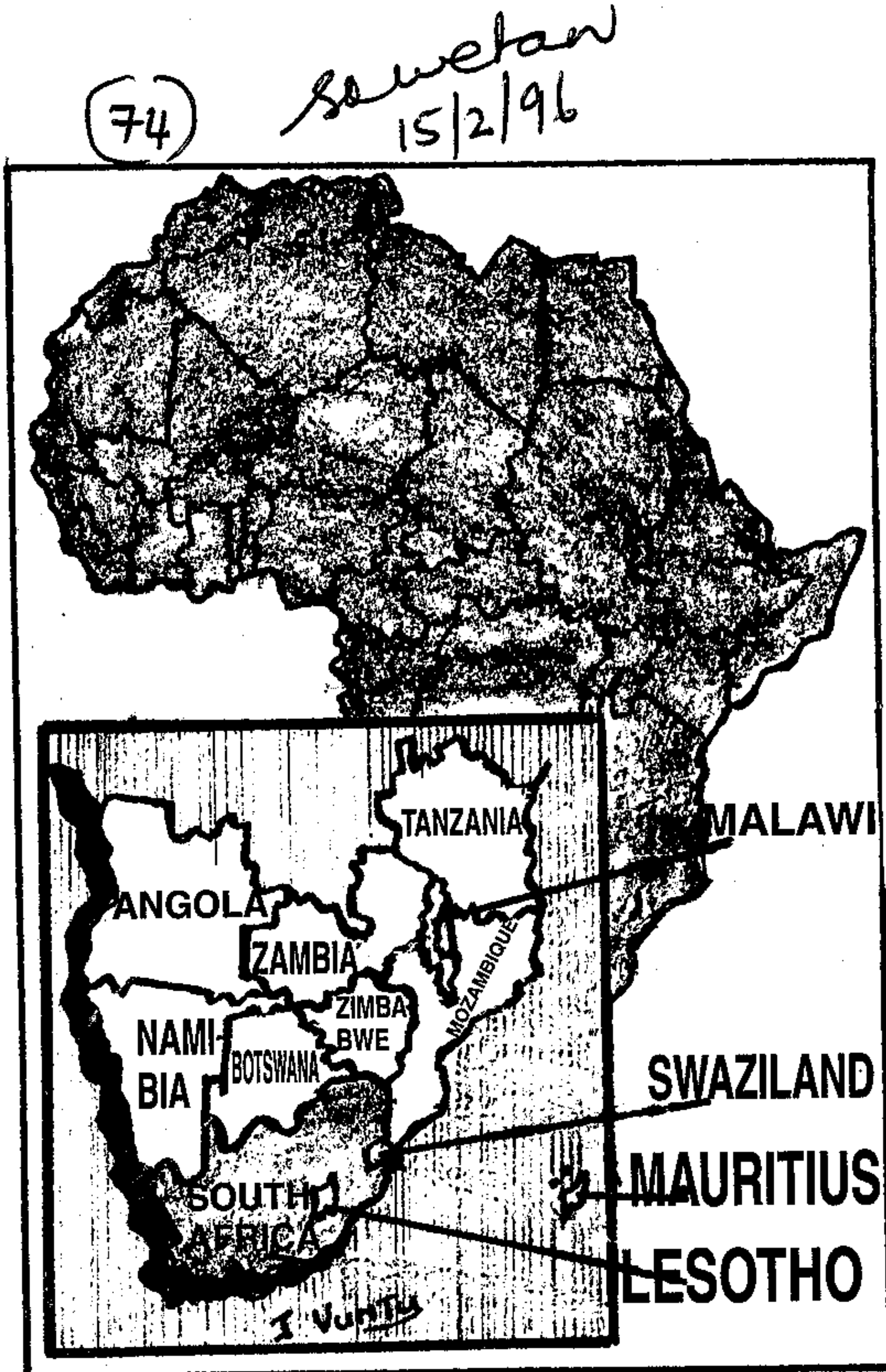
Zimbabwe, for instance, produces a range of products – ranging from beverages to machinery – over and above the textiles which have been the source of dispute in trade talks with South Africa.

The concern of countries like Zambia, Zimbabwe, Malawi and other SADC members outside the Southern African Customs Union – which comprises South Africa, Botswana, Lesotho, Namibia and Swaziland – is that this country's exports find easy access to their markets, but their goods meet with exorbitant tariffs when they try to sell to South Africa. This cross-trade imbalance puts pressure on their industries, leading to massive lay-offs.

It could be true that South Africa's neighbours north of the Limpopo did not drastically reduce their tariffs out of goodwill, but rather due to pressure from multilateral financial institutions.

There seems to be a school of thought in some elements of Government that it is not South Africa's business that those countries had to reduce tariffs because of their austerity measures.

It is true this country has nothing to do with the reduction of tariffs in places like Zambia, but the massive trade balance that South Africa has with those countries does not augur



Southern African Development Community: South Africa must recognise the importance of its neighbours for trade and development.

well for the much talked about regional integration and mutual benefit.

By virtue of its economic muscle and sophistication, South Africa will always have the upper hand in trading with other countries in the region, so some relaxation on the tariffs front is not going to be too harmful to it.

It is understandable that local industries must be given time to restructure in order to face outside competition and minimise job losses.

But Zimbabwe, Zambia, Malawi and Tanzania certainly cannot be bundled into the same basket as countries like China, Taiwan, Korea or Malaysia.

A common goal

Major trading blocs like the European Union first look after their own regional interests before looking outside. For instance, disputes over subsidies for agricultural products that stalled the General Agreement on Tariffs and Trade's talks for years, is testimony of how countries club together for a common goal.

It is true that Southern Africa is not as organised as the EU and that a lot of things need to happen before it can function as one unit, but there is a need for proper trade agreements between South Africa and states like Zimbabwe and Zambia – that is if Southern Africa, including South Africa, is to go anywhere in terms of development.

Regional integration or co-operation is not something that falls from the sky; it is created by countries that want it to happen and, normally,

strong countries are the ones that take the lead. It is not yet clear whether South Africa is prepared to play this role. But the longer it takes for it to show the way, the greater the damage to relations in the region, a factor which could make co-operation even more difficult.

The East Asian countries, which are held in high esteem by many an economic commentator in South Africa, are very good when it comes to doing business among themselves.

But seeing the way South Africa treats its weaker neighbours, some people are beginning to wonder whether South Africa has recovered from its past Eurocentric outlook when it comes to policy-making.

Currently the mainstream view, spearheaded by the likes of the South African Chamber of Business (Sacob), is that Africa should be forgotten for a while when it comes to trade policy because it is not an important market.

They argue that the focus should be on Europe and the Americas. This is despite the fact that South Africa's exports to the rest of Africa have increased substantially since the process of democratisation began.

What is even more worrying is that the likes of Sacob appear to be the ones who have the Government's ear at the moment.

The sooner this country realises that its future lies not in Europe or America, but in Africa – particularly the southern part of it – the better its chances of survival.

New Danish-SA trade era

1500
DIANE CASSERE

DENMARK'S Queen Margrethe II arrives in Gauteng on Sunday as the guest of President Nelson Mandela and her visit is expected to herald a new era of trade between the two countries.

The queen arrives in Cape Town on Monday morning and while here, among other official functions, will open an exhibition of Danish modern art at the National Art Gallery.

She will also visit the Trauma Centre for Victims of Violence and Torture at Cowley House in Salt River as the guest of Archbishop

et 16/2/96
Desmond Tutu on Monday evening.

The trauma centre is modelled on the famous Rehabilitation and Research Centre for Torture Victims in Copenhagen and has been funded partly by Danish money.

In addition, the Danish government has allocated 750 million kroner (about R500m) for transitional development aid to SA.

The Danish Minister for Development, Mr Poul Nielson, told a group of SA journalists visiting Copenhagen recently that a "political decision" had been made to grant transitional aid to this country, despite the fact that our GNP

(74)
per capita exceeds the Danish government's ceiling of 1 855 US dollars (SA's figure is 2 900).

"In the global context where countries are being formed for religious and racial reasons, we see the new South Africa as a shining example of a society that is for all its citizens," he said.

The 750m kroner has been allocated for a five-year period and will go to non-government organisation activities, democratisation and efforts to combat violence, land reform and water supply, education, job creation and support for SA-Danish business activities to promote black business.

SHARP REMINDER

(74)
PM 16/2/96
Half of SA's foreign trade is with the European Union (EU) — even though new relations are being forged with emerging economies in Asia and Latin America.

It is therefore notable that SA this week issued a *démarche* — a formal political note — to the Italian ambassador, complaining that the union appeared to be dragging its heels on liberalising trade between the regions.

At a press briefing in Cape Town, Trade & Industry Minister Trevor Manuel expressed disappointment at what he termed the "tardiness" of some EU members to take matters further than at present. The situation is complex.

According to a background document, the new government has consistently sought to formalise trade relations with the EU, essentially to increase "access to this market for SA's exporters." SA originally thought of a Lomé-type convention; but the union responded with an offer of a Free Trade Agreement (FTA).

SA's response was that it was willing to explore the option provided it did not damage certain industrial sectors — already quailing under tariff reduction procedures — and that it could only be done in consultation with the Customs Union countries, Sadec, and other regional trade blocs.

However, SA's requirement for a detailed mandate for a FTA "has met with dissonant and contradictory responses by member states of the council and has led to the detailed mandate being postponed twice already. SA is concerned that the original will of the

member states, to improve its market access to the EU, is being eroded."

What is wanted is "an early positive decision by the EU on this matter."

The background document states: "We urge the business community to address this matter seriously and put in place the necessary resources to strengthen SA's negotiating position during the course of the talks with the EU."

What could be worrying the dissentient (and unnamed) EU member states is SA's regional partnership arrangements — none of which can be said to prevail between equals. States like Zambia and Zimbabwe are subject to structural adjustment programmes imposed by their world creditors, and Manuel's estimate of the trade imbalance between SA and its African trading partners is 5:1.

"For SA the issue is not whether to open up or not, but how to open its markets to its Sadec neighbours in a way in which we can ensure the development of industries in the region, enhancing their global competitiveness."

In fact, SA's "neighbours" might find themselves faced with the shock of what has been called "the de-industrialising effects of global competition" unless their specific, unique needs are addressed as part of the negotiations for a SA-EU FTA. The matter is highly politicised. ■

Some mental hospitals unsuitable for patients

CAPE TOWN — Several psychiatric hospitals are unsuitable for patients and Umzimkulu Hospital in Eastern Cape is "a dungeon", a government investigation of mental institutions has found.

This hospital and the Westfort facility near Pretoria should be closed, while other decaying facilities needed upgrading urgently, the mental health committee probing human rights violations and alleged malpractice in psychiatric institutions found.

Health Minister Nkosazana Zuma said yesterday her department would be taking steps to address the situation. Further investigations, possibly by police, would have to be carried out, she said.

"We are deeply concerned about the findings of this committee."

Among the human rights violations listed in the report were assaults on patients by staff in the guise of self-defence, sexual abuse, denial of proper medical treatment and improper medication. Often hospital managements failed to investigate assaults and at no hospital had criminal charges been preferred against the perpetrators, the report said.

It described filthy conditions at several hospitals.

The stench in wards at Valkenberg, Weskoppies, Groothoek and Westfort was "such that one fails to understand

how doctors and nurses cope".

At the Hayani and Umzimkulu hospitals the colour of the blankets could not be determined.

Although comprehensive in its report, the committee could not give detailed information on malpractice and abuses by staff.

However, details of incidents were reported by individuals — in submissions to the committee — at the Mill-site, Ekuhlangeni, Weskoppies, Orange, Fort England and Valkenberg hospitals. Lack of details on the extent of the problem was attributable to the "code of silence" in these institutions, Zuma said.

The report said: "At a majority of institutions staff members were bent on protecting each other and this made it difficult for the committee to ascertain whether certain abuses did occur."

Some patients' deaths could be attributed to the "conditions under which patients are being kept".

Lack of human resources at black institutions in particular was critical.

Zuma said it was not clear how much the upgrading and rebuilding of these facilities would cost, and whether the health department could carry the financial burden.

This would be known only once the general audit of hospitals had been completed, she said. This report was expected at the end of March. — Sapa.

SA 'may ruin its markets'

Michael Hartnack

VICTORIA FALLS — SA's pursuit of short-term gains endangered its own interests, leading Zimbabwean businessman and former Southern African Development Community (SADC) executive secretary Simba Makoni warned yesterday.

Makoni told delegates at a conference on regional integration SA risked impoverishing its neighbours and ruining its markets.

Current aggressive policies pursued by SA businessmen and SA's unequal tariff regime against imports could drive neighbouring states' industries into bankruptcy, Makoni predicted.

"This attitude, apparently to fulfil short-term gains, is ultimately to the detriment of SA itself," Makoni said in an address punctuated by applause from the 140 delegates from all 12 SADC states. Zimbabwe, which has dropped export incentive payments under pressure from the IMF, claims

SA exporters retain an unfair advantage through Pretoria's continuing subsidy system and the punitive tariff barriers affecting Zimbabwe's exports to SA of textiles, clothing, footwear and electrical goods.

Makoni, currently head of Zimbabwe's state-controlled media, said "two cancers" were devouring the SADC and the 30-nation Comesa (formerly the South, Central and East African Preferential Trade area).

"The first is the bad blood between the two secretariats. This undermines their ability to work together in a spirit of co-operation."

The second, he said, were the inconsistencies implicit in states such as Zimbabwe being members of both the SADC and Comesa. Within days of SADC meetings, "heads of state routinely adopted conflicting resolutions" at Comesa summits.

Southern Africa needed to harmonise its economic and political paradigms to achieve real unity, he said.

FOREIGN TRADE

TEUTONIC THRUST

Germany is mounting a massive drive to increase exports to SA, build up two-way trade, and to develop new joint ventures.

The country was SA's biggest trading partner in 1994 and in the first eight months of 1995. While the latest available Customs & Excise figures reflect only the first eight months of 1995, they show two-way trade between Germany and SA was nearly R15bn — compared with R8,8bn in the first eight months of 1994.

The drive started with the visit last year by Chancellor Helmut Kohl and has been gathering momentum since. Kohl has been punting SA in the European Union and has been recommending the country vigorously to potential investors.



Helmut Kohl . . . punting SA and boosting trade

Shortly after his visit Trade & Industry Minister Trevor Manuel and a high-powered SA team addressed a series of top-level investment conferences in Germany. Since then Kohl established an influential body, Initiative Southern Africa, to bolster direct investment in SA and create joint ventures with local companies. He chose Jürgen Schrempp, chairman of Mercedes-Benz, to lead the initiative. Schrempp headed up Mercedes-Benz in SA and knows local conditions.

The campaign is marked by the aggressive marketing of German trade fairs by the SA-German Chamber of Commerce and Industry. A high point will be the five-day German Industrial and Technology Trade Fair at Nasrec, which starts on February 27 when 110 German companies and 25 local branches of German companies will exhibit their wares.

The exhibits, many of which will deal with telecommunications and mechanical engineering, will be hi-tech.

"Participants will obviously try to sell their products, but their efforts will be focused more on establishing new contacts and joint ventures. Its theme will be, find your business partner," says chamber CE Klaus Schuurman.

The exhibition will be supported by several conferences, including one on investing in SA, one on mining safety and one on education and training. All are intended to increase knowledge about SA. Schuurman says the big German companies have already invested heavily in SA.

The target now is medium and small companies. The chamber is still receiving inquiries about investment here because of the media coverage generated by Kohl's visit, but actual new investment is slow because of

crime and the SA government's tardiness in granting work permits to key personnel.

Schuurman explains: "Those who start new ventures initially want their own people in key positions. This doesn't apply only to technical people, but to financial and marketing controllers as well. Once their companies are running smoothly they can train locals and ease them into those positions." ■

Customs backs down on 125% duty payment

(74) CT(BR) 19/2/96
BY JON BEVERLEY

Durban — A meeting has been planned this week in the battle between the freight industry and the customs and excise department, which is backing down from its blanket proposals last year to impose a 125 percent upfront duty on all cross-border traffic, northbound and southbound.

Meanwhile, the Durban Chamber of Commerce and Industry has arranged a meeting on this issue next month with Chris Liebenberg, the minister of finance, Trevor Manuel, the minister of trade and industry, and with customs.

Under the customs and excise proposals, freight forwarders will be asked to deposit 125 percent of the duty on the goods in cash.

Alan Cowell, the executive director of the South African Association of Freight Forwarders, said yesterday that the meeting was only at working-group level, but he expected it would pave the way for more workable procedures and would clear up the many grey areas in customs requirements.

After this meeting, Cowell will discuss the issues with Zimbabwean freight forwarders.

He said the regulations had been drafted by someone who did not understand international transport or had not thought through the proposals.

Rodney Maher, a freight consultant in Durban, said southbound cargo would be excluded.

He said March 1 was the latest date to impose the measures. Plans to restrict road transport to customs posts at Beit Bridge and

Komatipoort were being scrapped, but some form of control was planned, which would be discussed with "the parties concerned," he said.

Customs said the cash deposits would not be demanded if the supplier or consignee were known to the freight forwarder. But if there were problems, customs might withdraw the concession and demand the full deposit.

Maier said textiles, clothing, various electronic goods, tyres, spirituous beverages, wine, beer and cigarettes would be affected.

He said the rules called for a vehicle to be nominated when the goods were trans-shipped by road. Maier said this was an impossible requirement because forwarders had to complete all paperwork before the ship was unloaded.

Another problem arose where exchange controls prevented the recipient of the goods from supplying the cash for the deposit.

This would apply to goods shipped to Malawi. The agent would have to find the cash and pay the interest charge while the transaction was under way.

□ Shirley Jones reports that in response to requests from private enterprise and labour, the South African Police Services, inland revenue, customs and excise and the Reserve Bank have formed a Customs Law Enforcement task group to combat escalating trade fraud.

The group is an interim body until the customs and excise and inland revenue departments are restructured into the South African Revenue Service.

Unions fume as govt tries to 'normalise' trade with China

~~(73)~~ (74) CT 19/2/96
WHILE union rage against cheap Chinese clothing imports is rumbling around South Africa, Department of Trade and Industry (DTI) officials have been off to the People's Republic to talk about "normalising" our trade relations with that country.

Unionists have estimated, informally, that up to 90% of the cheap clothes and shoes now flooding into the country are manufactured in Red China.

The SA Clothing and Textile Workers Union held a march in central Cape Town on Wednesday, attended by about 8 000 employees, to put pressure on the government to do something to preserve jobs. The National Union of Leatherworkers, which is not Cosatu-affiliated, is now trying to muster 5 000 workers for its own Cape Town protest march on February 28.

The government has clearly taken union anger into account — but is it doing what the unionists want? The primary concern of the DTI is to create jobs in this country, its representatives say, but they aim to achieve this through limiting import-related job losses and facilitating job-creation through exports.

Mr Gerry Breyl, deputy director general of the DTI, and deputy director of foreign trade relations Ms Kate Kuper said they had gone to the People's Republic of China last week to negotiate the contents of a "note", rather like a memorandum of understanding, to be exchanged between the two governments.

Essentially China has agreed to give SA goods the same tariff treatment it gives those from

other countries with which it has close trade ties. In trade jargon, China is willing to give SA "most-favoured nation" status — which we already give China in practice.

SA does not discriminate against Red China in trade, even though China was not part of the GATT arrangement, nor is it party



PETER DENNEHY
STAFF WRITER

to GATT's successor, the World Trade Organisation (WTO).

South Africa was and is part of those agreements so cannot impose high tariffs on goods imported from other countries that are also members. All members have to grant all other members "most-favoured nation" status over tariffs.

Technically we are free to do as we like in the case of China, at least until it succeeds in its efforts to join the WTO, which will probably be within a year. Yet we have not imposed higher tariffs on goods from there. The DTI says doing so would harm our future relations with China, and prejudice our longer-term prospects of creating more jobs in this country than we lose.

China, however, does at present impose higher tariffs on goods imported from South Africa than on goods from many other countries. Goods from this country generally have duties of between 6% and 20% slapped on

them if they go to China — often enough to take away our competitive edge.

The Chinese tend to discriminate in this way against any country with which they do not have formal diplomatic relations. It's up to the South African cabinet to decide whether we will have such relations.

Meanwhile, in the absence of diplomatic relations, the Chinese have offered to "exchange a note". This is a process that can provide a legal document governing our trade.

The South African officials agreed on the content of the proposed note, so the exchange is due to take place in the next few weeks, after the Chinese New Year festivals.

"We have also provided for a mechanism for discussions and consultations if we find that products from there are causing injury to our industries in South Africa," Breyl said.

"If those can't resolve the problem, each party will be able to engage in other actions as they see fit. One option to consider, in terms of the mechanism that we now have in place, will be a voluntary export restraint."

Unionists have expressed surprise that South Africa seems to be taking a course of action which will probably result in a mere voluntary restraint of trade agreement — when South Africa would be entitled to act much more harshly against Red China.

Breyl agrees that the balance of trade between this country and China is in China's favour. But he said it would be unwise for SA to shut itself out of such a large growing market.

Govt 'long on promises' to assist poor neighbours

John Dlodlu

SA's trade barriers remained high — even two years after GATT tariff reductions — but government had displayed strong commitment to co-operate with its poor neighbours in southern Africa, trade analysts said at the weekend.

This came amid growing concerns by SA's neighbours that the Nelson Mandela administration had shown little or no movement towards opening the country's markets to Africa.

Rand Afrikaans University director for American studies institute Carl Nöfke dismissed claims that SA had been "overly protective: all of us in the region are developing countries".

He said SA, despite the size of its economy, could not be expected to throw open all its markets to competition, even from Africa. SA, like its neighbours, had a lot of sickly industries.

(74) (SFAA) BD 19/2/96
A trade analyst, who did not want to be named, said SA's accession to the 12-member Southern African Development Community and the current review of the five-nation customs union demonstrated its commitment to mutual development in the region. "We're moving on a very thin line," the source said.

The long-running trade surplus SA has enjoyed with its neighbours — estimated by some analysts to be as high as 5:1 — and the impasse in trade talks with Zimbabwe have been used as examples of SA's indifference to the region's plight.

Cape Town University academic Rashaad Cassim attributed Africa's trade deficit to those countries' trade liberalisation policies, sometimes demanded by multilateral financial institutions in exchange for financial support.

Most observers canvassed said a "big bang" approach to

trade liberalisation might cut into certain SA industries such as the wobbly textile sector.

However, Nöfke and Cassim felt the time had come for SA and the SADC region to seriously contemplate a free trade area. "I cannot see the reason why we should remain a restricted bastion," Nöfke said.

Although a free trade area was one of the SADC's goals, unsatisfactory progress had been made on the finalisation of the community's trade protocol. "To an extent, SA is still a bystander; one gets the impression also that some SADC members still cling to the anti-SA stance, a goal for which the SADC was initially formed."

Cassim said the SADC free trade accord would benefit SA and would be politically easier to sell to both labour and business than the current talks on free trade with the 15-nation European Union.

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Textile compromise hinted at

74
John Dlodlo

BD 19/2/96
IN A move which could spell a compromise, the Zimbabwean government has denied rejecting a revised trade offer from their SA counterparts.

An official at the Pretoria office of the Zimbabwean high commission in SA denied his government had turned down an offer by SA's trade and industry department to reinstate the lapsed pre-1992 trade concessions on Zimbabwean clothing and textile exports.

Last year SA offered to reinstate the preferences on condition that the Zimbabweans agreed to a 75% local content requirement for their exports.

When this was rejected, predictably, by the Zimbabweans, the department presented a revised offer, this time lowering the local content requirement to 25% plus

an annual 5% hike.

SA government officials have said the revised offer was similarly turned down, although the Zimbabwean high commission official denied the claim.

The official said a meeting, at which a revised offer was to have been tabled, had yet to take place. He refused to give an indication of Harare's position on the new offer.

He would not be drawn into discussing the impact of the 5% proviso, which had been identified as a sticking point by Zimbabwean textile and clothing industries.

A spokesman for the embattled Zimbabwean textile industry has described the 25% offer, accompanied by the 5% proviso, as "almost like giving with one hand and taking with the other".

However, the Zimbabwean official reaffirmed his government's commitment to multilateral trade

in the region as the most plausible solution to trade relations.

Trade observers in SA have seen the denials by Zimbabwean officials as a negotiating tactic to "keep the door open to a change of mind" on the offer.

"I think they want to have a chance of having second thoughts on their stance," one SA trade source said.

The delay in the talks to seal the Zimbabwean deal has been used by countries in the southern African region as an example of SA's protectionist trade policies towards its neighbours.

SA has emphasised the advisability of pressing ahead with multilateral arrangements, both sectoral and general, rather than piecemeal bilateral agreements.

Zimbabwe is one of the main destinations for SA's exports in the southern African region.

EU report supports SA accord

John Dlodlu

BD 19/2/96

(74)
requires that such accords should cover substantially all trade between contracting partners).

THE European Commission had moved to end the present impasse in talks on a free trade agreement with SA by tabling the first report in a series of studies demanded by member-states, sources in Brussels said at the weekend.

The report, unveiled last week, is expected to secure the commission, which is negotiating on behalf of the 15 member states, a mandate to begin talks with SA on an ambitious co-operation accord, including a free trade agreement.

One of the authors of the report said at the weekend the report confirmed "our proposal last year that the offer to SA was a good one" and that such an accord would be compatible with the World Trade Organisation (which

Most importantly, the study had downplayed claims that a free trade accord might pose a threat to the European Union's common agricultural policy and its trading partners. "We've also said there is a need for detailed studies which may be finished by mid-year."

Although general in nature, the 50-page report — combined with pressure from the European parliament and other bodies — was expected to see the talks with SA resuming next month.

The report will be discussed by the EU committee on southern Africa today. Commission officials said it should be discussed by the ministers' council in their monthly meeting of February 26.

Ranschod urges EU to speed up trade talks

CT(BP)20/2/96 (74)

By JOHN FRASER

Brussels — Bhadra Ranschod, the deputy speaker of South Africa's parliament and a former ambassador to the European Union (EU), urged the 15 governments in the union to speed up negotiations on a trade deal with the country.

He said that there was a never-ending stream of EU heads of state and government who visited South Africa and promised to help. Ranschod called on the EU to turn those promises into concrete trade concessions.

He was visiting Brussels this weekend, after attending a seminar on democracy in Britain.

Ranschod expressed concern that two years after democracy there was still no trade agreement.

"Trade will bring benefits in terms of the jobs and economic growth which we need very badly

in South Africa," he said.

"Europe is our major trading partner, and I had expected a greater measure of co-operation in finalising a trade agreement.

"The expectations are high in South Africa that we will have a trade agreement.

"The Europeans have a stake in South Africa being a success story. Our democracy is a young one, and we need to create millions of jobs to underpin it with those things that will lead to stability.

"We need to get our relations with the European Union finalised, so my message to EU governments is to please show a measure of generosity.

"If the Europeans see us as the locomotive of growth in southern Africa, then they ought to give the highest priority to finalisation of a trade agreement which will be of benefit to Europe and to South Af-

rica," Ranschod said.

He expressed surprise that France appeared to be the country with the most reservations about speedily concluding a trade accord with South Africa.

"President Mitterand was the first person to be invited to address our parliament and he came with a very positive message," he said.

"It is very difficult to explain to people in South Africa why the French appear to be so hesitant to accord us the support we deserve.

"But South Africa is a special case and if the Europeans really want South Africa to be the success story that they have always said they support, then I would like to see this agreement concluded."

Ranschod noted that his old job in Brussels was vacant, following the retirement last month of Neil van Heerden as ambassador.

He called on the government to

fill the post "quite quickly".

He said "certainly, this South African mission to the European Union is viewed as an important mission by our parliament, and I hope the post of ambassador will be filled very shortly."

However, he noted that a South African-based negotiator could lead the country's team in the negotiations with Europe.

The job did not have to be given to a South African diplomat in Brussels, he said.

Negotiations could be re-launched next month, if EU foreign ministers gave the green light for this at their meeting next Monday.

"I want the negotiations to proceed, the sooner the better," Ranschod said.

"There is nothing worse than uncertainty. It will put our relations on a far better footing when you know where you are going."

Breakthrough agreement with China

□ *Most favoured nation status for goods*

MAUREEN MARUD

SOUTH AFRICA has made an important breakthrough in its trade relations with China.

A two-person Department of Trade and Industry (DTI) delegation recently returned from China with the good news it had won most favoured nation status for South African goods entering that country.

Gerrit Breyl, deputy director general of trade with the DTI, and his assistant, Kate Kuper, deputy director of foreign trade relations, say they had constructive discussions with high level Chinese government officials.

The outcome was that South African goods going into China will now enjoy the same treatment Chinese exports get coming into this country.

South Africa grants every other country's exports most favoured nation status, which is essentially a lower tariff. It is mandatory for all members of the World Trade Organisation, to which South Africa belongs, to grant each other that status.

China, which is not a member of the WTO, had not given South African exports the same privilege before.

"We are no longer at a disadvantage. The playing fields have been levelled," Ms Kuper said.

This would make an enormous difference to South African exports going into a market of 1,2bn people.

"There will be significant numbers

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of jobs created in this country by increasing exports to China.

"Many exporters have said lower duties into that market would make it imperative for them to employ more people."

Ms Kuper said the reciprocal arrangement with China was important also because South Africa had to increase its exports to counterbalance this country's rising current account deficit.

In return, Chinese exports would be limited only if their numbers caused problems for local industries. But, those industries would have to prove they were being injured, she said.

"We will not protect business unless there is good reason and they provide us with evidence. And that protection will be only short-term.

"Companies will have to prove there is serious injury to them from Chinese imports and that jobs are being lost as a result."

In response to industry and labour concerns, South Africa had retained the right to take whatever action it deemed necessary if Chinese exports to this country were problematical.

"We are now in the process of constant consultation with industry and labour to develop a mechanism to protect certain industries."

"There are a number of alternatives, with just one of them being a voluntary export restraint agreement by the Chinese."

Sexwale urges SA to focus on global markets

Star 20/2/96
BY JOVIAL RANTAO
Political Reporter

For the economy to receive a much-needed boost, local political and business focus should not only be internal but emphasis should also be placed on international markets where massive job-creating deals could be struck, Gauteng Premier Tokyo Sexwale said yesterday.

Addressing a press briefing at Johannesburg International Airport after his return from a two-week visit to the US and Cuba, Sexwale said local businessmen were losing out on slices from the international economic markets' cake because they were not exposed to the global markets and the competition that went on there.

He said political and economic leaders should go out into the international marketplace and engage in the global economic war. "Go out there and sell yourselves," he said.



Confident ... Tokyo Sexwale at a press briefing on his return from the US and Cuba.

Sexwale led a delegation of 30, which included Gauteng MEC for Economic Affairs and Finance Jabu Moleketi and representatives from new and established business on a trip aimed at thanking people who had given support during the struggle against apartheid and linking South African businessmen with their potential foreign partners.

"These kinds of trips are crucial for a country such as ours.

(74)
The strategy is to create jobs. Failure to do so is leaving our people exposed to the winters of landlessness and joblessness.

"The thousands that we pay for these trips are nothing compared to the benefits. If leaders don't come out and fight for your country, you will be left high and dry. You cannot sit on your laurels and hope to fight and win," he said.

Sexwale said liquid investments pouring into the country through the Johannesburg Stock Exchange were welcomed, but South Africans needed more investments that would create plants and machinery that would yield jobs.

The premier urged emerging and established South African business to take advantage of the emerging new Cuban markets and said senior Gauteng policemen would be sent to New York to study management methods which have led to a drastic reduction of crime in the Bronx.

He was impressed by the New York police department's crime management systems which have brought down the crime rate by 30%.

He said the province would send police management experts to learn about New York's strategies.

In Atlanta, Sexwale's delegation met mayor Bill Campbell and Atlanta Olympic Committee chairman Andrew Young in an exercise geared at exploring how the 2004 Olympic bid, if won by Cape Town, can benefit Gauteng and other provinces.

Sexwale said he would soon give an extensive report-back to key business people, bankers, local administrators and key political leaders on the outcome of the trip.

Showcase trip to Maputo dogged and delayed

By FIONA LENEY

Any lingering doubts our somewhat bedraggled delegation might have had about the necessity of reviving the Maputo development corridor evaporated in the blazing sun of Ressano Garcia border post.

We had set off 16 hours earlier from Johannesburg station in high spirits; Mac Maharaj, the minister of transport, and Khetso Gordhan, his director general, were accompanied by Mozambique's deputy transport minister and a host of advisers and assorted journalists.

The overnight train journey to Maputo was to provide the symbolic launch of the R1 billion project to revive the road and rail link that used to carry almost half of Gauteng's trade in the 1970s.

The itinerary was brisk: arrive Maputo at 10.15am, well-briefed after an evening of informal discussion with the minister and his experts and well-rested after being rocked to sleep in Spoornet's sleeper cars; attend a presentation and discussion with both parties; and then home to Johannesburg. Unfortunately things turned out a little differently.

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The first hint of trouble came at dinner. Just as the conversation and the wine began flowing: Bang. It felt as if the train had run into a wall. People gasped, glasses broke and the wine flowed more freely — all over the delegation. We discovered later that the brakes on one of the carriages were defective and kept triggering emergency stops.

By the time we had breakfast next morning, we had got used to draining our glasses quickly. Sleep, in the circumstances, was an unimaginable luxury.

The combination of technical problems and a rail-traffic jam caused by visa hold-ups on another train ahead of us at the border, meant we were three hours late arriving at the South African border crossing of Komatipoort.

After half an hour of formalities there, we proceeded 500m the Mozambican equivalent at Ressano Garcia. An hour ticked by. The heat was stifling. Queues of third-class passengers, who must have had a far rougher night of it than us, waited patiently to be "processed".

"This is one of the reasons we have to get the corridor sorted out," said Maharaj, wearily indicating the winding queue.

"These people have to suffer appalling conditions". His pet project for the corridor is a one-stop, simplified customs post. With an estimated cost of about R20 million, it would be built by South Africa.

Complaints from South African business about delays and inefficiencies at the Mozambican border were certainly borne out by the delegation's experience.

Three hours and 90km later the train arrived in Maputo. The Mozambican minister of transport, Paul Muxanga, was absent from the joint press conference: on holiday, someone told Maharaj. With admirable self-control, the minister, who had chain-smoked all the way from Johannesburg, did not reach for his cigarettes.

It hardly mattered, since more "technical problems" — the lack of a proper interpreting service — meant most of the South African delegation had no idea of what the Mozambicans were saying.

To cap it all, journalists trying to phone Johannesburg newsrooms with excuses for late copy were spared the embarrassment. "Oh no," said the operator, "I regret there is a problem with the PTT. No international lines are available."

Maputo development corridor

CT (B2) 21/2/96 (74)

Transport will drive trade project

By FIONA LENEY

Johannesburg — Improved transport links between Maputo and Gauteng hold the key to the success of the R1 billion Maputo Development Corridor project, and to the economic future of the region, delegates at the launch of the project said this week.

The plan, which aims to channel Gauteng's trade through Maputo harbour, will rely heavily on private sector involvement in building a toll road from Witbank to Maputo, upgrading rail links and border crossings and rehabilitating the port.

"Exports channelled through Maputo will be more cost competitive than those currently going via Durban," said Khetso Gordhan, South Africa's director-general of transport.

While the government will encourage investment by creating free trade zones, and offering other financial incentives, it expects to contribute no more than 10 per cent of the cost of the project.

Khetso said that a number of projects

connected to the development corridor would be presented to the private sector at an investor's conference on May 6.

He said the R600 million contract for the toll road, which will cut the distance between Gauteng and Maputo by about one third, would be awarded on a build-operate-transfer basis. Under this system a private company constructs and runs the toll road for a set period of time, until it has recouped its investment, plus profit.

Six consortiums, including a foreign group, are reportedly competing for the contract. "We hope to have tender documents calling for proposals by mid-March, and to have finalised arrangements by June. Construction will begin shortly afterwards," Khetso said.

The existing rail link between Gauteng and Maputo will also be upgraded in a joint venture worth some R19 million between Spoornet and the Mozambican rail authorities, CRM.

Crucial to the success of the project will be the dredging, modernising and possible expansion of Maputo port.

Several wharves at the port were recently privatised. One wharf is already being operated by Outspan, and there are large potential advantages for citrus growers in Mpumalanga who now export via Cape Town.

Dredging at the harbour will allow vessels larger than 30 000 tons to dock there. Private sector tenders are to be invited for the work, with Pento Marine, a Murray & Roberts subsidiary, proposing to do the work for R40 million.

The rehabilitation of the port will also benefit coal producers. The Richards Bay Coal Terminal is at full capacity, and Khetso said that Maputo will provide extra facilities for specialised, high-grade coal exports.

Cheaper shipping costs may also encourage other new mining ventures.

Phalaborwa Mining, which has a large open-pit copper operation on the edge of the Kruger Park, is considering extending operations to the more costly underground form of mining if the link goes ahead.

SA must go to trade talks with open eyes

ET (PR) 24/2/96 (74)

BY DALE LAUTENBACH

Johannesburg — A procession of European dignitaries has sat at the warm hearth of South Africa's new democracy since April 1994, each one with an embracing message of goodwill and support.

Confusing then that still we are doing battle with Europe over trade access. But South Africa will not be doing itself any favours by crudely demonising the European Union or its members over the delay in reaching a trade agreement with our largest cluster of trading partners.

Our representatives need to bat as vigorously as possible for our interests, of course. But they also need to foster a wider understanding of the complex European machine in which South African trade talks are but a tiny part, and in which the realities of the post-Marrakesh world are creating shivers of nervousness.

The ministry of foreign affairs roused itself recently and issued a strongly worded diplomatic note to the European Union, urging that trade talks be speeded up. But for those who follow the story closely, it was notable that the demarche came nearly two weeks after the European Commission had criticised the South African government for failing to push the process.

Would Foreign Affairs not be sending a stronger signal by announcing a replacement for ambassador Neil van Heerden, whose post as chief representative to the European Union has been vacant since February 1?

The truth of it is that the European Commission, which is responsible for negotiating a trade deal with South Africa, has long felt that a stronger line from the South Africans would assist the commission in its task.

They would like to see South Africa lobbying member countries individually and not just focusing on the heart of the union in Brussels.

Looking at Brussels alone, the outsider is likely to see a monolith, but a closer look reveals that the whole of Europe does not equate to a sum of its 15 parts.

