

FOREIGN TRADE - (B)

1991 - 1992

Allow us to compete openly for capital in international markets

SA needs investments not charity

Ackerman

Sowetan 12/2/91

(74B)

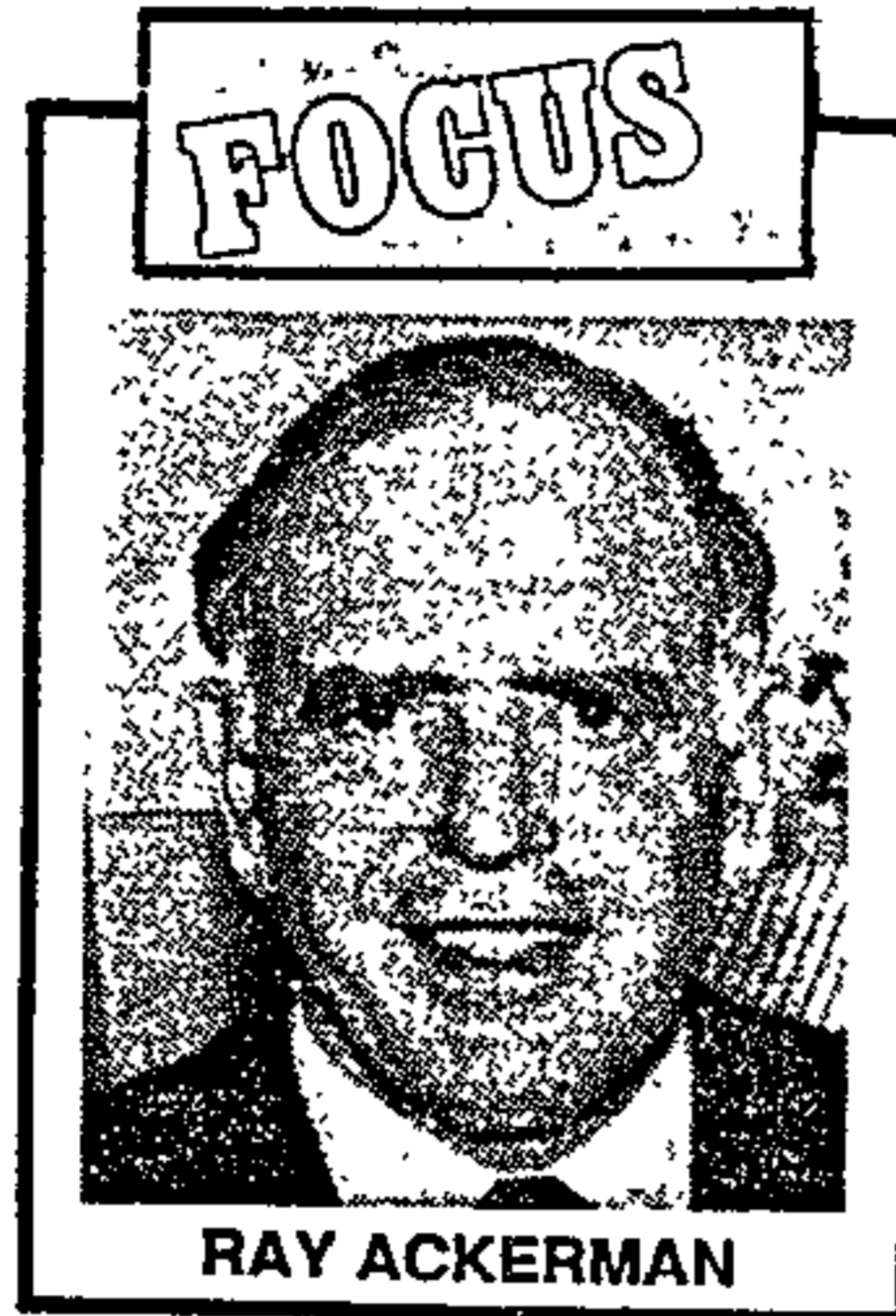
SOUTH AFRICA does not need - or seek - charitable handouts from the international community, according to a leading local businessman.

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

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

Leaders

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



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

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

authoritarianism.

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

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

Investment

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

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

On the subject of sanctions, Mr Ackerman said in the light of President de Klerk's announcements at the opening of parliament last week, these were no longer an

issue. There can be no doubt South Africa was speedily and irreversibly on course to a new and equitable political dispensation.

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

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

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

Old Mutual trust goes international

CAPE TOWN — Old Mutual is to launch a Channel Islands-based investment trust concentrating on SA equities — the first of its kind to be listed on the international stock exchange in London.

The listing of the fund, developed in a swift response to the changed international political climate after the easing of sanctions, is expected to take place soon.

Institutional response in the UK to the project has been encouraging and it is possible that the listing will generate an income of more than \$50m.

The amounts raised will be invested through the financial rand in SA equities during the course of this year.

Sponsoring brokers and underwriters of the fund, to be called the Old Mutual South Africa Fund, are Smith New Court Securities.

This is an associate of N M Rothschild & Sons of London, who are the leading market makers in SA equities in London and New York.

Disclosing details of the new US dollar denominated, closed-end trust, Old Mutual chief operating officer Gerhard van Niekerk said yesterday it was intended to offer international institutional investors a shop window for SA equities.

"The step augurs well for the SA equities market as there will be more buying of

shares and it could be a forerunner of direct foreign investment in the country," Van Niekerk said.

He added that SA shares would become better known to international investors.

"Currently, apart from De Beers and our leading gold and mining financial heavyweights, few SA shares have received much attention in the US or Europe," he said.

"There is little doubt that the trust will mark the start of a new chapter in terms of SA's appeal to foreign investors and our return to the international financial arena.

Unrepresented

"The JSE is one of the 10 largest stock exchanges in the world in terms of market capitalisation and will come into its own as investment restrictions internally and externally are removed."

Van Niekerk did not think abolition of the financial rand would undermine the viability of the trust.

He said SA was unrepresented in institutional portfolios overseas which normally represented most countries in the world, and with a rerating SA shares could offer high returns.

Old Mutual will manage the portfolio from SA, offering its expertise and knowledge of the SA market to foreign buyers.

LINDA ENSOR

Biscay 3/17/91

NOT PRICED BY WORLD STANDARDS



Johannes van der Horst is GM Investments at Old Mutual

FM
26/7/91

FM: To what extent has foreign buying helped to push up prices on the JSE?

Van der Horst: The interest being displayed in SA by foreign investors is surprisingly large — something that was unthinkable a year ago. We are being visited by numerous foreigners, including some Japanese, all of whom are seeking information about SA conditions.

There has been some concentrated buying in certain shares which, it seems, are being marked up almost indiscriminately for no apparent reason. These are the blue chips which are now on relatively high multiples and are appearing over-bought. But buying has not been broad. The rise in prices smacks of overseas buying which is insensitive to price and which is directed at about half a dozen "blue chips". It only needs one or two buyers determined to invest R20m into the market today to influence prices of even our most marketable securities.

At what point will prices represent poor value for overseas and local investors?

A snapshot of the industrial market shows average earnings multiples of more than 12 and a dividend yield of less than 3%. Taking averages over the past 10 years, including the bombed out markets of 1982 and 1987, the market is certainly looking pricey in terms of its own history.

But the index is composed of stocks weighted by market capitalisation and consists of a few big stocks in each category. In saying that the market looks pricey is a reflection of these big-cap stocks — the ones that have been chased. Dozens of second-tier stocks have not really moved and, at current prices, are not expensive.

How does our market look relative to the international markets?

It is relatively expensive compared to the UK, which is reflecting the nasty recession there. But by world standards we are about average and not expensive. Many other markets — Germany, Switzerland and some of the recovering countries in the world — are on lower yields than ours.

Why should foreigners invest in SA shares, in a potentially volatile market with a high risk profile? There are far safer havens offering better value.

Many international investors are playing in markets like Mexico, Chile, Thailand and India. They are prepared to back investments in these places, even in Australia

which has got itself into a lot of debt trouble, because on a relative value basis, the risks don't seem so bad.

Most of these investors have, say, 90% of their assets in secure situations. They are prepared to play with the other 10% in higher risk areas to maximise returns on that 10%. SA has cleaned up its balance sheet by eliminating a lot of debt and we have been growing at the same time. If you compare us with other Third-World countries — some of which have stock markets — and you relate the size of our debt burden to GNP compared with theirs, then on that analysis we are beginning to look very good.

How important is the marketability of a share to a big institution?

Many of these second-tier stocks are not readily marketable in bigger lines. But I don't mind owning an illiquid stock, provided I have confidence that profitability will hold up and that it represented good value when it was bought. By implication, these stocks have more generous yields and lower multiples that indicate bigger downside risk. Admittedly, if profits decline, then you are vulnerable because if you move the stock out the price could adjust in a free fall.

This emphasises the basic point that you need to do a lot of homework before buying a share. If you have large holdings of shares, you cannot readily change your position, even in the blue chips, without influencing the price.

In these circumstances, how do you invest your large daily cash inflows?

Investing is a game that deals with relatives. We are always driven by the need to invest; it then becomes a question of preference. Would the people I represent be better served by holding cash, or by putting it into

something else? Do you stay in the market, or out of the market? A few years ago, value in the market was easy to find. Now you have to work hard to find it.

How do you view the fundamental SA economic situation from the aspect of equity investment?

In the Eighties we suffered two very painful V-shaped recessions, in which private consumption expenditure just collapsed. We have now had a prolonged recession for the better part of two years, but it has been saucer shaped. Company results on the mining and the manufacturing side have been poor. But the consumer side, involving durables, semi-durables and food has, on the whole, held up well. So it has been a very different recession. Perhaps now the consumer is pulling in his belt, but it is almost a tail-end thing.

This has been an inventory recession. Retailers have run down stocks even while sales at the tills maintained momentum, hence the good results from some major retailers. Inventories are low, so it should be expected the manufacturing sector will shortly start to pick up again, to bolster these.

We reckon interest rates are in the down phase of the cycle, and are not nearly as pessimistic as the consensus view. Exports should fare well. Japan and Germany are pulling back, but off a very high rate of growth. So there is still respectable growth occurring in the major economies. It is not unrealistic for SA to resume real growth of 2,5%-3% and to sustain it for a few years.

Our ability to finance this is good and will improve if we can again draw from the IMF. Company balance sheets are more sound than in 1985/1986. We are in a bottoming period and will see an improvement in earnings growth. The stock market is telling me that scarcity of scrip is forcing investors to look further ahead than six to nine months. It is just discounting this growth further ahead. If it comes through, then those companies that look so expensive today will look considerably better value.

Say, I want to be an owner of these shares three years out. If I want to buy them a year from now, they could be even more expensive. This comes back to the point of relative value. It is elementary in principle, but very difficult to put into practice.

State pension funds are soon to invest in equities for the first time. How will this affect the market?

These pension funds are very large players. They are measured in tens of billions of rands. They are not likely to try to channel all their available funds and their very large cash flows into the market at once. It's probable there will be a phasing in period of 10 to 15 years. But their entrance will certainly add to the scarcity value of acceptable real estate and equities.

Gerald Hirshon

MARKET RATINGS

Dividend yields (%)*

New Zealand	7,8
Australia	5,2
Belgium	5,1
UK	5,0
Hong Kong	5,0
Netherlands	4,3
Spain	4,3
Ireland	3,7
France	3,7
Canada	3,4
SA	3,3
Italy	3,2
USA	3,2
Finland	2,9
Malaysia	2,6
Sweden	2,4
Germany	2,3
Switzerland	2,2
Singapore	2,1
Austria	1,7
Norway	1,6
Mexico	1,6
Denmark	1,5
Japan	0,7

* At July 2.

Source: Old Mutual

Foreigners 'will push JSE to open'

By Day 24/7/91
ROBERT GENTLE

THE likelihood of foreign participation in local financial markets by US, UK and Japanese securities firms would increase pressure on the JSE to open itself to outside shareholders, market sources said yesterday.

They were reacting to news that Japanese securities house Yamaichi would soon be visiting SA and that two US securities firms had expressed an interest in building a stake in a local futures broker.

The rationale for their view was that while foreign securities firms could establish a trading presence via shareholdings in local futures and bond broking firms, they were not allowed to do so with JSE brokers.

First Financial Futures MD Derek Kreunen said foreign participation would increase pressure on the JSE for change and would highlight even more the structural anomalies of the SA financial markets.

Foreign participation would make local markets more liquid and robust, and this might make authorities less likely to resist calls for change.

Finansbank deputy GM Luigi Colantoni said foreign securities firms might decide to gain exposure to the equity market by bypassing the JSE and acting as screen-based market-makers in key stocks.

Local dealers said foreign participants would not necessarily have an easy ride in SA markets — at least not initially. This was because of its peculiar quirks like low liquidity, high trading costs and a lack of divergent market views.

A US forecaster gives South Africa a poor risk rating, writes Hugh Robertson

Bank on turmoil, not investment

Star 24/7/91.

A COMPANY which specialises in forecasting risks for American businesses around the world, and which is widely consulted by banks and multinational corporations, has given South Africa a poor risk rating for the next five years.

Political Risk Services says in a report from Washington that the chances of turmoil in the country between now and mid-1996 are "very high" and forecasts mounting troubles for President de Klerk in trying to reconcile the differences between competing black groups.

In their latest survey the company also forecasts a "moderate" degree of turmoil in Zimbabwe in the next five years, with inflation there soaring to 25 percent, and it predicts that President Kenneth Kaunda of Zambia will be ousted in open elections later this year and will be replaced by a pragmatic civilian government under the leadership of Frederick Chiluba, a trade unionist.

Political Risk Services, which sells a 50-page report on South Africa for \$295 (about R840), says President de Klerk's inability to

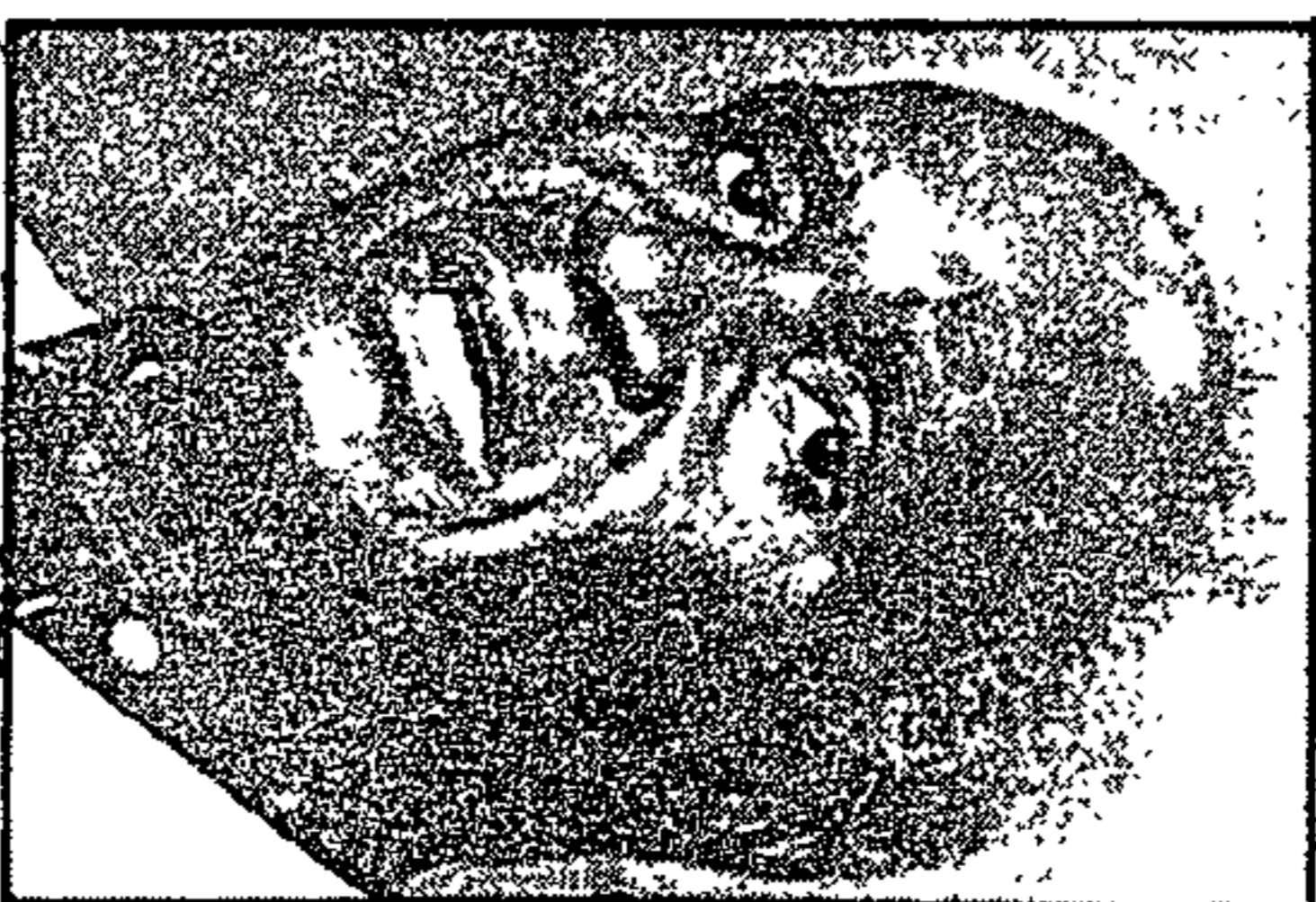
stop fighting between the African National Congress and Inkatha, and the growing restiveness of whites, will challenge his efforts to forge a peaceful transition to multiracial government.

While the South African Government continued to propose and implement major reforms, "the possibility of a stalemate over the terms of the transition and growing organised opposition among whites threaten a peaceful evolution", the report says.

It adds that "increasingly militant statements by ANC officials over continued violence and the Government's role in it indicate the unlikelihood of getting a consensus among black groups".

The report says there is only a 40 percent possibility of a "reformist National Party" being the government in 18 months' time, and only a 40 percent chance of a "pragmatic ANC" coming to power in the next five years, although it does forecast a new government within the next five years.

Inflation will grow to 18 percent between 1992 and 1996, while the growth in the real gross domestic



Kenneth Kaunda . . . rule ending?

product will be only 1.8 percent in the same period.

Zimbabwe, by contrast, will have an inflation rate of 25 percent between 1992 and 1996, with a four percent growth in its real gross domestic product, and there is a "moderate" chance of turmoil in the long term.

Commenting on President Robert Mugabe's plans for buying white-owned land for redistribution to blacks, the report says: "With the economy continuing to weaken and the youthful and urban population growing, the loss of foreign investment and white agricultural managers could hasten economic deterioration and undermine a stable and pragmatic government."

In Zambia, continuing economic decline coupled with pressure for democratic elections had forced President Kaunda to schedule elections for October.

"He may postpone the elections or use repressive techniques to ensure his victory, but the possibility of widespread violence makes such actions unlikely. Open elections will most likely produce a victory for the opposition Movement for Multiparty Democracy and lead to a pragmatic civilian government under the leadership of a popular labour leader, Frederick Chiluba," the report says.

Political Risk Services do not forecast events in Mozambique, Angola or Namibia at this stage. — Star Bureau. □

74

Violence scaring off investors — Van Coller

Star 24/7/91

Foreign investors were not putting money into South Africa because of the violence and uncertainties of future economic policy, Urban Foundation chief executive officer Sam van Coller said yesterday.

Speaking at the opening of the Black Distributors Association in Johannesburg, Mr van Coller said South Africa's lack of access to foreign capital had also stifled the economy.

"While political constraints are now fast disappearing, economic constraints are not."

The longer the economy was hampered by the unwillingness to invest, the greater the chances were that violence would increase.

South Africa had become a society without the essential values necessary to hold it together in a pattern of stability.

Mr van Coller cited the in-

creases in crime, conflicts among interest groups, increases in teenage pregnancies, alcoholism, suicide and divorce.

"Apartheid did everything possible to stifle economic growth in South Africa.

Conflicts

"It prevented market forces from operating, it shut out opportunities and thus removed any incentive for people to improve their own circumstances.

"It wasted resources not only in duplicate bureaucracies but also in duplicate facilities, it separated the capacity of the developed world from the needs of the to-be-developed world.

"It generated intense conflicts that stood in the way of levels of co-operation that are necessary to move forward. It excluded South Africa from the wider — and for others, much more open — world, thus re-

stricting access to technology and trading opportunities.

"It drove away a substantial number of skilled South Africans when our pool of skills was not enough to meet the country's development needs."

If by the time a new constitution came into being, conflicting interest groups had learnt that through constructive negotiation, and not power-seeking, they could benefit their particular interest group, SA would "have some glue to hold it together", Mr van Coller said.

"Most leaders accept the need for effective markets aided by both public and private-sector interventions.

"They agree there will have to be dual economic strategies both to stimulate the formal economy and to bring the poor into the wealth-creation arena rather than leaving them on the outside." — Sapa.

Setback dealt to ~~the~~

foreign investment

bloccy 23/7/91. MATTHEW CURTIN

74

THE news that government had secretly funded Inkatha would set back — if not reverse — prospects of international investment in SA, American Chamber of Commerce (Amcham) executive director Wayne Mitchell said yesterday.

US investors would "sit tight", he said.

Despondency had replaced the euphoria which followed termination of the Comprehensive Anti-Apartheid Act 10 days ago.

Mitchell said SA's government was credited with scrapping apartheid, but the links between the Law and Order Ministry and Inkatha showed there were still "hidden agendas" at work. This would fuel the US pro-sanctions lobby's sentiment that sanctions had been lifted too soon.

Mitchell said Amcham had hoped to see US companies "engaging with SA business organisations within the year". Although that was still possible, the climate had changed dramatically.

Afrikaanse Handelsinstituut executive director Joe Poolman said yesterday that while he was surprised and disappointed by the revelations, their effect would be felt more keenly inside SA than out.

The action government had taken to dismantle apartheid outweighed any damage caused by evidence of police financing of Inkatha. Sanctions had been lifted because government had met specific conditions.

However, Poolman warned that foreign governments might be more wary of lifting sanctions denying SA access to international finance.

Foreigners⁷⁴ have growth⁷⁴ role to play,⁷⁴ says Stals

By Sven Lünsche ^{star} 17/7/91

Economic growth should preferably be triggered by the greater participation of foreign investors, Reserve Bank Governor Dr Chris Stals said yesterday.

"This is the real message of the lifting of sanctions," he told the annual congress of the Western Cape Agricultural Union in Cape Town.

"Foreign participation will bring with it not only the impulses required for a new expansionary phase, but the foreign exchange we need to support the balance of payments.

"It makes it possible for South Africa, with sound financial and economic management, to experience economic growth with financial stability."

Dr Stals said the slow collapse of international sanctions had raised the question whether the economy was ready for the challenges now being offered.

"We have been hiding behind the sanctions excuse for the past few years and it was easy to blame our economic woes on the policies of other countries," he said.

"The ball is now in our court and we must create an economic system that provides maximum benefits for all."

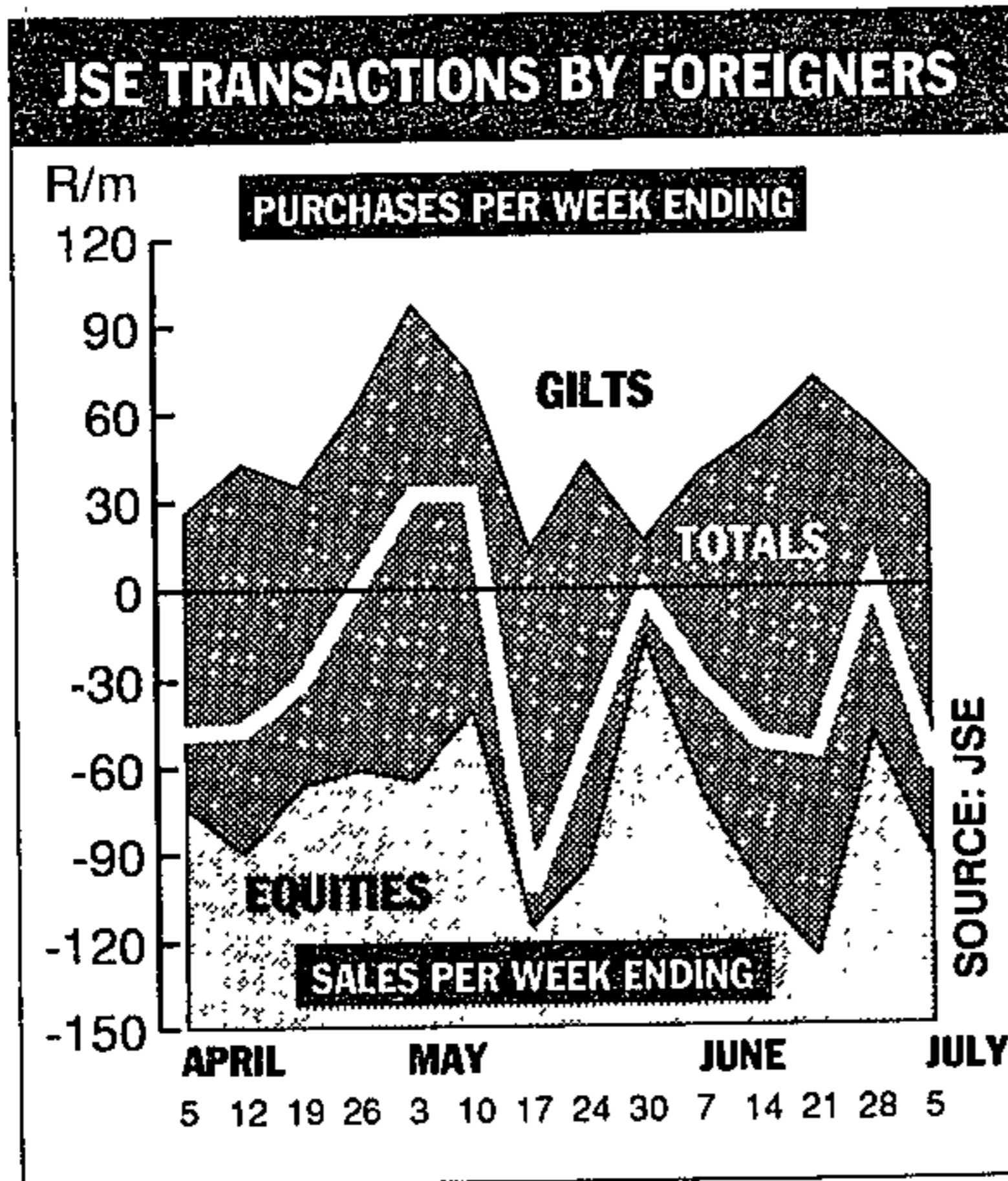
Dr Stals said the end to sanctions enabled foreign businesses to make their decisions freely on whether to invest in South Africa or in other areas.

There was increasing evidence that investors were making use of that opportunity.

"More and more foreigners seem willing to overlook the political volatility and are asking about the possibilities for economic and financial investments."

"But we must ensure that our trade partners and potential investors are offered an attractive economic environment to make this happen," Dr Stals said.

He admitted that recent political reforms had played a major part in the recent improvement in the balance of payments.



Foreigners carry on JSE selling

SI Times 14/7/91
Buss Times

By CURT VON KEYSERLINGK

FOREIGNERS continued to offload shares on the JSE this week in spite of crumbling sanctions.

From Monday to Thursday they were net sellers of shares worth R156,2-million. Indications are that the trend continued on Friday.

The figure is greater than net foreign sales of R92,9-million in the previous week.

For the year to July 11 foreigners sold a net R2 115-million of shares.

If gilt purchases are set off against their share sales, total disinvestment amounts to R21,9-million for the first four days of this week and R979-million for so far this year. This compares with a net sale of shares and gilts of R3 031-million last year.

The news that foreigners are still selling surprised those who thought that the shrinking gap between the financial and commercial rands was a sign of renewed interest from abroad in the JSE.

But currency dealers say that volumes of finrands traded in the past week or so have been relatively low. The Finrand has strengthened largely because there are few sellers.

The commercial rand has weakened against the dollar. By Friday the discount had fallen to 6%.

"Many who bought finrands are not buying equities or gilts but putting the money on deposit," says one dealer. "Some are doing this because they are encouraged to put money into SA, but have not yet decided where. Others are speculating."

In spite of its narrowing discount, the finrand is unlikely to be abolished until SA once more has access to the International Monetary Fund (IMF), says United Bank chief economist Hans Falkena.

Threat

The move to a single currency could expose the foreign-currency reserves to a threat that could not be countered without IMF support.

If the finrand goes there is the risk that \$6,6-billion of foreign debt held by the Public Investment Corporation (PIC) would flow out through the commercial rand. That would cause a corresponding drop in the reserves with disastrous effects for the exchange rate and inflation.

Foreign creditors are free to take out their money held by the PIC through the finrand. This poses no threat to the country's reserves because finrand transactions

□ To Page 3

□ From Page 1

are between non-resident holders of assets in SA that do not constitute part of the reserves. *SI Times 14/7/91*

"The IMF gives financing to countries that experience sudden outflows of funds and we would qualify for this support were the IMF not barred from helping us," says Mr Falkena. *(Buss Times)*

"Reserve Bank Governor Chris Stals must protect the currency and to do so he needs the reserves. But he cannot be

JSE sales

sure of maintaining the reserves until he has an undertaking from the IMF to provide a loan if it is needed.