Negotiators in the commission's task force on South Africa are a bunch of bright bureaucrats whose job it is to carve out the trade deal. To do this they have to have a mandate from the European Council of Ministers, the European Union body where the particular and often different interests of the 15 members are expressed and traded.

In other words, this is where the sum of parts often tallies up to something not quite equal to the whole, and certainly not equal to what the commission might want. One gets the feeling that the task force on South Africa wants to do the job as speedily as possible and notch up another free trade area.

South Africa should not be rolling over and accepting just anything Europe offers

"I know that for the commission, free trade areas are a religion. Not for France." This was the terse view expressed in Paris recently by senator Yves Guéna. His voice reflected a growing nervousness among other European Union member states that free trade areas are being handed out like sweeties. According to a Financial Times report on the fashion, 26 areas have been agreed worldwide in the past 20 months, half the total agreed since the first multilateral trade about 47 years ago.

With fashion comes debate, and those

who champion free trade agreements are increasingly being called to question by others who fear the effect on sensitive sectors (in Europe, read agriculture), the erosion of the multilateral trading system and the inevitable disadvantaging of the weaker economy in a partnership.

The commission's task force on South Africa still believes fervently that a free trade area is the right thing for South Africa. Indeed, under World Trade Organisation rules, they believe it is the only option. This has driven their push for a mandate, but Europe's nervousness has seen the Council of Ministers putting on the brakes.

On February 26 the council will again be asked to approve the mandate. The commission is not totally confident.

The voice of moral indignation is useful to draw attention to South Africa's plight as long as we do not wholly buy into the message of "poor us, we are so deserving and Europe is being so nasty". As Deputy President Thabo Mbeki said recently, we must not live by our miracle alone; there are harder realities to confront.

The South African case in Brussels has fallen foul of a Europe that has found itself without a clear view on free trade areas. On June 22 last year, the council required that all future proposals include studies of

the full effects of free trade. But on June 19 the European Union, under the French presidency, launched the broad framework for negotiations with South Africa. The commission read this to mean that South Africa had made it under the wire of the June 22 ruling.

Commission members now admit some embarrassment over this "misunderstanding". Although they insist they had provided studies, the issue is not dates and deadlines but the mood in Europe. And at the January ministerial meeting when the mandate was up for approval, the ministers said "where's the study", which the commission scrambled to provide.

During this period of delays, France has been characterised as the bad guy, the country stalling the deal with South Africa for its customary protectionist reasons.

But because no one wants to be seen as the bad guy in relation to South Africa, there has been a lot of dissembling.

It is a fact the French have their sensitive sectors and it is naive to expect them to roll over, even for the little miracle.

By the same token South Africa should not be rolling over and accepting just anything Europe has to offer. The critics of free trade areas fear that weaker economies are often forced into a take-it-or-leave-it relationship in which the stronger economies call the shots and actually limit trade liberalisation by excluding their own sensitive sectors, like agriculture, from the deal.

The department of trade and industry is known to be concerned about the implications of a free trade area with Europe and is studying them with a cold eye.

This is how it should be. A trade deal with Europe is not a measure of how much they like us. Europe is right to be nervous; we should be too. Foreign Affairs should be cautious about creating an image of political ill-will around an issue this complex and this crucial.

Manuel bullish on SA, EU trade agreement

ARG 21/2/96

CLIVE SAWYER
Political Correspondent

(74)

MONDAY'S meeting of the European council of foreign ministers will produce a mandate for talks between South African and the European Union on a free trade agreement.

This is the expectation of Trevor Manuel, Minister of Trade and Industry.

But he has warned that EU proposals for such an agreement would work to the advantage of European producers more than for South African exporters.

Mr Manuel is to meet heads of South African diplomatic missions in the next two weeks to instruct them to put greater pressure on their host countries for a favourable agreement.

South Africa has succeeded in involving other SA Development Community countries in the talks.

In a briefing to the national assembly committee on trade and industry, he said the free trade area proposed for establishment in the next 10 years would be difficult to manage.

Rob Davies, an African National Congress member of the committee, said a strong message should be sent

that South Africa wanted something considerably better than what was proposed by the EU.

The impression had been created that anything offered by the EU would be good for South Africa and it would be churlish to question it, Dr Davies said.

On relations with other SADC countries, Mr Manuel said discussions were being held for a trade protocol agreement between all 12 members.

This was to be negotiated by the end of June so that it could be signed into effect at the heads of state summit in August.

No discussions had been held yet on what would be done to ensure uniform customs control in the SADC countries, nor on relations between the SADC and Comesa, the South-East African economic union.

A meeting would be held with SADC ministers on Friday and Saturday to discuss these issues.

On China, Mr Manuel said the government was worried by the extent of illegal imports from that country.

Hopefully this could be solved when the new SA Revenue Service was set up.



AFRICAN LINK Six consortiums have approached the government in a bid to get a slice of the road building contract which will link Witbank in South Africa with Mozambique's capital Maputo

Maputo toll road attracts offers

By ANN CROTTY

Six consortiums have approached the government in a bid to get a slice of the road-building contract, worth about R600 million, involved in the revival of the Maputo corridor.

Details of the tendering process have still to be worked out, but in a significant departure from similar projects in the past, the proposed toll road, which will run from Witbank to Maputo, will cost the government nothing. The initial building and maintenance will be funded by the private sector. Returns to the private sector will be generated by the toll fees, which means that if the road is not adequately maintained that source of income will be under threat.

Referring to the proposal, the director-general of the transport department, Ketso Gordhan, said the government would be exposed to no financial risk on the road-building contract. This would be carried by the private sector.

While the proposal is in line with the operation of a large percentage of infrastructure projects in the major international economies, it marks a change for the South African construction industry.

As the chief executive of one of the major South Africa building groups pointed out: "We're used to being part of a financing package, but the difference now is that whoever gets the contract will own and run the toll facility."

While he pointed out that the parties were still involved in the details of the tendering process, he remarked: "This is the only way we will be able to expand and maintain this country's infrastructure."

For the purists, it represents a form of privatisation. But for those who oppose it in principle it probably represents the most acceptable form of privatisation. With the

enormous pressure on the government to develop the country's infrastructure restrained by its financial resources, it is likely that many projects will not happen unless they are led by the private sector.

At this week's conference on restructuring of state-owned enterprises, organised by Cosatu-linked research unit Naledi, such projects seemed to represent the only scope for agreement between the government, labour and the private sector.

The trade unions are vehemently opposed to privatisation — at the Naledi conference, Cosatu general-secretary Sam Shilowa referred to the government's obligations in terms of the RDP; the government's attitude seems uncertain with different players in different departments expressing conflicting views — Gordhan noted that the government was trying to formulate a national strategic vision and to this end a document would be presented to Cabinet this week; the private sector is virtually unanimously supportive.

Without a coherent strategy, the government and its alliance partner could lose the initiative to the private sector and that restructuring/privatisation policy will be affected on an ad hoc basis determined by the objectives of public enterprise managers and private sector players. This, despite the existence of the National Framework Agreement that exists between government and labour.

There is little doubt that the resources available to Telkom management and its potential international partners ensure that they are directing the process of introducing a strategic equity partner to Telkom with labour left running far behind.

The international success rate of the sort of strategic alliance that Telkom is considering is between 20 and 30 percent. Speaking

at the conference, the deputy director-general in the state enterprises ministry, Siphoshe Shabalala, said that in the sort of competitive collaboration alliance with enterprises like Telkom, "the strategic interest of achieving the long-term win/win outcome tends to be unlikely or is contingent on the equal distribution of the partners' learning capabilities and their equal ability in accumulating the invisible assets. These include management and organisational skills, knowledge of the market and technological capability".

Shabalala urged caution in regard to strategic alliances: "The critical issue is whether our state enterprises are ready for the marriage: do they have tacit knowledge, skills, organisational learning capabilities and right attitudes to benefit from strategic alliance managements?"

"The organisational capability and the willingness to learn is the key to protecting competitive advantage in competitive collaboration and in the control of the strategic direction of the venture."

Even in ideal circumstances, strategic alliances either fail or benefit one partner at the expense of the other.

While Telkom management has in part based its request for an equity partner on the need for technology transfer, Shabalala argued that technology transfer was not an assured process and outcome: "The ability and commitment to pass and to receive and internalise acquired technology is critical. In general, partners bringing in pioneering proprietary technology tend to raise walls to make sure that their core competitive competence is not passed to the other partner."

Bringing an international perspective to the debate, British-based consultant Brendan Martin warned of the dangers of transferring too much control of SA's infrastructure and utility services to transnational corporations "whose growing power will rapidly come to dwarf that of the nation-states and municipalities with which they are doing business".

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74

EU may lift ban on SA horses soon

Wessel Moolman
and Louise Cook

BD 22/2/96 (74) (242)

THE SA thoroughbred racing industry is just weeks away from entering the world market.

According to Colin Hall, manager: racing administration of the Jockey Club of SA, who has been working hand in hand with the industry to get the African horse-sickness restriction lifted, SA has met all the requirements of the European Union's standing vet committee for free trade between SA and the world market, which — conservatively estimated — could inject R500m into this country's racing industry.

Hall said: "African horse-sickness has always been a serious problem with a 95% fatality rate, but it has not been a threat to the SA racing fraternity. We have a highly effective vaccine to counter the African horse-sickness virus, so it's well contained. Our race-horses are routinely vaccinated and we keep strict control of it."

"The SA racing industry's bid to enter the world market is now in the hands of the European Parliament, which will sit in Brussels in the next few weeks to decide on the issue. We certainly do not foresee any negative response as we have the backing from the EU's standing vet committee after complying with their requirements."

Robin Bruss, one of the country's leading bloodstock agents, said: "We are at a critical point to have the market thrown open to

Asia and the rest of the world. And it's Asia we are targeting first."

Paul Asherson, chairman of both the National Federation of Owners and Trainers and the Highveld Owners and Trainers Association, said: "We have not had a case of African horse-sickness in our industry for years. Those animals that are affected are common ponies and donkeys in the rural areas, but the spread of the disease is under control."

Meanwhile, African horse-sickness is threatening to hit parts of the country harder this year.

Onderstepoort Veterinary Institute, vaccine factory acting head Johan Broekman said at the same time last year only about half the number of cases were under investigation.

However, there was "little chance" of the disease spreading to the Western Cape, the area targeted for getting the animals in and out of the country.

The 27 horses which had died of African horse-sickness were from Pretoria, Middelburg, White River and Magaliesburg, Broekman said.

The Western Cape was a safe zone because SA's coastline was virtually free of the midge responsible for transmitting the disease.

SA Import and Export Council (for horses) technical committee chairman Alan Guthrie dismissed the possibility that two confirmed cases of horse-sickness and other cases under investigation would scupper SA and EU negotiations.

Lomé accord up against harshly critical donors

(74) BD 22/2/96

THE European commissioner for relations with African, Caribbean and Pacific (ACP) nations, as well as SA, João de Deus Pinheiro, opened a conference in Brussels recently to discuss a sensitive subject in international relations: the future of the Lomé Convention — the aid, political and trade co-operation accord between the EU and ACP nations.

Pinheiro began his address by describing the rough neighbourhood the world had become, especially to the world's poorest nations (such as the ACP nations), following the collapse of communism as a political model. "The reason to support regimes, for the sake of preventing them from turning to the other side has disappeared," he said.

After the Uruguay Round of GATT, developing nations' trade preferences (largely non-reciprocal in Lomé's case) might come under pressure from the globalisation of markets, said Pinheiro.

Development, he reminded his audience, had lost its priority on political agendas.

Donors, notably the US, had slashed their financial support to the Third World.

The ACP nations (into which SA will be partially integrated next February if all goes well in current trade talks with the EU) will remember the tortuous negotiation process which led to last year's mid-term review of Lomé and the renewal of the eighth European development fund which finances the convention directly from EU members' national coffers. Although the ACP nations had initially sought a package of about 15.8-billion ecus, they ended up getting about 13.3-billion ecus for the next five years — thanks to the insistence of the French (now replacing Germany as the number one contributor to the development fund).

The starting point for discussing the accord's future should logically begin with its track record. Now into its fourth term, Lomé has had mixed fortunes, according to EU officials.

One critic of the accord, which grants the ACP nations' generous and unilateral trade access to the EU, said its failures — which were plenty — should be attributed to ACP officials and governments.

A story often told by critics in Brussels concerns ACP nations

JOHN DUDLU

spending a great deal of time debating whether one official should be from Francophone or Anglophone Africa — while children were dying.

The critics said that the ACP nations had not played their part in strengthening their capacity to implement development projects.

"Afro-optimist" Philippe Soubestre, deputy director-general for the directorate on development, pointed out a glaring reality. "Political conflicts (especially in Africa) have not made it easier to succeed."

Only now, after the mid-term revision, can aid be suspended if a beneficiary nation — say Nigeria after Ken Saro Wiwa's execution — is involved in human rights abuses.

However, Soubestre, who is seen as a philosopher by his colleagues, said it would be unfair to single out Lomé for public scrutiny, leaving other multilateral interventions by bodies such as the World Bank. Soubestre's success stories include Botswana where development, propelled by democracy, has taken root. After many years of aid and trade

concessions only a few ACP nations are ready for international competition — the rest remain wobbly.

Peter Clausen, adviser on ACP relations in the EU council, said the accord's undisputed success had been the political clout it had provided to the world's poorest nations. Regarding the convention's future, officials were agreed that the convention's current form was one of the main obstacles to effective interventions. "What does a Caribbean country have in common with Rwanda, except poverty?" one official asked in disgust.

Clausen felt breaking the convention into three separate regional blocs might result in greater efficiency and effectiveness.

The other improvement, according to Soubestre, would be to finance Lomé, like other aid arrangements, directly from the EU's budget. This would give EU members more flexibility and muscle in their bilateral aid programmes and prevent the European development fund budget squabbles which preceded each renewal.

On reciprocal opening of markets, Spanish external trade gener-

al director Javier Sousa said the post-1999 era might see some countries being asked to begin reciprocating (a swear word that SA has just discovered). Weaker ones may be allowed to continue receiving trade concessions under a new GATT waiver. GATT allows unilateral trade benefits to be granted to developing nations without them being forced to reciprocate.

After reaffirming the significance and special status of the EU-ACP relationship, which is sometimes termed a "culture", Pinheiro stressed the need for each of the partners to prepare themselves for the crucial date of 1999 (the expiry date of the present accord).

For the commission's part, Pinheiro has created a "reflection group" to draft a green paper which would be tabled for discussion in October. While it is very difficult to speculate on post-1999 Lomé, one thing remains certain: it will be markedly different from the current one and its predecessors.

□ Dudlu recently visited Brussels, Madrid and France as a guest of the EU.

LETTERS

European Union meeting to rescue trade talks with SA

BY JOHN FRASER

Brussels — European Union governments were still divided in stormy discussions on Wednesday over whether South Africa should be offered a free trade area.

This prompted fears in South Africa that the EU would miss its latest deadline — Monday — for re-launching South African trade negotiations.

A crisis meeting of EU ambassadors will be held today in a last-ditch effort to prepare the ground for a decision when the 15 foreign ministers gather in Brussels on Monday. But last night one EU diplomat said: "This is looking bad. It is not specifically hostility to South Africa, but a fear that it would set a dangerous precedent if we offered free trade to Pretoria.

"There could be a domino effect, with everyone else also wanting similar treatment, and that could open the floodgates to cheap im-

ports, which could destroy millions of jobs in EU agriculture and food-processing.

"While some free-trading nations say South Africa is a special case and deserves a break, others are digging in their heels. The divisions remain large, and I am not optimistic that there will be agreement by the foreign ministers on Monday to re-launch negotiations with South Africa."

A free trade area would require both South Africa and the EU to scrap most trade restrictions, but it would allow the EU to maintain protection for some agricultural products. But EU governments also disagreed on a list of South African exports that would be excluded from a free trade area, if it were offered to South Africa.

Meetings of the 15 foreign ministers in December and January were inconclusive on the South African dossier. The South African government last week issued an angry

protest against delays in Brussels, warning the EU that it was in danger of going back on earlier promises of generosity.

EU officials produced a report last week on the impact of a free trade area with South Africa, but several ambassadors said they had not had time to study it.

European Commission bureaucrats also came under fire for failing to do their homework and for giving "unsatisfactory" answers to key questions.

If negotiations were delayed too long, South African exporters would be unable to reap the benefits of a deal with the EU early next year, contrary to expectations.

"However, South Africa should not be paranoid about what is happening," said an EU official. "It is the victim of a far wider debate over trade and agriculture is a deeply sensitive issue."

□ Dale Lautenbach reports from Johannesburg that Neil Van Heer-

den, the former South African ambassador to the EU, said yesterday at a lunch hosted by the SA Britain Trade Association: "I think, given the political goodwill which there is for the new South Africa in the EU, we should look very seriously at a free trade offer and not dismiss the possibility lightly when we sit down to look at what is available."

He acknowledged that such an offer, implying free trade reciprocity, could turn out to be unaffordable for South Africa. But he said that with tariff levels coming down globally and South Africa itself committed to this process under the Uruguay Round, a free trade area was bound to increase the volume of trade.

Van Heerden also warned that while South Africa still had strong goodwill in Europe, this was "clearly a diminishing asset.

"The sooner we do a deal, the better the quality of that deal is likely to be," he said.

CT (P/R) 23/2/96 (74)

(74)

EU to resume trade talks with Pretoria

CT (MR) 26/2/96

The European Union will relaunch its trade talks with Pretoria today but France is still trying to delay concessions

BY JOHN FRASER

Brussels — Britain and France are heading for a showdown as the European Union (EU) foreign ministers gather in Brussels today to discuss South Africa.

The 15 foreign ministers decided at their meeting last month that they would agree at today's gathering to relaunch trade talks with Pretoria.

Meantime, officials in Brussels have drawn up a report on the consequences of the proposed deal, which was discussed by the union's ambassadors last week.

"The problem is that this report does not satisfy the French, who are leading the group of nations which are most reserved," said an official.

"European Union commissioners have proposed that we should offer South Africa a free trade area, but there are fears that if we do so, other nations will be able to challenge the accord and force us to offer similar concessions to them.

"South Africa would also run a similar risk of having to offer the concessions it makes to the EU to other nations as well."

However, British officials have dismissed the French fears and suspect that their protests are a mask for protectionism.

The British want the union to relaunch negotiations with South Africa right away. They say that if more analysis is needed it should take place during negotiations and must not delay the talks.

EU diplomats have been meeting over the weekend to try to resolve the differences, but it may well be that divisions will remain today. Not only are there doubts over whether the union should be offering a free trade area to South

Africa at all, but there are also disputes about which products should be excluded from the scope of such an arrangement.

It is already agreed that about 45 percent of South African agricultural exports to Europe will not be covered by an eventual deal and governments in the union have been working on a list of the precise products that will be excluded.

Some governments want to keep the list short, to give the negotiators flexibility, but France, Germany and most of the southern states are trying to lengthen the list.

Products

Maize and sugar are two products that may have been added by now to the list, which already includes wine, some canned fruits and fruit juices.

Two weeks ago, the South African government delivered an angry protest to the union, urging the 15 European governments to resolve their differences so that negotiations could begin again.

But union officials warned yesterday that there was a good chance that France, with some support, might once again block the relaunch of talks with Pretoria.

"The South Africans are growing impatient and are worried that Europe is going back on its promises," a union diplomat said last night. "If, once again, there is deadlock in Brussels, it is bound to send a very negative message indeed to the South African government. However, this is something we in the EU will have to sort out — preferably before President Mandela's planned visit to Europe in a few months time."

SADC-US deal to boost trade

(2/19/96) (74) (BR) 26/2/96

By ROSS HERBERT

Gaborone — The Southern African Development Community (SADC) and United States Commerce Secretary Ron Brown signed an agreement at a special US-SADC conference at the weekend held to promote US trade in the region.

The memorandum of understanding came amid wide-ranging complaints from business about the bureaucracy and confused mission of the SADC, which one official described as "a mess".

Brown, who visited six countries in a week-long trade mission, said the trip signalled his intention to make trade the top priority in dealing with the region.

The US provides only 7,7 percent of sub-Saharan Africa's foreign

purchases, while Europe accounts for 40 percent.

At the SADC conference, Brown spent two days pressing government ministers and business leaders to open their markets, liberalise foreign ownership rules, firm up commercial laws and trade with American firms.

He said he engaged in direct intervention regarding \$6 billion in US-African trade.

The deal with the SADC does not involve additional funding or loan guarantees, but relies on sharing information on trade opportunities and loan programmes, facilitating contacts through the network of US agencies in Africa and heavy government-level persuasion.

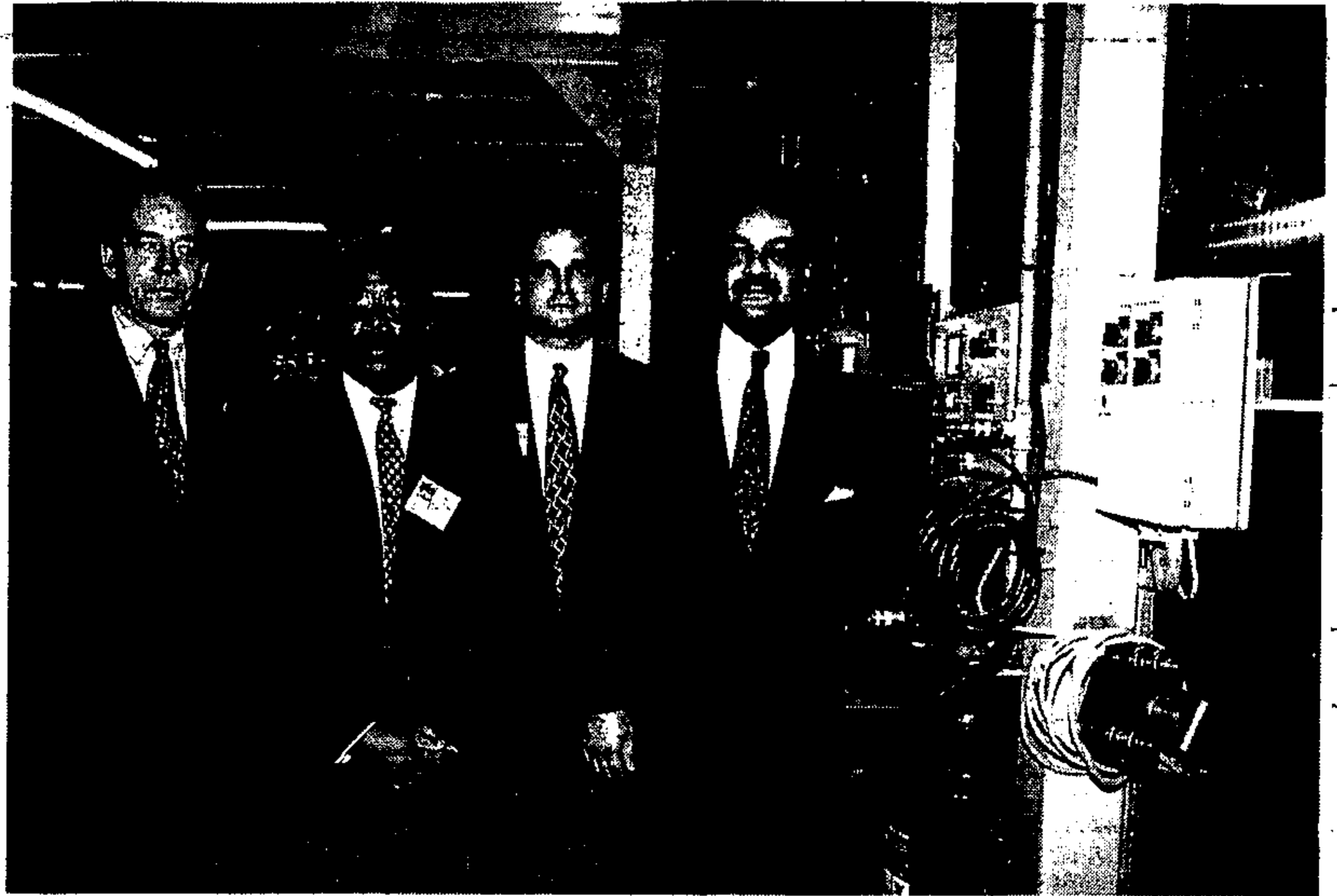
In a closed session of ministers from the 12 SADC countries, offi-

cial pressed Brown over the lack of private-sector finance in the region. They also complained about the need for debt relief and South African intransigence over trade barriers.

Brown said he agreed to selectively write off up to two-thirds of the debt African countries had incurred with the World Bank, but after reaching agreement with other lenders to the bank.

In another development, Bill Mallory, the chairman of the American Chamber of Commerce in South Africa, announced that the US chambers of commerce in Zambia, Zimbabwe, Namibia, Mozambique and South Africa would form a joint regional trade promotion organisation. — Independent Foreign Service.

Privatisation



US Secretary of Commerce Ron Brown, right, on Saturday ceremonially set in motion the Owens Corning Pipe Botswana operation in Gaborone. The plant will manufacture large diameter pipe for Botswana's US\$330m North South Carrier Project, which entails the construction of the Letsibogo Dam and a 360km pipeline to carry water to the south of the country. With Brown are, from left, Owens Corning sales and marketing manager Jean Strasse, production manager Enoch Mbuya and GM Bryan Lemar.

Picture: Danie Coetzer

BD 26/2/96
**US and SADC
sign trade deal**

GABORONE — The US commerce department and the Southern African Development Community (SADC) signed a memorandum of understanding on the development of US trade with the region on Saturday.

US commerce secretary Ron Brown and SADC executive secretary Kaire Mbuende signed the memorandum at the end of a conference between government officials and businessmen from the US and SADC.

It was the last event of Brown's five-nation initiative to increase US trade with the SADC.

Six sectors were seen as having potential for growth: telecommunications, agribusiness, energy, infrastructure, financial services, and tourism. — Sapa

(74)

SA advised to take full advantage of EU's trade proposal

(74) BD 26/2/96
Lukhoyo Mnyanda

SA should take advantage of the political goodwill in Europe and seriously consider the EU's offer of a free trade agreement, former ambassador to the EU and SA Foundation executive director Neil Van Heerden says.

Access to the EU — which already accounted for 40% of SA's external trade — was crucial as the region represented an expanding, wealthy and stable market, he told a South African Britain Trade Association (Sabrita) luncheon last week.

The current goodwill for the country was a "diminishing aspect" and SA could not afford to take the opportunity of concluding an agreement lightly.

Van Heerden said tariff levels were going down all over the world and a free trade agreement would increase trade volumes with the EU countries.

"More trade is good for everyone," he said.

He predicted that significant progress would be made when negotiations resumed next month.

Van Heerden identified European farmers, who have consistently argued for protection, as the group most likely to

resist the completion of an agreement favourable to SA, whom they see as a threat to their industries.

"We have not won the battle to convince them of the inoffensiveness of our moves."

SA's "qualified" membership of the Lome convention would be confirmed later this year but would exclude the trade benefits granted to other developing countries.

The EU had decided against granting full Lome Convention benefits to SA because it viewed SA as a developed country.

Employment

Established in 1957 by European countries and ex-colonies, the Lome Convention aimed to promote developing countries' economic development, with members receiving preferential treatment to promote industrialisation, trade, investment and employment.

Full membership, with trade benefits, would have given SA access to EU markets at low tariffs without having to open up its own markets.

"A sting in the tail with a free trade agreement is that it would have to be reciprocal," he said.

SADC complains of SA trade dominance

By Ross HERBERT

Gabarone — The summit meeting last weekend between the Southern African Development Community (SADC) and the United States Commerce Secretary, Ron Brown, was to promote regional trade with the US.

But more on the minds of delegates was South Africa's growing dominance of the region. Trade ministers complained to Brown about the country's tariffs and protectionist policies.

"Those issues were clearly raised with me for a purpose, but I think that they are better left to the SADC to resolve," Brown said.

The problem was South Africa's rapidly widening trade deficit with Africa. The South African Trade Organisation said that in the first three quarters of last year, the country's

exports to Africa jumped 52 percent but imports from Africa grew only 19 percent. In the same period, South Africa's exports with its top 40 partners grew 14 percent.

The trade gap was concentrated in the SADC, whose 12 members represented about 70 percent of South Africa's African trade. South Africa's largest trade partner was Zimbabwe, followed by Mozambique, Zambia and Kenya. Last year, imports from Zimbabwe fell 1 percent while exports to it rose 54 percent. Mozambique sold 22 percent more to South Africa last year but imported 61 percent more.

South Africa's neighbours complained that the products traded were shifting in South Africa's favour. Most of the country's exports were manufactured goods, chemicals, and vehicles. Imports were low-tech items such as

precious stones and metals, vegetables, base minerals and wood.

Textiles, the most disputed issue in SADC negotiations, was the major import to South Africa from the region, representing R403 million.

Tensions led many participants to question the SADC's effectiveness. Business leaders said the organisation was too bureaucratic, focused too much on government programmes and failed to share information with business.

"The sort of problems these guys are raising, you have to solve by taking things out of the hands of government. We have gotten bound up in this nightmare of red-tape. That is the SADC problem," said Dave Arkwright, a specialist with the Development Bank of Southern Africa.

Brown, who visited six countries in

a week-long trade mission, said the trip signalled his intention to make trade the top priority in dealings with the region. Figures showed US business in the region was increasing.

Bill Mallory, the chairman of the American Chamber of Commerce in South Africa, said more than 700 US companies operated in South Africa, up from 500 a year ago. The Chamber's 275 members employed 750 000 people in South Africa, he said.

In 1994, the US was South Africa's third-largest trading partner behind Germany and the United Kingdom. Figures showed that for the first three quarters of last year, the US was fourth, selling R40 million less than Japan.

South Africa accounted for 50 percent of US trade in Africa and last year for 22 percent more US trade than with the countries of the former

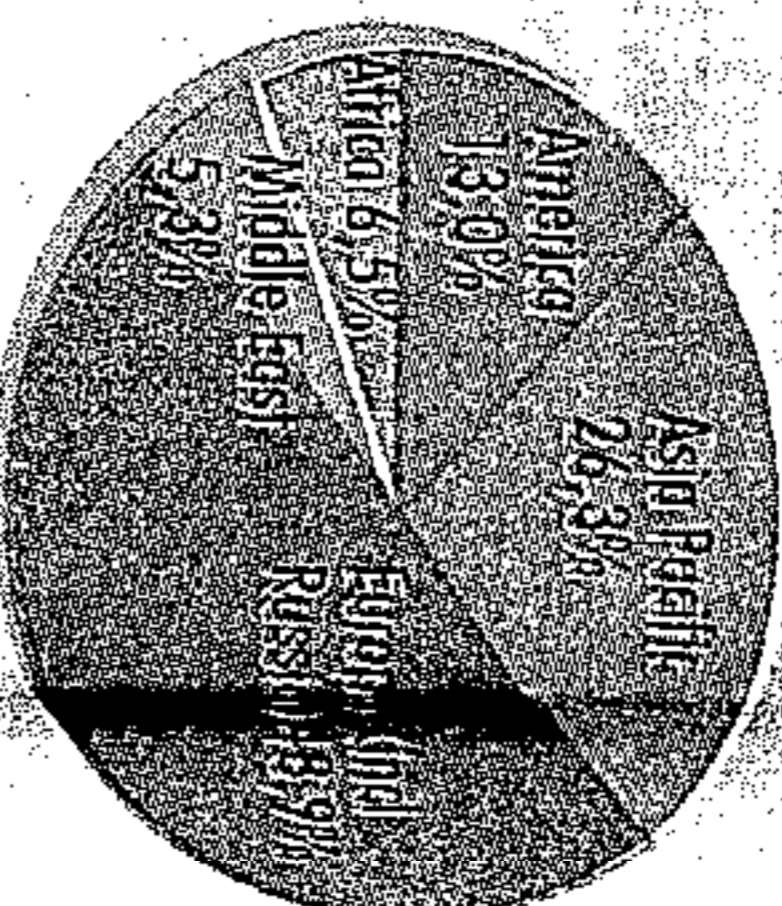
Soviet Union. The US-South African trade gap was widening, according to US figures. In the first three quarters of last year, US exports to South Africa grew 29 percent and its imports rose 9 percent.

Despite Brown's complaints of US firms being shut out of Africa by former colonial powers, the US was the third-largest exporter to the region, after France and Japan. It was also the largest importer of goods from sub-Saharan Africa, 66 percent of which was crude oil.

US firms had an average 22 percent return on assets on African trade, making the region more profitable than any other developing region, Brown said.

Where SA Trades

1994-95: Growth in SA exports to Africa: **52%**
Growth in SA imports from Africa: **19%**



Source: SA Foreign Trade Organisation

SA waits as trade talks fail

BRUSSELS. — South Africa, increasingly frustrated with the European Union's dithering over creating a free trade area, has again been kept waiting as the EU's foreign ministers failed to resolve their differences. ARG 27/2/96

"They have failed. France cannot agree on establishing a list of exempt products," a European Commission spokesman said. 74

It was the third time the foreign ministers have failed to agree on a mandate for the EC

to negotiate the trade deal. France has dug in its heels against what it sees as an ill-considered move.

Under WTO rules a free trade area must substantially incorporate all trade between the signatories, but diplomats said 45 percent of South Africa's farm exports to the EU had been added to an exemption list.

Diplomats said Britain was the only EU country pushing hard for the negotiations with Pretoria to start now. — Reuter.

France halts SA trade talks

CT(MR) 28/2/96 (74)

JOHN FRASER

Brussels — European Union officials claim they are confident that trade talks with South Africa will be resumed next month, despite France's continuing refusal to endorse a union proposal on future relations with Pretoria.

On Monday night, the 15 EU foreign ministers came close to agreeing to offer a free-trade area to South Africa.

The French were given assurances that the 15 governments would be consulted at every stage of the negotiations.

Union officials also pledged that an eventual deal would be compatible with the rules of world trade.

This means that any concessions to South Africa would not have to be given to other nations that it traded with.

The foreign ministers' talks col-

lapsed without agreement when France refused to agree to a proposed hit-list of so-called sensitive South African farm products that would be excluded from a free trade area.

The list already includes pineapple juice, apples, pears, wine and a variety of canned fruits. Germany wants to add beef, sugar and maize and the French list is expected to be even longer.

A union spokesman, Joao Vale de Almeida, said after the meeting that substantial progress had been made. He said that he hoped a deal could be completed in the next few weeks.

This would allow the EU commissioner, Joao de Deus Pinheiro, to relaunch negotiations on a planned visit to South Africa at the end of next month.

"We have progressed significantly and are confident we can

finalise the trade offer soon," said Vale de Almeida.

"The remaining problem is concern by some EU states about the competitiveness of some South African exports and this is understandable when you take into account the importance of the farm lobby in the European Union.

"We did not get agreement on the list of sensitive products — but we hope to get it in the coming weeks. I am confident we can still start negotiations in March."

He said the union's ambassadors could approve the list of South African farm exports to be excluded from a deal. The list could then be rubber-stamped at any ministerial meeting of the union in March and would not have to await the next meeting of foreign ministers on March 22.

The ministers agreed to make a concession to Spain at Monday's

meeting: efforts will be made to agree to a fisheries accord with South Africa in parallel with trade negotiations.

Negotiations on wine labelling and on research and development would also be linked to the trade list.

South Africa is nervous about allowing union fishermen into its waters, as they have a reputation for vacuuming vast quantities of fish and cheating on accords.

Namibia's problems with European Union fishermen have served as a warning to its neighbours in South Africa.

South African diplomats in Brussels were reported to be studying the outcome of the union's meeting.

However, the South African chargee d'affaires, Franki Verwey, said she was "disappointed" that the deal did not go through.

Govt upset by EC trade delay

POLITICAL WRITER

ET 28/2/96

(74)

THE government said last night it was "extremely dissatisfied" with the outcome of Monday's meeting of the European Council on the mandate for trade negotiations with South Africa.

It also said delay in reaching agreement was perpetuating discrimination by the European Union against South African goods and services.

The statement, issued by Minister of Trade and Industry Trevor Manuel, said the council reportedly could not finalise the mandate for the EC to negotiate a free trade agreement with South Africa.

This was the third time since December last year that the 15-member council had been unable to come to an agreement on the matter, which Manuel said, was "a very frustrating situation".

He said: "This apparent dissonance within the EU is out of sync with the expressed commitment by member states and by the council to reconstruction and development in South Africa."

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SA 'a priority' for Germany

BO 28/2/96
Lucky Madikiza

GERMANY is SA's main trading partner and is fast becoming the biggest investor in the country, trade and industry director-general Zava-reh Rustomjee says.

He told the Made in Germany trade fair at Nasrec yesterday that an important aspect of the economic tie between the countries was the exchange of technology and expertise, which, coupled with German firms' investment, would help alleviate joblessness.

(74) (74) (74)
"Last year we went to Germany to set the target of attracting DM1bn of direct investment within a year. We are well on the way to reaching that target."

SA was in a "harsh world" of competition and globalisation. To gain a competitive edge, the trade and industry department planned to steer SA from self-sufficiency and import substitution to international competitiveness.

German ambassador to SA Uwe Kaestner said Germany had made sure

SA was a priority in Africa and was considering long-term investments and partnerships.

"We are looking for a privileged partnership with the new SA, based on long-term confidence, on open markets, on fair opportunities and on social responsibility."

Kaestner welcomed recent statements by President Nelson Mandela, Finance Minister Chris Liebenberg and Reserve Bank Governor Chris Stals that exchange controls would be lifted in the near future.

Earnings per share
Dividends per share

resents a welcome turn-
al effects of more strin-

ical engineering

Paul Richardson

Anti-dumping unit to be stronger

John Dlodlu

BD 28/2/96

(74)

THE Board on Tariffs and Trade plans to recruit more staff to its dumping directorate to meet an expected increase in its workload.

New deputy chairman Leora Blumberg said a higher number of dumping petitions was expected in line with the current international trend.

The directorate employed only eight people and had four vacancies. "We are assessing the need for new officials in the directorate to build up capacity," she said.

Anti-dumping petitions remained one of the only lawful forms of trade protection as tariff protection was being removed gradually in terms of SA's World Trade Organisation obligations.

Blumberg said that business was concerned about the need to have effective and speedy relief in the face of unfair competition.