"At the same time Dr Stals would probably want a gentleman's agreement with foreign creditors not to take out their funds too quickly if the finrand were abolished."

Mr Falkena says there is a good chance this could happen next year.

Foreign buying binge sends market soaring

74



Star 11/7/91

By Jabulani Sikhakhane

Foreign investors piled into the JSE yesterday ahead of the lifting of sanctions by US president George Bush last night.

John Taylor, analyst at London brokers James Capel reported a buying order for local industrials of £5 million (about R25 million) from German and UK funds.

US investors also reportedly woke up early yesterday to buy SA gold shares. Mr Taylor said US funds were hoping to offload some of their holdings in expensive North American gold shares to pick up the cheaper South African ones.

On the back of the buying binge, the JSE industrial index rose 112 points or 2,8 percent to set a record of 4061, before coming off slightly in late afternoon to close at 4036. It is up 34 percent from the beginning of the year.

After a slow start to the day, gold shares picked up in late afternoon and this helped lift the gold index by 19 points to 1445.

The all share index rose 76 points to 3507.

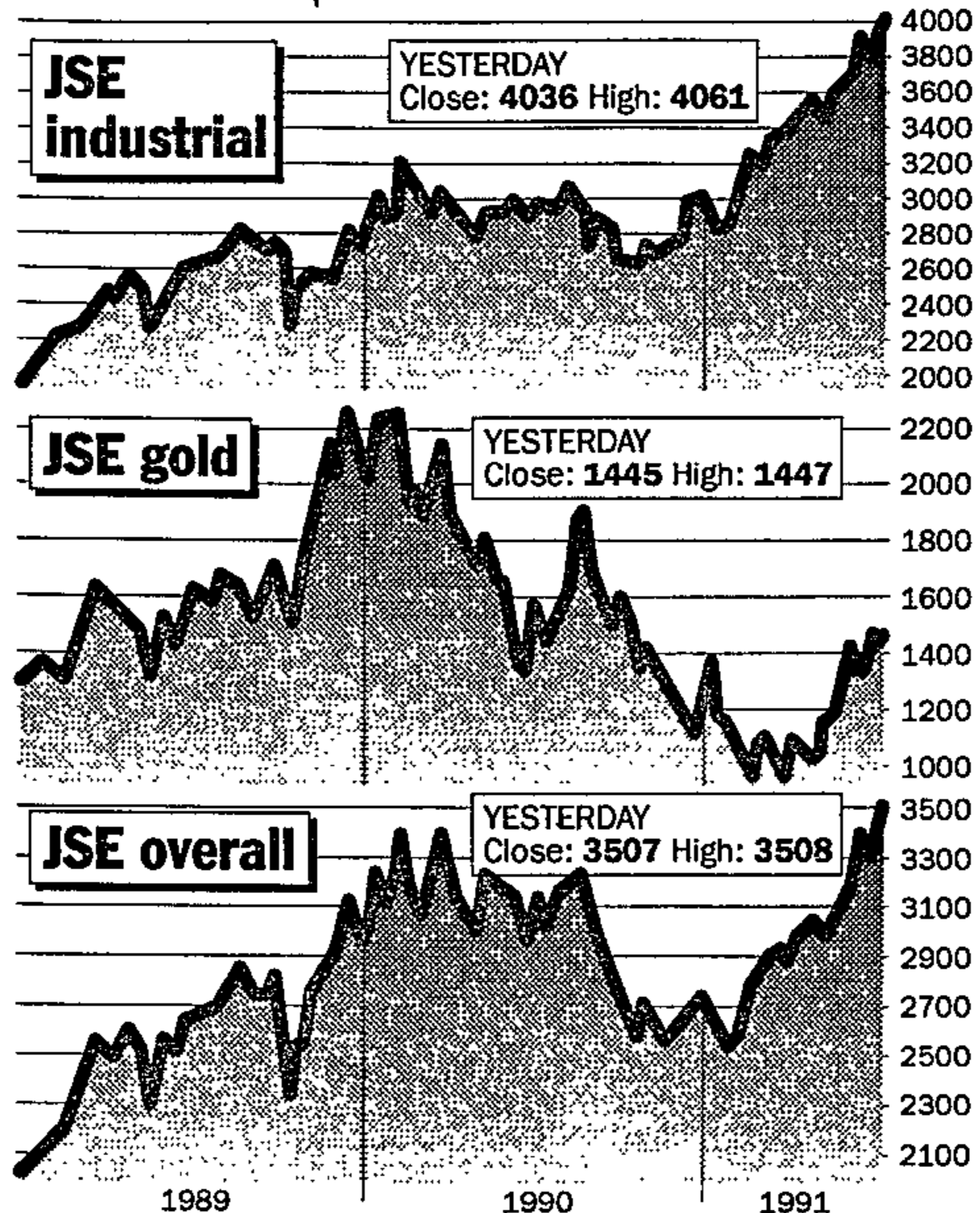
Foreign investor interest was reflected in the strengthening of the financial rand to close at R3,175 to the US dollar.

Shares attracting interest were food group Premier, steel producer Iscor and industrial holding Barlow Rand.

Premier chairman and chief executive Peter Wrighton and his deputy Gordon Utian returned from London last weekend, where it is believed they assured investors that there would be blocks of shares available for those interested.

Barlows chairman Warren Clewlow was also in London recently to woo potential investors.

In its July review James Capel recommended Driefontein and



Freegold among golds and in mining houses Anglo American, Gencor and Gold Fields as good buys. In other minings De Beers and coal share Amcoal were also recommended.

Among industrials Iscor, Barlow Rand, Premier, SA Breweries, Safren, Kersaf and Tongaat-Hullet were tipped as good investments.

Mr Taylor says the best ploy now is to look at companies which stand to benefit most from the emergence of the "new" South Africa.

These include companies in the building sector and those that are already active in developing trade with other sub-Saharan countries.

Yesterday's strong JSE rise comes amid concerns in the local investment community that the market may be moving into expensive territory.

Analysts caution that given the current state of world economies, nervous world markets, and the depressed local economy a considerable risk exists in the market.

The dividend of the industrial index has fallen below three percent. When this happened in 1969 and 1987, the JSE suffered severe setbacks.

But Southern Life assistant general manager equity investments, Paul Beachyhead says one must consider both the dividend and earnings yields.

"While the dividend yield for the industrial market is very low, the covers are quite high. Since 1986 dividend covers have increased and as a result dividends are better covered by earnings."

To a foreign investor the local industrial market is still cheap compared with the industrial markets in London and Wall Street. London is on price/earnings multiple of 13 and Wall Street is on 19, compared with 11 (through the financial rand) for the JSE industrial market.

Mr Beachyhead asks though how long it will take the JSE to rerate shares in line with major international stock markets.

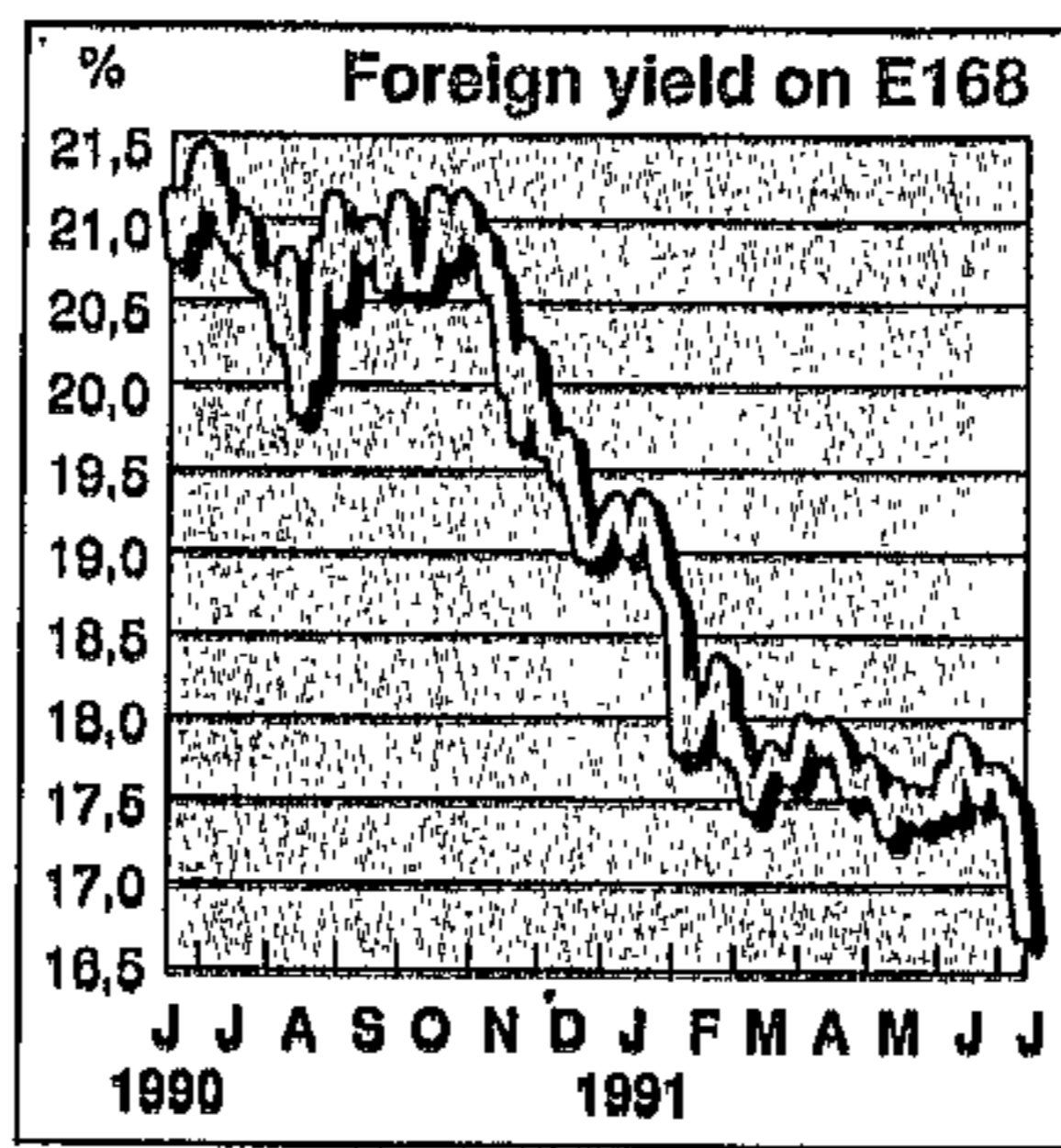
Mr Taylor adds that it would be shortsighted to evaluate the JSE on historical terms.

"Literally and figuratively, the SA market is entering uncharted waters. What is happening has never happened in the past.

"One cannot look into the past where there was apartheid (and its attendant problems of sanctions and lack of access to foreign capital) to value the current market."

He adds that there is a dawning view among most analysts in London that the commodity cycle should bottom by the end of this year into 1992.

"Gold, platinum, coal, copper, uranium etc prices should rise and the rand is expected to slip further against the US dollar with a tremendous boost to the SA economy, following."



Graphic: FIONA KRISCH Source: I-NET

Low risk premium hits local stocks

blow 12/7/91 (74)
 ANDREW GILL and JOHN CAVILL

THE risk premium on SA gilts has dwindled to a point where it no longer pays to buy or hold local stocks.

The premium, which had been an incentive for investment into a relatively high risk environment, has virtually disappeared because of the narrowing discount between the financial and commercial rands to 7,5%.

In just over a year, the real rate of return on the key capital market stock Eskom 168 has fallen to 2,5% from more than 9% through the finrand. In 1988 real returns were as high as 15%.

Australian stock offers a real rate of return of about 6%.

Analysts warned yesterday that euphoria over SA's return to the international economic fold should be viewed in tandem with fundamental investment policy.

Foreign sentiment towards SA, although more positive than it has been for years, is still nervous because of uncertainty over its political and economic future.

The narrowing financial rand discount to the commercial rand, which fell below 10% this week for the first time since the finrand's reintroduction in 1985, has resulted in nominal returns falling to 16,6% on the E168 from about 22% at the same time last year.

Dealers have reported scattered strong buying signals, but said a few offshore investors who held local stock were selling large chunks of their holdings to realise a capital profit.

□ To Page 2

Risk premium

blow 12/7/91 (74)
 One dealer said it was becoming increasingly difficult to convince some investors that returns were too low to justify fresh investment.

Even those who were hoping to make a capital gain, especially in the capital market, would have to rely on a prime rate cut or a further significant strengthening in the financial rand, both of which were seen as unlikely in the short term.

There was, therefore, a limited upside for any investor coming into the capital market under current conditions. Also, those with investments were likely to be

tempted to sell out at a time when large capital gains could be realised and the outlook for an attractive real rate of return was poor, resulting in profit-taking.

London analysts expect profit-taking in equities to dent the financial rand on the effects of the lifting of US sanctions.

"There is a lot of emotional appeal in the SA market at the moment and with industrial yields to financial rand investors down to 2,75%, and price-earnings multiples up at 13 to 14, it is offering worse value than the UK," said Smith New Court's Albert Loveless.

□ From Page 1

FM 12/7/91

FOREIGN INVESTMENT

DRAWING UP A CODE

Foreign investment codes are often a telltale sign of a Third-World country. Newly independent countries eagerly draw them up, believing this to be the way to attract the right kind of foreign investment.

But onerous investment codes that limit foreign ownership of local companies, restrict the repatriation of profits, and burden overseas firms with lots of pointless regulations have worked to keep investment out of Africa. Zimbabwe's complex and forbidding regulations, for example, have done their best to discourage investors. Namibia, on the other hand, formulated a fairly liberal code that should encourage investors.

Now, with the prospect of a new government taking over in three years, South Africans are looking at an investment code. "SA has neither an investment strategy, nor a policy on which one could be based," says Institute for a Democratic Alternative for SA (Idasa) executive director Alex Boraine. "This needs to be addressed urgently."

So Idasa is organising a four-day summit next month to debate "An Investment Policy for a Post-Apartheid SA." Business leaders, politicians, government officials, trade unionists and economists will gather at Mabula game lodge in the northern Transvaal on August 22-25 and, like Idasa's economic summit in Bellagio, Italy, in April, this conference will be by invitation only.

It is the idea of Transkei University rector Wiseman Nkuhlu, who will chair the proceedings. Under the tentative format, a panel will discuss a series of papers presented by local interest groups. The panel includes: Frederik Van Zyl Slabbert (Idasa), Sam Zondi (Zululand University), Kehla Shubane (Wits Centre for Policy Studies), Clive Thompson (UCT Labour Law Unit) and Rudolf Gouws (Rand Merchant Bank). A decision on whom to invite from other countries will be made soon.

The conference is backed to the tune of US\$60 000 by the Washington-based Center for International Private Enterprise. This will cover about a third of the cost with the rest coming from local businesses and possibly other foreign organisations.