However, a delicate balance had to be struck to ensure anti-dumping laws did not replace tariffs as protection.

The challenge was to raise the levels of expertise and to transform the dumping unit into one which was "highly skilled, efficient, professional and respected".

For her 18-month stint on the board, Blumberg has set herself a tight schedule. This includes assessing the adequacy of the systems and procedures, reviewing current legislation and practices and making sure they are compatible with the WTO provisions, as well as an evaluation of the exist-

ing institutional framework.

"Within four months," she said, "I hope to make substantive recommendations on structural changes to the legislation, procedures and to the institutional framework." Less drastic changes would be made immediately.

Another challenge would be to take forward the recommendations made by the National Economic Forum, predecessor to the National Economic, Development and Labour Council.

Changes and developments in the anti-dumping system would need to be co-ordinated with the other partners in the Southern African Customs Union and integrated with the policies and institutional structures of the renegotiated customs union agreement.

The Associated Ore & Metal

Manuel unhappy at 'stonewalling' by EU

John Dlodlu
and Wyndham Hartley

TRADE and Industry Minister Trevor Manuel yesterday expressed "extreme dissatisfaction" at the failure this week by the European ministers' council to approve a negotiating mandate on an ambitious free trade accord with SA.

Manuel said the continued delay and "stonewalling" by individual EU member states served only to perpetuate discrimination against SA products.

However, President Nelson Mandela said he was optimistic that high-level contacts could help end the impasse.

According to sources in Brussels, a mandate which would have opened talks with SA had been blocked by France.

Reuter reports Mandela said he had not discussed the free trade negotiations with French President Jacques Chirac, but expected such a conversation would be helpful. "There is a good personal relationship between President Chirac and myself. He has helped me in some sensitive matters like writing off our arrears with the UN. We have a telephone conversation now and again. I am not at all discouraged by that decision because I have not discussed it at all with President Chirac."

This was the third time since December that the council had been unable to come to an agreement.

Commission sources said the sticking point was the list of products, mainly farm exports, to be excluded from a free trade accord with SA. The list affected 25% of SA's farm exports to the 15-nation union and 2% of its total exports.

They said all countries in the union had

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(74)

supported the proposed accord, but had noted that SA was a special case and no precedents would be set by such a deal. In terms of EU procedures, unanimity is required to pass such a mandate.

One commission source said João de Deus Pinheiro — the commissioner in charge of relations with SA — had sent a very strong signal to member states that the list should not be extended as this would dilute the generosity of an accord with SA.

In terms of the World Trade Organisation's provisions on free trade accords, such accords should cover "substantially all" trade between the contracting partners.

The sources expected France to begin feeling the pressure of isolation for clinging to its unpopular position.

The Italian delegation, which is holding the union's six-month rotating presidency, had also supported the deal with SA.

Sapa-AFP reports that a spokesman for Pinheiro said yesterday the European Commission was confident negotiations on a free trade agreement would begin by the end of next month following a deal thrashed out yesterday. "The broad architecture of our negotiating mandate has been agreed.

"There are some details to be resolved but we should get the definitive green light by the next foreign ministers' meeting (March 25) at the latest," he said.

The commission is optimistic that the only outstanding issue, the precise composition of a list of farm products to be excluded, will be resolved at the level of officials. Pinheiro is standing by to fly to SA as soon as the mandate is agreed for the first round of fast-track negotiations.

See Page 17

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Labour firm on social clause inclusion

John Dlodlu

LABOUR representatives at the National Economic, Development and Labour Council would intensify their lobbying for the inclusion of a social clause into all trade agreements, despite difficulties.

"We do not have a mandate from our members to back down on the position of a social clause," a labour source said yesterday.

Nedlac sources said a compromise deal on the subject was emerging, which would allow the SA government to push for the inclusion of workers' and human rights in all trade accords — especially those in which SA gave trade concessions to the contracting party.

However, a refusal by the con-

tracting partner to agree to the clause should not prevent the agreement from being signed.

In its response to the Nedlac debate on a social clause, the state has proposed a less dogmatic approach, arguing that the subject be pursued in regional and multi-lateral arrangements.

Four countries — including Thailand, the Philippines and Cuba — have refused to have a social clause written into trade agreements with SA.

Another Nedlac source said labour's hardline stance was because government did not seem prepared to give a formal undertaking that they would push for the inclusion of a social clause regardless of the difficulty.

"Labour knows no one will sign

(74) BS 29/2/96
a social clause; but I think their (hardline) position is due to the fact that they cannot sell any compromise to their members without a commitment (from government)," the source said.

It is understood that labour would demand representation in trade negotiations — either as observers or advisers to government. Such a move would ensure that human and worker rights awareness was increased among SA's trading partners.

"Many countries are already doing it; I can't see why the SA government can refuse this (union representation)."

The social clause is now being discussed within a small tripartite subcommittee of the trade and industry chamber.

EU talks on SA trade called off

BD 1/3/96 (74)

John Dladlu

DISCUSSIONS by the EU on a mandate to negotiate a free trade accord with SA were called off yesterday until next week because France was not ready, European Commission sources said.

The cancellation of the discussion has triggered concern among Brussels officials that talks with SA could be delayed even further.

The mandate, which failed to get approval from the ministers' council on Monday, was to have been discussed by the committee of permanent representatives to the EU yesterday.

But a commission source said France was not ready and the discussion had to be postponed to next Wednesday.

The mandate, which would have paved the way for talks with SA, has failed to get approval from two ministerial meetings.

On Monday France blocked approval of the mandate by the ministers' council at their monthly meeting.

The problem with granting the mandate to the commission is French opposition to the composi-

tion of the list of items to be excluded from the proposed asymmetrical free trade accord with SA.

At present the list of sensitive products accounts for 25% of SA's farm exports to the EU, or 2% of SA's total exports to the 15-nation union, according to officials of the commission.

Members, notably southern European countries, are concerned about the effect of SA's agricultural exports on their economies.

EU observers said the postponement showed the big divisions among French delegates on the products list.

But João de Deus Pinheiro, the commissioner in charge of relations with SA, has said that no further concessions will be made. The extension of the list will make it difficult for the commission to sell the deal to SA.

One trade watcher said the delay would give SA diplomats an opportunity to lobby.

President Nelson Mandela signalled this week that he might have to use personal diplomacy to persuade his French counterpart, Jacques Chirac, to change his mind.

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FRENCH FLAIR?

FM 1/3/96

French companies are belatedly waking up to the many investment opportunities in SA.

Last month, food giant Danone bought a R404m stake in dairy group Clover SA. This, the most important French investment in an SA enterprise since the lifting of sanctions, could soon be followed by others. French commercial attaché Gérard Zaoui says water conglomerate Générale des Eaux "is on its way to Johannesburg" and is likely to be followed by cereal dealer Bongrain.

France Telecom and telecommunica-

FINANCIAL MAIL · MARCH 1 · 1996

98 BUSINESS

ments, the same trailers could carry timber outside the cane season. At a cost of about R240 000 a trailer, the capital investment is considerable.

Other nonfreight activities at Unitrans, which nonetheless draw on the group's skills and expertise in the transport business, include full-maintenance leasing and a Mercedes-Benz/Honda dealership for the sale of new and used commercial and passenger vehicles.

Still in development, says Garcia, is an owner-driver scheme for "emerging truckers." Unitrans would provide all the technical assistance required, from advice on truck selection to control systems, maintenance and backup, plus help on drawing up business plans — and even assessing whether the planned venture would be feasible. ■

SA target of new and old trade missions this month

BD 4/3/96 (74)

Lukanyo Mnyanda

TRADE missions from Hong Kong, India, Singapore, Abu Dhabi and Quebec are among those due in SA in the next few weeks.

SA's already well established trade relationship with Hong Kong will be strengthened further when an 18-company business group from Hong Kong displays innovative new products in Johannesburg and Durban from March 18 to 22.

Hong Kong Trade and Development Council trade promotion manager Frederick Lee said the displays would provide SA importers, wholesalers and retailers with an excellent opportunity to meet suppliers of high quality, competitively priced goods.

Hong Kong companies were eager to cater for the emerging SA market and the displays presented a good opportunity for buyers and sellers to negotiate business deals.

SA's trade with Hong Kong reached \$1,34bn between January and November last year — a 21% increase on the previous year.

In the first 11 months of 1995, SA imports from Hong Kong increased by 24% to \$776m, with watches, clocks, toys and games, sporting goods, footwear, radios and handbags — the same products on offer at the displays — proving most popular.

Hong Kong's imports from SA were

also increasing and had reached \$549m between January and November last year. This was up 17% on the previous year.

Hong Kong bought large quantities of SA chemicals and plastics, coal, iron and steel, pearls and precious stones.

The increasingly important relationship between Hong Kong and SA led to the council opening a permanent office in Johannesburg last August.

Other activities promoting bilateral trade were planned for later this year and would include another business group visit to Johannesburg, Durban and Cape Town in July.

The 17-strong mission from Quebec would be led by Andre Saint-Lauren, a counsellor from the International Ministry's Africa desk.

The mission, which will be in SA from March 10 to 14, will represent a whole range of business interests aiming to establish trade ties.

The Indian Apparel Export Promotion Council will be in Durban from March 11 to 13 and will be available for business meetings through the Durban Chamber of Commerce.

Singapore Manufacturers' Association president and Trade Development Council deputy chairman Robert Chua will lead a 13-company delegation to SA from March 19 to 28.

A delegation from the Abu Dhabi Chamber of Commerce will be in Durban on March 27.

Plan to link trade with labour standards

John Dlodlu

GOVERNMENT negotiators at the National Economic, Development and Labour Council are to give a formal undertaking to their counterparts this week to link trade with labour standards.

The move is expected to pave the way for an agreement on labour's proposal to require SA's trading partners to uphold labour and human rights.

A senior government negotiator said yesterday the state was finalising the draft of the undertaking for a compromise deal on what labour has termed a "non-negotiable". The compromise will allow SA trade negotiators to raise

the issue of linking trade and labour standards in multilateral and bilateral trade arrangements. However, a refusal to have the social clause written into the text of any agreement should not block an accord from being signed as happened recently with Thailand, Cuba and the Philippines.

Agreements with these nations have been delayed as Nedlac partners attempt to formulate a position which will be easier to sell.

The rights which labour wants written into trade agreements — all of which are cherished by the International Labour Organisation — include the right to strike and collective bargaining as well as a ban on all forms of discrim-

BD5/3/96 (74)

ination and child labour.

Despite divisions on how far the issue can be pursued, labour at Nedlac's trade and industry chamber has been concerned that without a formal undertaking from government, a compromise on the social clause may be difficult to sell to its members.

The agreement, being brewed at a tripartite subcommittee, is based on government's revised position that a social clause be raised with its regional and multilateral trading partners.

The negotiator also said government was "not particularly averse" to allowing non-governmental stakeholders to be represented in trade talks.

Manuel moots Canadian investments

John Dlodlu

TRADE and Industry Minister Trevor Manuel last night called on SA and Canadian firms to follow their governments' examples by tapping each other's vast markets.

At a function organised by the SA-Canada Chamber of Business, Manuel said there was an "overwhelming sense of untapped potential" between the two nations.

The two governments had already laid the foundation by concluding the double taxation and investment promotion and protection agreements, an expression of

BD 5/3/96 (74)
confidence in each other's policies.

He noted that SA business had been slow in taking advantage of trade opportunities resulting from the extension to SA of the Canadian general preferential tariff scheme announced shortly after President Nelson Mandela's inauguration in 1994, which allows SA exporters easier access into Canadian markets.

He said SA's exports to Canada had shown robust growth, growing by more than 100% in 1993-94, with a 50% rise recorded last year.

He expected that trade this year would reach \$700m.

EU envoys to work on SA deal hitches

John Dlodlu

THE EU ambassadors are meeting today to piece together a negotiating mandate with SA to pave the way for talks with Pretoria on a free trade accord, after the deal was scuppered by France last week.

Discussions on the negotiating mandate with SA were cancelled last week when France claimed it was not ready.

A commission source said last night that today's discussions would examine the controversial list of sensitive products to be excluded from an asymmetrical free trade accord with SA.

France wanted the list of prod-

ucts to be extended.

The present list, agreed to by 14 of the EU's 15 states, covered 25% of SA's agricultural exports or 2% of SA's total exports to the union, according to commission officials.

"It is still not clear what they (the French) want, so it is difficult to speculate on how the discussions will go," the source said.

The commission was believed to be concerned that other member-states could use today's meeting to add more products to the list, in that way diluting its generous character.

The source said German officials from agriculture, economic affairs and foreign affairs, also

met yesterday in advance of today's meeting.

The Italians, who at present hold the rotating presidency of the EU, were keen that the deal with SA should be concluded during their presidency.

If firm agreement was achieved today, sources said, the mandate could proceed directly to any ministers' council meeting for rubber-stamp — a move which could lead to the speedy resumption of talks with SA.

The lack of a detailed mandate has been a source of frustration for Pretoria's negotiators.

It had failed to receive ministerial approval on at least two occasions already.

BD 6/3/96

(74)

Struggling Safto slashes its staff

BY SHIRLEY JONES

(74) CT(BR) 7/3/96

Durban — The South African Foreign Trade Organisation (Safto), which was saved from insolvency by the Industrial Development Corporation in June last year, is in the throes of a radical restructuring.

The Durban regional office was reduced to a single person last week. This follows a similar reduction in size of the Port Elizabeth and Cape Town offices. Staff numbers at the Johannesburg head office are expected to be cut by as much as 40 percent.

Safto chief executive Johan Scheepers yesterday confirmed the restructuring was under way. A broad strategic framework for the restructuring of operations was being developed, he said, and it would be impossible to confirm the extent of staff reductions before this was completed. Scheepers said detailed strategies were being devised and these would be implemented over the next four to five months.

The restructuring appears to stem from the very financial difficulties from which the IDC is said to have rescued Safto. At the end of June 1995, the IDC's liability for Safto's debt stood at R7,1 million. Of this, R1,6 million was owed to the IDC.

Safto, regarded as the country's premier export marketing authority a few years ago, relied heavily on state grants for 25 percent of its revenue and, as a result, was unable to build up reserves.

At the time of the takeover, Safto could count on the membership of 1 200 companies. Since then, according to Scheepers, membership has declined.

□ See Page 20

Catalytic exhausts worth R2,5 billion

BY JAMES LAMONT

(74) CT(BR) 7/3/96

Johannesburg — The introduction of unleaded fuel at South Africa's petrol stations and the expanded export markets could generate R2,5 billion a year in foreign exchange for the highly competitive local catalytic converter producers.

South Africa has the capacity to build five million converters a year — the fruits of a government incentive policy to add value to the local supply of platinum, nickel and stainless steel. The Southern African Stainless Steel Development Association (SASSDA) estimates converters could generate R2,5 billion a year in foreign exchange.

SASSDA said this week that South Africa could become a manufacturing hub for the world supply of catalytic converters. Catalytic converters are designed to remove more than 90 percent of the polluting exhaust gases from car exhausts by converting them to harmless water, carbon dioxide and nitrogen.

The association expected a rise in local demand and exports to guarantee the six-year-old industry growth of at least 4 percent a year. But industry sources estimate that the figure could be nearer 25 percent.

Production stands at 1,3 million converters a year, earning local producers R650 million in foreign exchange.

The South African production of catalytic converters accounts for 6 600 tons of stainless steel a year, all of which are exported. Unleaded fuel could increase this figure by 1 100 tons a year next year. Stainless steel consumption for catalytic converters is forecast to increase to 10 000 tons in 1998.

Budget predictions 'put pressure on rand'

'Maputo corridor' to cost R1-bn

Star 7/3/96

Cape Town - Work to turn Maputo into a major conduit for South African exports will begin by June and cost R1-billion.

Water Affairs Minister Kader Asmal told Parliament yesterday the Government had spent R5-million on planning the "Maputo corridor" linking the Mozambican port with SA's industrial heartland.

Building it would cost R1-billion, with the private sector financing most of it, including a new toll road. Upgrading transport links on the route would cost about R600-million for roads and R25-million for rail. Renewing port facilities in Maputo would cost about R300-million. - Reuters.

(74)

(74)

LAST TANGO?

FM 8/3/96

Talks on the long-awaited free trade agreement between SA and the 15 European Union (EU) countries should start at the end of this month. The next EU Council of Ministers, called for March 25, is to mandate the European Commission to start negotiations immediately.

Officially, a formal agreement should be finalised by June and — according to the French Embassy — possibly signed and sealed by President Nelson Mandela in mid-July during his scheduled visit to France for Bastille Day. But sources at the EU are dismissive of the French opportunism. They estimate that the earliest the text will be ready is next year.

Negotiations to date have been delayed by the completion of an impact study — demanded by France — on the consequences of the agreement on the EU's economy. Due in June, the study was released at the end of November. Why it was only presented to the EU Council of Ministers on February 26 is not clear.

The study has given the green light to an SA free trade agreement with the EU as long as certain ranges of "sensitive" products are excluded. The EU Committee of Permanent Representatives (Coreper) still has to reach consensus on the list of exceptions that the 15 countries want covered.

French Embassy First Counsellor Nicolas Normand says: "At last the general architecture of the deal has now been approved. Press reports that France re-

74 BUSINESS

jected a preliminary impact study are wrong. The only obstacles in the way of a mandate are the French and German lists, which exclude certain agricultural products."

It is because of this that France — with its traditionally strong agricultural lobby — is digging its heels in.

French Foreign Minister Hervé de Charette has indicated that beef, maize and sugar will be excluded. Since his electoral constituency in western France is in the major cattle-breeding region of the country, the exclusion of beef makes him happy.

Other products are also likely to be included on the red list. Former SA ambassador to the EU Bhadra Ranchod mentions grapes and wine. Canned and dried fruit and vegetables will also probably be excluded.

But this is by no means a full list. The first draft included 40% of the products which could be included in the deal. However, the free trade agreement should conform to both the (protectionist) European Common Agricultural Policy and World Trade Organisation rules.

What SA should do while waiting for the EU to reach agreement is to speedily appoint a new, forceful ambassador to the EU. It's clear that the next few weeks will be crucial to keep the exempt products list to an absolute minimum. A "strong" representative in the vacant EU slot would help the lobbying process. ■

Friday March 8 1996

SA thrashes out strategies for EU talks

(74) Mar 8/3/96

BY MONDLI MAKHANYA

Political Reporter

South Africa's heads of foreign missions in Europe are to meet to discuss the country's relationship with Europe and to formulate strategies for negotiations on economic relations with European Union member-states.

The three-day meeting, which begins on Sunday, will also be attended by Trade and Industry Minister Trevor Manuel, Deputy Foreign Affairs Minister Aziz Pahad and Deputy Agriculture Minister Thoko Didiza.

According to the Department of Foreign Affairs, current trade negotiations with the EU will form an integral part of the meeting. South Africa is trying to gain entry into the Lomé Convention, which gives developing countries' exports preferential access to European markets.

Many EU member-states insist that South Africa does not meet the Lomé Convention's definition of a developing country.

Pahad is also to attend the inauguration of Portuguese President Jorge Sampaio. He will be accompanied by the Foreign Affairs director for Europe and the Americas, Titus Mafole.

Trade between South Africa and Portugal has increased by 73% in the past year. The two countries are also the main sponsors of the peace processes in Mozambique and Angola, both former Portuguese colonies.

Free trade accord may face further delays

John Dlodlu

A DISCUSSION on the list of sensitive products to be excluded from a free trade accord with SA has been referred to an EU working group, a move which could further delay the approval of a negotiating mandate with Pretoria.

EU sources said yesterday the step had been taken at Wednesday's meeting of ambassadors. After the working group, the mandate would return to the ambas-

sadors before being ready for tabling at ministerial level.

BD-8/3/96 (74)
Holding up negotiations for a mandate with SA is the list of agricultural products on which tariffs are to be retained, as the proposed asymmetrical free trade accord with SA is being phased in.

Sources said member states wanted the list to be extended, but the commission felt this would dilute the accord's generosity towards SA and would make it difficult to sell the deal to Pretoria.

Manuel calls for hard line on EU deal⁽⁷⁴⁾

BY SHIRLEY JONES

Durban — South Africa's western European ambassadors are likely to come under heavy pressure this week from Trevor Manuel, the trade and industry minister, to take a much firmer stand in their respective countries to help South Africa's European Union team in Brussels conclude a satisfactory preferential trade deal.

Manuel, who leaves for Europe today, is known to be dissatisfied with the performance of South Africa's embassies in the European Union as talks on a trade deal have become bogged down.

The embassies traditionally report directly to the department of foreign affairs but the department of trade and industry believes that stronger lobbying of national governments by ambassadors located in EU capitals could go a long way towards quickening the pace at which the Europeans are negotiating.

The South Africans have hitherto been negotiating directly with EU ambassadors of EU member states in Brussels and Manuel will be appealing to South African ambassadors in the region to open up a second front in the hope that this way added pressure can be put on EU negotiators in Brussels.

Speaking in Durban on Friday, Manuel said it was time to convince the EU that the needs of South African industry were more important than the protection of European agriculture.

This has been the main hurdle in negotiations between EU states, which broke down on February 22. The next meeting will be March 25.

Manuel said a broad mandate for preferential access to EU mar-

CT(BR) 11/3/96
kets was drawn up two years ago, but the EU's stance that "nothing had been agreed until all had been agreed" had hindered the implementation of the mandate.

Manuel said the world applauded South Africa's transition, but failed to adopt the same kind of enthusiasm in providing access to their markets.

"We will fight them in order to hold them to their earlier commitments to stand by the reconstruction and development of South Africa through increased economic relations," he said.

Manuel said the irony would be that when his department succeeded in opening up new markets few firms would have positioned themselves strategically.

He took South African manufacturers to task, particularly those in the clothing industry, for not taking full advantage of preferential trade quotas offered by Canada during the 1994 elections.

"There are two types of barriers to trade. There are those which you consciously erect to protect your own invariably inefficient and uncompetitive industries and there are those which you erect unwittingly and which prevent your goods and services from competing in global markets," said Manuel.

He said South African businesses were reluctant to bring in new techniques and did not seem to understand cost structures.

Manuel said business's response to the government's attempts to bring in the necessary changes fell into two categories.

There were those that were aggressively putting new products into markets and an unfortunate majority that continued to carp for protection at all costs.

SA needs 'economic miracle' for stability

□ *Blunt message sent to Brussels*

ALAN ROBINSON
The Argus Foreign Service

LONDON. - South Africa desperately needs an economic miracle to sustain the political miracle that brought democracy in 1994.

This is the blunt message that has gone out to the European Union as South Africa battles to achieve an equitable trade agreement with Brussels.

After a two-day, high-powered meeting of all South African Heads of Mission in the EU, Deputy Foreign Minister Aziz Pahad made it clear here yesterday that the stability of South Africa and southern Africa depended on a speedy and fair resolution of the trade relations impasse.

Pretoria sees the answer in a pact similar to the Lome Agreement which grants special dispensations to developing countries.

Brussels has offered instead a free trade agreement, but with strings attached.

With the next round of European Council meetings scheduled for the end of this month, Mr Pahad expressed bitter disappointment that a new, non-discriminatory accord was not yet in place and rejected "false perceptions" that a fair agreement would be harmful to the interests of individual members of the EU.

He singled out France and Ger-

many for their "over-cautious" approach and said much of South Africa's projected trade would not affect EU member countries.

Agricultural exports, for example, would form no more than two percent of their total imports.

Mr Pahad warned: "We need an economic miracle to sustain our political miracle of 1994. South Africa is a vital element in the stability of southern Africa and it is in the long-term interests of Europe that South Africa is more stable and more secure."

"And the only way we can achieve that is by sustainable economic development at home."

Meanwhile, new figures in the Reserve Bank's quarterly bulletin confirm the economic upturn has so far not brought any joy to the unemployed.

From the start of the economic upswing in 1993 to the middle of last year, only 12 000 new jobs have been created, the Reserve Bank said.

New entrants to the labour market are estimated at 300 000 a year.

In spite of a recovery in the last two quarters, employment fell in 1994 for the fifth year in a row, ending the year down 0,6 percent on the previous year.

Employment dropped further in the first six months of last year, with seasonally adjusted falls of 0,8 percent a year in the first quarter and 1,6 percent in the second.

ARG 13/3/96

(74)

yesterday after being knocked out in the quarterfinals of the World Cup.

Orlando International Airport
Picture: GARTH LUMLEY

Plan to beef up ministry

John Dlodlu (74)
BD 14/3/96

THE trade and industry department, once pejoratively termed the Cinderella department during the apartheid era, has launched an aggressive recruitment drive.

Sections to be beefed up include foreign trade relations, industrial and technology strategy, industrial promotion, regional industrial development, business practices, export promotion, countertrade and small business promotion.

Most of the top management posts were filled last year, and included the appointment of Faizel Ismail as chief director of foreign trade relations and UCT's Alan Hirsch as chief director for industry and technology strategy.

EU to launch another bid for free trade talks

John Dlodlu

BD 14/3/96

(74)

THE European Union will launch another bid today to secure a negotiating mandate for a free trade accord with SA.

João Vale de Almeida, spokesman for the commissioner in charge of relations with SA, João de Deus Pinheiro, said yesterday the mandate was being discussed by a committee of economic experts. "We hope that enough progress will be made for the subject to be presented (today) for discussion at the committee of permanent representatives to the EU."

Talks at last month's meeting of the council failed to get approval for the mandate — which would have paved the way for talks with SA — after French objections to the list of items to be excluded from a deal with SA.

France had since been joined by Germany in calls for the review of the

exclusion list, known to account for 2% of SA's total exports to the EU, or 25% of agricultural exports.

Brussels sources said there were divisions among Bonn officials: industrialists wanted a short list of exclusion, while farm lobbyists wanted an extended list.

While avoiding discussion on specific sticking points, De Almeida said the problems related to agricultural items such as food and processed items. He was optimistic that member states were inching towards a settlement.

He said the challenge was to devise a trade deal compatible with the provisions of the World Trade Organisation and be acceptable to Pretoria.

Trade and Industry Minister Trevor Manuel's spokesman Ismail Lagardien said lobbying of EU governments needed to be intensified. "No amount of lobbying is enough ... we need to be more aggressive," he said.

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Jail those who bribe customs — Manuel

ALIDE DASNOIS, Business Editor

ANYONE who bribes customs officials to smuggle goods into the country should be severely punished, Minister of Trade and Industry Trevor Manuel said today.

"I'd like to see not only the corrupt customs officials but also those who bribe them jailed for a long time," he said at a breakfast in Cape Town.

While smuggled goods were entering the country on a large scale, any industrial policy was "not worth the paper it's written on", he said.

He also hit out at businesses which expected government subsidies to compete in world markets.

"The previous government has done damage to the minds of businesses.

"Some still expect this government to collect taxpayers' money to give to businesses so they can export," Me Manuel said.

Last year R1,5 billion had been given to business for export promotion.

"You can feed a lot of people with R1,5 billion," he said.

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ARC 14/3/96

Investors eye Maputo corridor

Nicola Jenvey

(74) (77)
BD 14/3/96
DURBAN — Opportunities for massive private sector investment into the Maputo corridor have gained momentum with tenders for the road and railway infrastructural development going out next week and an investors' conference scheduled for May.

Addressing the intermodal Africa conference yesterday, transport director-general Ketso Gordhan said phase one, to re-establish the transport infrastructure between SA and Mozambique, demanded eliminating road bottlenecks to the border and reducing the border-to-harbour distance by 33%; improving Maputo railway and port infrastructures; and harbour-dredging.

The Maputo corridor includes Maputo and subsidiary port Matola, and three rail links with Maputo — the Limpopo line to Zimbabwe (534km), Ressano Garcia line to SA (88km) and Goba line to Swaziland (68km).

Mozambique ports and railways board chairman and president Mario Dimande said Maputo had a theoretical capacity of 14-million tons a year, and in its current state it could handle 7-million tons.

Present investment incentives for amounts greater than \$50 000 included corporate income tax and dividend

holding tax exemptions for two to 10 years, dividend remission rights, protection against nationalisation and the right to repatriate capital in the event of disinvestment.

Gordhan said that road development would be based on the build-operate-and-transfer system used in India where the private sector built the road and levied tolls on it during a particular loan period. The infrastructure was then handed over to government.

He said the two governments would finalise a concessionary joint venture agreement to improve the railway and port infrastructure on the corridor within months.

Another joint venture between the Mozambique state dredging company and the private sector to dredge the harbour was also under consideration.

Dimande said the combined port traffic of Maputo, Beira and Nacala rose 20,9% to 7,5m tons between 1994 and last year.

Traffic through the country's three transport corridors — Maputo, Beira and Nacala — were projected to rise 15-20% a year during the next decade.

Details about a new joint venture company between the two governments, parastatals and private sector interests would be announced at an investor conference on May 6-7.

FREE TRADE AGREEMENT

(74)

MISSING LINKS?

AM 15/3/96

Before leaving for Europe at the start of the week, Trade & Industry Minister Trevor Manuel urged SA ambassadors to the 15 countries of the European Union to continue lobbying on the future free trade agreement between SA and the EU.

But Manuel still failed to address the outstanding issue: who will represent SA at the EU? Though the post is considered critical, the SA ambassador to the EU has not yet been nominated. While EU experts are working in Brussels on a list of "sensitive" products to be excluded from the deal, the vacancy could not have come at a worse time.

It would have been in SA's interest to have a strong representative in Brussels in order to keep the exclusion list as short as possible. SA's former ambassador Neil van Heerden left his post at the end of January to head the SA Foundation. His successor was to be named in mid-January, but nothing happened. "The matter lies with the President," says Rina Pretorius of the EU desk at Foreign Affairs. "It's been quite a long time now. We don't know either the name of the ambassador or when the nomination is to take place."

Presidential spokesman Parks Mankahlana says tersely: "A decision has not been taken, and as soon as it is taken, we will announce it." Sources in

Brussels suggest that it will be at month-end. Why it took so long is not clear.

Names being bandied about in diplomatic circles include Finance Department chief director for international financial relations Elias Links, Trade & Industry chief director for industrial and technology strategy Alan Hirsch, Western Cape ANC MP Rob Davies and Trade & Industry chief director for foreign trade relations Faizel Ismail.

To date, Links and Hirsch appear to be the frontrunners. Links — a former SA ambassador to the IMF and the World Bank — has had top-level international experience. Hirsch is attending classes at the Foreign Affairs training institute (the former Bophuthatswana embassy) in Pretoria.

Sources in Brussels say that a forthcoming Cabinet reshuffle could lead to the arrival of new outsiders in the race, such as Foreign Minister Alfred Nzo or, more possibly, his Deputy Minister Aziz Pahad. This could explain why the nomination is being delayed.

A trade specialist says: "The vacancy is very inconvenient. Luckily, the Europeans have been locked in internal disagreements, which gave us more time. But we were not at a standstill. We still have teams working both in Brussels and Pretoria. They have had time to finish their research and prepare for the negotiations. Now that the Europeans are about to settle their problems, it's important for SA to have a strong representative in Brussels."

Let's hope that, once nominated, it will not take him too long to acquaint

himself with the complexity of the EU mechanisms. ■



Trevor Manuel

SA warns it could turn down new EU trade pact if Europeans persist with their naked protectionism

(74) STAN 16/3/96

By JOHN FRASER
INDEPENDENT FOREIGN SERVICE

Brussels - South Africa has warned the European Union it is likely to reject an offer to negotiate a new trade relationship - unless the EU backs away from its naked protectionism.

The warning was given by senior SA trade and industry official Faizel Ismail - tipped as the new chief SA negotiator with the EU. He was in Brussels after a meeting in London earlier this

week between SA ministers and ambassadors in Europe.

They decided to mount a vigorous lobbying campaign while the EU governments prepare their trade offer to SA. EU ambassadors met in Brussels on Thursday to discuss the issue. SA will be on the agenda for EU foreign ministers on March 25.

Ismail is worried that the EU is turning its back on earlier commitments to offer a generous free trade area to SA.

"It wasn't South Africa which

first called for a free trade area - it was the EU. We wanted the closest deal possible to that enjoyed by the members of the Lome Convention - but the EU rejected it," he said.

The Lome Convention is the treaty linking the EU to 70 developing states, including all of SA's neighbours.

Ismail said he had been told that EU countries were drawing up a list of SA agricultural products which would be excluded from a free trade area with

Europe. The combined "hit list" of products from all EU governments amounted to around 60% of SA's farm exports.

"This list is way out of proportion to the real concerns of EU states, and we could not accept it. If the list is extended, as it is at the moment, it will not be a negotiable document.

"To exclude South African agricultural exports to such a significant extent would make an agreement with the EU neither viable nor practical."

EU inching towards deal on trade accord with SA

John Dluclu

BD 18/3/96

(74)

THE EU's 15 member states were inching towards a deal on the disputed mandate to negotiate a preferential free trade accord with SA, Brussels sources said at the weekend.

This followed Thursday's discussions by ambassadors on the controversial list of products, mainly SA's agricultural exports, which member states felt should be subject to high tariffs even after the conclusion of a free trade accord.

A source said member states — notably Germany and France — were showing signs of "giving in" to pressure to keep the list of sensitive items short.

Among the items Germany and France wanted excluded from a free trade accord with SA were apples, butter and powdered milk. "Although the value of trade (between SA and the EU) is not big on these products, they remain important to member states. But we think this is not unmanageable," the source said.

The other sticking point was the year-round tariff barriers on apple exports, though there was very thin trade on this product.

Customs to operate several border posts

BD 18/3/96

(74)

Louise Cook

SEVERAL border posts between SA, Botswana and Swaziland will be manned by customs and excise officials for the first time next month as part of a R100m revamp of border control, sources said at the weekend.

Customs and excise acting director Chris Barnard said the department had taken control of some functions, such as VAT collection, previously handled on its behalf by other departments.

The customs revamp, also involving the merging of customs and excise with inland revenue, would net about R1,5bn in outstanding taxes over the next year, step up the fight against drug trafficking and cut down on the illegal movement of weapons across borders, he said.

It is understood that pressure from the agricultural and textiles industries for government to stop the flood of illegal imports was partly responsible for these new initiatives.

The public works department is working round the clock to build

houses for more than 200 new staff appointed to the border posts, at Lebombo, Skilpadsnek, Ramatlabama, Kopfontein, Oshoek, Mahamba, Golela, Zanzibar and Groblersbrug. Another 15 border posts are to be upgraded over the next five years.

Customs and excise department deputy director Dulcie Oldridge said the collaboration between inland revenue and customs and excise would focus on controls at harbours and international airports. "We are hoping it will lead to a client-orientated, more transparent system."

Dairy and meat farmers, claiming to have been hardest hit by import scams, were "encouraged" by government's moves. Milk Board GM Gerrie de Jongh said the situation had already improved.

Agriculture Minister Kraai van Niekerk set up a special meat import committee last year to investigate border problems. The committee refused comment, but sources said the investigation pointed to corruption, a lack of skills, and an under-staffed customs department.

Maputo links encouraged

BO 20/3/95 (74) (218)
Ingrid Salgado

MPUMALANGA premier Mathews Phosa urged government and business yesterday to join hands in developing the Maputo corridor to create jobs, develop skills and create links between industries.

Speaking at an investor seminar on the Maputo corridor in Nelspruit, Phosa said the initiative was the first step in "dynamically developing" the regional economy with Mozambique and Swaziland, based on the principles of soft political borders and mutually beneficial regional co-operation.

The project was launched last year when Mpumalanga signed sister agreements with Mozambique's Gaza and Maputo provinces. Phosa said local government should be involved in promoting "spin-offs" of the initiative for local small business, whose contribution to economic development was sometimes neglected.

Phosa said the tourism industry and agricultural development in Mpumalanga, Gaza and Maputo provinces had the potential to contribute "enormously" to their

upliftment, if planned correctly.

A number of pilot projects in the agricultural sector were being investigated in Gaza.

Construction of the N4 road between Witbank and Komatipoort was well under way. The road would be extended to Maputo.

It was vital that roads and railway lines between Gauteng through Mpumalanga to Maputo harbour were optimally developed, he said.

Agreements signed with Gaza and Maputo would see public administration training in those provinces, including training Mozambique government officials in "business English".

He said border post control had been identified as a "problem area" and co-operation in this regard would continue.

Mpumalanga economic affairs and tourism MEC Jacob Mabena said the project would turn the province into Africa's "industrial development mecca". A provincial participation mechanism would be set up to facilitate further projects in line with the Maputo corridor initiative.

SA trade barriers must go'

(74) Soweran 22/3/96

By Peter Fabricius

WASHINGTON - A South African specialist at the International Monetary Fund (IMF) has advocated that South Africa accelerate the removal of trade barriers as the best way of reducing chronic unemployment and the clout of monopolies.

Mr Peter Doyle of the IMF's South African desk singled out protectionism, rather than strong labour unions, as the

chief cause of the relatively high wages for skilled labour in manufacturing which is believed to be discouraging greater investment and therefore holding down employment in South Africa.

He also said that a faster removal of trade barriers was also a better solution to the problem of monopoly control than either a competitions board or the removal of exchange controls.

He was speaking at a briefing on

the 1996 South African budget organised in Washington by the US-SA Business Council.

Doyle said one of the reasons for high skilled labour costs was the scarce supply of skilled labour and this would have to be addressed with greater education and training. But high trade barriers also allowed certain manufacturers to keep prices and wages artificially high. Removing the barriers would

expose them to greater competition which would bring down prices and wages. Doyle was dismissive of the South African Foundation's proposed solution of creating a two-tier labour market, with an unregulated labour market running parallel to the existing union-regulated market.

This proposal implied that unions were the cause of high wages. He said the labour market demanded "some-

thing more subtle - something between the wild west and over-regulation."

Doyle also advocated less protectionism as a solution to the problem of monopolistic control of industries by South African conglomerates which discourages foreign investment.

The monopolies had become "so cozy" because of lack of competition and a freer market would do far more than a competitions board to change that.