Founded in 1983, the centre is part of the

US Chamber of Commerce. It encourages entrepreneurship and business participation in the political process, especially in developing countries. Director John Sullivan says the conference fits the centre's objectives: "Foreign investment is an important part of a vibrant, growing economy, essential to a successful transition in SA."

Boraine stresses that there are no plans to develop a prohibitive investment code like those that failed so dismally elsewhere. But, some participants are bound to favour at least a few restrictions.

One of the invited, Alan Hirsch, who is assisting the ANC's investigation into foreign investment and is a member of the Cosatu-aligned Economic Trends Group, says that, though restrictions on foreign investment are unpopular, some may be necessary.

"Foreign ownership of the (broadcast) media is not allowed in the US, while foreigners can't own SA general banks. These issues have to be considered. An investment code needs to be part of an overall economic policy, so a concrete policy would be premature at this stage. The ANC and Cosatu are doing extensive research on foreign investment, which will be completed next year."

While all appear to agree that the sanctity of investments and repatriation of profits must be guaranteed, the areas for potential disagreement are many. DP MP Brian Goodall, also invited, says the top company tax rate should be reduced to 40%. He adds: "Exchange control and ad hoc tariffs also need attention." But the ANC wants higher taxes, tighter exchange control and to maintain tariffs.

Don't forget high-tech

Many of the conference participants would also expect investors to create employment, export part of their production and transfer technology from abroad. National African Federated Chamber of Commerce president Sam Motsuenyane would encourage investment in agriculture and housing while not neglecting high-tech industries.

UCT's Thompson favours a voluntary investment code to ensure that labour's bargaining rights are respected by newcomers. But he says unions advocate an enforceable code that would outline the obligations of employers in bargaining, training, health, safety and the disclosure of information; SA law is open-ended on these points.

One question that probably won't be debated is whether SA needs a special investment code. As Goodall points out, a stable economic environment is recognised as a prerequisite for investment, local as well as foreign. So if the goal is to attract the most investment, and create the most jobs, then the policy is obvious: no exchange control, minimal or no tariffs, low inflation, low taxes, a minimum of regulations, a good infrastructure, and more education and training. An investment code that goes much beyond this is more of a social code and will serve to put off some investors. ■

BUSINESS

SOUTH AFRICAN business is looking north again.

Despite sanctions posturing by most African countries in the past, trade with Africa is already quite substantial — estimated at R10-billion during 1990. While many companies did terminate their dealings with Africa, others maintain their operations there at low-key levels.

Now that secrecy is no longer required there has been a spate of renewed interest in the markets across the Limpopo. The South African Foreign Trade Organisation (Safio) says there was a 22 percent increase in trade last year.

Major South African corporations such as Premier International, JCI, Anglo American, De Beers and retail chain Metro are exploring markets to the north.

Infrastructure development projects in African countries has aroused a lot of interest among South African companies. War-ravaged Mozambique and Angola have attracted particular attention.

Safio regional trade manager Angela Self says although there has been a surge of interest in Africa among local

Renewed scramble for Africa

As sanctions fade away, more and more South African businesses are looking to the rest of the continent for expansion, reports **MONDLI MAKHANYA**

“Our great asset is our construction and engineering skills. In a lot of these countries infrastructure needs to be re-habilitated,” she says.

The Council for Scientific and Industrial Research (CSIR) is also planning to step up its involvement in Africa. The organisation — which is already involved in 13 countries — is also doing a lot of work on the restoration of the African infrastructure.

The CSIR boasts of having Africa-specific technology which will be in demand as the continent picks itself up. Director Nico Walters feels the task of his organisation and others involved in reconstruction is to create an “enabling environment” for regional trade.

Steel and Engineering Industries Federation of South Africa spokesman Mike McDonald makes the point that certain engineering projects are necessary rather than mere marketing op-

portunities.

“We no longer need to build Sasols and Mosgasses anymore. We need to use our know how and technology elsewhere. Our technological equipment will lie idle if we don't do this.”

Murray and Roberts and Dorbyl have gone into Africa in a big way. M&R has procured construction contracted in a number of countries, notably Angola and Mozambique.

Dorbyl is involved in agricultural projects and diesel generating schemes. Dorbyl marketing manager Mike Smytheman says the lack of hard currency in African states has slowed down investment. “They they have to prioritise the projects they embark on. So we either have to wait a long time until they earn foreign currency or until

a foreign aid grant is given,” Smytheman says.

Premier International — whose chairman Albert Nillesen is reputed to have extensive contacts in Africa — has its foot deeply rooted in Africa. The company's African interests are bakeries in Zimbabwe, food exports to many countries and it has established itself as the main supplier of food relief to Mozambique.

Motor manufacturers are also making inroads into Africa. Nissan and the South African Motor Corporation have established special divisions entrusted with exporting to Africa.

Samcor managing director Spencer Sterling says the absence of motor industries in Africa means there is a great demand for South African cars there. At present the company exports about 800 cars annually — mainly to Zambia and Zaire — and is gearing up for bigger business. He concedes, however, that poor economies in African states put a ceiling on trade.

“Vehicle exports are increasing be-

cause of the great demand for our cars. But the biggest problem is the shortage of hard currency in these countries.” International aid to these countries alleviates the foreign exchange crisis. For instance, a lot of the CSIR's payment comes from foreign aid.

Protectionism, too, is an obstacle. Spencer points out that Malawi has tried to protect its fledgling motor industry but “it is unable to meet demand so our cars are needed there too”.

Most ventures undertaken by South African companies in Africa have been joint ventures with other local firms and foreign operations. These foreign interests are usually from the former colonial powers — such as Portuguese firms in Mozambique and Angola.

Penetration of the African market by South African companies is likely to have spinoffs as other local companies get subcontracted for specific projects. A classic example of this is the restoration of the Polana Hotel in Maputo.

Three South African companies are involved in this R25-million venture, with hotel chain Karos spearheading the project. South African architects Osmond Lange and construction company Concor are also involved.

Oceana makes little progress

Star 14/8/91
By Ann Crotty

748

LONDON — The Oceana offer for UK fashion group Etam has been extended for another week in a bid to entice more shareholders to join the Foschini-backed raid.

By the close of trade yesterday the Oceana team had bought another 1.89 percent of Etam's issued share capital. Acceptances of its formal offer of 185p a share lifted its holding to 33.11 percent.

This is considerably less than the 40 percent-plus needed to gain control and more significantly, below the level of support the Etam board has won.

The initial offer closed on July 25 but the response, mainly from private shareholders, was minimal. Since then Oceana has been able to buy only two percent on the open market.

Analysts say Oceana could keep extending the offer until the final close off date of September 2, but at this stage it looked as if Oceana and Etam were going to have to learn to live with each other.

AAF surges ahead on acquisitions

By Jabulani Sikhakhane

748

star 14/8/91

Acquisitions helped AAF Investment Corporation, the London-listed subsidiary of W&A, increase turnover by 106 percent to £31,1 million for the six months to June.

The Alloy Wheels company, acquired in January for £1 million and included for five months, contributed £15 million to turnover.

AAF is an industrial management group engaged in the manufacture and distribution of system and modular buildings in the UK and US, and alloy wheels internationally.

Deputy executive chairman, Hilton Schlosberg says the alloy wheels business has done well because UK motor manufacturers are fitting alloy wheels to lower and medium-price cars.

"This side of the business should continue to do relatively well because once manufacturer put those wheels on to the cheaper cars, they will never be able to take them away."

AAF may have to expand its production capacity at the Cardiff plant when the economy turns up.

AAF supplies alloy wheels to manufacturers like Jaguar, Rover and Fiat.

AAF chairman Jeff Liebesman says the industrial operations did well with income exceeding the interest from deposits earned on its cash of £20 million in the comparable

period last year when interest rates were high.

Mr Liebesman says Alloy Wheels achieved good results in both its domestic and export markets.

"The percentage fitment of alloy wheels in the UK, which is currently far below that of the US and Germany, continues to increase."

AAF has exercised its option to acquire the Cardiff plant which formed part of the £11 million purchase price. The Cardiff freehold sites were also acquired for £2,2 million.

Mr Liebesman says the system and modular building operations in the UK and US achieved an acceptable performance with a lower overhead structure.

During the review period pre-tax profits rose 11 percent to £2,2 million. Earnings per share increased 5 percent to 11,4p and the interim dividend rose 12,5 percent to 4,5p. A special dividend of 0,5p is being paid, making a total of 5p.

74B

OPENING UP THE MIDDLE EAST

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~~74B~~

Officially, Islamic countries in the Middle East take a hard line against trade and investment links with SA; some do not even allow their citizens to visit SA. But this week, several officials and business leaders from the region flew into Jan Smuts to attend a symposium in Pretoria on doing business with SA.

Unofficially, of course, SA has long done deals with the Middle East. Though it is never acknowledged, SA imports most of its oil from the Gulf States and, in turn, sells arms and many other products to countries in the region. The day-long symposium is a step towards forging formal business ties that would be far more extensive and lucrative.

The symposium, arranged by the Department of Foreign Affairs and the SA Foreign Trade Organisation (Safto), was expected to attract more than 100 local business leaders. Foreign Affairs Director-General Neil van Heerden was scheduled to chair the gathering, while Sir Anthony Parsons, top Middle East consultant to the Thatcher government, and

Geoffrey Hancock, a UK specialist on Iran, Iraq and the Gulf, were set to speak.

The reason for the interest in the event and why it was to be closed to the press and a ban placed on advance publicity, was the presence of the representatives from Egypt, Saudi Arabia, Iran, Oman and other Middle East states. An official from Israel also was to attend.

With reforms proceeding and sanctions eroding, SA got its foot in the Middle East door after the Gulf War, when Safto formed its Gulf Business Development initiative and encouraged local companies to bid on the many reconstruction projects underway in Kuwait. Through that contact, Safto realised there were many other trade and investment opportunities in the region, says Martin Smith, Safto's manager for the southern hemisphere.

Bringing relations above ground will widen trade links enormously. "Total bilateral trade in this region is worth US\$227bn," Smith says. "SA exporters will find trade doors are opening up to them in these lucrative markets."

FM 23/8/91

Short-term help seen

for CPI

Star 24/8/91

CAPE TOWN — The tax adjustments announced by the Minister of Finance could result in the Consumer Price Index (CPI) rising less in the short term than would otherwise have been the case, says Johan Louw, the chief economist of insurance giant Sanlam.

"As far as the switch from GST to VAT is concerned, the envisaged recomposition of the Consumer Price Index makes it very difficult to determine the net effect of this change.

"At this stage, we think it should bring about only a small once-off increase in the inflation rate."

He says the higher petrol prices — 13c a litre for conventional fuel and 8c for diesel fuel — and excise duties on liquor, tobacco, TV sets and cars, on the other hand, are expected to cause this rate to rise by an estimated 0,7 percentage point in September.

(The forward and backward linkage effect could push the inflation rate still higher in time).

"All in all, we foresee that the inflation rate (after the tax adjustments) will be just over 14 percent by the end of the year.

"For 1991 as a whole, we estimate a figure of between 14,5 percent and 15 percent.

This could decline to an average rate of about 13 percent in 1992," Mr Louw concludes. — Sapa.

Gold, platinum take it on chin

Star 24/8/91

THE gold price yesterday fell to its lowest level in a year in the aftermath of the failed coup by hardliners in the Soviet Union.

Over the past week gold has fallen by almost \$9 to be fixed yesterday afternoon in London at \$353,70.

Platinum prices also took a hard knock, despite the temporary closure of two mines by Impala, the second-largest producer in the world.

It was set at \$331,50 an ounce yesterday, its lowest level since December, after a close of \$344 on Thursday, and in the wake of selling by Japanese investors.

The decline in the gold price, coupled with a recovery in the rand against the dollar over the week, hit the rand gold price — the price SA gold mines receive.

The rand gold price started the week at R1 054 immediately after the coup, but over the week plunged to close yesterday at R1 018.

FINANCE STAFF and REUTER

The decline had a devastating effect on gold share prices on the JSE. Over the week the gold index shed 125 points to 1 144 yesterday.

Gold's failure to budge on news of the abortive coup in the Soviet Union, shows once again that the precious metal has lost its place as a safe haven in political crisis, analysts say.

Monday's coup by hardliners in the Soviet Union initially tacked \$5 on to gold's price.

But values had retreated to the minus column by midday as threats of potential gold sales by the Soviets worried the market.

The Soviet Union, the world's third-largest gold producer, has a stockpile of 2 000 tons, and the market feared the economically ailing country would sell more

gold to boost its foreign exchange reserves.

The coup's speedy demise resulted in a brief rise, as anxiety about Soviet sales waned on Wednesday.

Investors are not interested in trading gold, analysts say, and many have switched to more robust markets, such as the dollar, stocks and government bonds.

"I think part of the problem for gold is that world financial markets have matured and people are looking to other vehicles," says Jeffrey Nichols of American Precious Metals Advisors, a Florida-based consulting company.

"Gold is not particularly sensitive to geopolitical anxieties. Its traditional response (to global crises) is no longer valid. People prefer to hold dollars as opposed to gold," he says.

When Iraqi President Saddam Hussein's troops stormed into Kuwait in August 1990, gold prices on New York's Commod-

ity Exchange rose just \$3.

In mid-January, when Gulf War ground fighting erupted to dislodge the Iraqis, gold gained more than \$6 in Sydney, Australia, the first market to respond.

But the next day it crashed a spectacular \$30 in New York on expectations of a quick victory for the allies.

Scores of miners at GFSA's Doornfontein gold mine have been on strike since Tuesday, the company confirmed yesterday.

It said the apparent reason for the strike was a resistance to alternative employment one level lower than existing positions in order to avoid retrenchments.

An ultimatum to return to work was issued to those employees who participated in the illegal strike.

The employees did not respond to the ultimatum, with the result that about 6 000 employees out of a total of 7 000 have been dismissed.

Government set to woo foreign institutional investors

Star 24/8/91

BONN — THE South African Government will make presentations to institutional investors and bankers in Germany next week, preparing the ground for its first public Eurobond issue since 1985.

Deutsche Bank, the biggest German bank, and favourite to win the mandate for a public issue, is hosting presentations of institutional investors in Frankfurt on Wednesday.

Representatives of the South African Ministry of Finance will be present.

However, a senior Deutsche

STAR FOREIGN SERVICE

Bank official says no decision has been made on the timing or size of a public bond issue.

South African Government-backed borrowers, such as the Department of Post and Telecommunications and Transnet have been active in the private placement markets of Germany and Switzerland this year.

The Centre for the Study of the South African Economy in London estimates that borrowers

have raised about \$300 million from this source in the first half of this year.

However, almost all of these funds have been used to refinance the redemption of outstanding bond issues made in the early 1980s.

There has been no public bond issue by a South African borrower since 1985.

The Government has said that it would like to make a big, public bond issue in the name of the Republic of South Africa and would like to raise new money.