In sics unit gave evidence on DNA blood "I can confirm a match and say The Foreign Ministry said yesterday The funeral to the news

TerreBlanche dumps reconciliation strategy

Afrikaner Weerstandsbeweging leader Eugene TerreBlanche yesterday said he could no longer commit himself to promoting reconciliation because nearly two years of passive resistance against the Government had proved fruitless. "I am no longer prepared to act as a peacemaker while waiting for amnesty to be granted to our people," he told reporters in Pretoria before the burial of

murderer Lood van Schalkwyk, who had been ill for some time before dying last Saturday, was serving a 25-year sentence for two fatal bomb attacks in 1990. TerreBlanche accused the Government of using the Promotion of National Unity and Reconciliation Act to create crime by not granting indemnity to right-wing political prisoners. - Sapa

Star 23/3/96

Luanda dry after water system damaged

The Angolan capital Luanda ran out of piped water yesterday, forcing many of its 3 million people to queue for supplies ferried in by lorry. "The city is dry," said an engineer at the city's water company, Empresa Provincial de Agua de Luanda. "The situation is very serious. Luanda has no water, not even in its three reserve tanks, and I don't foresee that the problem will be resolved before next week." He said the city water system had been affected since Tuesday, when heavy rain damaged the main electricity line providing power to pump water from a water station north of Luanda. Trucks ferrying water from stations on the Bengo River stood in queues in the city's streets as women and children collected containers. - Reuters

Star 23/3/96

EU finalises trade offer to SA - still protectionist, but progress

Brussels - European Union ambassadors agreed yesterday on the details of a trade offer to South Africa, ending months of wrangling and dissension. Now EU chiefs are waiting with bated breath to see whether SA will agree to negotiate on the basis of the offer - which contains a strongly protectionist strain.

The trade strategy goes before EU foreign ministers in Brussels on Monday, when it is hoped it will be endorsed with-

out dispute. This will be the fourth meeting in a row at which the foreign ministers will have been asked to agree to relaunch negotiations - but the first at which there is hope they will be able to break the logjam.

The most controversial element of the proposal is the exclusion of 38% of South African agricultural exports from the terms of the proposed free trade area between the EU and SA. An earlier restricted list has

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been lengthened this month, mainly at French insistence. It now also includes oranges, fresh apples and pears during a longer season, tinned pears, tinned apricots, tinned peaches and grape juice.

There is also a separate list of products which are not currently exported in volume from SA to the EU - which will also be kept out of the free trade framework. These include beef, maize, sugar, spirits and dairy products.

South Africa will have to ask itself whether it is interested in a so-called free trade agreement, from which so much agricultural trade is excluded. However, EU officials sounded out their SA counterparts before the latest "hit list" of excluded agricultural products was agreed upon. EU commissioner for SA Joao de Deus Pinheiro is set to fly to SA in May to relaunch negotiations. His spokesman Joao Vale de Almeida said Pinheiro would meet Minister of Trade and Industry Trevor Manuel then in order to formally launch the new round. Abdul Minty, Deputy Director-General of the Department of Foreign Affairs, gave a cautious welcome to the news, warning that SA still has the option of refusing the EU trade offer once it has been formally presented. "We will have to see what space is left for our negotiators," he said. - Independent Foreign Service

39% of agricultural products excluded

EU trade list angers SA negotiators

(74)
BD 25/3/96

John Dlodlu

SA TRADE diplomats have reacted angrily to news that EU ambassadors have bowed to pressure from the protectionist EU farm lobby and backed plans for a trade deal which would be far less generous to SA than previous proposals.

It emerged on Friday that EU ambassadors had agreed to grant a mandate to negotiate an asymmetrical free trade accord with SA, excluding as much as 39% of SA's agricultural exports to the union from preferential access to the union's markets. There were no exclusions for industrial goods in the proposal, Brussels sources said.

The latest list — which is expected to be approved at today's monthly meeting of EU foreign ministers — is highly protectionist compared with an earlier proposal by the EU commission, which excluded only 25% of SA's agricultural exports.

Trade and industry department chief director for foreign trade relations Faizel Ismail said yesterday the SA team was deeply disappointed with the list. "Until we are convinced that there is something negotiable on the table, we may have to rethink the possibility of negotiating a trade agreement. Our initial impression was that there would be no exclusions."

It remains unclear which products

are included in the list, which was lengthened after vehement objections from protectionist lobbies, particularly in Bonn and Paris.

But it is understood the list includes products which are not traded much. If trade with SA in these products expands, it could give rise to a new set of negotiations.

Ismail said the SA team would assess the impact of the list as soon as it was made available to Pretoria. "What is clear, though, is that it looks bad."

Apart from the fact that the deal has to be acceptable to SA, it also has to comply with provisions of the World Trade Organisation (WTO) which stipulate that free trade accords should cover "substantially all trade" between contracting partners.

One Brussels source said although the list was too long, the ministers were expected allow the items on the list to be negotiable, depending on their importance to SA's economic development. The list could therefore be cut in formal negotiations, set to resume after EU ministerial approval.

Debra Percival reports from Brussels that a spokesman for the EU commissioner in charge of relations with SA, João Vale de Almeida, said if the mandate was rejected by Pretoria and the WTO, the commission "would not hesitate to submit other proposals to EU ministers".

EU backs mandate for SA trade deal

Debra Percival

BRUSSELS — EU foreign ministers last night approved a negotiating mandate for a free trade agreement with SA to evolve in the next 10 to 12 years.

However, as feared, the list of farm produce to be excluded from the deal amounted to 38,6% of SA's current exports to the EU, worth nearly R1,3bn.

There are three lists. The original 27 categories, ranging from cut flowers to apples, lemons, pears and fruit juice; a second group, demanded by France and Germany, which adds fresh oranges, according to the season, and includes melons, canned fruit and grape juice. The third covers items not exported to the EU at present, including beef, poultry, sugar maize, sorghum, butter, powdered skimmed milk and alcohol. These would be cut out of the agreement if exports were started in future.

A phased reduction of tariffs and duties is proposed for less sensitive

(74) 2026/3/96
agricultural products under the commission's plan for an asymmetrical accord under which EU markets would open up to imports faster than SA.

In return, the EU wants SA to reciprocate on an initial group of items, with the remaining reductions of duties to follow over 10 years.

The same step-by-step approach is proposed for trade in manufactured goods.

A clause in the mandate provides for possible liberalisation of "highly sensitive" products over an extended time frame of 12 years.

Not all manufacturers will be treated asymmetrically. Portugal wants parallel liberalisation by SA in the textile trade.

Britain and Sweden have expressed concern over the exclusion lists and the fact that the mandate might cut across the World Trade Organisation, forcing the commission to return to the draw-

Continued on Page 2

EU

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Continued from Page 1

ing board to revise it.

Spain is also sticking with its demand that a "satisfactory" opening of SA's waters to its fishing fleet should be in place by the time the free trade agreement is signed.

John Dlodlu reports Brussels sources said the commission — which would negotiate on behalf of the 15 EU states — reserved the right to bring any products back to the council to be taken out of the exclusion list during the course of negotiations.

Trade and industry department foreign trade relations chief director Faizel Ismail said Pretoria was very disappointed with the idea of the list of exclusions or products which would

still face high tariff barriers in EU markets.

He pointed out that the exclusions continued to discriminate against SA exporters in the EU markets. Almost 100 countries which were competing with SA, such as Israel, Tunisia and Morocco were exporting to the EU under highly preferential trade terms.

These preferences came via instruments such as the generalised scheme of preferences, association agreements and the Lomé convention.

"The moral question the EU has to answer is how this deal addresses the issue of discrimination".

However, the SA government would study the mandate, which would be presented to the SA mission formally this Friday, before announcing its formal position, acting head of SA's EU mission in Brussels Franki Verwey said.

Inquiry lashes SA trade in death

Star 26/3/96

(74)

Commission recommends complete
overhaul of weapons trading policy,
including parliamentary veto

By **NORMAN CHANDLER**
Defence Correspondent

The Cameron Commission has urged the Government to "completely overhaul" South Africa's armaments policies and the national arms industry, and has recommended that Parliament authorise all future arms exports.

The commission's second report on its inquiry into Armscor's arms deals, containing these far-reaching recommendations, has been accepted by the Cabinet, commission chairman Mr Justice Edwin Cameron told a media briefing yesterday.

The first report, published last year, dealt with illegal arms sales to Lebanon.

Most important among the commission's proposals are the parliamentary veto over arms deals, a transparent and accountable arms policy and a government white paper on the industry, as well as a ban on marketing and exporting for 20 years on manufacturers who defy arms trade restrictions plus a fine five times that of their export order. The salesman would go to jail.

The report suggests that Armscor's board of di-

of proposals for a new policy that the previous government and its agencies had shown "insufficient regard for the political stability, foreign posture and human rights records of (arms) recipient states. As a result, South Africa contributed through its arms sales to widespread loss of life, injury and destruction of property in many regions.

"This approach is entirely inconsistent with a responsible arms trade policy. It is untenable in the light of South Africa's new constitution, democratic dispensation, and international obligations and responsibilities."

Judge Cameron, who used the term "apartheid military complex" to describe in general terms the defence establishment and the defence industry under the previous government, said yesterday: "During the era of the apartheid government there was almost not a dirty scrap in the world where South African arms did not turn

up, including Yugoslavia, Yemen, Sudan, Rwanda and Lebanon. That was the product of total lack of transparency."

Armscor chairman Ron Haywood said last night the organisation welcomed the

**Arms policy
must adhere
to system of
checks and
balances**

release of the report, "which con-

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The report suggests that Armscor's board of directors be dismissed and that the organisation no longer perform its role as decision-maker on arms sales.

In addition, there had to be - in the interests of transparency and accountability - publication in and outside Parliament of what arms are sold to which country, the establishment of special border patrols on land and in the air to prevent arms dealers from exporting or importing weapons, more powers to customs and excise officials to conduct searches, and an end to South Africans taking part in mercenary activities.

The Defence Act, the Armscor Act as well as other pieces of legislation would have to be repealed or amended to fit in with the proposals.

Judge Cameron said: "No one in government deserves unqualified trust, and (the) arms policy has to be based on a sound system of checks and balances which will ensure that unauthorised transactions do not take place. It matters (to us) where South African arms land up."

The report says in justification

of proposals for a new policy that the previous government and its agencies had shown "insufficient regard for the political stability, foreign posture and human rights records of (arms) recipient states. As a result, South Africa contributed through its arms sales to widespread loss of life, injury and destruction of property in many regions.

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up, including Yugoslavia, Yemen, Sudan, Rwanda and Lebanon. That was the product of total lack of transparency."

Armscor chairman Ron Haywood said last night the organisation welcomed the

release of the report, "which confirms that Armscor's process of transformation is aligned with the recommendations made by the commission".

He added that a new board had already been appointed by Defence Minister Joe Modise. In addition, Armscor had authorised the closing down of all front companies and the last of the 130 companies operative before the lifting of the international arms embargo on South Africa was currently being closed.

He admitted that last year's report had "highlighted certain weaknesses in the stock sales division ...". New procedures had been instituted throughout the organisation "and all managers against whom the Cameron Commission made adverse findings in their first report had resigned or retired".

The commission also recommended a code of conduct to "avoid arms transfers likely to increase regional tension and instability; contravene arms embargoes; or be used for internal

Arms policy must adhere to system of checks and balances

Inquiry lashes SA trade in arms

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From Page 1

repression or international terrorism; undermine the recipient state's economy; prolong or aggravate an existing armed conflict; and undermine South Africa's security, strategic capabilities or foreign interests".

Countries would be classified into three categories - legitimate recipients of local arms, those prohibited from South African arms, and border-line cases which would receive rigorous evaluation. The commission did not list the countries in any of the three categories.

"It may now be appropriate to restructure the local defence industry, retaining only those areas in which self-reliance is of critical importance during armed conflict. These include electronics, communications, ammunition, the provision of spares, and the capability to maintain and upgrade existing equipment," the report says.

Star 26/3/96

Pretoria handles EU's trade offer with kid gloves

74
BY DALE LAUTENBACH
Foreign Editor

An invitation from the European Commission to South Africa to accept a trade negotiation mandate is being treated with kid gloves in Pretoria.

The Department of Trade and Industry has expressed anger at earlier signals that the negotiating mandate significantly narrowed the field and imposed a 38% exclusion of agricultural products from the deal.

The fact that Brussels now wants to raise the curtain on the mandate at an official occasion, probably with some ceremony and congratulations, puts Pretoria in an awkward position.

Diplomatically, the departments of foreign affairs and of trade and industry must fear that travelling to Brussels will signal a

readiness to swallow the European pill, no matter what is in it.

The mandate - over which Europe has haggled for months - was agreed on late last week and rubber-stamped last night.

John Fraser reports from Brussels that EU foreign ministers decided to relaunch trade negotiations in the hope that SA would still be interested in a deal.

It was fourth time lucky for the 15 ministers who have dithered over the matter since they first discussed a draft negotiating mandate in December.

"I am very happy we have taken this decision at last," said Belgian Foreign Minister Erik Derycke.

The EU offer includes a list of SA farm exports, amounting to 38% of the total, which will be automatically excluded from the benefits of free trade.

EU gives nod to free trade deal with SA

(74)
CT 26/3/96

BRUSSELS: European Union members' foreign ministers are ready for a free trade deal with South Africa, as long as such liberalisation does not affect EU farmers, according to the negotiating mandate given to the European Commission yesterday.

French minister Mr Herve de Charette said: "This is a satisfactory result for the union, which approved a mandate quickly that is satisfactory to South Africa, with which negotiations can start without delay".

The ministers gave the commission a minimum list of agricultural products that must be excluded from the future free trade arrangement.

Germany, France, and Spain, in particular, won exclusion of apples, pears, some fruit preserves, oranges, grape juice and some wines. Those items account for around 38,63 % of present trade between the EU and South Africa, De Charette said.

A second list of exclusions was drawn up for some other agricultural products not yet traded between the two sides but which may be traded some time in the future, such as sugar, corn, beef and certain dairy products. — Sapa-AFP

Optimism exists over EU deal — Mbeki

BD 27/3/96

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John Dlodlu

SA WAS unhappy about the recent EU trade negotiating mandate, but the country was optimistic a more generous deal would result from the formal negotiations,

Deputy President Thabo Mbeki said yesterday.

Mbeki was reacting to Monday's approval of a mandate by EU ministers to negotiate a free trade accord with SA.

But this would cut off 38,6% of SA's agricultur-

al exports to the union.

In an interview, he said he did not want to entertain the pessimism that greeted the long-awaited news in SA. The approval of the mandate, he said, was only the opening position of the EU, not the final accord.

The country should brace itself for "hard negotiations" to secure better market access for its products. He said it had little room to manoeuvre in crafting a mandate which would be compatible with World Trade Organisation rules on free trade accords.

Implications of the final accord went far beyond SA's borders, and he felt the good relations that existed between the Southern African Devel-

opment Community and the EU would influence the outcome of the deal.

Mbeki downplayed claims that the mandate, which was seen in some quarters as a victory for farm protectionists, did not reflect the dying down of EU political commitment to SA.

However, ANC MP Rob Davies — who sits on both the finance and trade parliamentary committee — said although approval of the mandate was a victory, a tough fight lay ahead in the formal talks.

From the mandate, though, it seemed the asymmetrical part only applied to the timetable of phasing in the accord, and not its content.

He said the EU was

dealing with SA as if it was dealing with an EU member country.

EU ambassador to SA Erwan Fouéré warned against what he termed obsession with the lists of exclusions, which only affected 4% of SA's exports to the EU.

"Potentially, we are talking about a free trade accord that covers 96% of total trade. It is an all-embracing deal."

Claims that the mandate was losing its asymmetrical features were "a partial judgment".

The mandate would be officially presented to the SA mission in Brussels on Friday, João Vale de Almeida, spokesman for the commissioner in charge of relations with SA, said last night.

Irish president to aid SA in EU trade talks

By **PATRICK BULGER**
Political Correspondent

GUY TILLIM / AP

Cape Town - Irish President Mary Robinson, addressing a joint sitting of Parliament yesterday, undertook to help South Africa's delicate trade talks with the European Union.

Robinson, who spoke after meetings with President Nelson Mandela, Deputy President F W de Klerk and Inkatha Freedom Party leader Mangosuthu Buthezi, was emotional in evoking the strong historic bonds between South Africa and Ireland.

She said Ireland had a "history and sense of identity closer in many ways to the African than to the European experience".

She went beyond symbolism to say she hoped that Ireland's six-month presidency of the European Union beginning in June "will enable us to assist in highlighting the importance of reaching agreement on better access by South Africa to the wider European market".

A feature of Robinson's visit to Parliament was her introduction by her former lecturer at Trinity College, Water Affairs and Forestry Minister Kader Asmal.

Robinson called for a "partnership of the new South Africa and the modern Ireland actively engaged in the promotion of human



Moral allies ... Irish President Mary Robinson talks to Nelson Mandela after addressing Parliament yesterday

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rights and fairer economic and social development".

Robinson last night attended a state banquet hosted by Mandela, who paid tribute to the people of Ireland and to the Irish Anti-Apartheid Movement.

"We will not forget that Ireland steadfastly refused to have diplomatic relations with South Africa until the dawn of the Government of National Unity.

"We do know that the people of Ireland have cherished our freedom because they have also known what it is to be oppressed. They too have known racism and discrimination."

He said South Africa's trade with Ireland had trebled since 1992 and he was confident that "we can rely on Ireland's support in the EU when Ireland assumes the presidency".

Customs fraud 'may be costing SA billions'

ARLT 28/3/96 (74)

CLIVE SAWYER
Political Correspondent

FRAUD and corruption in customs and excise operations could be costing South Africa about R13,5 billion a year, parliament was told.

Speaking in the first reading debate on the Budget, Democratic Party leader Tony Leon told the national assembly: "The department of customs and excise is in an advanced state of decay, collapse and corruption."

Smuggled textiles and clothing into the country equalled about 30 percent of legitimately cleared textile imports, he said.

"Extrapolate this figure across all other import sectors and we find that, while revenue for customs and excise in this year's budget is estimated at R45 billion, we could arrive at a situation where R13,5

billion of this is simply not collected because of the collapse of the system and wholesale fraud and corruption."

Mr Leon said he doubted that the newly-revamped South African Revenue Services, which would be tied to the apron strings of the Public Service Commission, would be able to take the radical action needed to solve the crisis.

He said the DP supported the creation of free ports and economic processing zones, but that these were not yet the law. It was the government's responsibility to see that the law was enforced, he added.

Durban was in effect a free port because of the collapse of the system, he said, which was to the detriment of the economy.

Mr Leon cited examples of how criminals were beating the system:

● Goods leaving Pakistan were over-valued to take advantage of export incen-

tives there. They were then re-invoiced in Dubai at a much lower value to reduce the duty and value-added tax payable on imports into South Africa.

"The transaction price shortfall leaves South Africa via Johannesburg airport in US dollars in a suitcase and is deposited in the London branch of the Bank of Habib to complete the financial loop," Mr Leon said.

● There was fraud in re-importation of goods through Malawi, with false claims being made about value added to the goods to make them duty-free.

● Containers could enter South Africa unchecked for a bribe of R20 000 for a 20-foot container or R40 000 for a 40-foot container.

● Containers passed through Durban harbour at a rate of two a minute, with some flagged for inspection by customs "mysteriously" going through the gates unchecked.

MP in Lomé speed-up call

John Dlodlu

ANC MP Rob Davies has called for measures to be adopted speedily to pave the way for SA's accession to the Lomé Convention — the trade and aid accord between the EU and 70 African, Caribbean and Pacific nations.

Davies, who sits on both the parliamentary finance and trade portfolio committees, made the call this week after the approval by EU ministers of a mandate empowering the commission to begin talks with SA on a comprehensive co-operation agreement, including a free trade accord and SA's partial accession to the Lomé Convention.

Davies was concerned the late start of formal negotiations between Brussels and Pretoria could delay SA's qualified accession to the convention, scheduled for early next year.

In terms of the EU's proposals, SA's benefits in the convention will include its participation in political dialogue, but most crucially will allow SA firms to take part in regional projects and give limited participation in trade benefits.

29/3/96
FREE TRADE AGREEMENT
(74) FM 29/4/96
DANGEROUS LIAISONS?

At last, negotiations for a free trade agreement between SA and the European Union (EU) can begin. That is if the South Africans are interested in the deal.

The case has been on the agenda of the EU Council of Ministers for four months, and on Monday it eventually mandated the European Commission to open nego-

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tations with Pretoria. "This decision will enable SA to become one of the EU's preferential partners, and confirms our support for political transition and economic reconstruction in SA," says European commissioner in charge of relations with Africa João de Deus Pinheiro.

But he cautions that he will refer the matter back to the council if the offer proves to be either incompatible with World Trade Organisation rules or unacceptable to SA. The reason for the latter could be because of the weight of SA's agricultural imports to be excluded from the agreement.

Indeed, the South Africans can be disappointed. The EU is to exclude as much as 38,6% of its current agricultural imports from SA, worth R1,3bn. But it has been whittled down from two weeks ago, when the sum of all the goods that the 15 EU member states wanted to see excluded reached 48%.

The exclusion list includes fresh and canned fruit — with some variations according to the seasons. It also makes provision for a range of products that SA is not (yet) exporting to Europe, such as beef, poultry, sugar, maize, powdered milk and butter.

The EU countries have been under constant pressure from their respective agricultural lobbies, which fear SA competition — despite the inversion of the seasons and the fact that only 1,51% of the EU's total agricultural imports come from SA. French reticence, discreetly supported by Germany, has been the main cause of the delays. But a group of Mediterranean countries — Spain, Portugal, Italy and Greece — also wanted to

add their own range of goods to the exclusion list. No nonagricultural products will be excluded from the agreement.

According to Pinheiro's spokesman, João Vale de Almeida, the free trade agreement could come into force "in the first months of next year."

Negotiations will start immediately at a technical level, and at a political level in May, when Pinheiro comes to SA. The latest negotiations should be concluded in September. In terms of the mandate, the EU will open its markets faster than SA, over a period of 12 years.

SA is still assessing the offer and an official reaction is only expected at the weekend. So far, Pretoria has been able only to witness the intra-European debate without being entitled to its say.

To those who think SA should be incensed to have so many products excluded from the outset, some say that SA has nothing to lose, since the proposal of a free trade agreement comes from the European side.

Furthermore, the farm goods on the "red list" represent less than 4% of SA's trade with the EU. And 80% is already zero tariff rated. If this is the case why all the fuss? Trade diplomats point to the power wielded by the agricultural lobbies — especially the French and German. Those countries' heavily-subsidised agricultural sectors make it clear their markets are not to be trifled with.

But in the unlikely event that all parties decide to agree on the latest conditions, SA negotiators still face a tough task. The internal debate which troubled the EU in past months proves that SA should not expect Brussels to be overly generous on

the nonexcluded goods. Again, this approach smacks of the nonnegotiable aura surrounding the whole debacle. ■

BUSINESS

S Africa to consider Europe's trade plan

Excluded products and import barriers are key issues

Business Editor

SOUTH African negotiators will begin studying the European Union's proposals for a free trade agreement this week.

After a series of delays, the European Union's council of ministers gave a mandate last Monday to the European Commission to negotiate a trade agreement with South Africa.

Negotiators in the department of trade and industry (DTI) would not comment on the contents of the mandate, due to be handed over formally in Brussels to South African ambassador to Rome Korshed Ginwala.

The presidency of the European

Union is currently in Italian hands.

Key issues in the discussions are likely to be products excluded from the free trade agreement and the timetable for dismantling import barriers.

A statement by the European commissioner in charge of relations with African countries, Joao de Deus Pinheiro, says the proposals exclude 39 per cent of South Africa's agricultural exports to the EU from the free trade agreement.

But, he said, this amounted to only four per cent of the EU's imports from South Africa.

The DTI's Wilhelm Smalberger, a member of the negotiating team, said: "It would be premature to comment at this

stage before we have done an impact analysis of the EU's proposals."

The DTI would discuss the mandate with other government departments including foreign affairs, agriculture and finance.

"At the same time we are in the process of finalising our own mandate, irrespective of the EU proposals," he said, referring to the consultative process with business and labour in the National Economic Development and Labour Council (Nedlac).

South Africa's negotiating stance would have to take into account not only the national interest but also the interests of other members of the Southern African Customs Union.

FILED 30/3/96

(744)

'Lions and Tigers' - SA and South-East Asia forge trade links

ARC 30/3/96

(74)

■ Indonesian Foreign Minister Ali Alatas has met South African leaders this week, writes **MICHAEL MORRIS**, Staff Reporter

SOUTHERN Africa and South-East Asia could join forces in a powerful south-south trade and economic axis to match, or challenge, the developed north and strengthen the position of developing nations in the global economy.

This is the view of Indonesian Foreign Minister Ali Alatas, a view he has been putting in talks with government ministers and the business community in Cape Town this week. He speaks with confidence of an alliance between the "Asian tigers and the African lions" - between the seven-nation Association of South-East Asian Nations (Asean) and the 12-member Southern African Development Community (SADC). "There is enormous potential for regional cooperation."

"SADC - which is now more of an economic than a political grouping - and Asean - Indonesia, Vietnam, Malaysia, Philippines, Singapore, Brunei and Thailand, representing 400 million people - could join forces as a huge purchasing and trading power," he told **SATURDAY ARGUS**.

Such a south-south link between developing nations would also strengthen the hand of developing nations in resisting "imposed" First World standards set by the developed north.

Mr Alatas said: "It is obvious that trade and economic cooperation between South Africa and Indonesia are still far below the acknowledged potential on both sides."

He highlighted Indonesia's expertise in oil and gas, and South Africa's skill and experience in mining as two areas in which mutual cooperation could benefit both countries. While there was a "conviction" in both countries that economic ties

ought to be expanded and developed, "this is not moving as fast as it could", and during this visit he aimed to "push for this enhancement".

He has had talks with Foreign Minister Alfred Nzo, Trade and Industry Minister Trevor Manuel (hours before he was made Finance Minister) and Deputy President Thabo Mbeki. He has also had discussions with the Cape Town Chamber of Commerce and Industry.

"We have agreed to do two things: to accelerate the establishment of certain legal foundations between the two governments in terms of which business people will feel more attracted to interact with each other, and to encourage our respective entrepreneurs to visit each other, to get to know each other better," he said.

The legal foundations are an "umbrella agreement" on technological co-operation, an agreement on protecting and promoting foreign investment and another on protection against double taxation. "I raised these points. Drafts have been exchanged and we hope to agree on a series of discussions to refine these. In our experience, once you have these three basic things in place, business people feel more at ease. These are now in the pipeline."

Politically, the controversy over claims of Indonesian excesses in its administration of East Timor could be a stumbling block in extending diplomatic relations to broader economic or regional co-operation. The South African government has already come under fire in parliament for opening diplomatic relations with Indonesia at a time when the East Timor question remains unresolved.

The next - eighth - round of United Nations-sponsored talks on the future of East Timor between Indonesia and Portugal is due in Geneva in June. Indonesia insists its role in the former Portuguese colony is "one of contributing to the process of decolonisation". But as long as the issue remains unresolved, it is likely to be an impediment to co-operative schemes.



☐ **TRADE LINKS:** Meeting Thabo Mbeki this week was Indonesian Foreign Minister Ali Alatas (left)

CHOOSING A CHINA

DURING JULY and August 1995 China conducted live missile tests some 120 km off the coast of Taiwan. The People's Liberation Army fired volleys of surface-to-surface anti-ship and ballistic missiles. Why?

Because Beijing was miffed at the United States for having allowed Republic of China on Taiwan President Lee Tung-hui to pay a private visit to his alma mater!

Now China is engaged in more sabre-rattling military drills. Last week it began a massive show of military strength. These "exercises" were scheduled to run till the presidential elections in Taiwan came to an end yesterday.

The Beijing regime in its delusions seems to believe that Taiwan belongs to communist China. So, to demonstrate that point, this time around the missile tests were conducted much closer to Taiwan's schools, homes, factories and farms.

Those of us who had naively been arguing that because South Africa, having entered a new era of pacifist democratic relations in international affairs, would henceforth rule the roost, have just learnt a nasty lesson in world politics.

And maybe the SANDF should disabuse itself of any romantic notions of a massive scaled-down in the acquisition of armaments. Diminishing South Africa's military capability would be premature at this stage. China's flexing of military muscle - not only in the Taiwan Straits but also in the South China Sea - is yet another rude reminder that our planet is still full of menacing rogues.

In the Florida Straits a capitalist giant, the United States, seeks to strangle a tiny communist island, Cuba, not only by diplomatic and economic isolation, but also by military blockades.

In the Taiwan Straits a communist capitalist and democratic island, Taiwan, not only by diplomatic quarantine but also by military threats, all in the name of hegemony.

But the similarities end there - other than that both democratic America and non-democratic China are nuclear powers with veto capability at the UN.

There is a graver international threat in the Taiwan Straits than in the Florida Straits. The Chinese military exercises are not an isolated sign of China's dangerous militarism. In 1995 Beijing also intensified the projection of its military power in the South China Sea - reasserting claims

IN A BLOW to the Republic of China on Taiwan that fell just days before its presidential elections, South Africa this week signalled its intent to open diplomatic relations with the People's Republic of China.

Foreign Minister Alfred Nzo made the announcement at the end of a 48-hour trip to Beijing - the first by a South African foreign minister.

THEMBA SONO, visiting professor at the University of the Witwatersrand and author of several studies on East Asia including a recent book on Taiwan-South Africa ties, writes on the question of the two Chinas and their relationship with Pretoria.

to areas disputed by many South East Asian nations. Typically bullish, Beijing aggressively constructed a naval facility on the appropriately named Mischief Reef in the Spratley Islands, inside the Philippines' 200 nautical mile exclusive economic zone.



DIPLOMATIC OVERTURES... After breaking the ice with the first visit to Beijing by a South African foreign minister, Alfred Nzo (left) announced this week that South Africa intended establishing diplomatic ties with the People's Republic of China. His statement came as tension between Red China and Taiwan reached a peak.

Given that the Beijing politburo is the only post-war regime in Asia to have militarily dabbled no less than six times with her neighbours (South Korea, Taiwan, India, Soviet Union and Vietnam), current military provocations against Taiwan are clear signs of the expansionism of the communist mandarin.

Firstly, China is now a nuclear power - and is suspected of being less than scrupulous in her nuclear dealings with some Asian and Middle East countries. For instance, India is not convinced that China's hand is not also stirring the nuclear stew that Pakistan is reportedly cooking. Secondly, military exercises may well

ings with some Asian and Middle East countries. For instance, India is not convinced that China's hand is not also stirring the nuclear stew that Pakistan is reportedly cooking. Secondly, military exercises may well

Should South Africa turn its back on Taiwan?
(74) CP 31/3/96

have woken up South Korea and Japan from their pacifist slumber. Could this make Japan, for one, rethink her immediate and long term defence requirements?

Would the militarists in Japan remain content with the military umbrella of the US while Beijing recklessly displays her military might and projects armed belligerence? Any student of Asian history knows the lessons Imperial Japan dished out to her neighbours, including China and Russia, between 1895 and 1945. Is Beijing not encouraging Japan to junk its pacifist stance and revert to her old militarist ways?

What about South Korea? The Korean peninsula at the moment teems with the might of American armed forces. South Korea might well encourage the American-Korean hawks to beef up the armed forces in the area - and so inflame that emigmatic regime in Pyongyang.

The Korean War in 1950 - in which the North Korean regime was joined by communist China - was a brutal reminder of the untenability and unpredictability of the East Asian theatre.

Currently, two formidable US naval battle groups are playing the waiters near Taiwan. Both the USS Nimitz and USS Independence battle groups are near the tense zone. Could the 7th Fleet be far behind?

Still, East Asian countries are not convinced of continued and unshakable protection by the United States. So they are beefing up their military budgets. The Mischief Reef incident has convinced them that even though the US-Philippines defence treaties are still operational, they could not prevent the dictatorship of the Proletariat in Beijing from assaulting it - and that arming oneself is better than praying for good things to come.

Communist China's expansionism should be a timely reminder to those paladins of the "pacifism" and "rea-



WISE APPROACH ... President Nelson Mandela knows how to handle the China question.

"sonableness" of the dictators of Beijing that China is an international menace. But more importantly for South Africans, it is an appropriate reminder of President Mandela's wise diplomacy on the China question - keep diplomatic ties with Taiwan and seek to mollify China somehow.

Seeing that South Africa is Taiwan's largest diplomatic partner, if South Africa were to cut its ties with Taiwan before the two Chinas have resolved their problem, Beijing would interpret South Africa's move as a signal that the Stalinists along the Yellow River could have Taiwan's democracy for dinner.

So, Madiba, do not become a participant in Beijing's warmongering hegemonism. Stay the course - it is just, right and noble.

R12bn lost to smugglers

ST(BT) 31/3/96 (74)

By DON ROBERTSON

MORE than R12-billion a year is escaping government coffers because of rampant smuggling and the virtual collapse of the Department of Customs and Excise.

Motor manufacturers and distributors, and the tyre, clothing and textiles industries are among those who have slammed the lack of control at the country's ports of entry.

Ben van Rensburg, chief economist at the SA Chamber of Business, says an enormous infrastructure is operating in the "grey" import market.

"They pay no import duties, personal tax or service charges. We can not allow this to continue."

A joint business initiative, in which Sacob is involved, has been set up to train 150 qualified people to staff ports of entry. The business initiative is liaising closely with Customs and Excise which has agreed to increase

staff numbers by about 600 in the next few months.

In spite of these efforts, all customs departments, with the exception of Cape Town, are understaffed. Lack of proper training and equipment are other problems facing the department, while present customs and excise legislation has been in place since 1912 and is outdated, says Mr van Rensburg.

"Fear of being apprehended for smuggling acted as a deterrent in the past, but now there is no fear because of the total lack of proper administration," he says.

The tyre industry says illegally imported tyres worth about R320-million entered the market last year, equivalent to production from two local factories or employment for

about 1 500 people.

Gavin Hardy, chairman of Fedstone, the holding company of Firestone SA, says there are about 100 different tyres on the market. A total of 52 brands of imported passenger tyre came in during the past 12 months. It is estimated that tyre imports exceed permits by about 40%.

Michael Hankinson, president of the Textile Federation, says that although no figures are available, it is estimated that between 30% and 40% of all imports are entering the country illegally.

Paul Theron, chief economist at the Clothing Federation, says it is estimated that about 50-million garments worth more than R350-million were smuggled into South Africa last year, costing between R200- and R250-million in lost import duties. This represents 40%-50% of all clothing imports.

Nzo calls for new bridges over South Atlantic

ARG 1/4/96

(74)

~~SOA/ZA~~

CLIVE SAWYER
Political Correspondent

FOREIGN Minister Alfred Nzo has urged further links between South Atlantic countries, the Indian Ocean Rim, and the Southern African Development Community.

He was speaking at the opening of the fourth meeting of the Zone of Peace and Co-operation

of the South Atlantic, an association of 24 countries that is dedicated to building trade, promoting peace and protecting the environment.

The meeting, being held in Somerset West, is the first to be hosted by South Africa.

Countries are represented by their foreign ministers.

Mr Nzo said the zone's objectives had grown since it was

founded during the Cold War era to establish the South Atlantic as a military-free and nuclear-free area.

He said the theme of the conference was "bridging the South Atlantic".

"We should try to agree on ways to encourage trade in the region and bridge the waters that have too long kept South America and Africa apart."

Nzo moots an association of South Atlantic rim countries

Linda Ensor

74 (27914) BD 2/4/96
CAPE TOWN — The possibility of a broad association of Latin American, African and Indian Ocean nations being created to enhance the region's power in international forums was raised yesterday by Foreign Minister Alfred Nzo.

Nzo opened a conference in Somerset West of about 120 foreign ministers or representatives from 24 South Atlantic rim countries belonging to the South Atlantic Peace and Co-operation Zone.

The fourth meeting of the grouping was held to discuss ways of strengthening political and economic cooperation between countries on the eastern South American continent like Brazil, Uruguay and Argentina, and from West Africa — such as Nigeria, Ghana, Namibia and Angola.

Apart from management of marine resources, the possibility of SA, the current chairman, hosting

a zone conference on drug trafficking was discussed. Deputy Foreign Affairs Minister Aziz Pahad noted SA had become the main base for international drug syndicates. An estimated 100 syndicates were operating in SA.

Nzo pointed to the increasingly important role of regional and subregional integration in improving the international competitiveness of national economies, and the grouping constituted "an important forum for members to bargain with the relevant international economic institutions.

"In this respect, a future linkage between member states of (the group), of the Indian Ocean Rim countries, SADC, Mercosur (a Latin American regional economic grouping) and others should be developed and reinforced."

Nearly 500-million people lived in the region, which offered scope for co-operation in tourism, telecommunications, transport and the fight against drug trafficking,

Nzo said.

Pahad stressed the group's importance in challenging the concept of "African fatigue" and ensuring that Africa did not continue to get poorer. He urged zone governments to create a trade and investment-friendly environment.

"Our zone must be another important building bloc to effectively achieve our wider vision of South-South co-operation for the mutual benefit of all our countries," Pahad said.

Brazil set up the grouping in 1986, in the Cold War era, to mobilise South Atlantic rim countries to endorse the idea of a military-free and nuclear-free ocean.

This was later expanded to include political, economic and cultural links. SA joined the association in 1994.

Next week African nations meet in Cairo to sign the Africa Nuclear Weapons-Free Zone Treaty, also known as the Pelindaba Treaty.

US berates SA for slow opening of markets to foreign

Simon Barber

THE US ran a \$541m trade surplus with SA last year, but the US Trade Representative office remains unhappy with the degree to which SA is opening markets to foreign competition despite its liberalisation commitments to the World Trade Organisation.

Complaints in the representative's latest annual review of foreign trade barriers, released on Monday, include "consistent misappropriation of internationally known US trademarks",

software piracy, and a "lack of transparency" in government's tendering process and in classifying imports for customs purposes.

While the representative is pleased that SA has scrapped all import surcharges, it believes too many "previously privileged industrial sectors" are continuing to receive protection in the form of import permit requirements.

Although government is committed to simplifying and reducing tariffs, progress to date has been mixed, with hikes of up to 180% on certain steel

products, and with the combination of previously distinct tariff lines leading to increases for washing machines, soda ash, cosmetics and paper products.

The representative notes that local makers of telephone equipment have petitioned the Board of Tariffs and Trade for an increase in duties on imports to SA's maximum bound rate under the General Agreement on Tariffs and Trade. "The move clearly violates the spirit" of the WTO.

"It is likely that we will see additional efforts such as these from do-

mestic suppliers, who, fearing a 'flood' of foreign equipment into previously protected markets as a result of SA's WTO commitments, move to protect their markets to the full extent permitted under international accord."