Bankers says the lifting of US sanctions in July made it possible for institutional investors to participate in a public issue.

The involvement of large investment institutions would be vital to ensure the success of a public issue in the region of Dm150 million to Dm200 million.

But they say political sensitivities remain great.

For example, some of the biggest borrowers, such as the Province of Ontario and Ontario Hydro, will not deal with SA-linked banks.

Safmarine gets half Belgian ship line

By DAVID CARTE

SAFMARINE has bought 49% of the biggest container shipping line in Belgium for \$25-million.

Safmarine managing director Tony Farr says CMB Transport has assets of more than \$530-million.

The balance of 51% is held by Compagnie Maritime Belge (CMB), which was previously controlled by Societe Generale, described by Mr Farr as Belgium's equivalent of SA's Industrial Development Corporation.

This controlling interest was then sold by Societe Generale to the Saverys family of Belgium.

CMB Transport, a subsidiary of CMB, operates container ships from Antwerp across the North Atlantic, along Europe's coastline, West, East and Southern Africa and South America.

The company owns 18 ships and has interest in six others. Of the 24 ships, 20 are container vessels, two multi-purpose and two roll-on-roll-off vessels.

Attractive

Mr Farr says: "We move 225 000 containers a year, it moves 400 000. Like ours, its fleet is in first-class condition and the company has outstanding growth potential."

Safmarine will play a direct role in CMB management and will appoint Graham Pierce the new chief executive. *SI Times*

Alistair Macmillan, chairman of Safren, which controls Safmarine, says the entry price is attractive to Safmarine. *(Business)*

Safren chief executive Buddy Hawton says the main attraction for the Belgians is Safmarine's proven management. *25/8/91*

Mr Hawton says: "Our core business is Europe. The purchase is a defensive and an aggressive move on the eve of the political and economic integration of Europe in 1992."

CMB Transport has a major international agency network in Central and Southern Africa and in Europe. It owns a major European trucking arm.

Mr Hawton says CMB's AMI agency operation will marry well with Rennie's Manica operations.

74B

Oceana's bid fails

Star Bureau Star 29/8/91

LONDON — Oceana Investment Corporation of South Africa has failed in its £121 million (about R450 million) bid for British retailing group Etam.

The bid has lapsed after acceptances of only 1,22 percent.

Oceana now faces the possibility of a delisting from the London Stock Exchange because it is a cash company and, under LSE rules, has no active business that would justify a share quotation.

In making the bid, Oceana told its shareholders that if a London listing was cancelled it would seek an alternative listing on another European exchange.

The latest development will not affect the company's listing on the Johannesburg Stock Exchange.

David Hudson, a director of Oceana's financial adviser Campbell, Lutyens, Hudson, said investment business would not be affected.

"It certainly won't bother us," he said.

business had to be broken up they would get even less.

But in McDonnell's experience, UK banks are almost never prepared to make this kind of concession, except through the formal mechanisms of UK insolvency legislation. And that legislation does not really provide a suitable mechanism for providing a breathing space for recovery of a company that has a reasonable future but is in current difficulty.

Indeed, the UK system operates "quite viciously" when companies get into trouble. Though UK banks know property will go up eventually, they nevertheless take a short-term view — say 12 months. When it becomes clear that there is inadequate security, the UK banker will appoint a receiver — frequently a stepping stone to liquidation. The receiver will almost always then dispose of the assets to a third party (which won't be the SA parent), quite probably for less than the parent would have been prepared to pay. This has been the fate of a few SA companies already, not to mention some Australian ones.

The second issue is location. There is a misconception that the UK consists of London and a 25 km radius around it. This fallacy leads SA businessmen to locate in the highest cost part of Britain, with the highest levels of employment and wages.

But the UK has a population of over 50m people, a large proportion of whom are located near other major business centres, not far in travelling time from the south east. (Even Edinburgh can be reached from London in one hour by air!) These major provincial centres are well served with large pools of industrial skills.

Perhaps services such as marketing consultancy need to be in or around London, but the manufacturing or distribution of goods is not best served in London or south-eastern England. ■

INVESTMENT ~~229~~ (MLB)
UK hazards FM 27/9/91.

Many SA companies have set up business in the UK in recent years. Some have succeeded beyond expectations. Others have crashed. It seems there are two main reasons some SA companies fail in Britain — the most important being a misjudgment of how the British banking system works. The second is the belief that London and its vicinity are the only area in which to be based to serve the British market.

David McDonnell is the national managing partner of Grant Thornton UK, a member of Grant Thornton International, to which Kessel Feinstein is now affiliated. He bases his conclusion about the misreading of the UK banking system in part on personal knowledge of unsuccessful proposals made by SA firms to British bankers.

The British banking system is — correctly — regarded as exceptionally stable, but it acquired this reputation in part by minimising risks in the domestic market. British banks prefer to lend on the security of assets, particularly fixed property.

They are not very sophisticated, says McDonnell, in their ability to assess income flows as a basis for lending — though this could change in future. So, if the asset base of a company weakens, it follows that British banks will become nervous and withdraw support. In these circumstances, they tend to act without being prepared to negotiate at all, or negotiate only to a limited extent.

If one combines that banking attitude with a severe recession in property — and at the moment, the UK property market is severely depressed — then security is eroded.

Local businessmen assume, quite wrongly, that, if their UK subsidiary gets into difficulties, its bankers will be prepared to waive part of its loans on the basis that if the

FNB takes over BCCI in Botswana

Star Africa Service

GABORONE — First National Bank will take over the former BCCI affiliate in Botswana, the Bank of Credit and Commerce, on Saturday. ~~Star 4/9/91~~

Assistant Minister of Finance David Magang said in parliament yesterday that an agreement had been negotiated between BCCI Luxembourg, First National and the Bank of Botswana, which has been running the Bank of Credit and Commerce after taking over its operations two months ago. (74B)

All five BCC branches would be staffed by First National, operating in Botswana as First National Bank of Botswana.

First National already has a licence to operate in Botswana and had planned to start doing so early next year.

Standard Bank of South Africa and ANZ Grindleys Bank have also been granted licences and will begin operating in Botswana next year.

Top UK names for OM's fund

Foreign Staff

LONDON — South Africa's biggest company, Old Mutual Life Assurance, has launched the first investment fund of its kind in London in a bid to get £30 million (R150 million) of new capital from European investors.

748 The launch is expected to be the first of many as investors take a fresh look at South Africa in the light of the demise of apartheid.

Old Mutual chairman Michael Levett is listing the new trust on the London Stock Exchange and has gathered an impressive board of directors for

OMSAF which includes Rolls-Royce chairman Lord Tombs ^{Stewart}

4/9/91
Just last week the South African Government announced its intention to re-enter European bond markets with a launch later this year of a £70 million (R350 million) Eurobond.

SA in bid for new African markets

Star 5/9/91

By Garner Thomson and Phil Molefe

South Africa is trying to get involved in oil and mineral exploitation and rail transport in Sudan, according to the British-based political newsletter Africa Confidential.

It reports on recent talks in London between Rusty Evans, Pretoria's deputy director-general of Foreign Affairs, and Sudan's Lieutenant-General Ormer el Basher to discuss South African technical co-operation. The quid pro quo, says the report, would be permission for South African Airways to overfly Sudan.

According to Africa Confidential, Mr Evans refused to comment on reports of earlier secret meetings in Khartoum 18 months ago.

But he said: "There is hardly a country on the African continent with which we are not in contact at this time." Mr Evans added that the con-

tacts concerned economic development, rather than politics, and were largely through the private sector, with the two governments acting only as "facilitators".

Representatives of Gemmin and Engen companies, and the railway parastatal Transnet, are expected to go to Khartoum soon for further talks, Africa Confidential adds.

Investigate

Contacted for comment by The Star, Mr Evans said South Africa was conducting dialogue with many prominent persons and governments in Africa.

He was, however, not prepared to confirm that he had held a meeting with General el Basher.

In the case of Sudan, the situation was exactly the same as with many other African countries.

"Just as we have sent technical delegations to countries such as Gabon, Cameroon, Congo, Zaire — among others — so we have indicated to the Su-

danese government that we would be happy to investigate areas of possible co-operation," Mr Evans said.

"There is no firm agreement for a visit by a delegation to Sudan at this time.

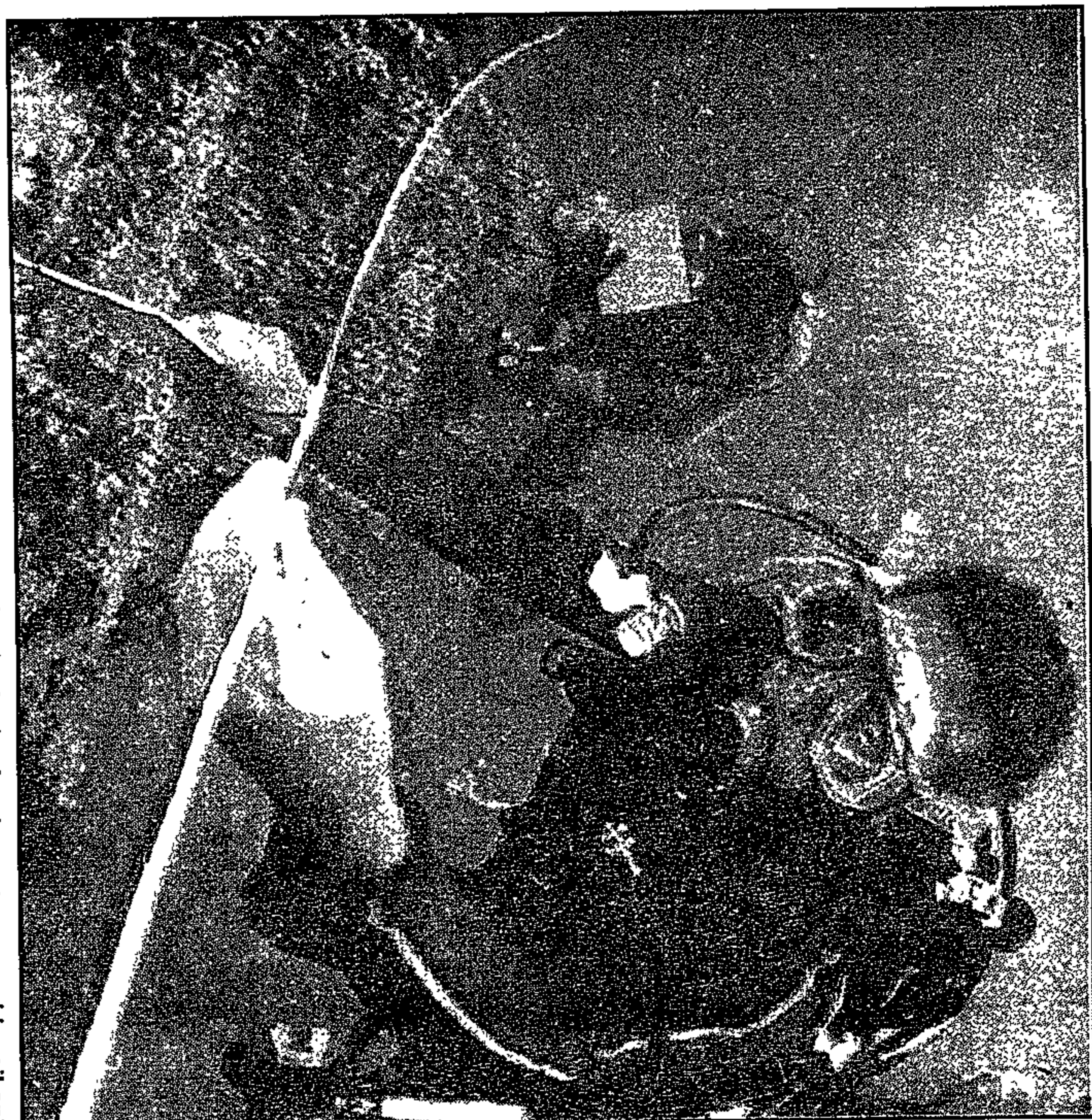
"But nothing stands in the way of the private sector in exploring areas of interest in that country, such as transportation, mineral and petroleum exploration, and the agricultural sector," Mr Evans added.

An Engen spokesman said the company was considering various opportunities on an ongoing basis and would be sending senior personnel to Sudan in the near future to discuss possible business opportunities.

A Gemmin spokesman said the company was not considering any project in Sudan at present.

Transnet referred media inquiries to Economic Co-ordination and Public Enterprise Minister Dr Dawie de Villiers.

But his office said Transnet was run on normal business principles and did not fall under the Minister's portfolio.



A Sudanese environmental and conservation scientist looks for damage caused by oil spill to the coral growth off the Saudi coast. Picture: AP.

AFRICA

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Star 3/9/91
**SA-linked bid
for UK store**

Star Bureau (743)

LONDON — Liberty, the British retailer which faces stake-building by a South African investor group, has said it will accept a Chinese offer rather than succumb to a hostile South African bid.

The British department store is bracing itself for a protracted siege after the disclosure that expatriate South African investor Brian Myerson was behind a dawn raid three weeks ago which lifted the shares 17 percent on the day.

Mr Myerson was responsible for a similar raid last year on Aquascutum, the classic clothing company, which eventually led to a recommended bid for the group by the Japanese clothing group Renown.

He was also, until 1989, a major shareholder in Oceana which recently launched a bid for Etam.

ANC chiefs go wooing

S (Times)

(Bus) 29/9/91

By DAVID CARTE

(74B)

ANC bosses Thabo Mbeki and Cyril Ramaphosa will take part with Finance Minister Barend du Plessis and Reserve Bank Governor Chris Stals in a Hong Kong conference wooing foreign investment to SA.

The two proponents of sanctions and disinvestment will address what is billed as the definitive seminar on business and investment opportunities in the post-apartheid economy of SA.

More than 150 delegates are expected at the conference on October 11. More than 100 will represent the Far East. Several SA institutions will attend to meet investors interested in SA. They will fly from Hong Kong to the IMF meetings in Bangkok.

Mr Mbeki will speak on the evolving political dispensation and Mr Ramaphosa on the role of foreign investment in the new SA.

Mr Du Plessis will discuss the post-sanctions economy and Dr Stals the role of monetary policy in promoting foreign invest-

ment. Other speakers will be Mike Brown, economist at stockbroker Frankel Max Pollak Vinderine, Francis Klein, managing director of French Bank of SA, Dries du Toit, senior portfolio manager of Sanlam, Rob Angel, managing director of Engen, Ken Maxwell, director of JCI and Peter Arthur, a partner at Webber Wentzel.

The conference, which aims to attract the biggest names in international investment finance, is being organised by Frankel Max Pollak Vinderine, attorneys Webber Wentzel and French Bank.

Frankel Max Pollak reports unusual interest in its SA-based conference in February next year. Chief executive Sidney Frankel expects more than 100 foreign delegates.