The Customs and Excise Administration is criticised for unfairly classifying certain imports into higher tariff categories.

One case cited involved Speed Queen washing machines, whose importer, Lead Laundry Equipment, was hit with 30% ad valorem duties on ma-

Competition

Continued from Page

requirements", requiring successful bidders to offer a compensatory development package to "offset" the purchase price. The practice of letting several competing, ministries vet deals has led to charges of "a lack of transparency".

Boeing, after receiving an order for 10 aircraft worth more than \$1bn last year, "was left in a state of confusion when the tender and offset were suddenly re-examined by the public enterprises ministry and trade and industry department. More unsettling were trade and industry's attempts to gain further offset contributions from Boeing, and the rumours of last minute lobbying by Airbus Industries ... after the tender was reportedly closed ... Boeing reportedly felt compelled to make modest revisions of its offset package in response to pressure from

trade and industry."

SA remains on the representative's "watch list" of countries that deny adequate protection for intellectual property because of "persistent complaints from business ... concerning the international misappropriation by South Africans of internationally recognised trademarks." Although SA has a "comprehensive legal framework" to protect intellectual property, "to date, those US firms seeking redress through the SA legal system have not fared well". However, the representative is satisfied that government has "committed to a review of its legislation".

The Business Software Alliance, a global body monitoring software piracy in 50 countries, has told the representative that up to 70% of software used in SA has not been paid for, resulting in a loss of more than \$56m in revenue to computer firms. That said, government co-operation with BSA has resulted in 14 SA companies and organisations paying damages.

Competition

chines that under technical standards applied elsewhere in the world should have qualified for zero duty.

Local importers of US seasoned poultry were also hit with far higher-than-expected duties because of "inexplicable" delays in implementing an order reclassifying the product into a lower category. This case has been taken up by the US-SA Binational Commission. The representative notes that government tenders include "offset re-

Continued on Page 2

US slams pressure to link trade to the RDP

Peter Fabricius
The Argus Foreign Service

WASHINGTON -- The US government has voiced concerns that the South African government is insisting that US companies which sell it goods should also contribute to the Reconstruction and Development Programme.

In its annual report on "significant foreign trade barriers" to US business, published yesterday, the US Trade Representative (USTR) said US companies had recently complained of a "lack of transparency" in the South African government's tender process.

This was caused by the South African government vetting large tenders through several ministries which provided contradictory valuations of the worth of a tender and the required an "offset" package, the report said.

Many government tenders now included such an offset requirement - "a compensatory package which 'offsets' the government purchase with the promise of a development package funded by the recipient company," the USTR said.

"Successful offset packages include worker training provisions and infrastructural development which are defined by and directly related to the GNU's Reconstruction and Development Programme.

"Most recently, Boeing Aircraft, awarded a contract worth over a billion dollars (R4bn) to supply 10 airframes, was left in a state of confusion when the tender and offset were suddenly re-examined by the South African Ministry of Public Enterprises and the Department of Trade and Industry (DTI).

"Perhaps more unsettling were DTI's attempts to gain further offset contributions from Boeing and the rumours of last-minute lobbying by Airbus Industries, Boeing's competitor for the contract, after the tender was reportedly closed.

"Although the entire contract was formally signed with Boeing nearly two weeks after the originally designated January 19 date, Boeing reportedly felt compelled to make modest revisions of its offset package in response to pressure from DTI."

The report said the US trade surplus with South Africa was \$541 million in 1995, \$398 million greater than in 1994. US exports rose \$579 million or 26 percent, to \$2,8 billion.

US imports from SA were \$2,2 billion in 1995, 8,8 percent greater than in 1994.

Keeping Unctad relevant in 21st century

By DALE LAUTENBACH
Foreign Editor

Towards the end of this month, representatives of 187 countries will converge on Midrand for the ninth United Nations Conference on Trade and Development - Unctad IX.

Held every four years, the last one on Colombia's northern shores produced the "spirit of Cartagena". Thinkers in the South African Department of Trade and Industry see the conference here inspiring the UN body with the "soul of South Africa".

It probably needs it and indeed, expectations are high that something of the South African special case may rub off and infuse Unctad with new breath as it faces the cutting light of the end of the millennium in which its usefulness is up for question.

It will be hard to package Unctad IX as an accessible event. Unlike big UN conferences on the environment (Rio), population (Cairo) and women (Beijing), details of trade and development have little attraction for the average citizen.

However, South Africa will hold the presidency of Unctad for the next four years which, until just last week, was the certain responsibility of Trade and Industry Minister Trevor Manuel. With his elevation to Finance Minister, the question of the Unctad presidency is suddenly up for grabs less than a month away from the conference. According to Manuel's office, the issue remains unresolved.

However, members of his department are deeply involved in preparation for the event and Xavier Carim, deputy director, helped explore the history and meaning of Unctad.

The body, which has a Geneva-based secretariat and Trade and Development Board executive which meets two to three times a year, was founded in 1964

by a resolution of the General Assembly of the UN. The idea was that developing countries should have a forum in which to address trade problems in a context that was mindful of development issues too.

The industrialised West had Gatt into which the developing countries could move but it was a club where the rules had already been largely written. By the '60s, developing countries had reached a critical mass in the General Assembly and with the solidarity of numbers their Unctad was born to call for what, by the mid-'70s and the oil crisis, was articulated as the New International Economic Order, so formalised an idea that it is capitalised and makes its own acronym NIEO.

The search for a new order drew the North-South lines in the sand and at the heart of it were demands for greater equity, a transfer of resources from industrialised to developing countries and a recognition of interdependence in the spirit of cooperation.

But what had seemed possible in the '70s with the new-found strength in numbers of the G77, the negotiating coalition for the developing world, crashed into the global economic downturn which followed, into the structural problems which bit deeply into the economies of developing countries and the conservatism in the West moving into the era of Thatcher and Reagan.

The usefulness of Unctad (and other UN bodies) was questioned by developed countries and with the growth of a neo-liberal economic philosophy in the West, the Bretton Woods institutions became the premier instruments to address some of the questions that Unctad might

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have - or should have. Instead of a New International Economic Order, developing countries faced a different medicine, that of the Structural Adjustment Programme.

To simplify grossly, by the time Unctad XIII got underway in Cartagena in 1992, the unworkable hostility and inequity between North and South had to give way to something rather more sophisticated and the "spirit of Cartagena" was born.

A "cuddly term", says Carim, which has yet to find its articulation in practice but in essence pitches North and South together in the notion of partnership and shared responsibility.

SA, as host, must help push ideas into realms of 'do-able'

Crucial though is the notion that developing countries are first and foremost responsible for their own development.

"In that sense this conference is very important: how to flesh out that thinking; how to implement it," says

Carim.

But with a conference only every four years, it does seem that Unctad is vulnerable to the trap of ever defining itself rather than getting down to work. It is intellectually fascinating to grapple with the idea of the time and on this occasion the buzzword is obviously "globalisation".

The present secretary-general Rubens Ricupero is expansive of the theme in his report to the conference: "The backdrop to the effort to define the work of Unctad on the threshold of the next millennium is nothing less than the profound historic movement that is at last giving substance to a vision which began with the European age of maritime exploration five centuries ago, but which the Phoenicians, Vikings, Chinese and other great trading

people also dreamed of: the unification of markets and of economic space on a planetary dimension."

Happily Ricupero does not remain quite so gung-ho about globalisation and recognises its paradoxical trends towards integration and marginalisation. Thus the theme of Unctad IX is "promoting growth and sustainable development in a globalising and liberalising world economy".

Dialogue will address development strategies in an increasingly interdependent world and will look at probably a key issue, that of trade as an instrument for development in the post-Uruguay Round world.

If there is a spirit on the waters from which Unctad IX will derive its logic, it is one of integration as countries in the G77 and the developed world make the links between trade, development and finance, between governments and civil society and between the private sector and public funding.

This is not to say that Unctad IX will not become just another fascinating talk shop: not everyone, quite rightly, thinks globalisation is a good or inevitable thing and the claimed "irreversibility" of this trend will take as much of a bashing as the transnational corporations which seek to define market access across the globe in their own interests.

But it will be largely South Africa's responsibility to push Unctad IX beyond academic confines and into the realm of the do-able.

The opportunity to do that is probably better now than ever before with the "shared responsibility" idea of Cartagena finding increasing expression in the work of and among donor nations.

But if "globalisation" is the recognised buzzword on one side of the coin, on the other is still the threatening "marginalisation".

(74)

SA hits back at 'protectionist' gripes

John Dlodlu

SA TRADE observers yesterday dismissed a barrage of US criticism over protectionist trade policies, claiming the allegations were unjustified and that the US trade record was far from unblemished.

The SA Foreign Trade Organisation (Safto) said the frustration of the US government was understandable, but SA's trade policies were not protectionist.

Safto economist Anne Moore said SA was just emerging from years of protectionism and tariff liberalisation measures were under way in line with its obligations to the World Trade Organisation.

The US Trade Representative, a powerful trade watchdog, listed a catalogue of complaints against SA in its annual review released

earlier this week.

These included "consistent misappropriation of internationally known US trademarks", lack of transparency in the state's tendering process, use of import permits as protection, half-hearted movement to tariff liberalisation and "unfair" reclassification of items into higher tariff categories.

But Moore said the current levels of tariffs were generally in line with the five-year reduction programme agreed to with the WTO, which replaced GATT.

Any faster movement towards dismantling tariff barriers would "send SA's manufacturers against the wall. This has to be a carefully managed programme; it can't be achieved overnight," he said.

Another trade observer echoed Moore's sentiments and hit out at

the US, saying that although there were minimal tariff barriers, non-tariff hurdles — such as antidumping actions and countervailing duties — were still rife, and a more protectionist stance should be expected if the Republicans managed to get back into the White House.

The complaints also pointed to a need for a regulatory mechanism to provide more certainty to trade between the two nations.

The grievances indicated the inadequacy of current mechanisms, in the absence of a formal accord with the US. (74)

These included a binational business development committee co-chaired by trade ministers from both nations.

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Indonesia seeks a 'huge' trade boost

Tim Cohen

CAPE TOWN — There was much room for the development of trade relations between SA and Indonesia, which had already more than doubled during the past two years, Indonesian Foreign Minister Ali Alatas said.

Speaking in an interview, Alatas said records showed Indonesian exports to SA were R94m during 1994, which had increased to R228m between January and October last year.

But despite this increase, Alatas said, there was room for huge improvement, partly because the chronicle of economic relations between SA and Indonesia was virtually a blank page due to the effect of sanctions on SA.

There were also several areas of complementarity between SA and Indonesia, and substantial opportunities for foreign investment, Alatas said. Indonesia had "vast untapped mining and energy resources".

Indonesia had been consistently growing during the past two decades at an average annual rate of 7%, with the industrial sector expanding at an annual rate of 12,4% and the agricultural sector at 3,6%.

The growth had created about 44,4-million new jobs between 1971 and 1994 and the country was steadily opening up through a series of deregulation measures.

This process had reached a high point in May last year when a deregulation package was issued which included sweeping tariff reductions and the elimination of tariff restrictions on

a broad range of import items.

Asked about the emergence of the so-called "Asian tigers", Alatas said that, in fact, it was not the "miracle" people often talked about.

The key was being guided by a basic concept called the "trilogy of development", which Alatas described in a speech to the Cape Town chamber of commerce.

The concept prescribed three inseparable and mutually supportive conditions: stability to make growth possible, growth in order to create new wealth to share, and equitable sharing of the responsibilities for and the fruits of development.

He said the Indonesian government believed that people should be the focus of national development and that people should not be only the beneficiaries but also the prime movers of their own development.

Hence, there was a link in broad terms between development and human rights.

What Indonesia could not accept was the attempt by some developed countries to reduce this broad linkage to a "narrow conditionality".

Hence, the promotion of human rights and development was vital and important by itself and should be pursued without making one a condition for the other.

He acknowledged that there had been human rights violations in East Timor, but said the government had moved swiftly to correct them while many other charges had been "grossly exaggerated".

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(74) BD 4/5/96

Trade preference talks might resume

John Dlodlu

TALKS to reinstate the lapsed trade preferences on Zimbabwean clothing and textile exports to SA could resume shortly if the latest proposal from Pretoria is accepted by Harare's negotiators.

Sources close to government said at the weekend that Pretoria had proposed that clothing and textiles industries as well as labour unions from both nations be represented in the talks, which have been drag-

ging on for more than a year.

Talks hit a snag earlier this year, missing a series of deadlines, after the Zimbabweans refused to accept a proposal requiring them to add 75% local content as a prerequisite for preferential access to SA markets.

A revised offer from SA, lowering the requirement to 25%, was also rejected. The problem was the proposal by Pretoria that the local content requirement be increased 5% annually.

A source said at the weekend the latest proposal had already been put to Harare. No comment could be received from the Zimbabwean embassy in Pretoria, the Zimbabwean trade office in Johannesburg and the commerce department's permanent secretary's office in Harare last week.

If the offer is acceptable to the Zimbabweans, the Clothing and Textile Federations and the Southern African Clothing and Textile Workers' Union could send representatives to the bilateral negotiations.

The two industries and Sactwu favour the earlier proposal with a 75% local content requirement, and have refused to support the latest 25% offer, saying their industries and jobs would be harmed.

The slow progress of the talks to reinstate the trade concessions, which lapsed in 1992, has been cited by critics as evidence of SA's refusal to open its markets to its poor neighbours.

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(74)

UN Trade and Development conference will swell SA coffers

(74) Star 9/4/96

The arrival of about 3 000 delegates from 188 countries this week will inject millions into the economy

By TROYE LUND

Johannesburg is to play host to the biggest United Nations conference yet held in Africa with the first of about 3 000 delegates from 188 countries arriving this week for the ninth United Nations Conference on Trade and Development (Unctad).

The conference begins at Gallagher Estate in Midrand on April 26 and ends on May 11, but many delegates have arranged pre- and post-conference tours of the country, expected to inject millions into the economy.

Johannesburg is widely expected to be the main beneficiary, with most delegates staying in the city's surrounds.

Organisers have booked nearly 3 000 rooms in 29 hotels they consider to be of international standard.

Already more than 200 offices at Gallagher have been exclusively furnished to accommodate delegates.

The American delegation, for example, will establish themselves in conference facilities at the Sandton Sun and Towers.

To cope with the massive conference, Gallagher Estate has also built on 12 000sq m of office space to accommodate Unctad's secretariat, and within the existing conference and exhibition space at Gallagher, 1 400sq m have been allocated as a documentation cen-

tre where all speeches will be printed and bound.

Gallagher Estate has also added a 700-seater restaurant and three executive dining rooms.

Menus will range from simple to the most luxurious, catering for all types of cultural and dietary requirements, including kosher, vegetarian, halal, diabetic, and gluten allergies.

Private enterprise will also profit from the conference: organisers having signed up bus and transport companies, personnel agencies, computer hardware and software companies, telecommunications and travel agencies to ensure smooth visits.

Special computer keyboards with symbols for Japanese, Chinese and Arabic delegates have also been imported to provide a full range of facilities.

As with last year's Rugby World Cup when car hire outlets were booked out, three companies have reserved the majority of their fleets.

Transportation companies have been contracted to ferry visitors between their hotels and the conference venue, as well as on tours before and after the main event.

To ensure the safety of delegates, policemen and women have undergone special training in VIP protection.

Traffic authorities have been consulted about the best routes for delegates to take each day.

THE Cameron commission's regulation proposals for SA's international arms trade highlight sovereignty issues which are also central to the diplomatic wrangle with the US over the Armscor sanctions-busting case.

At the heart of the matter is the quest for a balance between national and multinational controls on who may and may not buy SA military technology. Fuelled by the Armscor row, the debate has come to the forefront as the Cameron inquiry has slowly forced the lifting of the cloak of secrecy traditionally surrounding weapons sales.

Despite these attempts at greater openness, Cameron commissioner Laurie Nathan remains critical of the selective way in which SA has reported sales to the UN conventional arms register. He believes anything less than the full disclosure required by the international body makes a nonsense of its central purpose — promoting peace and security by building confidence among states through greater transparency on conventional arms transfers.

But whether Cameron's radical proposals become reality or not, their essential message is one shared by those determined to keep the arms factories ticking over and the US regulatory authorities at bay. All agree that SA must create its own legal and moral framework for arms exports as a basis for day-to-day regulation of the trade by government and its own agencies.

The US proposal that the Armscor case be resolved via a no-contest plea bargain in return for limited penalties seeks just the opposite. Besides forcing the new SA to bear responsibility for actions of a past government which the current ruling party actively campaigned against, officials familiar with the case point out that it seeks to impose controls on future arms dealings which they interpret as directly infringing on SA sovereignty.

Armscor has recognised the writing on the wall, domestic and international. Relinquishing its previous role of market player and market regulator, the organisation has begun to move into the light by handing its control functions to the defence secretariat and with an initial restructuring of its board.

The intention is a separation of powers normal in most democracies. But there is still a way to go — the closure to the media of a recent conference on the future of the arms industry shows the cartel-like think-

SA navigating a minefield in the arms trade debate

STEPHEN LAUFER

DD 10/4/96

ing and affinity for the shadows which still dominates the industry.

Meanwhile, Kader Asmal's Cabinet conventional arms control committee is playing an active role in shaping the new export regime.

As government's most significant forum for debate between the export policy doves and cowboys

— Defence Minister Joe Modise and other cabinet ministers sit on the committee — the group has increasingly steered a fine line between the industry's needs and an approach based on the values enshrined in the constitution. Asmal's continued successful stewardship of the control committee could be crucial to resolution of the Armscor case. Providing proof of SA's ability to get its own arms export house in order, it could create the basis for a successful solution to a case thus far dominated by legalistic debate.

Interviews with government officials indicate SA has many possible responses to the US proposal of the no-contest plea. Accepting the no-contest offer appears out of the question. It would, say officials, be the equivalent of SA putting nails into its own coffin and an act of submission which would compromise SA's sovereignty in the long term. According to the of-

ficials, while not mentioning culpability, a no-contest plea is the functional equivalent of a guilty plea.

Besides allowing the judge to deviate from any penalties agreed as part of the plea bargain, it would allow the US state department to impose a range of sanctions.

Countries and companies found guilty of violating US arms laws could have disbarment and denial orders imposed on them by the state department which would effectively bar them from long-term co-operation with US weapons manufacturers. Technology transfers could be forbidden, and joint ventures with US companies prohibited. The SA response to the plea bargain offered by the US government will be formulated in an official letter in the next few weeks.

The Asmal option would include argument that SA was prepared to work with the US on a compliance programme limiting sales to bona fide state purchasers as long as it was SA-initiated and policed. SA would share notes with the US, and draw on their broader experience with arms export control regimes, but could not accept US compliance auditors in SA companies.

A compliance programme of the kind the US is pressing for would result in on site inspections, audits, and monitoring of the SA arms industry. The problem for the manufacturers is that it would also give the US inspectors access to commercial details which could be used to the advantage of US companies in the same markets.

Flanking the evidence of incompetence in arms control, the government could formally acknowledge past failings in the letter, while at the same time providing evidence of change.

Besides highlighting the world Asmal's committee, the latter co point to the new Armscor board, Cameron commission, measures cut unsavoury previous recipient SA arms loose, and the ongoing search for a new arms industry. Acknowledgement of past failings might include offering a special lamb — privately own Fuchs, which the US is seeking indict, could plead guilty to sat law enforcement requirements.

The official SA response could so include several legal arguments considered strong by government advisers.

Their major flaw is, they would need to be tested in the US court implying acceptance of their jurisdiction, which the SA government has been trying to avoid.

Among the possible legal arguments is the clean slate doctrine. This is a concept in international law which holds that an occurrence government is not obliged to accept liability for the obligations (its) predecessor if they are significant odds with the policies and norms the new ruling group.

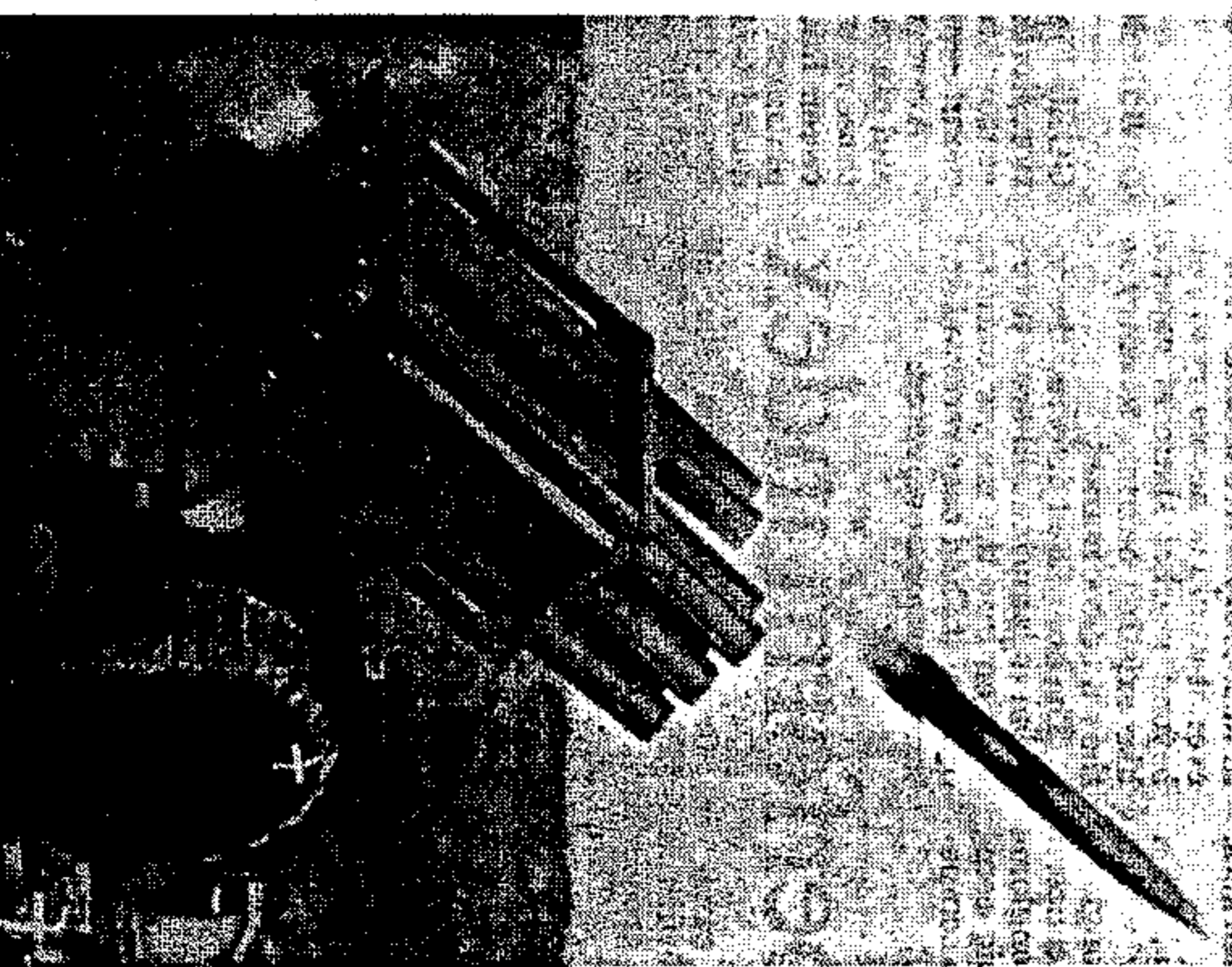
Another position advanced the lawyers is that the strict limitations has been reached, in the prosecution technically impossible. This contention would have to be tested in court.

Perhaps the strongest legal argument available to the SA side is that of sovereign immunity. This is established tenet in international law and was written into US law the foreign sovereign immunity act by Congress.

The principle says that sovereign governments or their subsidiary entities cannot be taken to court other countries. The SA negotia have consistently argued over immunity applies to Armscor state agency and that including company would be tantamount prosecuting government.

SA officials familiar with Armscor case say they are absolved by determined not to compromise the sovereignty issue.

"If we allow them to establish precedent by doing something this to (President Nelson) Man tige, how much more tempting it be for them in future?"



An SA-made Valkiri 5 rocket system.

EU mandate a far cry from its plan

74 BD 11/4/96
Tim Cohen

CAPE TOWN — The European Union's ultimate mandate for the development of a free trade area was "light years away" from its initial protestations that the deal would be aimed at assisting in the development of democracy in SA, European and SA parliamentarians agreed yesterday.

Visiting EU parliamentarian Alex Smith told a joint meeting of the parliamentary foreign affairs and trade and industry committees yesterday that the mandate for trade discussions by the European Commission was a much diminished project from what was first envisaged.

He said the discussions started with political pronouncements about the need to support the development of democracy in SA, but it had ended up little more than a trade deal aimed at providing European countries an advantage over US and Far East competition.

ANC MP Rob Davies, who hosted the meeting, said the mandate ultimately supplied by the union was "light years away" from the original pronouncements.

European Research Office director Paul Goodison said documentation supplied by the commission suggested that there would be a phased elimination of all duties on about 90% of all EU

exports to SA and visa versa.

He said that because a large proportion of SA's exports to the EU already entered the union duty free, the union's commitment meant that to comply with 90% target, it would have to move at most about seven percentage points beyond its existing Uruguay Round commitments. SA was being called on to move 36 percentage points. So the compliance costs for the EU were extremely small, while the adjustment costs for SA would be large.

The mandate excluded 38% of SA's agriculture exports. Discussions on a product by product basis for excluding a further 22% of the exports would have to be held.

John Dlodlu reports that EU ambassador to SA Erwan Fouère last night said that formal talks could begin as early as next month when João de Deus Pinheiro, the commissioner in charge of relations with SA, visited the country.

This follows vehement criticisms of the watered-down negotiating mandate by SA's negotiators. Fouère said there was an informal understanding with Pretoria to launch the talks in early May, although no date had been set. He said the commission, which would negotiate on behalf of the EU's 15 states, was hoping for a deal covering 96% of all trade between SA and the EU.

European MPs warn SA against EU offer

By CHRISTO VOLSCHENK

Cape Town — A delegation from the European parliament yesterday warned South Africa of the devastating effects a free trade area will have on the economy of southern Africa if it is constructed in the way the EU is proposing.

EU negotiators were given a mandate last month by the European council of ministers to negotiate a free trade agreement with South Africa.

The mandate proposes that the EU and South Africa gradually eliminate all the import duties on 90 percent of the products traded between them.

Alex Smith, a member of the European parliament, told a group of local parliamentarians in Cape Town that the social and economic costs of the proposed free trade area "will be much higher to southern Africa than to the EU".

The EU will only have to remove duties on 7 percent of its trade with South Africa, while South Africa will be called upon to remove duties on 37 percent of its trade.

"South Africa will have to make deeper cuts over more products than the EU. South Africa and the other members of the Southern African Customs Union will have to think carefully whether the social and economic cost will be worth the

benefit of cheaper imports from Europe," he said.

He warned that the EU will enter into the trade negotiations with South Africa with only one goal in mind: to conclude a beneficial deal for itself. He said the government should indicate its dissatisfaction with the offer before Mandela leaves on a tour of Europe in a few weeks.

Paul Gooderson, director of the European research office, said South Africa may lose R4,5 billion a year in custom duties if the proposed free trade area is implemented.

The government is still studying the offer and will react formally next month.

ET(BR) 11/4/96 (74)

Erwin happy on Manuel's route

BS 12/4/96

(74)

John Dlodlu

NEW Trade and Industry Minister Alec Erwin pledged yesterday to continue on the path laid by his predecessor in dismantling tariff barriers and sharpening SA's global competitiveness.

He told a news conference outside Johannesburg he was happy with the policies of his predecessor, Trevor Manuel, now Finance Minister, and had no intention of changing them.

"I am happy with them; we are not heading for any change. We have been part of these policies ... there will be continuity."

His priorities included the successful hosting of the UN Conference on Trade and Development, the pending talks on a co-operation accord with the EU, the Southern African Customs Union, which was being revamped, industrial policy studies, the general export incentive scheme and supply-side measures.

Notably excluded from the list of Erwin's priorities was the drafting of a new and effective competition policy, over which there have been heated media exchanges between government and big business. He said he planned no significant changes. "We will

pick up where Manuel left off."

Before his departure to the finance ministry, Manuel had promised to assemble a small team to write a draft Bill on competition. This would be tabled at the National Economic, Development and Labour Council for discussion.

Responding to suggestions that there were mixed signals from government on tariff liberalisation following government's recent announcement that it would slow down the pace of tariff reduction in certain sectors, Erwin said the tariff reduction programme was on track and there was no re-think from government.

He said the tariff reduction programme, which formed part of SA's obligations to the World Trade Organisation, was a well considered policy which had been canvassed widely with major stakeholders in the economy.

However, he signalled that flexibility might be needed. "One needs to be realistic. As in any tariff change, there will be problems."

Government has come under attack from business for taking "a holier-than-GATT" approach on tariff reduction by accelerating the pace of tariff removal in certain sectors.



Trade and Industry Minister Alec Erwin, left, with Deputy Foreign Affairs Minister Aziz Pahad, right, at yesterday's briefing on the UN conference on trade and development.

Picture: GARTH LUMLEY

Conference 'could help reverse African fatigue'

BD 12/4/96

(74) (P)

John Dlodlu

SA, WHICH will host this year's UN conference on trade and development (Unctad), could play a pivotal role in reversing "African fatigue", Deputy Foreign Affairs Minister Aziz Pahad said yesterday.

Pahad was speaking at the launch of the ninth Unctad gathering in Midrand, which would be held in SA between April 27 and May 11.

He said SA and the conference could help reverse Africa's misfortunes in the run-up to the next century. Africa was the only continent facing dire economic prospects in the coming years.

Pahad, who has been appointed national co-ordinator of the conference, said the conference would be a turning point in relations between the north and south countries. "We hope this will be an important period in the history of developing countries to have a more equitable world order."

At the same conference, Trade and Industry Minister Alec Erwin — who will be appointed Unctad's president as head of the host delegation — said about R16m had been set aside for organising the conference.

He promised to take the conference's rotating presidency "seriously, not because of the prestige" involved, but because SA's destiny was linked to that of other countries.

During the presidency, SA planned to liaise closely with its partners in the 12-nation Southern African Development Community (SADC) on strategies of making a success of the presidency for the region.

There was no conflict in SA's hosting of the conference and its role in the SADC, despite claims from SA's neighbours of continued adherence to a protective trade regime.

David Whaley, head of UN development programme mission in SA, said the benefits for SA in hosting the conference included marketing the country as an investment destination and "respect and better understanding" of the new SA.

The conference, expected to attract nearly 3 000 people, would be attended by the conference's 188 member states, headed by government delegations. The conference would be opened by UN secretary-general Boutros Boutros-Ghali and would be addressed by President Nelson Mandela.

Crime forum

Mduduzi ka Harvey

THE Business Against Crime plans to unify business conference this month, in a bid to combat crime and finalise a three-year plan.

The conference aims to bring some companies have contributed to making SA safer, and to channel business's energy into combating crime.

The initiative was launched in answer to a call by Nelson Mandela for business to work in tandem with government in the fight against crime and corruption.

Business Against Crime's executive director, Fourie said the conference would provide an update on crime trends, as well as introducing plans to meet the challenges.

Deborah Fine

TRANSVAAL attorney-general Jan D'Oliviera has accused the Public Services Commission and the Central Bargaining Council of being unappreciative of the plight of state prosecutors and "unable or unwilling to treat professionals as professionals".

In the April edition of the SA attorney's journal *De Rebus*, he said a crisis

(74)
Customs and
excise fills
empty posts
CT(BR) 12/4/96
BY STUART RUTHERFORD

Durban — Vacancies in the beleaguered customs and excise department will finally be filled, with the appointment of 354 new employees in the next two months.

But the effect of the increase will not be felt immediately because all the new employees will first have to go through training courses lasting from two to nine weeks.

Gavin Collinet, the acting director of customs, said when all the posts were filled, the department would have a staff of 1761. This would increase the wage bill for the year by R20,5 million.

"Some posts have been vacant for nine months or longer due to the moratorium on hiring and filling them will allow us to function more effectively," Collinet said.

The vacancies are spread throughout the country and across a range of levels, from chief director to customs and excise officer.

Collinet said the department hoped to get another 200 posts approved by the South African Revenue Services in the second half of the year.

This was part of the department's five-year expansion plan to get customs and excise to a position where it would function optimally.

He said implementation of the plan would enable the department to operate on a par with the world's best customs and excise services.

SA 'committed to an open marketplace'

(74) CT(BR) 12/4/96
BY FIONA LENEY

Johannesburg — South Africa committed itself to working towards opening international markets and stimulating development at the United Nations Conference on Trade and Development (Unctad) during a media conference yesterday.

The conference, which South Africa will host at Gallagher Estate in two weeks' time, was another sign that South Africa had re-entered the world community, Aziz Pahad, the foreign affairs deputy minister, said yesterday.

"We will focus on bringing about real global structural change. We don't want a talking shop," Alec Erwin, the trade and industry minister, said.

He denied that there was any contradiction between the government's role as host of Unctad, which promotes trade liberalisation, and its reluctance to open South African markets to its Southern African Development Community (SADC) neighbours.

Erwin acknowledged SADC's criticisms of South Africa's trade policies, but said tough negotiations between governments did not conflict with the goals of Unctad.

He said the conference, which aims to promote development through trade and economic co-operation, would tackle many of the problems South Africa had been grappling with for years, including

reconciling the opening of South Africa's markets with the threat international competition posed to the local job market.

"Our destiny as a country trying to transform our economy places us side by side with other (developing) countries in the south. The challenge is to provide leadership," he said.

Pahad said South Africa's role as host of the conference, which will cost the government about R16 million, was another sign South Africa had re-entered the world community.

President Nelson Mandela and Boutros Boutros-Ghali, the secretary-general of the United Nations, will open the conference, which will be attended by almost 3000 delegates from 188 countries on April 27. Representatives of the World Bank, the International Monetary Fund and aid organisations will also attend.

Tough talking is expected from all sides on the trade and development agenda and the activities surrounding the organisation itself.

Some Western nations, led by the United States, which is one of the biggest contributors to UN funds, have suggested killing off Unctad. They say the body achieves little in practical terms.

Unctad's defenders, including Germany and most of the developing countries, argue that it is a unique forum, bringing together development, financial and macro-economic issues.

UN trade delegates to see SA's not-so-bright side too

Star 12/4/96
74
BY TROYE LUND

The estimated R30-million to be spent in the Johannesburg area by delegates attending the 9th UN Conference on Trade and Development starting later this month will not all be blown in five-star hotels and First World shopping centres - poor people will get a slice of the financial windfall.

This was announced yesterday by the organising committee of Unctad 9, to be held at Gallagher Estate, Midrand, from April 27 to May 11.

In between meetings, the 3 000 delegates will be "disconnected" from the First World facilities of South Africa and "connected" with the "realities facing a developing country".

This will take the form of tours into townships where delegates will interact with communities by visiting their homes and work, eating their food and spending money in their shops and shebeens.

Unctad officials have visited South Africa over the past year to ensure hotels are of the highest international standards, that delegates will be given the same standard and have access to the latest technology.

But it is the "glitz and glamour" facilities that Elspeth Graham, of the Khulumani communications company, has been instructed to balance with the "real faces of South Africa".

She said: "They will meet ordinary South Africans, frequent

their shops, buy their crafts, have a drink with them in their shebeens and hear their joys and sorrows, feel the country as it is, not how it is said to be at networking cocktail parties."

A media spokesman for the organising committee added: "Delegates need to realise there is a whole world beyond the First World airports, hotels and conference centres they will see first. Once exposed to the poverty, the vast housing and education needs, they can juxtapose our First World elements and form opinions on how best to address SA's situation as an emerging economy and developing nation."

Graham plans to begin the "great exposure" by planning different detours into the outlying areas of Midrand, Pretoria and Johannesburg for delegates while on bus trips to and from the conference each day.

During other free time she plans to take delegates on tours of areas such as Alexandra and Soweto. But they will not be "your ordinary commercialised trip". Included on the itinerary so far is a lunch at an old-age home, a meeting with officials at the council offices and spending time with patients and staff at clinics.

"Shebeens will be explored as will all types of South African music and art. Delegates will sit down and have chats with local people," added Graham.

► See Business Report
... Page 1

EU free trade plan is a raw deal for SA

ARG 13/4/96

CLIVE SAWYER
Political Correspondent

PRESIDENT Mandela is expected to come under considerable pressure from European political and business leaders to ensure South Africa agrees to a proposed EU trade agreement during his visit to Europe in the next two months.

But South Africa would be well-advised to turn the tables by using Mr Mandela's prestige as a bargaining chip, a European Union MP advised this week.

EU foreign ministers recently agreed to a mandate for talks on the free trade agreement after months of agonised debate.

The next phase is certain to be a concerted marketing exercise from European leaders.

The tone was set earlier this year when EU parliament president Klaus Hansch expressed his hope for tariff-free trade between the EU and South Africa within the next 10 years.

Free trade would bring prosperity, and not merely to a few stock market traders, speculators and risk takers, Mr Hansch said.

Irish president Mary Robinson, who assumes the EU presidency in July, also said she was keen for the agreement to be signed, preferably during her presidency.

Rob Davies, an African National Congress member of the Trade and Industry and Foreign Affairs committees, warned against underestimating the importance of the agreement.

Alec Smith, a Labour EU MP for South Scotland, said there was overwhelming support among his colleagues for a free trade agreement which would promote economic restructuring in South Africa.

But he urged South Africa to check the terms of the EU offer

■ South Africa will lose billions of rands in revenue - twice the amount now allocated to the RDP - if it agrees to current proposals by the European Union for a free trade agreement.

carefully before embarking on talks. "Now that the mandate is approved, is there really any reason to cheer when 30 percent of South African agricultural exports are excluded from its terms?" he asked.

Paul Goodison, director of the European Research Organisation, said the present EU proposal was for a free trade area that would phase out duties on about 90 percent of EU exports to South Africa and about 90 percent of South Africa's exports to the EU.

Analysing the terms of the phased elimination of tariffs, Mr Goodison said the potential gains from the proposed agreement disproportionately favoured the EU.

He noted that the elimination of EU duties on South African agricultural exports included some significant qualifications.

These were the exclusion of about 38 percent of South African agricultural exports and discussion of a product-by-product basis exclusion of a second list of agricultural products. This list could cover a further 22 percent of South African farm exports.

Among products entirely excluded from the free trade agreement are maize, sugar, beef, veal, butter, milk powder, prepared or canned citrus fruit, vermouths and other wines and prepared or canned tomatoes. Significantly, fish products were also tagged for exclusion pending progress on fish quota negotiations.

(74)
Mr Goodison also questioned the extent to which the proposed timetable would allow South African industry and agriculture to adjust with minimal social and economic costs.

He said there was little doubt of short-term benefits for consumers, but questioned what this would cost the economy.

Mr Goodison pointed out that it was the European Commission's own assessment that the agreement would create competitive advantages for EU exporters compared to exporters from the United States and Japan.

According to an EC report, "the price the EU would have to pay for such an improved position in terms of the loss of customs revenues is relatively low, due to the high level of existing duty-free access for South African imports and the relatively modest average level of the remaining tariffs at the EU side".

Mr Goodison also said South Africa was being called on to liberalise five or six times as much trade as the EU.

He said much of South African industry had grown up behind high tariff barriers and was not competitive internationally.

Although reform was underway, it would be years before it was complete, he added.

"A number of significant sectors of South African industry are likely to collapse or be closed down. This is likely to lead to substantial new unemployment at a time when employment creation is a major priority," Mr Goodison said.

The ultimate revenue loss to South Africa would be more than twice the annual financial allocation to the RDP and more than eight times as great as EU aid to South Africa, he said.

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ARLT 13/4/96

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Although reform was underway, it would be years before it was complete, he added.

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The ultimate revenue loss to South Africa would be more than twice the annual financial allocation to the RDP and more than eight times as great as EU aid to South Africa, he said.

SA may lose out on FT

THE PROPOSED free trade agreement with the European Union could well sink South Africa economically and drown neighbouring countries as well.

"Check the small print, it could very well be a first class trip on the Titanic," European Parliament member Alex Smith told members of the South African parliament in Cape Town this week.

European Research Office director Dr Paul Goodison spelt out the possible perils, saying the EU offer could result in massive revenue and job losses and factory closures.

The proposal involves a phased elimination of all import duties on around 90 percent of the products traded between the EU and South Africa.

For the European Union to reach this target, only seven percent of its non-agricultural trade with South Africa would have to be liberalised, Goodison said.

However, South Africa would

have to eliminate duties on 36 percent of its non-agricultural trade with Europe.

For agricultural products the EU would be able to retain protection on half of South Africa's exports, while South Africa would be expected to eliminate tariff protection on all but five percent of the EU's agricultural exports.

"The potential gains from the FTA, as currently proposed by the EU, appear to disproportionately favour the EU and would appear to involve disproportionately high adjustment costs for South Africa," Goodison said.

Delay

The debate over these adjustment costs for the EU member states had been the main cause of delay in approving the final European Commission negotiating mandate with South Africa, he said.

ANC MP Rob Davies noted that Europe had taken five months to

agonise over liberalising less than seven percent of its imports from South Africa in a context where South Africa supplied only 1,9 percent of the European market.

The need for South Africans to scrutinise the effect of the FTA was even more compelling when liberalising 46 percent of EU imports. The EU supplies 38 percent of the South African market.

Goodison said a FTA along the lines proposed by the European Commission would:

- Substantially reduce customs revenue in SA;
- Rapidly increase competition for

SA's domestic industry;

- Be trade diverting and affect SA trade relations with other countries, such as the United States and Japan;
- Influence the macro-economic policies of the new government; and
- Carry important implications for South Africa's neighbours.

Revenue

It was estimated that the proposed FTA would reduce customs revenue to South Africa by 31 percent, Goodison said.

Half of the revenue losses would be felt in the first five years and would total between R2,2 billion

and R4,5 billion a year.

The ultimate revenue losses for SA would be more than twice the annual allocation to the RDP and more than eight times as great as current EU aid to the country, he said.

It would also immediately affect the Southern African Customs Union countries such as Botswana, Lesotho, Swaziland and Namibia, with losses of between six and 11 times annual EU aid.

New taxes would be needed to replace the lost revenue and could also affect government expenditure on health, housing and education.

(74) CP 14/4/96

Check the small print, says MP: Free Trade Agreement may be 'first class trip for SA on Titanic'

The government was still studying the proposals and was expected to react formally next month. But EU ambassador to South Africa Erwan Fouere has said there was "a misunderstanding in South Africa" about the EU's mandate. "This mandate is an internal document (with) the broad principles, which authorise us to work on a free trade agreement that includes all sectors of trade." - Sapa

Studying

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The EU offer would also open the South African economy to greater competition long before the restructuring of local industries to become more internationally competitive was completed. As a result a number of significant industry sectors would likely collapse or close down, he said. "This is likely to lead to substantial new unemployment," Goodison said. The proposal would also be trade diverting rather than trade creating. More products would be imported into SA from the EU and less from third countries such as the USA and Japan and would lead to increased pressure from Washington and Tokyo to sign similar agreements. Further customs revenue losses, more competition and unemployment would follow. South African negotiators should therefore be given the political space to reject a FTA with the European Union should it fail to negotiate a more beneficial agreement, Goodison said. Negotiators should not feel that the political cost to South Africa would be so great if they failed to reach agreement, he said. Smith said it was clear the offer was not about assisting the new South Africa in its economic transformation, but was rather based on the need for the EU to position itself within an increasingly competitive global economy.

OFFERS

Officials receive death threats

Nicola Jenvey

DURBAN — Customs and excise officials investigating tariff evasions under threats of death had not received additional security protection from government, customs and excise investigation unit head and customs and VAT enforcement caucus chairman Johan Beets said at the weekend.

Beets said that investigators were forced "to watch their backs" as no one knew whether the threats already delivered to various task team members would be carried out.

The department was taking preventative action to protect its task team investigators.

However, Beets believed government protection may only be forthcoming "once something happened".

Officials were not paid overtime incentives and had to use privately owned equipment for protection.

Beets said the lure of private-sector earning potential might also force members to leave the public sector.

Customs acting director Gavin Collinet said

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2015/4/96
last week that more than 350 new posts would be filled in the customs and excise department over the next two months.

Beets said although the investigation division was attempting to increase the number of posts available, proposing new appointments was compounded by training and experience restrictions.

New recruits required several years experience

in customs and excise and an in-depth knowledge of international import-export laws and regulations and customs documentation.

The high tariff structures on textiles, clothing, tyres and electronic goods attracted more fraudulent cases on these goods.

However, Beets said tariff evasion covered a broad cross-section of imports.

Calls for easing of tariffs to be slowed

BD 15/4/96 (74)

John Dlodlu

THE labour component at the National Economic, Development and Labour Council (Nedlac) has called for the tariff liberalisation programme to be slowed down in certain sectors, a Nedlac document shows.

The document requests part of the R181m set aside for industry measures be used to assist wobbly industries.

In a recently drafted paper, summarising constituency positions on the debate on supply side measures, labour calls for the country's GATT obligations to be reconsidered "in the context of high unemployment and expected further job losses associated with tariff reductions".

The document, which represents a significant step towards a more focused debate on supply side measures, notes industries have not only been affected by tariff reductions, but also by the removal of import surcharges and effects of bilateral trade agreements SA has with other countries.

"The cumulative effects of these, combined with weak customs and excise and dumping controls, have led to a drastic and sudden loss of protection." Although the report suggests room for manoeuvre in certain sectors within GATT limits, it says in other cases labour has argued SA should renegotiate certain commitments under GATT.

The paper says labour has suggested supply side measures be structured in such a way as to make "short to medium-term, industry-specific interventions" to help companies cope with the pace of tariff reductions.

In an apparent bid to pre-empt claims of propping up uncompetitive sectors for the sake of jobs, labour emphasises that this is not a "jobs at all cost" strategy, but rather aims to promote a sustainable process of making sensitive industries more competitive in the new environment.

The report notes discussions in the trade and industry chamber point to the possibility of using part of the R181m earmarked for supply side instruments to extend concessionary finance from the Industrial Development Corporation for threatened sectors and to give funding for short-term training programmes.

Government, which opened the debate with the release of a document on supply side measures, has proposed investment incentives, support for training and technology enhancement, small business development and industrial development finance.

Although concerned about the state's ability to administer support schemes, business has suggested targeted tax incentives, incentives for investment in machinery and research and development, as well as accelerated capital allowances.

EU's envoy confident SA links will be strengthened

John Dlodlu

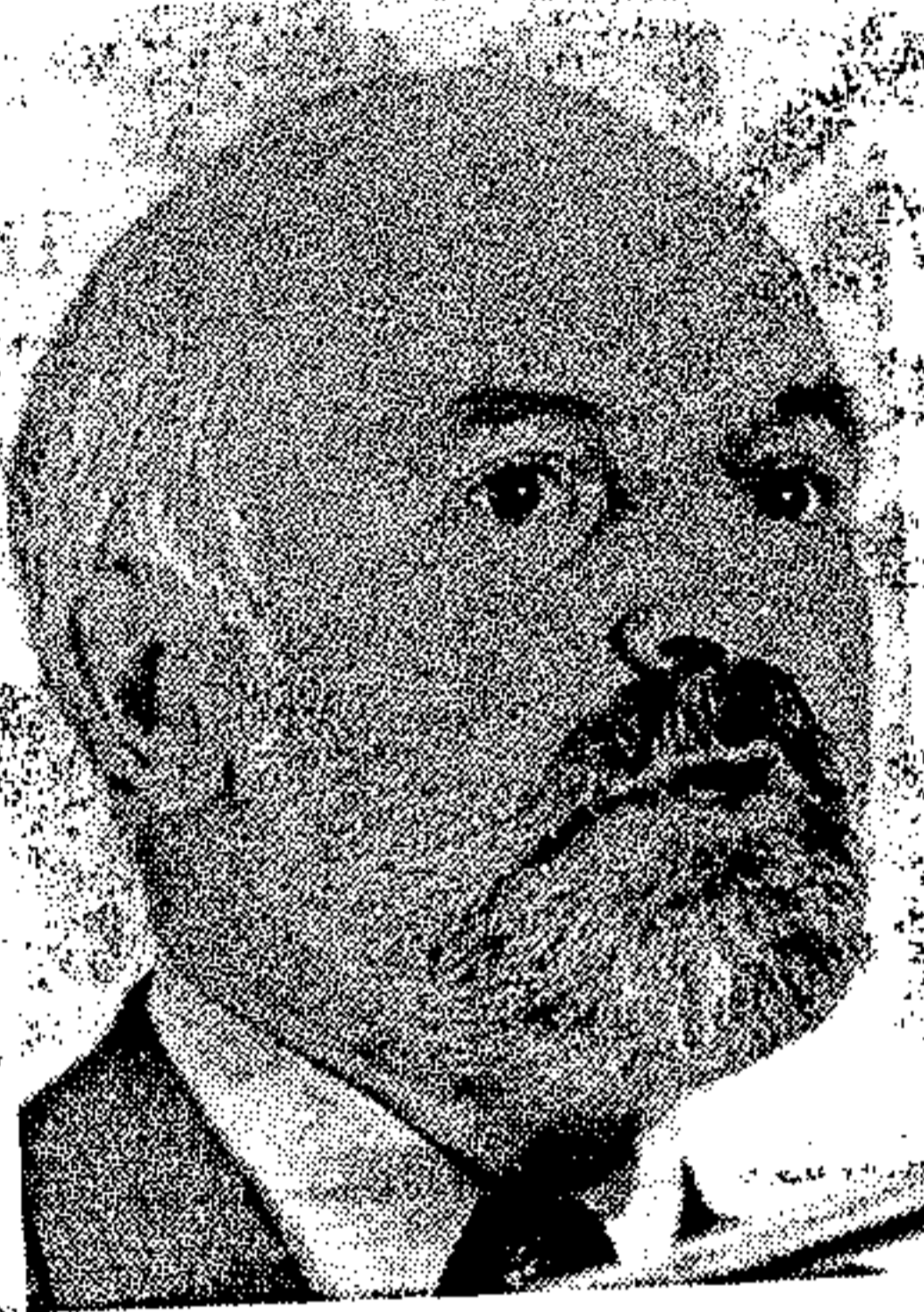
THE EU's relations with SA are expected to be strengthened over the next few weeks, ahead of the conclusion of talks on a comprehensive co-operation accord between them, according to EU ambassador in SA, Erwan Fouère.

Speaking at a function at the Rand Easter show last week, Fouère said the next few weeks would see a steady flow of EU visitors to this country as the relationship between the 15-nation union and SA developed.

One of the visitors would be João de Deus Pinheiro, the EU commissioner in charge of relations with SA, who is expected to launch formal negotiations with SA next month. Pinheiro, author of the twin-track approach for relations with SA, would be followed by Jacques Santer, president of the European Commission — the executive arm of the EU — and four commissioners.

Fouère said the EU stand at the annual show in Nasrec, as well as the constant inflow of trade missions from EU states, reflected the growing links between SA and the union.

A conference on the information highway — to be hosted by SA



FOUÈRE.

— would be held, further reinforcing the relations between SA and the EU.

The challenge now, he said, was to harness the high degree of interest into concrete results — an apparent reference to the conclusion of a formal co-operation agreement.

In terms of a mandate given to the commission, the accord would

comprise several aspects. Key components of the agreement would be SA's partial accession to the Lomé convention and an asymmetrical free trade accord, covering more than 90% of all trade between SA and the EU.

Recently EU ministers approved a mandate for the commission to negotiate a free trade accord, excluding 38,6% of SA's farm exports from preferential access to the EU.

Greg Mills, of the SA Institute of International Relations, said this year was a historic moment in EU-SA relations, "not because of the mad cow disease or Sarafina 2" but because of the forthcoming negotiations of the free trade accord.

He said although the trade mandate proposed to exclude only 4% of SA's agricultural products, the exclusions remained areas of concern for Pretoria.

The challenge ahead, he said, was how the proposed accord would evolve to be compatible with SA's obligations to its partners in the five-nation Southern African Customs Union.

However, Mills said, the upcoming talks would be tough and required a great deal of caution to deal with the sensitivities involved.

BD 15/4/96

(EBA) (74) (EBA)

Elias Links appointed SA's new ambassador to the EU

Linda Ensor

BD 15/4/96
74
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CAPE TOWN — Finance department chief director Elias "Elty" Links has been appointed SA's new ambassador to the EU in Brussels to spearhead the drive to free up European markets to SA products.

Links, presently chief director of international development finance in the department with responsibility for bilateral donors and all multilateral institutions such as the IMF, the World Bank and the African Development Bank, was informed of his appointment by Business Day yesterday morning. He replaces Neil van Heerden.

President Nelson Mandela made the announcement from the verandah of a collapsing house in poverty-stricken Delft and again at a rally in Belhar, while on the local government election trail for the ANC.

Links, 49, came from a deprived community in Bellville and was a "son of the soil", Mandela said. He pointed to other coloured people who had achieved prominence in his government, such as his advisor Jakes Gerwel, Finance Minister Trevor Manuel, Deputy Social Welfare Minister Geraldine Fraser-Moloketi and SA ambassador to Washington Franklin Sonn.

Links has the financial and economic background to support the tough ne-

gotiations with the EU over a non-symmetrical free trade agreement. He represented SA in a financial capacity in both Washington and Zurich.

He has a doctorate in economics from New York State University and was professor in the subject at the University of the Western Cape before being appointed in 1987 as SA's representative to the World Bank and IMF in Washington.

In 1990 he was transferred to the finance department's Zurich office for three years, where as consul-general his task was to inform European banks of the SA economy and financial situation in order to pave the way for future bond issues.

Links said he had to be informed by Mandela about his appointment and responsibilities. However, he saw them in three areas — contributing to the trade and industry department's negotiations for a free trade agreement; managing the European RDP programme which has allocated 130-million Ecu a year to SA for four years on behalf of the finance department; and managing the European Investment Bank programme involving 300-million Ecu in loans over two years.

He also envisaged an important role for himself in giving financial and technical support to SA ambassadors in other European centres.

Ominous

SA's markets

(74) *Source page 15/14/96*

South Africa is struggling to balance its commitment to free trade with its social obligations to the people. Labour Reporter **Abdul Milazi** looks at this dilemma



QUR DEMOCRATIC gains will be shallow and persistently threatened if they do not find expression in food and shelter, in well-paying jobs and a rising living standard," President Nelson Mandela remarked at the launch of the National Economic Development and Labour Council (Nedlac) in February last year.

This is the vision that has shaped negotiations between organised labour, business and the Government – the social partners in Nedlac. This vision is also shaping the country's social and economic direction.

Nedlac's role is to develop an effective policy to promote economic growth, increase participation in economic decision making, create jobs and address the imbalances created by apartheid.

Stumbling block

However, juxtaposing Nedlac's desire to trade internationally with their commitment to improve labour rights, health, education and the living standards of our population seems to pose a stumbling block. This became evident when the European Union revealed its proposals on a free trade agreement.

Nedlac's head of information Mr Lomlin Saayman says the EU proposals will be bad news for South Africa's developing economy.

The EU and its member states are driven by the need to protect their economies and industries while South Africa wants a relaxation of

EU trade tariffs on some of its produce to help local industries threatened by internal tariff reforms.

On the other hand, our neighbour Zimbabwe wants free access to South Africa's clothing and textile industry, which threatens local companies. These companies have continually called on the Government to impose higher tariffs on foreign goods.

A similar dilemma confronts the motor and tyre industries which face a major threat from Japanese car manufacturers who are flooding the market with cheap vehicles and tyres.

Firestone's Port Elizabeth plant is currently cutting down on production as cheap imports take business away.

The problem has resulted in the trade and industry chamber within Nedlac extensively debating whether to include a social clause in trade agreements. They have concluded that a multifaceted strategy is required.

Saayman explains: "The chamber has divided discussions on support systems into two phases."

"These are, firstly, the priority areas that require immediate attention, and those areas which are to be developed and concluded during 1996.

"The priority areas which have emerged so far are the need for further investment incentives and support for industries threatened by a relaxation of tariffs, as well as the need to speed up programmes to finance training," says Saayman.

This year the Department of Trade and Industry allocated R181 million

towards adding impetus to a multifaceted approach.

Further input from business and labour on the way forward is also expected.

The Government has been asked to prepare a proposal that will pinpoint priority areas like support measures for small, macro and medium-sized enterprises and investment incentives.

The list of key areas to be discussed this year, includes the macro-economic policy framework, the Government's medium-term expenditure framework, possible tax implications of supply-side measures and the 1997/8 Budget.

The management of public debt will also be included on the chamber's agenda this year.

The labour market

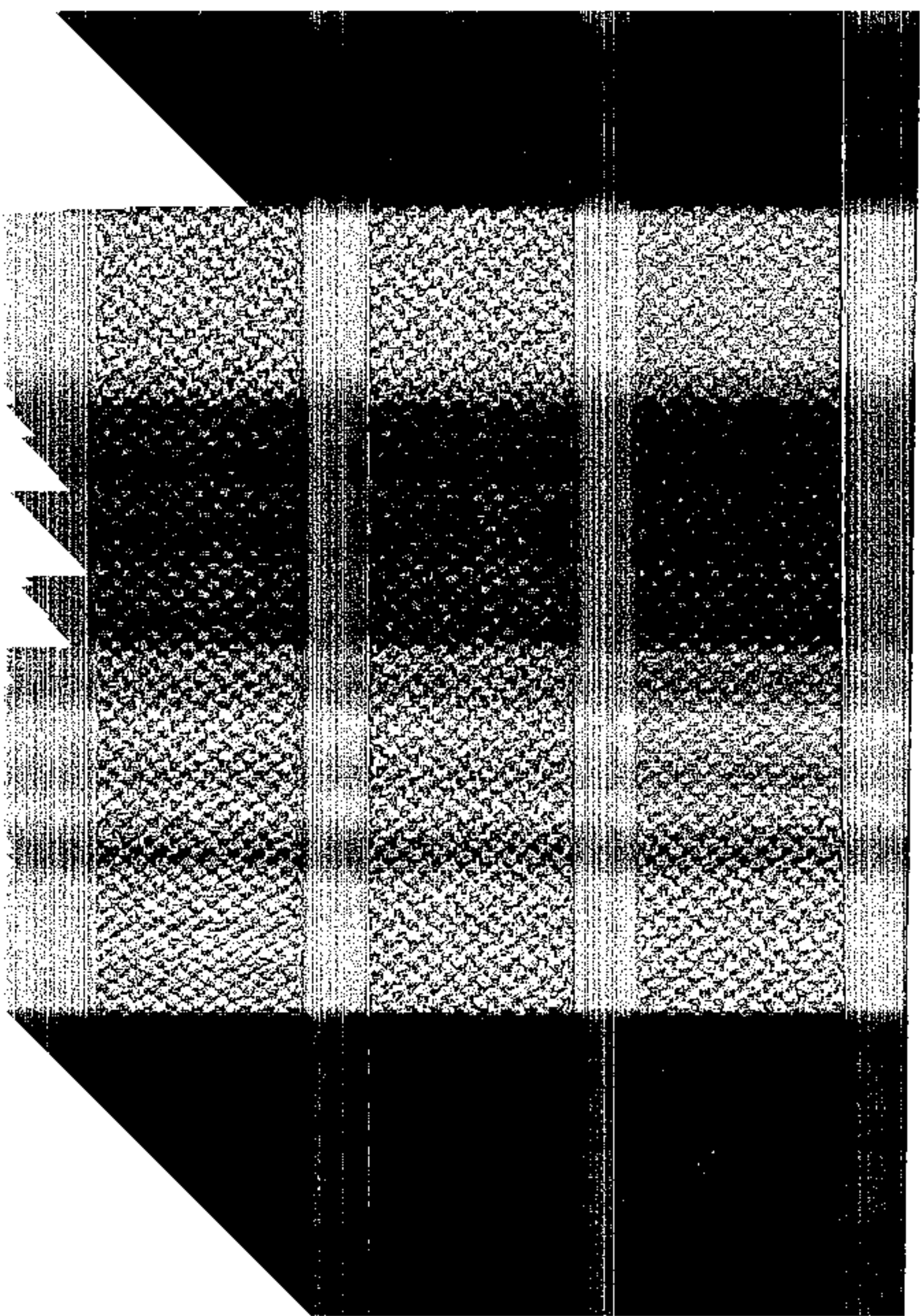
The labour market chamber is currently negotiating three areas where no agreement was reached when the Labour Relations Act was agreed upon last year.

These are:

- Codes of good practice on picketing, dismissals based on operational requirements;
- Criteria for the demarcation of sectors; and
- The governing body of the Commission for Conciliation, Mediation and Arbitration.

A working group has been established to draft a code of good practice and business, labour and the Government are preparing their submissions to the group.

European Union's trade proposals are bad news for South Africa, says Lomlin Saayman.



Unctad's choice: Globalisation or marginalisation

(74) CT 15/4/96

SOUTH AFRICA hosts the ninth United Nations conference on Trade and Development this month. Independent Newspapers foreign editor **DALE LAUTENBACH** traces the history of Unctad and the importance of the conference, held every four years, for this country.

TOWARDS the end of this month, representatives of 187 countries will converge on Midrand for the ninth United Nations Conference on Trade and Development — Unctad IX.

Thinkers in the South African Department of Trade and Industry see the conference here inspiring the UN body with the "soul of South Africa". It probably needs it — and indeed, expectations are high that something of the South African special case may infuse Unctad with new breath as it faces the end of the millennium in which its usefulness is up for question.

South Africa will hold the presidency of Unctad for the next four years, and the responsibility will fall to Trade and Industry Minister Mr Alec Erwin.

Members of the department are deeply involved in preparation for the event and Mr Xavier Carim, deputy director, helped explore the history and meaning of Unctad.

The body, which has a Geneva-based secretariat and a Trade and Development Board executive which meets two to three times a year, was founded in 1964 by a resolution of the General Assembly of the UN. The idea was that developing countries should have a forum in which to address trade problems in a context that was mindful of development issues too.

Unctad was born to call for what, by the mid 1970s and the oil crisis, was articulated as the New International Economic Order (NIEO).

The search for a new order drew the North-South lines in the sand. At the heart of the call for a new order were demands for greater equity, a transfer of resources from industrialised to developing countries and a recognition of interdependence in the spirit of co-operation.

But what had seemed possible in the 1970s seemed less so during the global economic downturn which followed. The NIEO crashed into the structural problems which bit deeply into the economies of developing countries, and into the conservatism of a West moving into the era of Thatcher and Reagan.

The usefulness of Unctad began to be questioned by developed countries

— which meant that instead of a New International Economic Order, developing countries faced a different medicine, that of the Structural Adjustment Programme. To simplify: by the time Unctad met in Cartagena in 1992, the hostility and inequity between North and South had become unworkable.

So much so that it had to give way to something rather more sophisticated — and so the "spirit of Cartagena" was born. A "cuddly term," says Carim, which has yet to find its articulation in practice. But in essence it pitches North and South together in the notion of partnership and shared responsibility. Crucial, though, is the notion that developing countries are first and foremost responsible for their own development.

It does seem, though, that Unctad is vulnerable to the trap of ever defining itself rather than getting down to work. At the coming conference the buzzword is "globalisation".

The present secretary-general, Mr Rubens Ricupero, is expansive of the theme in his report to the conference: "The backdrop to the effort to define



CHIEF: Trade and Industry Minister Mr Alec Erwin will take charge of SA's Unctad presidency.

the work of Unctad on the threshold of the next millennium is nothing less than the profound historic movement that is at last giving substance to a vision which began with the European age of maritime exploration five centuries ago, but which the Phoenicians, Vikings, Chinese and other great trading peoples also dreamed of — the unification of markets and of economic space on a planetary dimension".

Happily Ricupero does not remain quite so gung-ho about globalisation and recognises its paradoxical trends towards integration and marginalisation. Thus the theme of Unctad IX is "promoting growth and sustainable development in a globalising and liberalising world economy". Dialogue will address development strategies in an increasingly interdependent world and will look at probably a key issue, that of trade as an instrument for development.

If there is a spirit on the waters from which Unctad IX will derive its logic, it is one of integration, as countries in the G77 and the developed world make the links between trade, development and finance, between governments and civil society and between the private sector and public funding.

It will be largely South Africa's responsibility to push Unctad IX beyond academic confines and into the realm of the doable. The opportunity to do that is probably better now than ever before with the idea of "shared responsibility" finding increasing expression among donor nations.

But if "globalisation" is the recognised buzzword on one side of the coin, on the other is still the threatening "marginalisation".

Costs of conference trimmed to R18-m with some hi-tech help

74 (258) Nov 15/4/96

By TROYE LUND

It will cost the Government around R18-million to host the ninth United Nations Conference on Trade and Development (Unctad), newly appointed Minister of Trade and Development Alec Erwin has announced.

Erwin said this bill would be covered by the Department of Foreign Affairs and he considered it a reasonable price to pay for the benefits developing countries stood to gain from the two-week conference at Midrand's Gallagher Estate, from April 27 until May 11.

Erwin, who will be president of Unctad for the next four years, said 3 000 delegates from 188 nations will be debating how a rapidly growing, globalising world market can co-exist with the 2 billion people in the world's developing countries and ensure sustained development for them. The delegates are due to start arriving in South Africa this week.

"What does a country like South Africa do in a dramatically changing new world economy where isolating yourself is probably extremely unwise but, if you open the doors tomorrow, a large part of your manufacturing sector may not be there?" asked Erwin.

SA's executive director of Unctad André Jaquet said: "We do not know exactly how much this will

cost the Government. We estimate around R18-million, depending of course on what the rand does (on foreign currency markets)."

He expects the most hefty bills to be the 200 air tickets for the Unctad Geneva secretariat, who will also receive a \$120 a day allowance from the Government for accom-

staff out and all documents will be e-mailed to Geneva for translation by UN staff there."

Another bill for which South Africa's taxpayers will be forking out is the R5,5-million charge for the use of Gallagher Estate facilities.

The Government is also employing a 1 400-strong South African support staff, who will be working in shifts during the conference. Government will provide a computer station for each delegate, telephones, other communication equipment, transport and security.

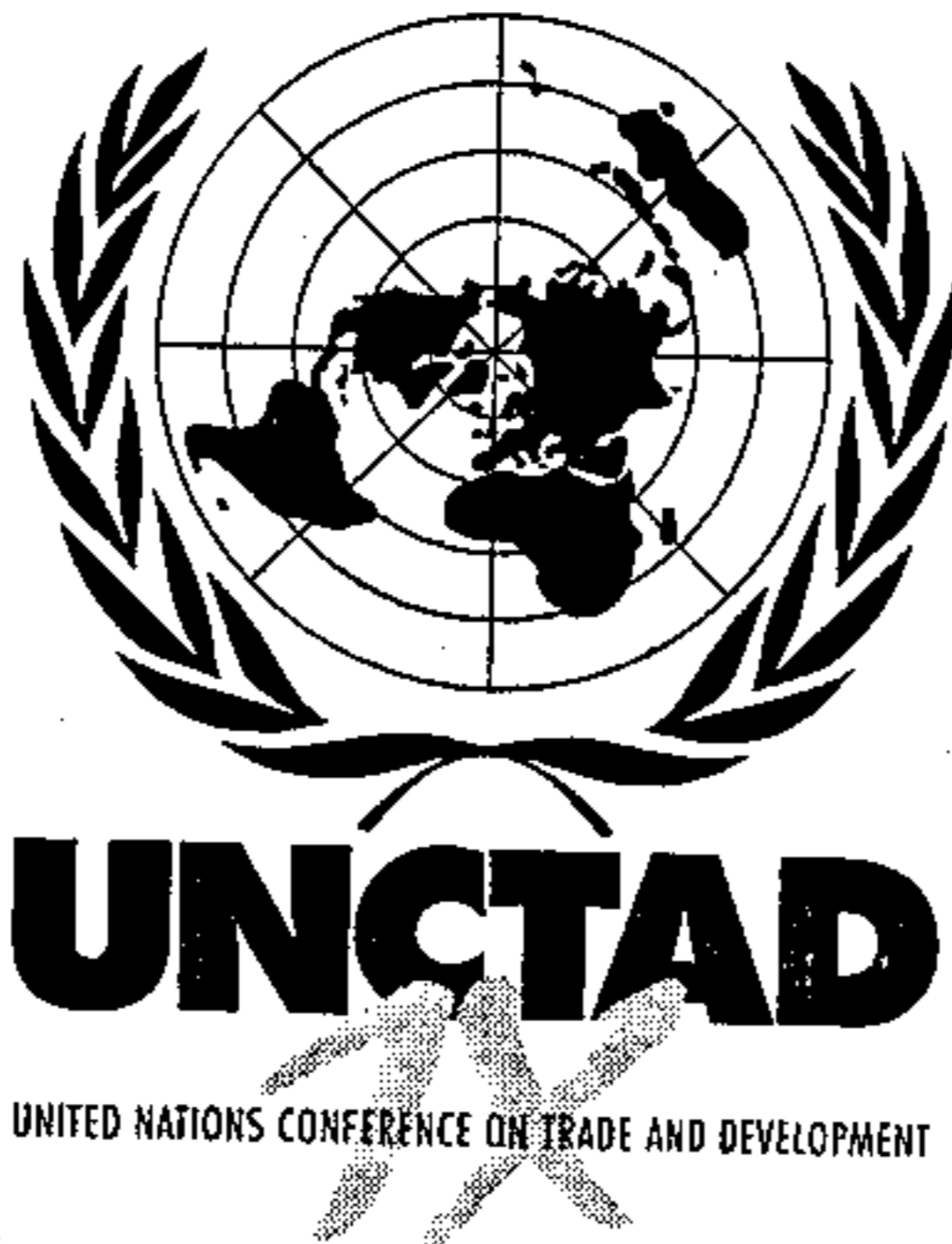
The radio, television and media facilities the UN initially asked for came to R1,7-million but has been trimmed to R950 000.

Other savings have been made by limiting photocopies of documents to 5 million.

"The Government will not pay for any telephoning done by delegates phoning, and pin-codes and phone cards will ensure that delegates pay for their calls.

"Government will also not pay for any entertaining, as this has either already been sponsored or will be paid for by each delegate," said Jaquet.

"In the two weeks of the conference delegates will be spending around R30-million. It is the private sector that will benefit, especially the tourism, hotel, restaurant and craft industries."



modation and other expenses.

Jaquet stressed that he and his team had cut costs where possible. For example, he limited the number from the secretariat to 200 when 400 usually attend major UN conferences.

"We certainly have not said yes to all UN wishes. We also cut the conference length by half. We have avoided bringing translation

From squatter to chef of five-star cuisine

By TROYE LUND

When squatter Moses Hlaole (31) was first asked what a line fish was he replied that it must be a fish with a very long bone.

But now, after he and 159 others graduated from an intensive 12-week food preparation and cooking course, they will be able to prepare and serve five-star cuisine for 3 000 UN delegates soon to arrive in SA for their 9th Conference on Trade and Development (Unctad 9).

When SA won the bid to host the conference, management at Johannesburg's Gallagher Estate where Unctad 9 will be held realised they would need more staff.

"We decided to turn the first UN conference ever to be held in

SA into an opportunity for the local community to share in," said Gallagher general manager, Brian Davidson.

With the financial support of the Department of Labour, Davidson advertised positions on a 12-week training course to the local communities of Gauteng.

Of the 1 200 applications received, 900 were asked to come in for an interview. The list was narrowed down to 437 candidates. These went through another screening and 160 were selected for the course.

Students were slotted into one of the three functional areas the hospitality skills programme covered - accommodation services, food and drink service, and food preparation and cooking.

The Hospitality, Development

and Education (HDE) organisation gave them a six-week basic theory and practical course, which included life skills. This was followed by a six-week in-service training at Gallagher Estate.

"The culture shock was huge for all of us. This was a whole different world for these people who are mostly squatters," said one of the six HDE trainers, Eugene van Rensburg.

He said students would be placed at Gallagher Estate after the conference and would undergo further training.

At the graduation ceremony last Friday, Hlaole said: "In five years' time I will have opened a fast food restaurant. This opportunity has ensured that I will give my family a good life."

SA trade certain to be scorched by Chinese dragon

(74) BD 18/4/96

"I TELL people I sleep like a baby — I wake up every two hours and cry"
— Coca-Cola Company chairman Roberto Goizueta on the difficulty of succeeding in the Chinese market, despite opening 23 plants there.

COMPANIES in SA, and indeed the world over, are flocking to the People's Republic of China to invest, to trade and to do business. This in spite of the fact that most, if not all, of the traditional indicators which point to potential investment success are missing. Indeed, with specific reference to our own trade with mainland China, SA could find itself in a most disadvantaged position.

The SA textile industry, already struggling against global competition enforced by GATT, is being dealt a body blow by China, as it dumps cheap textile products in SA. This is all the more invidious when one considers that a portion of this manufacture is produced by prison and near slave labour.

China is well known for its abuse of human, and especially worker, rights. Furthermore, China cannot be compelled by the World Trade

Organisation to abide by fair trade practices, as it is not a signatory to that organisation. In the light of this, it is deeply worrying that the SA trade and industry department is prepared to allow the Chinese to self-regulate their exports to SA. Lack of enforcement measures alone will render such a pact a nonsense.

The SA Clothing and Textile Workers' Union has estimated that if the SA textiles industry collapses, as many as 100 000 jobs could be lost. The textile industry is partly to blame here, for allowing itself to become uncompetitive. The point is, however, that the problem is not solved by causing the industry's demise.

In addition, any formal trade ties with the People's Republic of China will seriously impinge on SA's trade with Taiwan. Considering that SA/Taiwan trade amounts to approximately R6bn a year, with a surplus in SA's favour of almost R1bn, it would be most imprudent to damage such a relationship. Moreover, it is of note that SA's trade with mainland China is substantial.

trade with China, the offer becomes more unattractive.

How can the trade and industry department hope to deal with a country like China, and expect it to honour its commitments? The suggestion has been made that even if China wanted to do so, it lacks the infrastructure.

Only a country as disorganised, undemocratic and frightened of change as China would restrict its citizenry from access to international wire services, and disallow its people from using the Internet.

If China is having to go to such lengths to ensure regime survival and quash dissent, what priority will policing a trade pact with SA really enjoy?

Even if the policing measures were effective, techniques often used by Chinese exporters, such as underinvoicing, will seriously undermine these efforts.

Moreover, the Chinese have demonstrated an unwillingness to treat SA in a reciprocal manner in the past. For instance Chinese exports are given "most favoured nation" trading status in SA, incurring

no import duties. Yet South African exports to China are routinely subjected to duties ranging from 6% to 20%. This has made penetration of the Chinese market difficult for South Africans. What is there to suggest that we will encounter a more co-operative and equitable approach from China in the future?

SA needs to pursue whatever avenues it can to expand foreign trade and exports, but not at any cost. Our international trade must be designed to put SA first. If that requires taking a somewhat mercantilist approach — unfashionable as that may be — then so be it.

If trade with China can be structured in such a way as to provide benefits to both countries, that would obviously be most desirable. However, if it is going to cause damage to local industry it must be vigorously opposed.

Schmulow is finance director of the East Asia project of the department of international relations at Wits University. The views expressed are his own and not necessarily the position of the project.

LETTERS

UN trade terms a boom

(74) Sawetan 18/4/96

By Abdul Milazi
Labour Reporter

THE proposal by the United Nations (UN) for the reduction or elimination by its member states of trade tariffs and practices harmful to African economies could not have come at a better time for South Africa.

The trade concessions are part of a multi-billion dollar special initiative programme launched by UN secretary general Mr Boutros Boutros Ghali four weeks ago, to accelerate development in Africa and help the continent reduce its huge debt.

South Africa has had to go back to the drawing board after the European Union (EU) - in its free trade proposals - excluded the country's fresh produce among exports qualifying for preferential treatment.

However, the EU and other African trading partners, the United States and Canada, are currently reviewing their preferential tariff schemes.

Mobilisation of support

Development Programme Administrator and co-chairman of the special initiative's steering committee James Gus-tave Speth told *Sawetan Business* in an interview that the programme was part of the UN system's most significant mobilisation of support for the development of the continent.

Speth said Africa would be strengthened through the Organisation of African Unity (OAU) by improving its conflict resolution abilities. The initiative would also assist in improving Africa's internal resources and promoting speedy debt relief and greater trade access.