SA gets tough with Harare at trade talks

74B MICHAEL HARTNACK

HARARE — Economic sources believe that senior SA officials at talks on Tuesday to renew a preferential trade treaty between Zimbabwe and SA confronted the Harare delegation over President Robert Mugabe's stance on sanctions.

The negotiations opened in Pretoria on updating the most-favoured nation trade treaty Mugabe inherited from Ian Smith's Rhodesian government. *3/10/91 19/9/91*

Sources in Harare believed the SA negotiators told the Zimbabweans that to finalise a new trade agreement, Mugabe would have to rescind his 11-year ban on government contact at ministerial level.

At the one-day meeting, senior public servants from SA's Commerce and Foreign Affairs departments apparently queried Mugabe's continuing campaign for sanctions and his expected demand at the October Commonwealth summit in Harare for SA to remain isolated.

Last month Mugabe told African socialists meeting in Harare that he had "no choice but to insist on the maintenance of economic sanctions and other forms of pressure against SA . . . until such time as an administration that does not owe its existence to apartheid is in place".

The Zimbabwean delegation was headed by the deputy secretary for trade relations and export promotions in the ministry of industry and commerce.

Sources believe it significant the six-member team included an under-secretary from the ministry of lands, agriculture and rural resettlement, and a law officer from the attorney-general's office.

SA is a major destination for Zimbabwe's processed farm exports, particularly textiles, and the prime source of vital inputs for its agricultural industry.

Economists believe the Zimbabweans told their hosts they were relying on expansion of the present R2bn-a-year trade relations with SA to bring the current R42bn five-year structural adjustment programme to fruition.

The existing agreement, dating from 1964, sets tariff rebates at levels rendered unrealistic by inflation, and its lists of rebatable trade items need revision because of economic expansion. No date has been set for the next round of talks.

Call to use life funds for development

CAPE TOWN — Suitable outlets had to be found for the investments of contractual savings institutions. Finance Minister Barend du Plessis said on Friday

Addressing the conference of the Cape Assurance Industry Liaison Committee, Du Plessis pleaded for proactive and innovative thinking in this regard.

He said the future of the country had to be secured by the proper use of life funds which had traditionally been invested in inflation-hedging assets such as equity and fixed property. There was a need for the institutions to provide risk capital for growth to the private sector.

"There are various ways in which contractual savings institutions can channel funds to specialised development agencies such as the Small Business Development Corporation, the

Development Bank of Southern Africa and the Independent Development Trust, which support socio-economic projects.

"Schemes have been devised to use pension fund contributions as a leverage to gain access to normal channels of funds for home financing, but the results so far are rather limited. More needs to be done to tap the resources available to finance socio-economic projects."

Du Plessis said the contractual savings institutions would be well-advised to pay attention to the infrastructural needs of black urban areas which had a great need for office blocks and shop facilities.

Turning to the question of foreign investment, he said the political clout of unions, which had resulted

in high wage and salary increases, was one of the reasons why SA was no longer attractive to foreign investment.

He said the increases obtained in a situation of widespread unemployment were unrealistic.

"No successful economic country has that relationship between unemployment and rising wages."

He said foreign investment was attracted to countries where profits could be made and this required productivity and a stable labour force.

The fact that SA's foreign debt — which stood at 180% of annual export earnings in 1985 — was now at 70% made the prospects of raising capital on foreign markets very promising.

13 Day 16/9/91
LINDA ENSOR

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Gold Fields invests in Africa

310am 24/9/91 (74B)
GOLD FIELDS of SA was set to invest in a Zairean gold mining company which had a major concession and a first option to mine the balance of Zaire's gold mining district, chairman Robin Plumbridge said yesterday.

In his annual chairman's review he said Gold Fields had embarked on a cautious expansion programme outside of SA in the last year, and, of the projects it was considering, the Zairean venture was at the most advanced stage pending the completion of financial arrangements.

Gold Fields would be in partnership with a Zairean state company, a group of Belgian-based entrepreneurs and international finance agencies. The mine would start as a small operation, but it had the potential to expand rapidly if a proposed exploration programme was successful.

Gold Fields's expansion into Africa follows Genmin's announcements of investigations into mining possibilities in Zambia and Engen's forays into oil exploration off the African coast.

MATTHEW CURTIN

Plumbridge said the economic future of SA and the rest of the continent were inextricably linked. "We must sink or swim together," he said.

Many developing countries were in the grips of a full-scale depression, the lack of international demand for their products accentuating the despair of peoples facing abject poverty. "Regrettably the developed nations are so concerned with their own economic conditions and those of the countries surrounding them ... that the less developed countries are being fed little more than a diet of rhetoric," Plumbridge said.

African countries faced a "well-nigh impossible situation". In a national and regional context, it was critical that the SA economy should recover rapidly from the recession.

The current economic policy mix with its heavy socio-political overlay needed urgent review, he said.

Seeff considers international link

CAPE TOWN — Estate agent the Seeff Organisation is considering a tie-up with one of the largest international property companies in Britain, which has offices in several countries, says Seeff Residential Properties MD Samuel Seeff.

There would not be a sale of shares but the deal would involve the appointment of Seeff as the company's SA representative. Income earned would be in the form of a commission from referrals. (74B)

Seeff said at the weekend the advantage would be access to a wide client base and marketing opportunities overseas such as advertisements, window displays and home exhibitions. (730)

All offices in the UK would have information on properties available from Seeff. "As the relationship between SA and the

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LINDA ENSOR

UK strengthens so there will be a lot more interest in SA property," Seeff said.

Seeff sold four properties to UK buyers referred from its London office for a total of more than R1,2m in July. A property in Hout Bay was sold recently to a German for R1,5m, a sectional title unit in Bantry Bay to a Hong Kong buyer for R1,2m and negotiations were being finalised for the sale of another unit in the same complex.

Seeff director Carmella Seeff, who recently returned from a property tour overseas, said the firm's London office was being deluged with requests for information on the housing position in SA from would-be investors and immigrants.

BJD 23/9/91 74B

UK rubber stamp for Sun Life deal

LIBERTY Life clinched control of UK insurer Sun Life on Friday, after a bitter fight which has lasted more than four years. London's takeover regulators have dropped their opposition and approved the move which has simply regularised an already existing control situation.

Liberty Life and its French partner, Union des Assurances de Paris (UAP), are not obliged to make an offer to Sun Life's minorities, but are doing so as "a courtesy".

A new, jointly controlled holding company — Rockleigh Corporation — has been created by Liberty and UAP to house their newly increased 59,9% controlling stake in Sun Life valued at £472m (R2,3bn). Previously, Liberty and UAP each held 27,7% of Sun Life's equity, but as part of the present arrangements, they have bought an additional 4,5% or 3,02-million shares for £35m (R172m) from Sun Alliance.

Liberty chairman Donald Gordon said in a statement he was "extremely happy" with the outcome of the joint deal, which would provide new expansion opportunities for the group in Europe.

The statement said an offer of £11,60 a share, based on the deal price, would be extended by Rockleigh to Sun Life's minor-

SEAN VAN ZYL

ity shareholders. He added it would be premature to comment on whether Rockleigh would make an all-out bid for Sun Life.

In a related deal, UAP would buy 35-million new ordinary shares in TransAtlantic for a cash consideration of £122,5m (R586m) at 350p a share.

In addition, First International Trust (FIT) would also sell a further 5-million shares at the same price to UAP, boosting the French insurer's holding in TransAtlantic to 40-million shares at a purchase price of £140m (R685m). Following the dilution, UAP would hold a 16,8% stake in TransAtlantic. Liberty's offshore arms have no immediate plans for the £140m, though some will be used to cut gearing and part is earmarked for new UK property developments or acquisitions.

FIT's interest in TransAtlantic would drop to 42,9%, resulting from the dilution of the 240-million new TransAtlantic shares in issue, while Liberty's direct stake would fall to 12,1%. Overall Liberty would maintain a controlling stake of 55% in TransAtlantic.

● See Page 10

Liberty 'joins bid for Standard Charter'

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SEAN VAN ZYL

RUMOURS resurfaced this week of a takeover bid for UK banking group Standard Charter, Stanbic's former parent, by a European consortium including the Liberty and Union des Assurances de Paris (UAP) alliance.

Standard Charter faced a hostile takeover attempt a number of years ago when Liberty's chairman Donald Gordon entered the fray as a white knight.

Sources said Standard Charter, recovering from a poor trading period with its share price at a five-year low, could now fall prey to a banking consortium led by UAP, Liberty and German-based Westdeutsche Landesbank.

The consortium would probably break up the bank's extensive Africa and Asian networks, with the Liberty/UAP alliance pitching for the Africa and UK operations and the German bank the Pacific Rim network.

Sources said Standard Charter was in a weak position due to bad debt and difficult operating conditions experienced mainly by its UK, US and Australian networks — opening the bank to a hostile bid.

Standard Charter's pretax profit in 1989 fell to £67m from 1988's £313m. The 1990 trading year showed significant improvement in pretax profit to £150m, although substantially less than that achieved in 1988.

Licence

Standard Charter's Africa network, rumoured to be up for sale, has an estimated value of about £150m. Standard Charter's market capitalisation at the 1990 year-end was £605m.

Sources suggested that Liberty would involve Stanbic in the deal, with the African network falling within the bank's existing Africa division. The Liberty/UAP alliance would probably retain the much-prized UK banking licence.

However, Liberty Holdings executive director Farrell Sher, speaking from London, denied the group was involved in a takeover bid for Standard Charter.

Stanbic MD Conrad Strauss said it would be "inappropriate to comment" on whether the bank was planning to acquire Standard Charter's Africa operations.

However, he noted that Stanbic had already indicated its interest in expanding into Africa and would take a look at the Standard Charter operations, "as would any number of banks", should they come up for offer.

After disposing of its interest in Stanbic in 1986, Standard Charter re-entered the SA market earlier this year. Although the UK bank does not as yet have a local banking licence, it caused a stir in banking circles by opening up a SA representative office in May.

Chairman Rodney Galpin indicated that Standard Charter would be keen on re-establishing ties with Stanbic, but did not expect the feeling to be mutual.

B10am 17/9/91 (74B)

Call to liberalise exchange control

SA must do away with exchange control regulations imposed on non-residents if it is to attract long-term capital, says Price Waterhouse Meyernel national taxation director Chris Frame.

In a statement, he said the only way of gaining a net addition to the economy was to create the right conditions for foreigners to invest.

"Our economy is being run on old money, industry is operating on a capital base that is far too narrow and we are in desperate need of more participation by foreign companies."

Government should also make it worthwhile for overseas investors to pump funds into the economy by guaranteeing repatriation of income and capital. SA could not become the "engine of Africa" if it was shackled with a paternalistic and restrictive investment code.

"Once we are totally acceptable to the rest of Africa we will have a grand opportunity to be the world's springboard for the continent," Frame said.

SA could not afford to jeopardise this chance and its economic future because of a "misguided desire to control our destiny".

ANDREW GILL

He said no country could exist entirely off its own capital base and that capital had become a truly international commodity. SA needed to do everything possible to attract and encourage international capital flows in a highly competitive environment, especially with recent developments in the Eastern Bloc, which had seen demand for international capital far exceeding supply.

"SA simply cannot afford to lag behind with trade and investment liberalisation or it will degenerate into another example of the African economic nightmare," he said.

Recent capital account flows have illustrated SA's daunting long-term capital position. Although capital outflows amounted to only R2,9bn in 1990 from R4,3bn in 1989, most of the improvement came in the form of short-term, trade-related finance.

The short-term money is erratic and can be easily withdrawn, analysts warn. Long-term capital flowing out of the country in the first six months of the year amounted to R900m compared to R1,9bn for the whole of 1990.

Govt charters aircraft to fly South Africans out of Kinshasa

210 day 26/9/91

JONATHON REES

AIRCRAFT chartered by the SA government will fly to Kinshasa today to evacuate about 50 South Africans still in trouble in Zaire.

A second planeload of Belgian nationals is expected in SA last night, while another aircraft with about 55 Belgians, Italians and Uruguayans on board was expected to fly to Jan Smuts Airport after landing in Harare.

Foreign Affairs said yesterday a chartered Safair flight would leave Johannesburg early this morning and was expected to return with the SA nationals late this

afternoon. The department said all South Africans in Zaire were safe and accounted for.

A branch of SA's Metro Cash and Carry wholesalers, established in Kinshasa about a year ago, was believed to have been looted and burnt by soldiers during rioting in the capital.

An SA Foreign Trade Organisation spokesman said SA companies had "put the brakes" on trade with Zaire.

Sapa-Reuter reports that foreign troops restored calm to Kinshasa yesterday after two days of riots and looting killed at least

30 people.

The government clamped an overnight curfew on the devastated city.

France and Belgium, former colonial rulers, flew in hundreds of troops to protect their nationals, whose homes and businesses were stripped bare by mobs led by mutinous soldiers angered by low pay.

The French Foreign Ministry said some of the troops were being redeployed to protect foreigners in the copper-rich Shaba province in the south.

An SA Foreign Affairs spokesman said some South Africans were holed up in the residence of SA's Zaire representative, Herman Hanekom.

He said a skeleton staff would remain in Zaire to monitor the situation and run SA offices.

Foreign Affairs said it was in telephone contact with Hanekom, although it was difficult to get through.

A Saffo spokesman said most SA traders and mining equipment suppliers had suspended dealings with Zaire since violence broke out on Monday and were waiting to

see what happened in the country.

Zaire is SA's second biggest trading partner in Africa, after Zimbabwe.

Saffo Africa Trade Intelligence Organisation head Andrew Maggs said most SA business in Zaire revolved around the copper mining industry and was concentrated in the south of the country.

SA companies were a major supplier of mining equipment, foodstuffs, pharmaceuticals and other goods to Zaire's mining parastatal Gecamines, but had "put on the brakes" until the situation stabilised.

□ To Page 2

Kinshasa

Maggs said.

SA traders supplying Kinshasa had also delayed further contact for the time being, he said.

Diplomatic sources said dozens of "ordinary SA citizens" had offered accommodation to European citizens fleeing Zaire.

Sources close to the French and Belgian missions said yesterday switchboards had been jammed throughout the day, with

748

□ From Page 1

well-meaning South Africans offering their spare rooms to refugees.

Offers of accommodation had also been received, but turned down, from at least two councils, "including either Boksburg or Benoni council", a source said.

Several hotels, including the Southern Sun Airport Hotel at Jan Smuts, had been booked by foreign missions expecting an influx of their nationals from Zaire.

Foreign support in capital market

B/Dan 16/9/91
RENEWED violence on the Reef and bearish producer inflation figures released last week have failed to have a negative impact on normally hypersensitive capital market rates, because of consistent foreign support.

Perplexed local dealers had feared a heavy foreign sell-off in the wake of the violence that started on Sunday last week, but the dumping failed to materialise.

Rates actually strengthened by five points over the week, with dealers reporting relatively strong demand in a market with few sellers.

Locally, long-standing bearishness was fuelled by the violence and the uptick in producer inflation but foreigners appeared to shrug off the unrest.

Dealers said foreign investors seemed to have become accustomed to the fighting and were more confident than local investors about the country's future.

A foreigner who invested in gilts during the rush on the market in 1988 and 1989 would have recovered all capital investment by next year through dividends alone because of returns in excess of 25%.

As a result, the attractive risk of SA gilts still lured foreign investors despite crumbling yields since the financial rand started its rally last year.

Also, with the current bear market standing at 1,5 percentage points, there is said to be limited scope for any further major hike in rates despite the poor outlook for a cut in official rates.

Added to this was the limited borrowing requirements of major play-

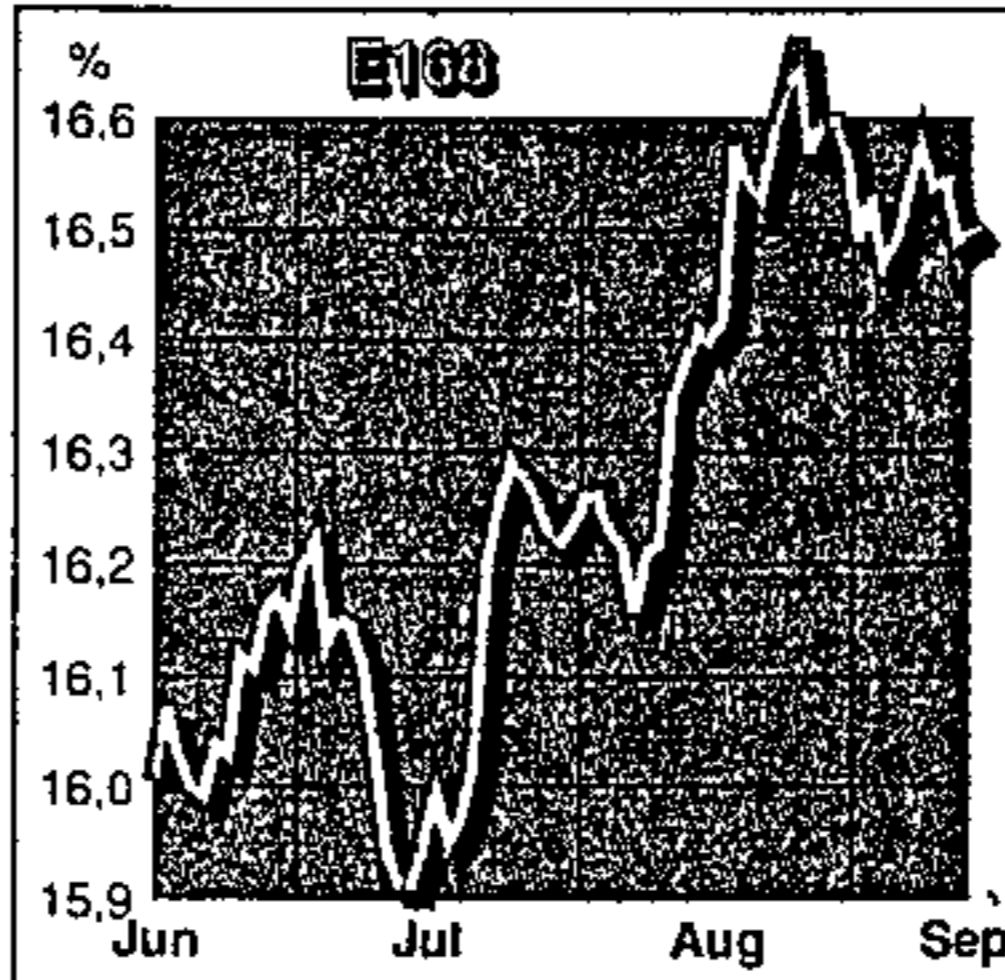
74B
ANDREW GILL

ers at the moment and the likelihood that many of them would be partly funding themselves on overseas markets, leaving a shortage of paper on the market.

□ Citing township clashes and worries that US pension funds might withdraw business, two international fund management groups have dropped plans to launch funds investing in SA shares, says a report in the *Financial Times*.

Genesis Investment Management has decided not to proceed with a fund investing in second-tier SA stocks and shares in other southern African countries.

Baring Securities had discussed the launching of a South Africa fund in conjunction with UAL Merchant Bank. It shelved the plan because of worries that Baring Asset Management, its fund management arm, would lose valuable US state pension fund business, the report stated.



Graphic: FIONA KRISCH Source: I-NET

Europe scrambles for SA bond issue

SA RE-ENTERED European capital markets with a bang yesterday as investors scrambled to get in on government's five-year bond issue, prompting authorities to increase it from DM300m to DM400m.

Government's first public issue since 1985, launched yesterday morning, aimed for the upper range of DM250m-DM300m.

Finance Department director-general Gerhard Croeser said the "overwhelmingly positive reception" that the issue received had prompted the department to increase it by DM100m.

Demand was reflected in the bonds trading well above the par issue of 100%. After coming in at just over 101%, the issue dropped back to 100,80% as the extra DM100m was added. It bounced back to 101,05% before closing at 100,9%.

A spokesman for the Frankfurt-based Deutsche Bank, which lead-managed the deal, said last night that the first day's trading had been "very good".

Among the group co-managers are major financial institutions from several European countries, believed to include Swiss Bank Corporation, Paribas and Kleinwort Benson.

A Finance Department spokesman said although response to the "roadshow" which went to European financial capitals last

ANDREW GILL
and KIN BENTLEY

month had been encouraging, a conservative issue of DM300m had been decided on because of the risk of a failure after six years out of the market.

The good response, he said, "shows that financial institutions are regaining faith in SA and that the end of the debt standstill is closer".

Croeser said in a statement the DM400m issue would boost SA's reserves by DM200m, after refinancing the DM200m loan falling due in mid-December.

The R335m boost to reserves would assist in financing the Exchequer in 1991/92, he said. The issue had been sold to investors as one with a social investment angle.

This followed criticism of the issue by the ANC, which claimed the money "could easily be diverted to unstated projects detrimental to the negotiation process".

Croeser said it was "especially heartening" that foreign investors were reacting so positively to the re-entry into the market. This represented an expression of confidence in SA's conduct of both its foreign financial relations and its domestic economic policies. It could also be regarded as

□ To Page 2

Bond issue

an important phase in the normalisation of SA's borrowings on the international capital markets.

He said the issue would "contribute to meeting the increasing socio-economic demands in SA and the backlog of services for a fast-growing population".

Bond analyst Jon Bergtheil, of London stockbrokers James Capel, said "It has been a successful issue. It seems popular."

The coupon rate on the five-year issue was 10,5% a year payable in October. Bergtheil said the 10,5% coupon was attractive to European investors because it was well above the 8,4% on German government bonds.

Although there were still "country risks", he said the rate was a "very nice

reward" considering the low currency risk, because SA had proved it paid its debts.

"Although this issue eases the balance of payments position somewhat further, SA nonetheless remains subject to the Third Interim Debt Arrangement. Although new foreign funds are becoming available and can make an important contribution to economic growth and development, the fiscal and monetary authorities are committed to an orderly and cautious approach in entering international financial markets."

With total external debt now equivalent to 70,2% of annual export earnings, and the debt service ratio down to 7,1%, or a little under 20% of GDP, SA could indeed be considered under-borrowed in international terms, Croeser said.

□ From Page 1

IN LONDON they are saying half seriously that Peter Grant's biggest mistake was never to have applied for a job with Britain's diplomatic service.

If he had, Sun Life's chairman might not have wasted years of fighting Donald Gordon and Liberty Life — years which could have been used to develop Sun Life's insurance business in co-operation with Gordon rather than frittered away in a futile attempt to keep at bay the man some quality British dailies once viewed as a South African upstart.

The diplomatic story, told only half in jest, is that after some stiff aptitude tests, short-listed diplomatic service candidates are invited to the famous country house weekend for final vetting.

Everyone by that stage knows which knife or wine glass to use. But the clinching probe is the question: "What do you think of the French?" Britain's diplomatic service is hooked on chauvinists, even though the French themselves invented and gave new meaning to the word. The correct answer is reputedly: "They let us down in 1940. And they dumped the Germans in 1944."

Which neatly sums up the French pragmatism which Peter Grant overlooked in 1988 when he enlisted Union des Assurances de Paris (UAP) as the white knight to defeat the Gordon dragon. UAP might have been the ideal partner if Grant had not underestimated Gordon's doggedness or the French company's own ambitions. UAP's size was no deterrent to Gordon. Rather, he saw it as an opportunity in the vast corporate chess game in which he revels. Grant's strategy was played out reactively, every move of Gordon's seems to have been made with the next three in mind.

Though UAP is quoted on the Paris Bourse, it is controlled by the French government. It is France's largest insurance group, straddling the French economy much as Old Mutual does here. One measure of its size is its French property portfolio,

worth about £8bn at the last count, about the same as the £7.4bn total assets Sun Life had at the end of 1990.

Grant hoped to cut a deal with UAP which would have diluted Liberty's 29.8% stake in Sun Life (held through Transatlantic) to a level of little influence. Gordon and Liberty blocked the deal. They had had enough of Grant's bleats to London's old-school-tie brigade which for years excluded non-U interlopers. Gordon was confident he and Liberty could make a valuable skills contribution to a Sun Life floundering under Grant's narrowly focused management. And he certainly did not intend his ambitions to be thwarted by Grant's transparent efforts to protect his own position.

This was when pragmatic French self-interest manifested itself. The French had no hang ups about Gordon's provenance — and they saw an alliance with him as a way into Britain. For his part, Gordon saw in UAP a prospective partner with the skills and understanding needed if he was going to move beyond the confines of Sun Life and Britain into the vastly different environment of European insurance.

It took less than a year for UAP and Liberty to realise they were better off collaborating than fight-

White knight helps Donny checkmate Old-boy network

JIM JONES



□ GORDON

ing. They decided that Transatlantic and UAP should each initially have 27.7% shareholdings in Sun Life with first options to acquire each other's shares through a Texas auction mechanism. The holdings of 27.7% were individually less than the 30% which would have triggered a full scale bid for all of Sun Life's shares, but together more than enough to

fend off any other bids for the British assurer.

London's attitudes, too, were changing towards Gordon. They shifted as political changes here meant South Africa and South African businessmen ceased to be international pariahs. It was also clear that Grant's management was sterile and that Sun Life was slipping behind some of its more aggressive competitors.

Nor, with 1992 looming, could Britain's takeover regulators have conceivably cooked up an excuse to prevent UAP from taking over Sun Life. Gordon and his French allies cleared that matter up, found that London's Takeover Panel had taken a sensible view of the realities of the Sun Life control situation and would not insist that the combination of the UAP and Transatlantic shareholders would necessarily trigger an offer to the assurer's 44% minorities.

Liberty and UAP tied up Sun Alliance's 32-million shareholding in Sun Life which, together with their existing interests, gave them the combined 59.9% of Sun Life which was being placed inside the jointly controlled Rockleigh Corporation. A £11.60-a-share offer is being extended to Sun Life's minorities, more as a courtesy than in expecta-

tion of attracting many more shares. Gordon is cagey about his next moves — at present his mind is on tidying up in London and coming home to prepare for the summer holidays. It has been an exacting year.

But there are some clues in the official announcement of the Sun Life deal: "These proposals reflect the desire of both UAP and Transatlantic to develop further their respective investments in Sun Life while creating a long-term relationship in the financial services and property fields in the United Kingdom, in other areas of the English-speaking world and in Continental Europe where the combined expertise of Sun Life, UAP, Transatlantic and the Liberty Life group is expected to provide significant benefits for all the parties involved."

The start is likely to be with Transatlantic and Capital & Counties. Transatlantic's war chest has been boosted by UAP's £122.5m purchase of 35-million new ordinary shares as well as 5-million Transatlantic ords from Liberty's holding company Conduit. That provides the seedcorn for a further foray into a currently depressed or underpriced UK property market.

But the real challenge will be to make up for Sun Life's years of enforced stagnation and to develop the life assurer's UK and international businesses. Peter Grant has "agreed to continue as chairman of Sun Life" the official announcement says. Face has been saved, and Sun Life's chairman is, in any event, near retirement age. He is unlikely to be an influential player, rather a grace-and-favour figurehead to underscore the sensitivity of "interlopers" Gordon and Liberty to the niceties of doing business in London.

There have been some long wasted years since Liberty first established its stake in Sun Life. Gordon is in no mood to retire yet. He can now confidently leave Liberty in the hands of the management and systems he has installed in Braamfontein over the years and concentrate on the international stage.

LETTERS

UK firms warm to SA equities

KIN BENTLEY

LONDON — A poll of 110 UK financial institutions shows that 25% invest directly in SA equities. (748)

Smith New Court Securities, which is sponsoring and underwriting placement of the Old Mutual SA Fund, said the poll found that 45% of institutions were changing their views on SA investment as a result of recent political change.

However, "ethical investors" are apparently still reluctant to buy shares with SA links.

The minimum investment in the \$50m closed-end Old Mutual fund, which will provide institutions with an opportunity to invest in blue chip shares and "well-managed companies", is \$10 000. Bidan 9/9/91

□ Reaction in the British Press to the Old Mutual initiative has been mixed.

The Times and The Independent expressed concern at predictions that

inflation in the 1990s was expected to continue to run between 10% and 19%. "This is uncomfortably Latin-American," wrote the Independent.

The Times said: "There is little doubt that the fund is a milestone. Foreign companies are queuing up to invest in SA and the launch will set a lead for others to follow."

The Independent noted that SA's growth was expected to revive as the world economy recovered in 1992, especially with trade sanctions lifted. "Observers believe the massive outflow of the 1980s may have turned to neutral or a fractional inflow."

However, the political situation continued to overshadow any marginal improvement in SA's economic prospects. "For the foreseeable future ... SA investment will not be for the squeamish."

SA business gears up for Middle East

B 1 Day 4/9/91
PRETORIA — SA businesses are lengthening their list of contacts in the Middle East to prepare for an export offensive once countries of the region lift sanctions.

Two delegations from 20 companies are due to travel to Egypt and the Gulf on October 12 and 19 to revive trade after 17 years of minimal contact with Arab states.

SA businessman A B Mahomed told a conference on Middle East trade: "Our time has come. Let's make it happen."

Speakers said SA had to work hard to catch up with competitors' superior knowledge of trade patterns and culture in an unfamiliar region but the rewards were great.

They cited an attraction that two other areas opening to SA, eastern Europe and Africa, could not match — trade partners who pay in hard currency as a matter of course.

Foreign Affairs director-general Neil van Heerden said: "Bearing in mind that business (in the Middle East) is done in hard currency, it becomes very nearly irresistible."