He argued that the continent had been marginalised in terms of direct foreign investment while such investment had increased considerably in Latin America and Asia.

Africa's share of foreign direct investment still remains at less than two percent of the total flow, despite efforts by African countries to increase their attractiveness to foreign investors.

It was recommended at the launch that Boutros Ghali should encourage the World Trading Organisation to advise African states and business communities on how the continent's exports could be increased.

According to World Bank reports, Africa's exports have remained stagnant and by 1992, real commodity prices were half their 1979-81 average level.

Speth said even in relatively simple labour-intensive industries like clothing, where new producers were likely to emerge, Africa was not assured of making gains in the next 10 years.

There is a risk that the little foreign investment still coming to Africa would be diverted to servicing external debt instead of facilitating growth and development.

Africa's total debt stock stood at R1 252 billion in 1994 which was equivalent to 234 percent of export income and 83 percent of the Gross Domestic Product (GDP).

Debt sustainability

The total debt stock for sub-Saharan countries is R844 billion, equivalent to 255 percent of export income.

These figures are high when compared to the World Bank's indicators of debt sustainability, which is the net value of debt-to-export-income ratio of 200 percent.

In sub-Saharan countries, multilateral debt rose from eight percent in 1980 to 20 percent in 1990 and was estimated at 41 percent in 1994.

This increased the need to borrow from multilateral institutions due to the shrinking commercial sources of credit and investment.

According to World Bank reports, five sub-Saharan countries - Nigeria, Ivory Coast, Sudan, Angola and Zaïre - accounted for half the continent's total debt.

UN reports on the special initiative recommended that African governments should consider reducing public sector expenditure in no-core areas and to generate more revenue through improved tax systems.

Debtor countries have to ameliorate their own debt problems and the only way to free themselves from aid dependency is through investment and trade.

South Africa's current debt is more than R270 billion and organised labour has already warned the Government not to rush its settlement at the expense of workers.

To positively exploit the trade tariff concessions, South Africa, as a primary commodity-producing country, need to diversify its exports into manufacturing to take advantage of the possible expansion in that sector.



Africa could reduce its debt through increase trade, says Boutros Boutros Ghali

Trade pact with EU 'not on' say farmers

Star 18/4/96

(74)

Rural communities could be destroyed, warns union

By **NORMAN CHANDLER**
Pretoria Bureau

Farmers in South Africa's maize-producing regions have said "no" to a proposed free trade agreement with the European Union.

Representatives of the Government are currently involved in tough negotiations with the EU, which has also come in for fierce criticism from some EU partner countries who also do not see the necessity.

Wilco Beukes, president of the North West Agricultural Union - which represents farmers in the northern Cape and the maize-growing former western Transvaal districts - says that a willingness by the EU to enter into a trade agreement "is not intended to help a

developing African country".

He says an agreement of this kind would be detrimental to South Africa as it would "merely strengthen the EU's trading position in increasing international competition", and there was concern in general about the effect the proposed agreement could have on farming in this country.

"Should the agreement be accepted, member states of the EU will only have to abolish duties on half the agricultural products imported from South Africa, while, on the other hand, South Africa will be obliged to abolish duties on 95% of agricultural products imported from Europe," Beukes said.

This would create "unmanageable competition" and it

was feared that many manufacturers of agriculturally based goods would have to close, bringing further serious economic and social problems.

Beukes adds that rural areas have only now started to recover as a result of the collapse of infrastructure brought about by the recent drought and that a trade agreement would only contribute to a weakening of an already weak infrastructure.

"Agriculture supports rural areas and the damage the proposed agreement can cause to the economy will totally destroy agriculture and with it the entire rural community," he warned, adding that the agreement would also severely damage the economies of member states of the Southern African Customs Union.

Beware the costly downside of free trade with Europe,

President Nelson Mandela visits European countries in the next two months and is expected to be pressured by political and business leaders there to exert his authority to ensure South Africa accedes to a proposed EU free trade agreement.

But South Africa would be well-advised to turn the tables by using Mandela's continuing prestige among Europeans as a bargaining chip, a Euro MP said this week.

EU foreign ministers recently agreed to a mandate for talks on the free trade agreement. The next phase is certain to be a concerted marketing exercise by European leaders.

The tone for this sort of marketing was set earlier this year, when European parliament president Klaus Hansch expressed his

hope for tariff-free trade between the EU and South Africa within the next 10 years. Free trade would bring prosperity, and not merely to a few stock market traders, speculators and risk-takers, Hansch said.

On a recent visit to South Africa, Irish President Mary Robinson, who assumes the EU presidency in July, also signalled how keen she was for the free trade agreement to be signed.

However, South Africa was urged this week not to become stary-eyed at the prospect of free trade with Europe.

Rob Davies, an African National Congress member of the trade and industry and foreign affairs committees, warned against underestimating the implications of the free trade agreement.

Caution was also urged by

Alec Smith, a Labour member of the European parliament for South Scotland, who said there was overwhelming support among his colleagues for a free trade agreement which would promote economic restructuring in South Africa and the development of its manufacturing capacity to compete internationally.

However, he said South Africa should check carefully the terms of the EU offer before embarking on talks. "Now that the mandate is approved, is there really any reason to cheer when 30% of South African agricultural exports are excluded from its terms?"

Paul Goodison, director of the European Research Organisation, said the present EU proposal was for a free trade area between the EU and South Africa which would involve a

South Africa could lose billions of rands in revenue – twice the amount now allocated to the RDP – if it agrees to current proposals by the European Union for a free trade agreement, writes political correspondent **CLIVE SAWYER**

phased elimination of duties on about 90% of all EU exports to South Africa and about 90% of all exports in the opposite direction.

Analysing the terms of the phased elimination of tariffs for each party, Goodison said the potential gains from the free trade agreement disproportionately favoured the union, while implying high adjustment costs for South Africa. He noted that the elimination of EU duties on South African agricultural exports included some significant

quant qualifications.

About 38% of South African agricultural exports would be excluded and there would be discussion on exclusion of a second list of agricultural products, possibly covering a further 22% of current exports.

Also excluded were certain agricultural products not currently traded, specifically maize, sugar, beef, veal, butter, milk powder, prepared or canned citrus fruit, vermouths and other wines and prepared or canned tomatoes. Significantly, also

tagged for exclusion were fisheries products, pending progress on negotiations.

Goodison questioned the extent to which the proposed timetable for implementation of the free trade area would allow South African industry and agriculture to minimise the social and economic adjustment costs. He said there was little doubt consumers would benefit in the short-term from cheaper products, but he questioned what the cost would be to the economy.

Goodison pointed out that it was the European Commission's own assessment that the agreement would give EU exporters a competitive advantage over those in the US and Japan.

A commission report concluded: "The price the EU would have to pay for such an improved position in terms of

the loss of customs revenues is relatively low, due to the high level of existing duty-free access to South African imports and the relatively modest average level of the remaining tariffs at the EU side."

Goodison said South Africa was being called on to liberalise five or six times as much trade as the EU. The conclusion of a free trade agreement along the lines proposed by the commission would:

- Substantially reduce customs revenue for South Africa.
- Rapidly increase the competition faced by South African domestic industry.
- Divert trade and affect South Africa's relations with third world countries.
- Influence the macro-economic policy options of the Government.

He said much of South African industry had grown up behind high tariff barriers and was not competitive internationally. Although reform was under way, it would be years before it was complete.

The free trade agreement proposals would open up the South African economy to competition long before this process of restructuring was completed. "A number of significant sectors of South African industry are likely to collapse or be closed. This is likely to increase unemployment substantially," said Goodison. The ultimate revenue loss to South Africa from the introduction of a free trade agreement would be more than twice the annual financial allocation to the RDP, and more than eight times as great as EU aid to South Africa.

SA is warned (74) 20/4/96

EU documents indicate division over trade deal

BO 22/4/96 (74)

Tim Cohen

CAPE TOWN — Internal European Union documents suggest its representatives have severe doubts about whether a proposed free-trade area between SA and the union can be negotiated because member countries have demanded the exclusion of so many agricultural products from the deal.

The documents of the European Commission, marked "secret", reveal dissension between member states about the extent of the free-trade area.

The extent of division on the issue explains why the union has thus far declined to give details of the exact mandate member states have given to the commission for negotiations.

The documents confirm suspicions that the main proponents of restrictions have been France and Spain, and to a lesser extent Germany, who oppose the importation of many of SA's agricultural products for fear of unsettling the union's already ailing common agricultural policy.

They show SA drew strong support

from the European Commission which pressed hard for the widest possible inclusion of products.

The commission noted that constraints placed on it "seriously affect the commission's ability to bring negotiations to a successful conclusion".

The commission was referring to a second list of products member states wanted excluded from negotiations, which included some so-called "zero flow" products — products which SA does not currently export to the EU. These include butter, milk powder, canned citrus fruit and canned tomatoes. Also added to the list were maize, sugar and beef.

This list significantly increases the number of exclusions originally mooted, which includes cut flowers, lemons, pears, some preserved fruits, wines and fruit juices.

The total exclusions affect 38,6% of SA's farm exports to the union. The commission, which is to negotiate on behalf of member states, had earlier

Continued on Page 2

Trade deal (74)

Continued from Page 1

proposed that 25% of SA's agricultural exports be excluded from the accord.

However, the documents show that many of the member states, including Denmark, Finland, Sweden, Austria and the UK, pointed out they were not in favour of a "negative list" except in the case of a compromise and against the background of a total package.

The documents suggest SA won one

of its demands — that investigations into the effect of including particular products in a free-trade area continue while negotiations take place.

The granting of a mandate for negotiations by member states to the commission was originally held up because members demanded that investigations take place first.

A mandate was ultimately granted last month, and negotiators will probably begin talks within the next few months, with some expressing the hope that the negotiations may be concluded by the end of the year.

Fear of US policy shift on SA trade

John Dlodlu

(74)
SD 22/4/96

THE appointment of US trade representative Mickey Kantor as commerce secretary following previous incumbent Ron Brown's death has been welcomed in SA trade circles.

Observers fear, however, that SA could lose the prominent spot it previously enjoyed on the US trade agenda.

US southern Africa trade diplomat Millard Arnold said he expected no substantial changes in SA policies. The Johannesburg-based Arnold was appointed by Brown, who died in a plane crash early this month.

A trade observer said although there would be no radical changes in policies, Kantor would not be as enthusiastic as his predecessor in promoting SA as a trading partner and investment destination.

"Besides, the US is facing presidential elections later this year and SA is not significant in US political life at present," she said.

The US trade representative's office released a highly critical annual review earlier this month, listing cases of SA protectionism.

One of the most memorable accords in Kantor's track record is the car and parts agreement he brokered last year with Tokyo.

NEWS FOCUS

Negotiation 'and not confro

John Dlodlu

LONG ago, Zavareh Rustomjee, the trade and industry department's director-general, learned a lesson from his karate instructor which he still applies to this day. His instructor used to ask him what he would do if he were confronted with danger — and Rustomjee would present his fighting skills as a means of tackling the problem.

His instructor was against the confrontation option — which he felt should be used only in a life-threatening situation. He advised Rustomjee to "retreat" first — to strategise and take a sober look at the situation at hand.

This lesson has come in handy in his dealings — internally with "Trade and Industry Inc", and externally with business and labour.

Those who have followed the debate with business over the department's plans to cut general export incentive scheme (GEIS) benefits to 6% in July from 12% would agree with the suggestion that Rustomjee eschews confrontation.

He has maintained his cool in the face of threats of law suits and vehement protestations from business to get government to fulfil its commitment to slowly phase in GEIS changes.

He says he is listening to the concerns of GEIS claimants through representative business bodies. He has urged the claimants to use his sober approach by "assessing the root causes of uncompetitiveness".

To Rustomjee, GEIS seems to be a small and perhaps an insignificant part of a bigger problem of uncompetitiveness. He shifts focus to the bigger picture by inviting business and labour to buy into the new consultative "cluster" studies which are aimed at shaping a new industrial policy.

About 12 of these studies, covering sectors as diverse as petrochemicals, jewellery and agro-processing sectors, are currently under way.

Rustomjee says the potential benefit of co-operation within clusters is enormous.

To demonstrate his point, he cites the petrochemicals industry

and says suitable linkages between downstream and upstream operators could create more than 150 000 jobs in eight years.

The group working on the petrochemicals study believes these targets are achievable. The upstream industry, with a well developed international marketing network, could go a long way towards the development of the downstream component.

An industry source notes that the idea of clusters could work if driven by sectors themselves and not forced on them by government.

The clusters initiative leads Rustomjee to another subject which has dominated the local trade debate: supply side measures.

It is envisaged that cluster studies will, among other things, lead to industry support measures which could be tailored to suit sector-specific needs.

Government's views on supply side measures have gradually crystallised. While the state document on supply side measures tabled in the National Economic, Development and Labour Council (Nedlac) last year was broad and noncommittal in nature, Rustomjee says "our view" is that supply side measures should cover human resources development, work organisation and technology enhancement.

The notion of tax holidays and cash grants, which go straight into the bottom line, will not resolve the problems as argued by others.

The outcome of clusters studies will have an effect in shaping the industry element of the department, which has been neglected by his predecessors in favour of trade or export promotion.

The current divide between the trade and industry components should be bridged through a holistic approach. This view goes against the current obsession with "an export-led growth".

To beef up the industry side of the department, Rustomjee has embarked on an aggressive recruitment campaign to attract talent from the private sector.

He admits, though, that the department cannot match salaries in

the private sector. Although people will get the normal peanuts offered by governments worldwide, this is better than the academic world is offering, and the department offers talented South Africans an opportunity to take part in a "once-in-a-lifetime" process of reshaping the country's industrial policy.

Since the recruitment drive was launched through an advertising campaign in the Press, positive results are beginning to show.

Since joining the department a year ago, after a stint as special adviser to then trade and industry minister Trevor Manuel, Rustomjee has established benchmarks for the department to propel the country to sustainable growth levels.

His first annual report was littered with specific targets to be reached. An example of this is government support for export initiatives — outgoing trade missions and participation in trade fairs, for instance — which should generate a specific volume of exports.

However, an acid test for Rustomjee's hard work will be the creation of growth and jobs.

Rustomjee is confident and says the country is on track for higher

growth levels.

He and his colleagues in the trade and industry department are hoping for a 6% growth rate by 1999. That, incidentally, is the final year of the Mandela presidency and an election year.

The snag about the recent economic upswing is that it has not been accompanied by the creation of job opportunities.

"The challenge is to have sustainable jobs," Rustomjee points out. The cluster studies initiative is, in part, a response to the challenge of job creation.

Unlike his business and labour comrades, Rustomjee does not have the luxury of writing thick documents on policies to drive the country to growth and jobs.

But back to the karate story. Rustomjee is not prepared to "use unnecessary energy" by being confrontational. He will use consultation to "get all people on board" — including his staff at the House of Trade and Industry — "to move willingly towards common goals".

Whether Rustomjee's non-confrontational approach is effective will be gauged over the next few weeks as the GEIS debate unfolds.

NEGOTIATION
22/4/94

Social clause not forced on trade partners

John Dlodlu

LABOUR, business and government had agreed in principle on labour's proposal to link labour standards with trade issues, sources said yesterday.

Sources close to the National Economic, Development and Labour Council said Trade and Industry Minister Alec Erwin had proposed at a meeting on Saturday that SA should encourage — rather than

force — trade and investment partners to uphold labour standards and human rights.

The rights, which labour wanted to be included in all trade agreements, are a ban on child labour and all forms of discrimination, as well as rights of workers to strike and collective bargaining.

The weekend meeting, which was hailed as a breakthrough on the social clause by one source, would break the deadlock on trade accords with many countries, including Cuba, Thailand and the Philippines. The three have specifically refused to sign trade agreements with SA which include a social clause as a condition.

SA would now encourage its partners to uphold these standards and to pursue them in other forums such as the World Trade Organisation, a source said.

Erwin, who became trade minister earlier this month, is known to have criticised a proposal to insist on a social clause in bilateral agreements as a protectionist ploy. "This (proposal) does not tie anyone's hand," the source said.

A social clause could then be written in a "side letter", but not form part of a main accord with a partner, he said. Erwin is said to be keen to include labour and business delegates in his delegation at this week's UN Conference on Trade and Development on globalisation.

France plans 50% increase in trade with SA by end of century

BY JON BEVERLEY

(74) (74)
ET (BR) 22/4/96
Richards Bay — France intends to increase Franco-South African trade by 50 percent between now and 2000, Yves Galland, the French finance and trade minister, said at the opening of the Alusaf aluminium smelter on Friday.

Galland has been in the country as the leader of a party of top French businessmen.

French technology in the smelting process developed by Aluminium Pechiney was the key to the new smelters' ability to achieve a capital cost of \$3 000 a ton of aluminium.

Other smelter's costs are about \$4 000 a ton.

Galland said the opening of the Alusaf plant demonstrated that

France could be a more active and available commercial partner.

"At present, we are only your sixth supplier, having intentionally broken off our commercial ties for several years.

"I should like to set a target for France to have a presence here which measures up to our place in the world of commerce as we are the fourth world exporter of goods and the second world exporter of services.

Contribution

Later at a celebratory lunch, Jean-Pierre Rodier, the chairman of the Aluminium Pechiney, contributed R500 000 to an educational trust fund that is being set up in the area.

Focus on new competition laws

Erwin moots tax incentives for SA trade

(74)
BD 24/4/96

Greta Steyn

SA SHOULD follow an active industrial policy — including tax incentives — to boost potential world-class players in the global trade stakes, newly appointed Trade and Industry Minister Alec Erwin said yesterday.

In a wide-ranging interview in Pretoria, Erwin also showed some sympathy for businesses which would suffer badly from the speedy phasing out of the general export incentive scheme (GEIS), but made it clear the plan was still in place. He also signalled that he wanted to get competition legislation through Parliament as soon as possible. The draft legislation which had been handed to his predecessor, Trevor Manuel, was "a first crack" which would have to be reworked soon.

He underlined the importance of dialogue with labour and business over industrial restructuring in general.

Erwin said he believed a mix of investment incentives could be developed as part of a supply side strategy to boost competitiveness.

Top business people disagree over

the desirability of incentives, with industrialists in favour and some purist economists against them.

Erwin said detailed discussions had been held between the finance department and trade and industry before he became minister, in which the Katz commission's concerns over tax incentives were carefully considered. "Katz wants to minimise incentives but he did not say they should be ruled out. He was saying it was important to realise the cost, to know why you are doing it and to know whether it will have to be permanent or not."

Erwin believed the large "world player type" projects should receive incentives, as should small businesses. The latter already had favourable tax treatment in the form of cash-based accounting, which had got off to a difficult start but now looked set to work. For the big, capital-intensive projects, the aim would be exports rather than job creation. Only projects in which SA truly had a competitive advantage should benefit.

Continued on Page 2

Erwin

(74)

Continued from Page 1

Government should act when start-up costs were high for a project which would give SA a competitive advantage. An example of this was the granting of tariff protection to help Tongaat-Hulett invest in an aluminium plant.

Defending accusations of tardiness in implementing supply side measures to help industries in the throes of restructuring, he said measures were ready that could be implemented immediately. "But we need certainty on the savings from GEIS." The measures would cost R200-R400m.

Business has reacted angrily to trade and industry's plans to speed up the phasing out of GEIS, threatening to take government to court.

Erwin said the department had been inundated with requests to prolong GEIS, and he would consider making exceptions in isolated cases. "Court action by business would be a silly move, as it would lock up the mon-

ey for supply side measures for years." He was disappointed by business's fury, saying GEIS was a "shotgun" approach which was too open ended.

The package of measures — which included support for training, research and development and technology enhancement — differed from GEIS as it would create permanent export capacity. The measures were more targeted and related to specific objectives.

On competition policy, Erwin said legislation had to be developed that did not hit size just for the sake of it, but which targeted anti-competitive behaviour. "To make that economic principle effective in law is not easy."

On trade negotiations with the EU, Erwin said it was no secret SA was not happy with the mandate European negotiators had received, which excluded 39% of SA's agricultural exports. "We are analysing the consequences and consulting our partners in the Customs Union and the Southern African Development Community. These are negotiations," he said, indicating there would be some tough talking before a settlement was reached.

SA-Mozambique plan to improve trade, tourism

Sanetan 25/4/96

By Jorge Dique

MAPUTO – Mozambique and South Africa aim to increase trade and tourism levels through the new Maputo Development Corridor.

In the early 1970s, 40 percent of South Africa's exports and imports passed through the port of Maputo and 300 000 South Africa tourists visited Mozambique annually.

Now only five percent of South African trade passes through Maputo and the tourist figure is down to 3 000.

The corridor runs from Maputo to Witbank in Mpumalanga. It is planned as trade route and will include road, rail and telecommunication links.

More than R1 billion is to be spent on the development of the corridor.

About R666.7 million has been allocated for the construction of the 500km motorway between Maputo and Witbank and a rail link between Maputo and Komatipoort is being reconstructed at the cost of more than R20 million.

The restoration of Maputo port is seen as extremely important by South Africans. It is closer to the industrial heartland in Gauteng than either Durban or Cape Town.

The development of the corridor is expected to create employment for thousands of Mozambicans and South Africans.

Tourists sites between Ponta do Ouro in the Maputo province and Xai Xai in Gaza are to be developed in an attempt to bring back South African tourist levels of the 1970s.

Africa Information Afrique.

Harbour business booming

New cranes will boost capability
ARC 25/4/96

CHENE BUGNAUT
Staff Reporter

HARBOUR business is booming in the Western Cape, with predictions by Portnet that the expansion of the port will boost the industry even further.

Container cargoes have seen the biggest growth from 2,1 million tons handled in 1990/91 to 4,5 million tons budgeted for the 1996/97 financial year.

The 114,3 percent increase was mainly in the chemical, meat, mechanical, agricultural, acid and deciduous fruit product categories.

The overall cargo growth for the same period was 73,2 percent.

Shipping movement was also at its highest monthly level ever in March this year with 1 007 ships calling at the port.

Adri Bootsma, communications manager for Portnet, ascribed the boom in harbour activity to South Africa's return to global markets and improved confidence in the country's business sector. The unexpected growth in container activity was the cause of serious congestion problems at the harbour last year, which led to a

R110-million expansion drive.

The arrival of two huge imported Noell gantry cranes from Dubai this week is the final phase of the programme and will dramatically increase the container-handling capacity of the harbour, at a cost of R46 million.

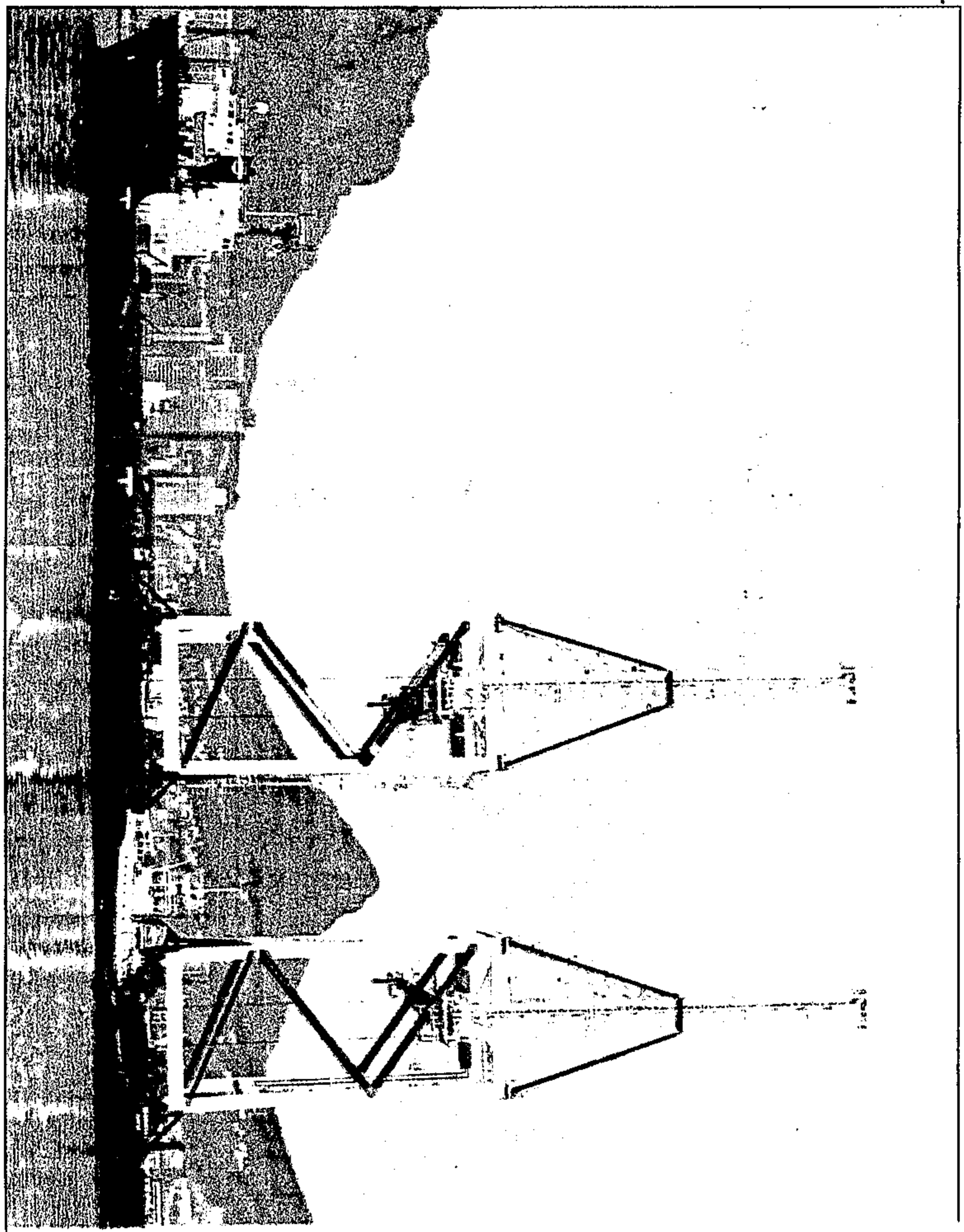
"There is great excitement in the port community about the cranes because they are far bigger than our existing cranes. For the first time we will be able to accommodate post panamax ships (larger container vessels)," said Ms Bootsma.

The vision is to double the annual container-handling capacity of the harbour within the next few years, she added.

"This could only be interpreted as a major boost for the Western Cape economy."

The cranes were assembled in Dubai so as not to cause a major disruption in port productivity in Cape Town.

The upgrading of the port further included the addition of several other container-handling vehicles, an increase in stacking space, as well as the creation of more jobs at the container terminal.



ARRIVING IN THE MOTHER CITY: Two Noell gantry cranes, which will dramatically increase the harbour's handling capacity, arrive from Dubai.

Picture: ANDREW INGRAM, The Arc

'There is a danger that powerful countries will be excluded'

(74)

WTO chief urges global free market

CT (BR) 25/4/96

FROM SAPA-AFP

Singapore — The head of the World Trade Organisation cautioned regional trade groups yesterday not to stand in the way of making the world a single market.

The main challenge "is to ensure that national barriers are not just replaced by regional ones", Renato Ruggiero, the director-general of the organisation, told a two-day World Trade Congress.

He said the other danger posed by regional groupings was the exclusion of powerful countries such as China and Russia that did not fit into any defined blocs, including the WTO.

The European Union plans to create a preferential free-trade area with all the Mediterranean countries by 2010. Seven Southeast Asian

countries have a free trade goal of 2003; the EU has a framework agreement with four South American countries, known together as Mercosur; and the Asia Pacific Economic Co-operation (Apec) forum is committed to creating a free-trade area by 2020.

But economists said if the regional groupings were fair to each other while imposing tariff barriers on non-members, the world would end up divided into two or three intercontinental preferential areas, each with its own rules.

"Is this the sort of world any of us would want," Ruggiero, a former Italian foreign trade minister and diplomat, said in the inaugural speech at the congress.

Ruggiero said that among the groups on the right track were Apec and Mercosur, which wanted to dis-

mantle regional trade barriers and lower barriers for non-members.

The congress is organised by Singapore's Trade Development Board and the International Herald Tribune newspaper. It aims to provide an opportunity for 750 government ministers, officials, academics and business executives from 30 countries to discuss their views on global trade with policymakers.

Organisers hope it will help to set the agenda for the first joint meeting of the WTO's member trade ministers in Singapore this December. The organisation was set up two years ago to draw up global trade rules for its 120 member countries and settle disputes.

In the keynote address, Goh Chok Tong, the prime minister of Singapore, defended regional trade groups, saying they were the "labo-

ratories of the global trading system undertaking experiments in controlled regional environments."

"Regional groupings will be better able to withstand the pressures of an unpredictable world, especially if it disintegrates into trading blocs," he said.

"In essence, they are a hedge against the uncertainties of the global economic environment."

Ruggiero also urged industrialised countries to invest more in developing countries, which received only 35 percent of global foreign investment.

Of that, the lion's share went to only 10 major developing countries, said Ruggiero.

"The silent majority ... includes those who are most in need of the benefits of investment," the director-general said.

SA might join Lomé by the middle of June

CT (BR) 25/4/96

BY CHRISTO VOLSCHENK

(74)
Cape Town — South Africa might join the Lomé Convention if the Africa, Caribbean and Pacific countries (ACP) and the European Union Council of Ministers ratify an agreement to be negotiated in three weeks' time, a spokesman for the trade and industry department said yesterday.

South Africa would begin negotiations with the European Commission on the terms of its accession to the convention in the second week of next month.

The agreement will be submitted to the ACP and the council for ratification on June 15. If the terms are not ratified then, they may be when the council meets in October.

The commission published its proposal for South Africa's accession to Lomé at the end of last year.

"South Africa will push for a few changes to the EC's proposal," the department spokesman said.

Apart from the right to submit tenders for European Development Fund contracts, membership will bring mostly political benefits.

The convention was first signed in Lomé, the capital of Togo, in 1975 by ACP countries and the European Economic Community. It gives members access to financial and technical aid from the EU.

□ See Business Watch, Page 24

SA to push for 'poor nations' plan

(74) Star 25/4/96

Under-developed countries

'falling off the map' as rich

consolidate global economies

STAFF REPORTER

The South African Government is determined to ensure the United Nations Conference on Trade and Development (Unctad), which it is hosting at a cost of R18-million, comes up with concrete proposals for under-developed countries.

Trevor Abrahams, adviser to Trade and Industry Minister Alec Erwin, said at a press conference yesterday: "South Africa is president of Unctad for the next four years and we are committed to getting concrete proposals and outcomes to stop the world's least-developed countries falling off the map as they continue sinking deeper into social strife."

State leaders and luminaries like UN Secretary-General Boutros Boutros-Ghali, Jordan's King Hussein and President Nelson Mandela are among those planning to attend the conference which starts in Midrand on Saturday.

The effectiveness of Unctad was crucial to SA, because "we are now feeling the brunt of declining African states as their people flood into SA", Abrahams said.

He also warned that the massive increase in world trade between developed countries and their globally-growing economies was increasing

the likelihood of under-developed countries becoming even more marginalised.

"Least-developed countries just do not matter in this new world game.

"This is a very real concern for South Africa, as some of (these countries) are in Africa and on our borders," said

Abrahams.

"We need new global partnerships between developed and developing states that will ensure developing countries do benefit from the increased opportunity the new world order offers," he added.

He is determined to get private business and non-government organisations more committed and involved in Unctad than they have been in the past.

The South African Unctad executive agree that the conference could not hope to "solve the problems of the world".

Executive members believe the main objectives of the conference are to formulate holistic development policies; to allow the 188 participating states to share their experiences and learn from the mistakes of others; and to formulate technical assistance programmes.

"Unctad delegates must analyse the world and decide where it is possible to intervene to facilitate sustained development," said Abrahams.



Call for proposals on poor nations

74 (297)
John Dlodlu

BD 26/4/96

SA, host to this year's UN Conference on Trade and Development, wanted "concrete proposals" to be established to reverse the misfortunes of the world's poorest nations, trade and industry ministerial adviser on Unctad Trevor Abrahams said yesterday.

Abrahams said at a pre-conference briefing that SA wanted the gathering — which opens on Saturday — to tackle the problems of developing countries, especially least developed nations.

"We don't want verbal commitments... Unctad's work needs to make a difference (to the lives of those in least developed nations)".

Abrahams said SA, which takes over the rotating four-year presidency of Unctad, wanted the conference to put in place monitoring and evaluation mechanisms to ensure that "Unctad does not end on May 11".

SA was concerned about the effects of continued marginalisation of poorer countries.

SA delegation member Xavier Carim said increased trade and investment opportunities stemming from the former GATT would be enjoyed chiefly by rich nations. Marginalised nations, which were not part of the networks of the 1980s, would not reap substantial benefits.

Carim, a trade and industry department deputy director for bilateral relations, said SA felt new partnerships between governments and all development players — such as non-governmental organisations — should be formed to address the problems of marginalisation and negative migration trends.

He said that Unctad should continue to follow its historical roles of policy formulation and technical assistance to developing countries in order to improve trade efficiency.

South Africa to walk tightrope at helm of Unctad

South Africa will head up Unctad for the next four years, and is uniquely positioned to influence trade between the developed world and developing Third World countries. **ROSS HERBERT** reports

(74) Star 27/14/96

Its trade functions have largely been eclipsed by the formation of the World Trade Organisation (WTO); and the World Bank, International Monetary Fund and others now call the tune in development.

South Africa is, depending on one's confidence in the Government's diplomatic skill, either about to embark on a four-year collision course with the developed world or take on a leadership role in sensitising world institutions to the plight of the developing world.

The United Nations Conference on Trade and Development (Unctad) starts today in Midrand. South Africa has been active in setting the agenda for the 14-day event, and Minister of Trade and Industry Alec Erwin will begin his term as president of the organisation for the next four years.

As an organisation, Unctad is struggling to find a mission. It is under severe budget pressure from donor nations critical of the ineffectiveness and bureaucracy of the UN system. The question central to the conference is: What, if anything, should be done with Unctad?

There is a significant belief among senior Department of Trade and Industry (DTI) staff that the free-trade philosophy that imbues the WTO, the World Bank and the IMF has often worked to the detriment of the developing world. Some speak conspiratorily about the First World duping the Third World into a WTO that is by definition unfair to the developing world.

The DTI team preparing strategy for Unctad wants the organisation to become adviser and advocate for the least developed countries, many of which don't have the resources, expertise or savvy to go into WTO negotiations and strike an advantageous deal. Herein lies the potential conflict.

The developed countries, and the United States in particular, want Unctad to be scaled down and to stay out of WTO affairs. Moreover, their diplomats say Unctad has long been stuck in a "south versus north, developing versus developed world" mindset. They want the confrontation to end and aren't



BALANCING ACT: Trade and Industry Minister Alec Erwin

eager to fund an Unctad that is a soapbox for criticism of the developed world.

The US also wants Unctad to be confined to providing research and technical trade support. South Africa plans to advocate for a much broader, more controversial agenda.

The DTI wants greater debt relief for developing countries. SA, with its large reserve of international goodwill, is uniquely positioned to influence the developed world. Advocacy doesn't have to turn into antagonism.

If managed well, the presidency of Unctad could secure an influential position for SA

as broker in world disputes. Realistically, the situation is more complicated. Erwin may be president of Unctad but he won't necessarily control its bureaucracy. He will get the blame from a First World irritated by Unctad criticism.

There is sympathy in developed countries for debt relief, but other issues will find determined First World opposition. The US and Europe will press for a linking of labour standards into the WTO process so that nations engaging in child or slave labour could be brought before the WTO and possibly forced to pay penalties. Developing-world diplomats see this as meddling and disguised protectionism.

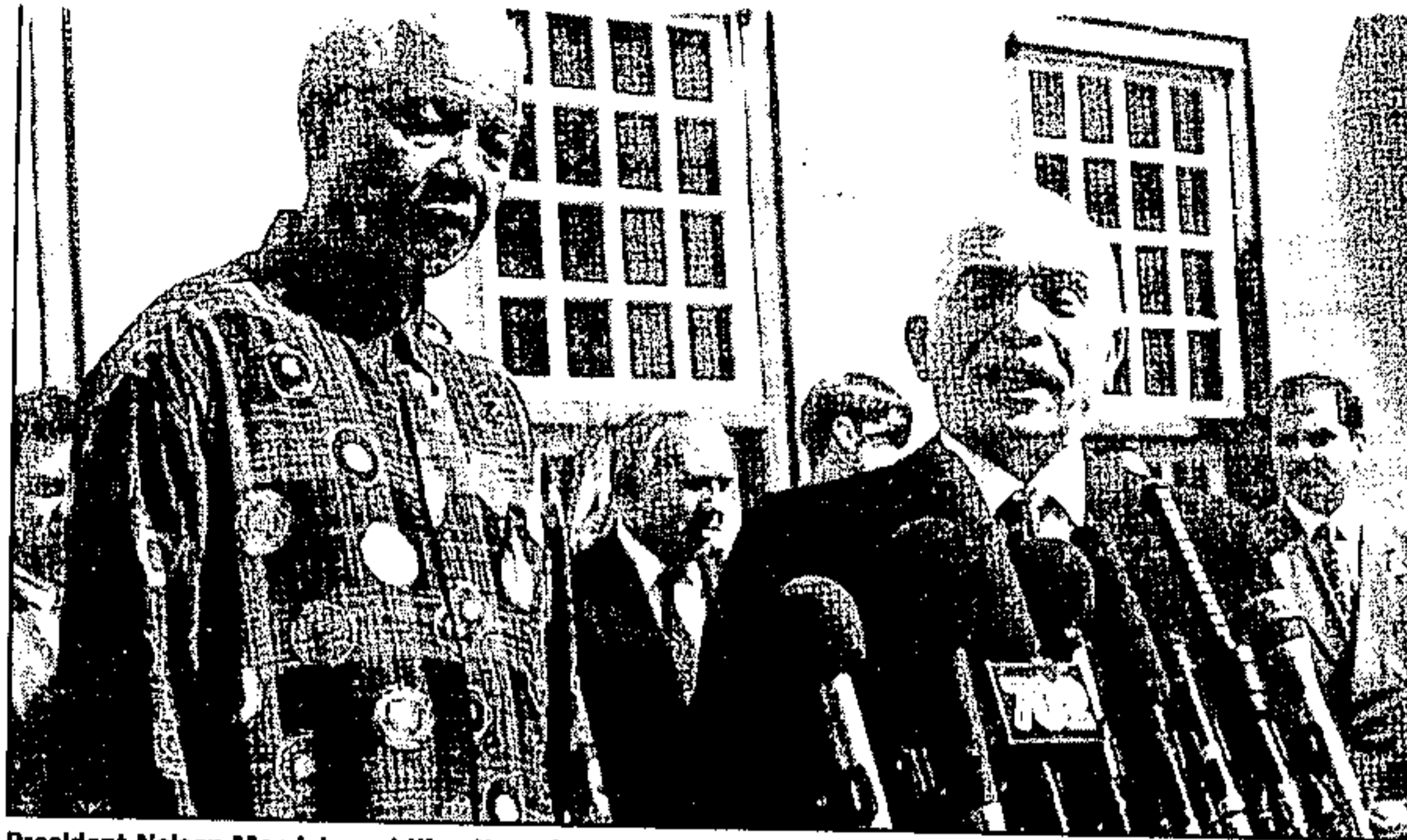
Similarly, the DTI plans to lobby to keep environmental restrictions out of the WTO. The developed world, heavily swayed by pro-environment activists, will take a hard line on countries rapping forests and fishing resources.

Unctad's fate will be determined largely by the size of its budget. If the wealthy nations have already decided effectively to gut Unctad, has SA taken on a losing cause that will drain precious staff time in the DTI for the next four years and deliver few benefits to the country? Most issues the DTI plans to

champion have little direct benefit for SA. The country is now lobbying for more, not less, free trade with Europe. SA doesn't need debt relief and faces no major environmental linkage issues. On labour standards, the DTI's position is contrary to Cosatu's. Cosatu wants to force developing economies to comply with international labour standards so that South African labour isn't priced out of the market.

Taking on a Third World advocacy role in Unctad can't be viewed in isolation. Foreign Minister Alfred Nzo recently expressed SA's solidarity with Libya. Tokyo Sexwale has just returned from a trade mission to Cuba. Members of the Palestinian terrorist group Hamas have been invited to meet President Mandela, who has criticised US aid as "peanuts".

So far, South Africa has benefited immensely from appearing to be the only responsible, First World nation in Africa. What risk does the country run if world perception shifts and the world starts to see SA as the friend of rogues? A London currency trader, briefed by Finance Minister Trevor Manuel this week, expressed surprise that SA had aligned itself with Libya at a time when the rand was plunging.



President Nelson Mandela and King Hussein of Jordan in Pretoria last Friday. King Hussein is in South Africa to attend the Unctad meeting. PIC: PAT SEBOKO

Erwin takes on the Unctad presidency

Journal 29/4/96

By Ross Herbert

SOUTH AFRICA IS, depending on one's confidence in the Government's diplomatic skills, either about to embark on a four-year collision course with the developed world or take a leadership role in sensitising world institutions to the plight of the developing world.

The United Nations Conference on Trade and Development (Unctad) started on Saturday in Midrand near Johannesburg.

South Africa has been active in setting the agenda for the 14-day event, and Alec Erwin, Minister of Trade and Industry, will begin his term as president of the organisation for the next four years.

As an organisation, Unctad is struggling to find a mission. It is under severe budget pressure from donor nations critical of the ineffectiveness and bureaucracy of the United Nations (UN) system.

The question central to the Unctad conference is: What should be done with the organisation, if anything?

Its trade functions have largely been eclipsed by the formation of the World Trade Organisation (WTO). The World Bank, International Monetary Fund (IMF) and others now call the tune in development.

Free trade policy

There is a significant belief among senior Department of Trade and Industry (DTI) staff that the free-trade philosophy that imbues WTO, the World Bank and IMF has often worked to the detriment of the developing world.

Some speak conspiratorially about the First World duping the Third World into a WTO that is by definition unfair to the developing world.

The DTI team preparing strategy for Unctad wants the organisation to become adviser and advocate for the least developed countries, many of which do not have the resources, expertise or savvy to go into WTO negotiations and strike an advantageous deal.

And herein lies the potential conflict.

The developed countries, and the United States in particular, want Unctad to be scaled down and to stay out of WTO affairs. Moreover, their diplomats say Unctad has long been stuck in

South Africa's presidency of Unctad could bring her new First World foes

a "South-versus-North, developing-versus-developed-world" mindset.

They want the confrontation to end and are not eager to fund an Unctad that is a soapbox for criticism of the developed world. The US also wants Unctad to be confined to providing research and technical trade support.

South Africa plans to advocate a much broader, more controversial agenda. DTI wants greater debt relief for developing countries.

There is also discussion, but no clear decision, over whether formally to ask to extend the phase-in period over which the developing world must remove its trade barriers.

South Africa, with its large reserve of international goodwill, is uniquely positioned to influence the developed world. And advocacy does not necessarily have to turn into antagonism.

Influential position

If managed well, the presidency of Unctad could secure an influential position for South Africa as honest broker in world disputes. Realistically, the situation is more complicated.

Erwin may be president of Unctad but he will not necessarily control its bureaucracy. He will get the blame from a First World irritated by Unctad criticism. There is sympathy in developed countries for debt relief, but other issues will find determined First World opposition.

The US and Europe will press for linking labour standards into the WTO process so that nations engaging in child labour or slave labour could be brought before the WTO and possibly forced to pay penalties.

Developing world diplomats see this as meddling and disguised protectionism. Similarly, DTI plans to lobby to keep environmental restrictions out of the WTO.

The developed world, heavily swayed by pro-environment activists, will take a hard line on countries raping forests and fisheries. If South Africa really champions delinkage of labour and environmental standards, it will find a hostile audience in many developed countries.

Unctad's fate will be determined largely by the size of its budget. If the

wealthy nations have already decided to effectively gut Unctad, has South Africa taken on a losing cause that will drain precious staff time in DTI for the next four years and deliver few tangible benefits to South Africa?

And how hard should South Africa push and what does South Africa gain in fighting battles for its developing world friends? Most of the issues DTI plans to champion have little direct benefit for South Africa.

For itself, South Africa is now lobbying for more, not less, free trade with Europe. South Africa does not need debt relief and faces no major environmental linkage issues.

Labour standards

On labour standards, DTI's position is actually contrary to that of the Congress of South African Trade Unions (Cosatu). Cosatu wants to force developing world economies to comply with international labour standards so that South African labour is not priced out of the market.

Taking on a Third World advocacy role in Unctad cannot be viewed in isolation. Alfred Nzo, Minister of Foreign Affairs, recently expressed South African solidarity with Libya.

Gauteng premier Tokyo Sexwale has just returned from a trade mission with Cuba. And the controversial American Louis Farrakhan met President Nelson Mandela.

So far, South African trade has benefited immensely from appearing to be the only responsible nation in Africa. What risk does the country run if world perception shifts and the world sees South Africa as the friend of rogues?

One London currency trader, who was briefed last week by Trevor Manuel, Minister of Finance, expressed surprise that South Africa had aligned itself with Libya at a time when the rand was plunging in value.

As he put it: "If the markets were more aware of that, they would be alarmed."

Libya is seen in the market view as a leper. I think it would be highly counterproductive if South Africa is seen repeating its support of Libya." - *Independent Foreign Service.*

Government reshuffle delays trade accord, says EU commissioner

By JOHN FRASER

Brussels—The European Union said there would be no progress towards a trade accord with South Africa for some weeks, because of the recent government reshuffle in Pretoria.

Joao de Deus Pinheiro, the EU commissioner for South Africa, arrives in South Africa tomorrow to attend trade forums, including the United Nations Conference on Trade and Development.

However, he was expecting only informal discussions with the South African government on future trade links between the EU and South Africa.

After a long period of internal division, EU foreign ministers agreed last month to offer South Africa a free trade area.

However, this would not be as generous as it sounds as almost 40 percent of the agricultural products that South Africa sends to the

EU would be excluded from the prospect of eventual free trade, and that figure could rise even higher during negotiations.

There was no prospect for favourable trade in some other farm products, such as beef and sugar, which South Africa does not export to the EU.

The South African government had to decide whether the restrictive EU offer was worth considering as the basis for the launch of trade negotiations.

"There will be no formal negotiation as the new trade and industry minister wants to get a full grasp on the dossier," said Pinheiro.

He said they would have in-depth informal talks in which he would present his views on the negotiations, the progress that could be made and the main difficulties for the EU and South Africa.

He said they would have to



Joao de Deus Pinheiro, European Union commissioner for SA

address concrete issues and try to agree on a calendar for the negotiations.

The commissioner said he would try to stress the positive benefits the deal would have for South Africa, in terms of opening up the EU market to industrial

(74) 2914/96
goods which were not exported in volume.

"We think there are many products which will be interesting in the future, with a significant potential for trade," said Pinheiro.

"South Africa, due in part to the isolationism of the past, has an indigenous potential which is here to be developed.

"Of course, we will have to look at the restrictions, but it is important that we also fully realise the potential."

The commissioner said they were at the beginning of negotiations and the talks should not be seen as the final outcome.

Pinheiro said South Africa should not underestimate the importance of agriculture in the EU.

"Agriculture is a sort of sacred cow, in the sense that everything to do with agriculture always worries EU ministers.

"Although, I should not mention cows now, because of mad

cow disease," he said.

Pinheiro welcomed the announcement that South Africa would appoint a new ambassador to the EU to replace Neil van Heerden, who left in January. The commissioner said that would make it easier for South Africa to put over its case in Brussels.

Emma Bonino, the EU's fisheries commissioner, also flies out to southern Africa at the end of this week. She will meet members of the South African government and join in the constitution celebrations on May 8.

The EU wanted a fisheries accord with South Africa that would involve joint ventures between European and South African vessels, with Europe also seeking access for its vessels to South African waters.

Pinheiro said South Africa could benefit from a fisheries deal.

See Foreign stories, Page 14

China and SA to hold trade talks

(74)

By SHIRLEY JONES

ETC(BP) 29/4/96

Durban — A Chinese trade delegation that arrived in South Africa on Friday to participate in the United Nations Conference on Trade and Development plans to meet government officials to discuss contentious trade issues between China and South Africa.

Kate Kuper, the deputy-director of foreign trade relations in the trade and industry department, said the delegation, led by Wu Yi, the minister for foreign trade and economic co-operation, would meet high-ranking government officials, including Alec Erwin, the minister of trade and industry.

Kuper said the exchange of most-favoured-nation status would be at the top of the agenda but other trade problems and the highly charged issue of a voluntary export restraint would also be discussed.

Kuper said South African authorities had taken no firm decision on any of these issues and would not endorse any agreements which were not in the interests of South African industry.

Meanwhile, in the run up to the negotiations, the trade and industry department has asked for input from the footwear industry to create an environment conducive to a proposed export restraint agreement by China.

In an appeal to members, the Footwear Manufacturers' Federation quoted the department as saying it wanted to make the export restraint agreement process as effective as possible and was aware of the practice of rerouting goods via neighbouring states to avoid restrictions.

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Finland backs SA's EU free trade bid

CT(62) 29/4/96 (74)

By JAMES LAMONT

Johannesburg — Ole Norrback, Finland's minister for EU affairs, threw his support behind South Africa's hard-fought negotiations over a free trade agreement with the union last week.

He said he would "support the removal of tariff barriers on industrial products for South Africa". South Africa exported mainly raw materials to Europe but "there was room for export of industrial products, wine supply and consumer products. . . .

"The goal must be more free, more open trade, but not if it means the collapse of one country's economy," he said.

He recommended a patient approach; Finland negotiated for five years before it gained EU membership.

Norrback said South Africa had made many new friends since the end of apartheid and stiff competition was forcing its trade

partners to consider innovative ways of financing and marketing.

He singled out telecommunications as one area where Finnish expertise and experience could help South Africa.

He said that since Finland opened up its telecommunications sector three years ago, competition had resulted in better service, lower prices and more advanced technology. Prices had fallen 30 percent since the debate on disbanding the state monopoly in telecommunications started.

Norrbeck was in South Africa to attend the Unctad sessions and promote trade between South Africa and Finland. He was accompanied by a 15-member delegation to build on trade links in forestry, paper-making, mining, health care, telecommunications, energy and and construction.

In 1994, Finland exported about R800 million in goods to South Africa and imported about R250 million worth of goods.

UN conference focuses on rich-poor divide

287
74
325

Choice of SA to host gathering symbolises country's return to international world, says UN official

Nov 29/4/76

BY SAPA AND TROYE LUND

A meeting of the United Nations Conference on Trade and Development opened at Midrand near Pretoria on Saturday with warnings that the gap between rich and poor might be widening.

Most of the world's people were no more secure at the end of the 20th century than they had been during the Cold War, President Nelson Mandela told the meeting.

"Poverty and need continue to blight their lives," he said.

The UN meeting, one of the largest to be held in Africa and the first to be held in South Africa, opened with a mass choir of 400 children singing the national anthems, traditional dancers and the pounding of an African drum.

The choice of South Africa to host the United Nations summit



on trade and development (Unctad) was more than symbolic of the country's return into the international world of states, said Unctad secretary-general Rubens Rucupero.

At a press conference before the opening ceremony, Rucupero said SA faced the same problem as the world economy: it had a vast and widening gap between rich and poor which had to be narrowed.

This is the main theme some

3 000 UN delegates from 188 states will debate over the next two weeks of the Unctad conference at Gallagher Estate in Midrand.

Rucupero stressed SA was now not only an important world leader but a living demonstration that development in Africa was not impossible.

He also emphasised that the conference aimed to set up concrete mechanisms that would deliver better services to developing countries and "make a difference in people's lives".

Minister of Trade and Industry Alec Erwin, who will be president of Unctad for the next four years, yesterday said he intended to make Unctad an "aggressive and dynamic organisation" that implemented concrete support systems for developing countries to grow by improving on issues like financial and trade efficiency.

One in 3 000 delegates objects to accommodation

Of the 3 000 UN delegates attending the conference on trade and development at Gallagher Estate in Midrand only one has complained that the accommodation was not acceptable.

The Russian delegate was not satisfied with his hotel because he said there were no restaurants nearby and he could not find anywhere to go for his first meal on Friday evening after he arrived.

Delegates are staying in 29 Johannesburg, Midrand and Pretoria hotels which a UN team that visited the country last year inspected and approved as being of a sufficiently high international standard.

Rod Rutter, the American Express representative who is based at the conference and who had dealt with the hotel bookings, said: "There are plenty of restaurants the man could have gone to. He just did not know the area."

After getting better acquainted with the area around his hotel, the Russian delegate is reported to be "not as disgruntled" and said he would stay in his hotel. - Staff Reporter.

UN rules bar Taiwanese journalists from conference

BY TROYE LUND

Taiwanese journalists, no matter which country their publication is affiliated to, have been barred from the UN Conference on Trade and Development (Unctad) because their country is not a member of the organisation.

South African delegates, including government ministers, attending the conference in Midrand near Johannesburg agreed that the barring was unfair but said SA as host country "still had to play by UN rules".

Taiwanese citizen Chang Jer-Shong confronted Unctad's Secretary-General Rubens Rucupero on the issue at one of the first press conferences of the summit this weekend.

"This is unbelievable. It seems to say that non-member nations have no right of access to information, no right to read the newspaper or watch television. The UN charter does not allow for gagging of the press and does not intend to discriminate journalists in carrying out their work," said Jer-Shong.

Jer-Shong, who has been a journalist for 30 years, works for the Chinese Central News Agency which is based in Taiwan and distributes news to China. Rucupero asked the chief of media accreditation, Sonya Lecca, to reply to Jer-Shong.

In a written reply, Lecca said Jer-Shong could not be allowed to cover the event because of a decision taken by the UN's General Assembly in 1971 which declares "there is an indissoluble link between an accredited correspondent and the agency he/she represents".

That same UN meeting ruled that all accreditation from journalists representing "government-supported media in Taiwan" be withdrawn. Jer-Shong is not satisfied and intends to fight his exclusion: "I have covered a great number of UN events before and have never been denied the opportunity. I should be judged as a journalist not as a representative of Taiwan."

Although Jer-Shong is the only Taiwanese journalist at Midrand, more of his colleagues were expected to arrive later this week.

'We are not a competitor'

South Africa must be treated as a developing country by the EU if the free trade agreement is to succeed, says ANC MP Rob Davies. **Lynda Loxton reports**

THE European Union was sharply criticised this week for trying to treat South Africa as a developed nation rather than one with special development needs.

African National Congress MP Rob Davies, fresh back from a trip to Europe to attend a meeting of the EU and African-Caribbean-Pacific (ACP) joint assembly, said during the debate on the Budget in Parliament that South Africa would be "naïve to ignore all the clear signals that demands for reciprocity have replaced expressions of solidarity as the central feature of North-South trade agreements".

He said the long-delayed decision by the general affairs council of the EU to approve a detailed negotiating mandate for a free trade agreement (FTA) between the EU and South Africa marked the end of one battle, but also the start of a much more difficult one.

The mandate of the EU sought a fully reciprocal trade agreement, in which South Africa would have to make concessions as well as receive benefits and it might have to give more than it took.

This was a far cry from the days when, at the height of Europe's "solidarity" with the newly democratic South Africa, South Africa was hoping to be included in the Lomé Con-

vention, which provides special concessions such as duty-free access to the developing countries in the ACP. This was ruled out by the EU last year; it said a free trade agreement was the route to go.

Davies said the EU initially proposed that there should be a fully reciprocal FTA covering 90% of each party's trade.

"Calculations made on the basis of figures in the draft mandate indicated that this would have required the EU to remove duties on only 7% of its imports from us (mainly agricultural products), but would have required us to remove duties on 46% of our imports from the EU," Davies said.

But intense pressure from groups within the EU had resulted in a "sizeable list" of mainly agricultural products making up nearly 39% of our current exports to the EU that would be excluded from the FTA.

"So it now appears that we are no longer talking about opening up 46% of our market to gain 7% additional duty-free access to the EU, but something considerably less than 7%," Davies said.

As a result, Parliament should be sending a very clear signal to the negotiators that it would not feel comfortable ratifying something that did not take the specific needs and reali-



Rob Davies: 'It is sometimes difficult to remember that all this arose because the EU wanted to help us'

ties of South Africa into account.

"It is sometimes difficult to remember, when we see what is currently on offer, that all this arose because the EU said it wanted to help us," Davies said. South Africa accounted for only 1.9% of EU imports, while the EU supplied nearly 40% of South Africa's imports. At the same time, South Africa's gross domestic product was half that of Belgium, which was one of the smaller EU members with a quarter of South Africa's population.

Yet the EU, one of the most powerful trading blocs in the world, appears to be treating us in this negotiation as

though we were just another competitor without the special development needs it claims to support," Davies said.

"Indeed, up to now, it has been much more sensitive to the claims of special interest groups in Europe than it has to its professed commitment to promoting development in Southern Africa."

Davies said that although South Africa was aware of Europe's sensitivities and concerns about the effect of an FTA on its own production and jobs, these applied even more so to South Africa with its 40%-plus unemployment.

"We accept that creating competitive industries is integral to this process, but this necessitates restructuring, which will require time and resources. We are certainly not there yet."

Tariff reductions already implemented under the Uruguay Round of trade agreements were affecting some South African industries badly and further reductions of the kind being envisaged could lead to further job losses.

Davies said that the EU-ACP joint assembly had passed a resolution criticising the delays in trade negotiations with South Africa and the EU's increasingly protectionist stand. It also urged that the non-trade Lomé-type benefits promised South Africa should be "fast-tracked" because of the delays in trade negotiations.

74 Mtg (Bm) 29/3-3/4/96

Trade pact will slash call charges

GENEVA — The World Trade Organisation (WTO) hopes to conclude an agreement by today that would unleash foreign competition and slash call charges in about 52 countries, that account for more than 80% of international telecommunications traffic and 93% of global telecommunications revenues, reports yesterday's Wall Street Journal Europe.

Late on Sunday, trade envoys were engaged in meetings to resolve outstanding issues. "It's a typical cliffhanger, but we'll get a deal," a trade envoy said, noting that the EU's trade ministers would meet in Geneva yesterday and be on hand for any last-minute changes to their offer.

A WTO pact would have far-ranging consequences for the industry, which was already in the throes of momentous technological and structural change, as well as consumers and the world trade body itself.

High international call charges, which often subsidise local calls, would fall, but local charges may rise. However, new markets would open for business.

The fate of the negotiations would also signal whether member nations have the stomach for further trade liberalisation just as doubts about the rapid pace of globalisation are beginning to emerge.

The telecommunications talks were also pathfinders because they dealt with investment and competition issues that some WTO nations want to see addressed more broadly in the trade organisation.

The US, which had previously offered to allow foreign companies to operate international services on its territory, was disappointed that many other countries have either opted to retain monopolies or have promised only to allow competition after a long period of time. Consequently, Wash-

ington is having second thoughts. That was because US international service providers — AT&T, MCI and Sprint — saw the spectre of foreign monopolies establishing themselves in the US and completing exclusive links back to their countries, trade negotiators said. The monopolies could then offer cheaper service, while forcing US companies to pay higher tariffs through the international accounting system for calls that must go through them at their end.

Jeffrey Lang, the deputy US trade representative leading Washington's negotiating team, said he was working closely with other delegations to find a solution. But this "still remains to be developed," he said.

Nevertheless, hopes for an agreement remain high. "We can make a deal," negotiations chairman Neil McMillan said, while allowing that "there are last-minute problems.

Cartel system

A WTO pact would help destroy — or force a faster reform of — a government-approved cartel system that underpins highly-priced international call charges. A pact now would commit participants to liberalisation, and subject infringements to the trade body's dispute settlement and trade penalty system.

"The paradigm which prevails in international traffic has shifted decisively in favour of competition between carriers rather than co-operation," said Pekka Tarjanne, head of the International Telecommunications Union (ITU), a UN agency. Ironically, the union's origins are tied to the cartel, both were formed when about 20 European nations came together in 1965 to share revenues from telegraph services.

Trade officials wave in the direction of ITU's headquarters when they talk of the cartel. Yet union officials are keen to distance the union from the rate-fixing. The ITU, they say, does not have a direct role in negotiating rates. But for more than a century, telephone monopolies and oligopolies have met periodically at the ITU and its predecessors to fix international rates for bilateral revenue-sharing agreements and act as toll collectors at national boundaries.

These tariffs, called international accounting rates, specified what one operator would pay another to deliver calls to subscribers. Lately, the bounty from this co-operation has been staggering as costs have declined. Estimates of excess profits range from \$15bn, to twice that amount annually, though no one is quite sure of how to define excess or what the exact amount is because much of the information is proprietary.

"International rates haven't followed costs down," concedes AT&T official Tom Bruhl, in charge of negotiating international rates for Europe.

The potential for cuts in charges is huge. Analysts at James Capel in London estimate that a representative basket of telecommunication services in Europe costs twice as much as a comparable package in the US, and in cases three times higher.

A transatlantic phone call, which costs about 55 cents a minute between the liberalised markets of the US and the UK, costs more than twice that in many other members of the EU, whose average works out to \$1.12 per minute.

In Europe, the international rate agreements holding up tariffs "will crumble immediately after 1998", says Audrey Mandela, an analyst at the Yankee Group Europe in the UK — AP-DJ.

(74) BD 30/4/96

Row as UN guards bar SA official from conference

John Dlodlu

A SENIOR SA government spokesman has been denied access to the inaugural session of the UN Conference on Trade and Development (Unctad) in what appears to be a bureaucratic bungle by UN security guards.

Trade and industry ministerial spokesman Ismail Lagardien told a UN-organised press briefing yesterday he was refused entry by a UN security guard to the inaugural session and plenaries of the conference in Midrand on Saturday where speeches he had co-written were being delivered.

UN spokesman Yorbert Sharmapande apologised to Lagardien for the incident, saying the problem was caused by the strict security regulations which had to be applied.

Sharmapande said UN officials at the conference worked under strict rules. For example, the rules prevented delegates attending press briefings by other delegates.

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Another journalist told of difficulties he had in obtaining accreditation. Referring to the two cases and further claims of SA government officials being denied access to conference information by UN authorities, Sharmapande said he realised the problem affected more than just the Press.

A Taiwanese journalist was also excluded who, the UN says, works for a Taiwanese government agency and, therefore, does not qualify for accreditation to UN agencies. Taiwan is not a UN member.

Unctad spokesman Kamran Kausari said the exclusion was based on a long-standing resolution of the UN's 185 member nations, including the SA government.

Lagardien said he found it irreconcilable that the free flow of information was being restricted. Sharmapande said SA could not reverse the decision to exclude the Taiwanese journalist.

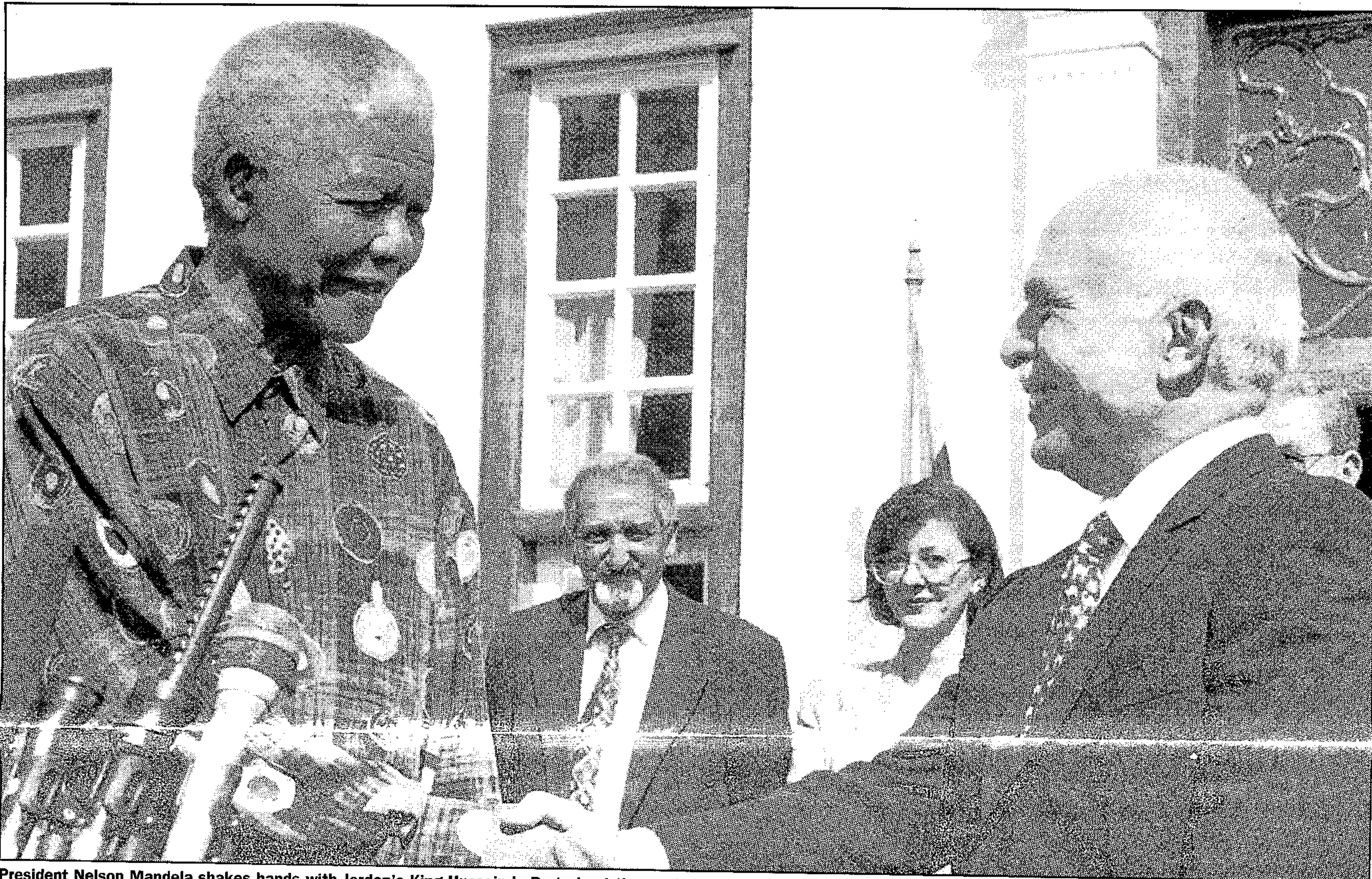
See Page 3

Due to the public the May Day holiday tomorrow, Sowetan Business will not appear. It will resume on Thursday.

Sowetan BUSINESS

The media given a raw deal at the a United Nations trade conference.

Page III



President Nelson Mandela shakes hands with Jordan's King Hussein in Pretoria at the weekend. Hussein was one of the many heads of state and dignitaries from all over the world who came to South Africa for the 9th United Nations Conference on Trade and Development.

PIC AP

SA changes trade moves

Inflation rate continues to decline

By Maxwell Pirikisi

SA places special importance on the development of small businesses

Exporters need to adjust to the significant changes in environment

United Nations Conference on Trade and Development president Alec Erwin says South Africa has already taken visible and significant measures to align its trade practices and policies with those required by the World Trade Organisation.

Erwin says South African exporters need to adjust to the significant changes in the environment they had been used to.

"As trade protection and export subsidies are progressively dismantled, our enterprises have to find new ways of maintaining their relative competitiveness at home and abroad.

"Trade efficiency, by contributing to lowering the cost of trade transactions, has therefore a priority role to play in this context," Erwin says.

The South African Government attaches special importance to the development of small and medium-sized businesses, he adds.

"We believe that trade efficiency can also play a significant role in this context, by lowering the cost of entry in international trade, by simplifying procedures and by allowing the less advanced players to benefit from the most recent advances in information technology and electronic commerce," he says.

By spearheading efforts to establish trade points in South Africa, the Department of Trade and Industry aims to pave the way to a greater participation of SMEs in global trade.

Said Erwin: "Solidarity is the best way to collective success and South Africa stands ready to take its share of efforts and support for small businesses to stimulate national growth and cooperation among developing countries in the area of trade efficiency."

Officially opening Unctad IX at the weekend, President Nelson Mandela and United Nations secretary-general Boutros Boutros-Ghali jointly spelt out that the world would find poverty waiting for it in the 21st century.

The two leaders told more than 3 000 delegates gathered at Gallagher

Estate for the meeting that poverty and need would continue to blight the life of many people as the rich get richer and the poor poorer.

"Marginalisation of national economies must not be allowed to see the region into the next century," said Mandela, adding that the mission of the Government needed to be shaped by the needs of those whom history had marginalised.

On the other hand, Boutros-Ghali repeated decades-old politics, challenging the UN to "promote growth and sustainable development in the liberalised world economy".

New opportunities

He warned of a widening gap between the world's rich and poor if marginalised countries and transitional economies were not allowed to benefit from new opportunities in the global economy.

Meanwhile, ministers of the developing world adopted a declaration calling on all governments to forge a global partnership aimed at ensuring international peace and development.

The Ministerial Declaration of the Group of 77 (132 member states)

stresses the need for concrete policies and actions to achieve the objectives of sustained growth, emphasising that "no peace can be achieved without development" and *vice versa*.

Economic changes, growth and development among United Nations member states need to be complemented by political will, the ministers said.

Reaffirming "the continuing relevance and the role of Unctad" the declaration also states that Unctad as a universal forum for inter-governmental deliberations, negotiations and consensus-building, should be at the forefront of international efforts to promote the development of developing countries.

The ministers expressed concern at the continuing use of coercive economic measures against developing countries, through unilateral economic and trade sanctions.

Unctad IX will table its proposals for the transformation of the WTO into a universal forum for international trade and development at the Singapore ministerial meeting of the WTO scheduled for December this year.

In this regard, the declaration states that the proposal should include new and emerging issues seen from a development perspective, so that trade liberalisation is extended into areas of interest for developing countries.

THE official inflation rate continued its decline last month, going down by 0,2 percentage points to 6,3 percent, according to figures released by the Central Statistical Service yesterday.

Inflation or the rate at which prices increase, has been on a downward trend for some time now and the decline, even though it is only nominal, is good news to consumers.

Hit by interest rate hike

This will be the only good news for South African consumers this week, as they have been hit by an interest rate hike and an increase in the petrol price.

Although the overall inflation rate was lower in March compared to February, the price of food was higher by 0,2 percentage points - 3,3 percent more compared with two months ago.

When measured region by region, the highest inflation rate of 7,4 percent was recorded in Pietermaritzburg while the lowest figure of 4,8 percent was recorded in the Free State Goldfields.

BUSINESS NEWS

Start-Up Fund gets locals started

By Shadrack Mashalaba

TWO MILLION Rands have been set aside to help thousands of survivalist entrepreneurs in the informal sector throughout South Africa to access finance.

Start-Up Fund is a mini loan scheme organisation started three years ago to serve the so-called "untouchable sector" of the banking sector, to gain access to the modest amounts of capital that they need for starting or expanding their micro-business activities.

Micro enterprises or survivalist businesses have been highlighted as the sector that is going to play an important role in addressing poverty and generating wealth.

The informal sector has played a

R2 million set aside to assist entrepreneurs in South Africa

Every year more school leavers queue up for jobs

crucial role in keeping millions of unemployed South Africans off the streets and even the Government's White Paper on small business has recognised the need to support these

enterprises.

It was against this background that Start-Up Fund chairman Tony Davenport paid tribute to the unsung heroes, the unemployed who have succeeded in spite of disadvantages and against all odds, at a function where funding was announced in Midrand last week.

"With the country faced with an unemployment figure of eight million people and more school leavers queuing up for jobs every year, the situation is posing extreme socio-political problems.

"It was for these reasons that we felt

The unemployment situation is posing extreme socio-political problem

we needed to help the unemployed, disadvantaged and eager to work sector of our community," said Davenport.

The fund provides loans in phases that range from R250 to R6 000, depending on the needs of the person applying for the loan. The fund's lending criteria are:

● One has to complete a start-up training programme;

● One must have a bank account where money borrowed can be transferred; and

● One must deposit R75 in the Group Indemnity Fund, refundable when leaving the scheme.

Davenport adds that their default rate is 30 percent and despite that, people always show a willingness to pay and the scheme has proved to be financially viable and expects net profits (excluding grants) for 1996 of R130 000 and for 1997 R250 000, with 1998 expected to post R500 000.

Start-Up Fund director Dicks Xipo says the Fund has recently had a number of success stories, with some of the beneficiaries now owning self-sufficient businesses such as salons, tuck shops and many others.

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Employees still prefer car allowance

By Isaac Moledi

CAR allowances, rather than company-provided vehicles, are still in demand in spite of threats of higher taxation for these schemes.

In its ninth annual survey, human resource consulting firm FSA-Contact has discovered that car allowance schemes are still very popular with companies.

The study, which was conducted among 108 major South African corporations from across the spectrum, shows that there is an increase in the number of organisations offering car allowance schemes rather than company cars.

The number of companies opting for car allowance schemes increased from 27 percent last year to 32 percent this year, while the number of enterprises that provide company car schemes decreased from 28 percent in 1995 to 24 percent this year.

Harriet Webster of FSA-Contact's survey division says this trend, monitored over the past five years, means an increase of 52 percent in companies that have chosen car allowance schemes and a 37 percent drop in the number of organisations offering company car schemes.

She says the trend has continued despite the fact that the taxable portion of the car allowance increased by 10 percentage points since 1993.

"Indeed, 39 percent of respondents in the 1996 survey indicated that their employees are experiencing cash flow problems with their car allowances, while a further 41 percent of organisations – five percent more than last year – indicated that their employees want to convert to a company car," she says.

In a reversal of a two-year trend in which all categories of staff appeared to prefer a company car to a car allowance, the 1996 survey reveals a huge increase in the number of executives who now favour a car allowance over a company provided vehicle (86 percent in 1996 compared to 46 percent last year).

The survey shows more middle managers and supervisors appearing to prefer car allowance schemes, while sales representatives and other categories of staff favour company-provided vehicle schemes.

"These statistics highlight the fact that the Katz Commission recommendations on increased taxation of car allowances have not had a serious impact on companies' car policies," says Webster, adding that only a small number of companies (11 percent) actually reviewed their car policies in the light of possible tax changes.

"The fact that – for the second year – the Minister of Finance did not adopt or develop any of the Katz Commission recommendations as part of his Budget, must have come as a welcome respite to recipients of company car policies," she says.

Another major difference in company car policies in 1996 is that a smaller proportion of organisations (46 percent compared with 59 percent last year) use the benchmark price of car as a method of allocating vehicles rather than the benchmark type of vehicle. Webster believes that this could be attributable to companies anticipating a deceleration in the rise of new car prices.

Trade: SA firms told to ^{(74) ARG 30/4/96} look sharp

JOHANNESBURG. - The development of trade efficiency is a worldwide priority if developing countries are to benefit from the globalisation and liberalisation of world trade.

In his keynote address to the national executive symposium on trade efficiency as part of the ninth United Nations Conference on Trade and Development in Midrand yesterday, South African Trade and Industry Minister Alec Erwin said trade efficiency was particularly important to South Africa in the light of reduced tariffs.

"As trade protection and export subsidies are progressively dismantled our enterprises have to find new ways of maintaining their relative competitiveness at home and abroad."

Switzerland Secretary of State for economic affairs Franz Blankart said the trade efficiency programme was designed to integrate developing countries into the world trading system by reducing transaction costs and improving export potential, through providing entrepreneurs with data and trade related services.

He said poorer countries often lacked the basic infrastructure to benefit from the opportunities of freer trade and reduced trade barriers.

"We have a duty to assist these countries to enable them to participate in world trade."

Trade efficiency by contributing to the lowering of the cost of trade transactions, Mr Erwin said, had to play the priority role in ensuring South Africa's competitiveness.

He added that trade efficiency was especially important for the development of small and medium size businesses in South Africa.

SMMEs could benefit by simplifying procedures and by allowing the less advanced players to benefit from technological and electronic advances.

Mr Blankart said the trade efficiency initiative called for the setting up of trade points, connected by the Internet, in all developing countries.

He said the objective was to enable users and in particular small and medium size companies to receive and send out information on products, markets and trade regulations.

The trade points would enable exporters and importers to solve all the operations related to their trade transactions via a computer.

Mr Erwin said by spearheading efforts to establish trade points in South Africa the government was showing the way toward the greater participation of SMMEs in global trade. - Sapa.