Safto's Martin Smith said Egypt, the United Arab Emirates, Iran and Saudi Arabia would be the target markets.

Companies at the conference in-

7413
cluded the Anglo American Corporation, Barlow Rand, Tongaat Hulett, Premier and Tiger Oats as well as Armscor.

Experts saw food and mineral products as the most promising potential exports.

Geoffrey Hancock of London-based Middle East Consultants said the Arabs recognised there was money to be made in dealings with SA.

"Arab visitors have been passing through European and other capitals seeking visas and introductions to South African businessmen," he said.

Visas

Smith said another Middle East attraction was the scale of its \$128bn in imports — 15% more than the former Soviet bloc's total and 20 times larger than Nigeria's.

In 1989 SA did \$246m of trade with Israel and Turkey, the only Middle East states among its top 40 trade partners. Business was heavily in Pretoria's favour.

In addition, SA has for years exported arms and food secretly to the Gulf in return for oil.

Speakers said the Arab League would lift curbs only when the OAU gave it the go-ahead. — Sapa-Reuter.

COMPANIES

Smith New Court scoops SA business

6/Day 2/9/91.

INTERNATIONAL stockbroking firm Smith New Court (SNC) has snapped up the lion's share of SA broking business abroad.

The firm's recent appointment as London stockbroker for Johannesburg Consolidated Investment (JCI) meant it probably had the biggest corporate client list of anyone servicing the SA mining industry, the London Financial Times reported at the weekend.

The report said SNC had picked up 11 new corporate stockbrokerships last Thursday.

MATTHEW CURTIN

Only SG Warburg's Rowe and Pitman and Cazenove came to close to rivalling SNC, which had also pinched Gencor's business from James Capel, Rand Mines' from Laurence Prust and then JCI's from Williams de Broe.

Analysts said yesterday SNC was reaping the reward of sticking with SA companies when its rivals like James Capel had pulled out in the past two years as sanctions pressure mounted.

Durr welcomes move to Europe

146
KIN BENTLEY

LONDON — Internationalisation of the activities of SA companies would play a crucial role in the years ahead as the convergence of global economic and political interests determined SA's future, SA ambassador to the UK Kent Durr said yesterday.

Opening the Edinburgh offices of Sasol Chemicals Europe, he said this expansion into Europe came at "a particularly opportune and momentous period in SA's political and economic relations with the outside world".

He was convinced Sasol's move, which follows Old Mutual's announcement that it was to list an SA investment company on the London stock exchange, would "encourage other firms in SA to move into this vital market and contribute to the strengthening of (the) economy" *B10ay 6/9/91*

Durr said SA was poised to become the "refined oil producing engine of southern Africa as oil refineries gear up for a massive export drive into Africa and beyond."

"In 1990 SA exports to Africa soared to R5,5bn, over the R3bn in exports the previous year."

He said a steady stream of applications had been received by the Reserve Bank from foreign banks wishing to locate in SA and 32 foreign banks had set up representative offices.

SA 'must use bait to lure funds'

Bloom 12/9/91

ANDREW GILL

74B

SA's government should realise it was in tremendous competition with other areas for capital and would have to offer better incentives if it was to attract foreign money, Europe and Africa chairman of US-based multinational Monsanto, Martin Kallen, said yesterday.

In an interview, he said disincentives like high tax rates, forex regulations and administrative structure had to be reviewed, especially in view of SA's distant geographical position and the relatively small size of the market.

The company has assets of more than \$9bn and annual net sales of just under \$9bn, 42% of them outside the US.

Sales in SA have grown consistently in

recent years, coming close to \$300m last year despite the recession.

Monsanto's involvement in SA included agriculture, pharmaceuticals and NutraSweet but, said Kallen, there was little scope for increased capital investment in the country because of the relatively small market.

There was little chance of the company using SA as a springboard to the southern African region, partly because of its upmarket product range and also because of the limited spending power on the continent.

This was something SA businesses should take cognisance of when looking for new markets, he said. They should be looking at industrialised markets rather than the limited

African market.

Only Monsanto's agricultural arm would be aiming at other areas on the subcontinent for expansion, Kallen said.

Foreign investor perceptions about SA were badly distorted and needed to be addressed. Violence was a big problem for investors.

Nationalisation fears, however, had taken a back seat and investors were confident the recent changes in Eastern Europe and the Soviet Union had "doused the flames" in SA.

Kallen said there should not be a need for excessive redistribution policies in the coming years as balances were redressed.

If government stopped spending money on unnecessary projects and cut down on sectors like defence spending, the money could be put to use in social investments.

SA IS COMING back in from the financial cold. Finance officials were welcomed in Frankfurt last week for the first public issue of government stock in six years. But SA's international financial relations will not be normal until it gets rid of the foreign debt standstill.

SA bankers have had informal discussions with the Reserve Bank about the possibility of an early deal to end the debt moratorium. They are anxious to see the standstill go.

The moratorium was the reason the Reserve Bank stopped them from holding overseas foreign currency deposits. The measure forces SA banks to access international markets through foreign banks — at a premium.

With foreign banks set to compete with SA banks on their home ground, our bankers are champing at the bit for full international participation. It cannot happen with a debt standstill in place.

The capital account of the balance of payments (BoP) would benefit if the moratorium ended. If net capital outflows could stop, or even be reversed, there would be more savings available to finance growth. But even assuming political stability, foreign bankers and investors would remain reluctant to commit large sums of long-term funds to a country with a standstill. European and English banking authorities require extra bad debt provisions against debt defaulters, and bankers are generally wary of running up too great an exposure to a country with a bunch of unhappy creditors.

The foreign debt crisis has provided SA with some expensive lessons. Excessive reliance on short-term finance saw an impossibly large amount of debt fall due in 1985 — a situation which will not be allowed to develop again. The Bank is monitoring maturity structures, and reports a "substantial improvement".

SA's debt problem, albeit smaller than that of many other countries, makes it part of the Third World debt crisis. The '70s credit spree in Third World countries led to the crises of

Debt standstill slows SA's return from the financial cold

B/Day 2/9/91.

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GRETA STEYN

the '80s. The traditional net capital flow from developed to developing nations has reversed as the latter struggle to service debt and repay loans. In the '80s, there was a 75% fall in living standards in Africa. SA also saw per capita wealth contract. Foreign debt is the biggest hurdle developing countries face, and one SA still has to clear.

About \$6,6bn debt remains caught in the standstill net, from \$14bn when the moratorium on payments was announced in September 1985. The biggest portion of the reduction is due to conversions into longer term loans. The Bank notes that "no less" than \$4,7bn had been converted into long-term loans at the end of last year. This compares with repayments of \$2,9bn and debt-equity swaps of \$700m.

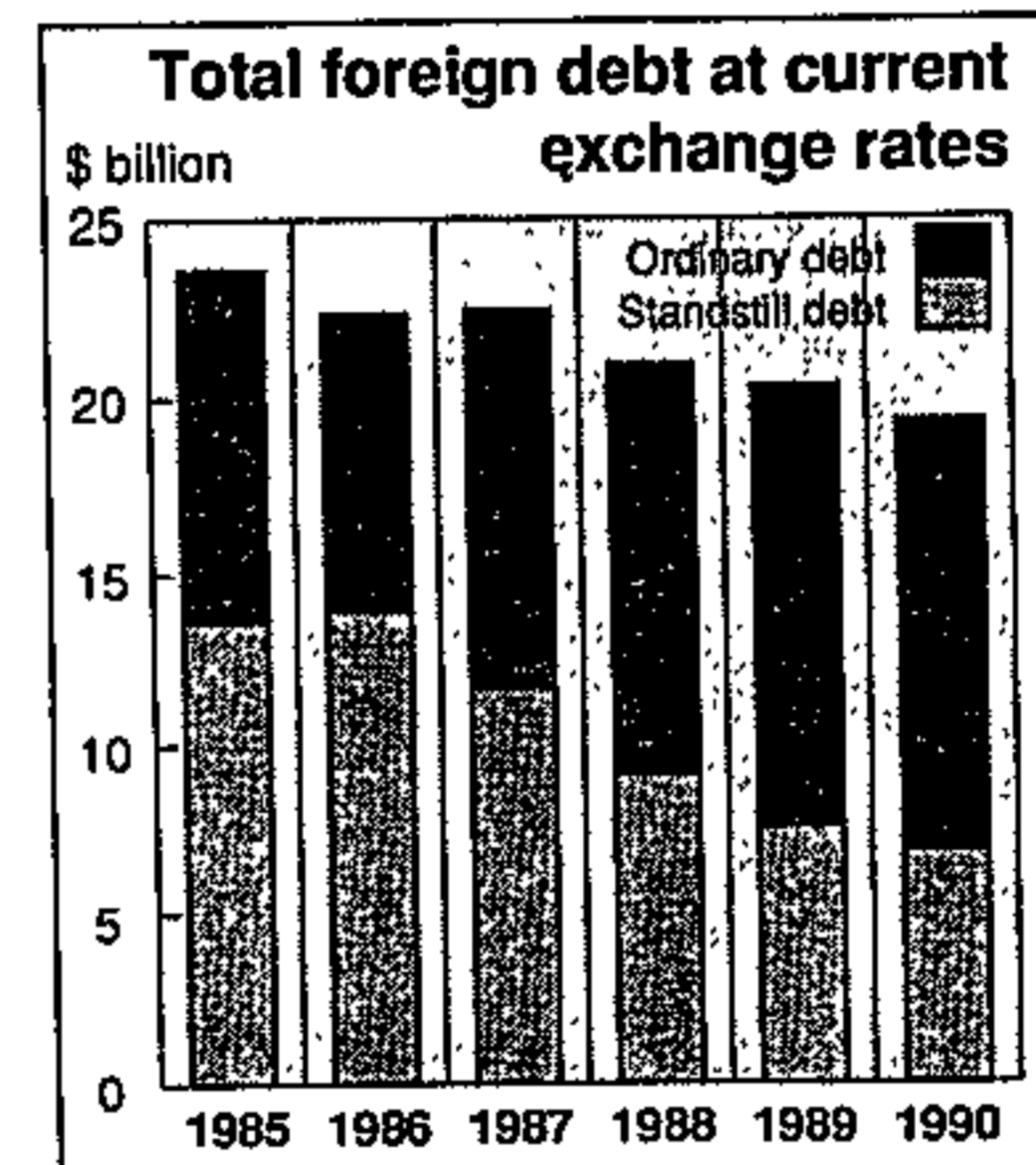
Will the move to turn affected debt into normal loans bring an early end to the standstill?

Major banks, including Standard Chartered (Stancha) and Barclays, have left huge sums in the net. But is Stancha's move to set up a representative office in SA a precursor to full normalisation of relations with SA, including conversion of standstill debt?

Some local bankers believe not. They expect Stancha's outlook to be strictly short-term. Under the Third

Interim Arrangements, creditors have to wait seven-and-a-half years from the date of conversion for the first capital redemption. In the meantime, up to December 1993, they will continue to receive interest as well as the small amounts payable on debt inside the net. The message from some foreign creditors is that it is too long to wait.

SA probably lengthened the wait for repayment under the third conversion option to achieve an even spread of foreign debt maturities. Conversions in terms of the first two



LETTERS

arrangements had shorter maturities. One explanation why there is no major rush to convert standstill debt is that foreign bankers still view SA as too risky. Some local bankers say foreign creditors are reluctant to take a long-term view, even though they could lock into above-market interest rates. In some overseas banking circles, there is also a view that a country that defaults once could do it again, and that the converted debt could end up back at square one.

Has SA approached the creditors to encourage them to convert? Reserve Bank Governor Chris Stals, asked about the standstill now that SA's international financial relations are improving, said: "Negotiations regarding the debt standstill are scheduled to take place towards the middle of 1993 and we shall only then be in a position to decide on its future."

This is not what the bankers want to hear. The response raises the distinct possibility of a fourth re-scheduling agreement.

At the present rate of payments and conversions into long-term loans, SA could still have about \$4bn-\$5bn in affected debt when the agreement expires at the end of December 1993. With foreign exchange reserves standing at less than \$3bn at present,

A.T.O.

^{Brian}
to leave for
^{4/1/91}
Zambia soon

MATTHEW CURTIN

GENMIN, the mining arm of the Gencor group, was putting together a team of geologists to investigate various mining opportunities in Zambia, a source close to the company said yesterday.

He said the team would leave later this month.

The move was a follow-up to last week's visit to Zambia by Genmin chairman Brian Gilbertson, finance CE Philip Rademeyer and mineral resources CE John Raubenheimer.

748 Energy

Zambian president Kenneth Kaunda, who hosted the visit, told Gilbertson the SA business community should invest in Zambia, a country which showed non-racialism could work.

Reuter reported earlier this year that Zambia would have a permanent SA trade mission stationed in Lusaka by the end of the year.

Genmin's move comes at a time when Gencor, principally through its energy division Engen, is working hard to take advantage of new markets opening up in Africa.

Engen MD Rob Angel said last month that Engen was well placed to compete with the world's biggest oil companies like Mobil, Shell, BP and Chevron, which were established on the continent.

He said export volumes to Africa would treble this year.

Bid to scale up foreign investment

SA's leaders sought out by world business

Bl/day 11/9/91

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PATRICK BULGER

PRESIDENT F W de Klerk, Nelson Mandela and Mangosuthu Buthelezi are being invited to address the world's business and financial leaders at a conference early next year which is designed to trigger large-scale international investment in southern Africa.

The conference at Davos, Switzerland, will give the leaders the opportunity to meet the CEOs of the world's most influential business, financial and aid institutions.

It is intended to highlight southern Africa as a potentially lucrative investment region in competition with Eastern Europe and Latin America.

The organiser of the conference is the Swiss-based World Economic Forum, a non-profit organisation whose mission is to promote contact between its 700 member companies, which include the world's leading multinational corporations, and the world's political leaders.

The forum's Africa manager Frederic Sicre visited SA at the weekend to brief local political organisations and to set up a preliminary investment conference in Switzerland next month.

Although the attendance of the three leaders at the Davos conference is still being secured, representatives of government, the ANC and Inkatha will definitely attend the preliminary southern Africa investment conference in Geneva.

The October conference will be attended by Economic Co-Ordination and Public Enterprises Minister Dawie de Villiers, ANC international affairs head Thabo

Mbeki, an Inkatha representative and Development Bank of Southern Africa chairman Simon Brand.

Other participants will be government ministers from southern African countries and Southern African Development Co-Ordinating Conference chairman Simba Makhoni.

Sicre said Mandela would be briefed about the conference over the next few days and that negotiations were in progress to finalise the participation of De Klerk and Buthelezi.

The October conference will concentrate on southern Africa's investment potential in the light of political developments in SA and other southern African countries. Sicre said the conference would target business opportunities in southern Africa.

The meeting will focus on the new political order in SA, whether the southern African region can become a major world economic player, who will shape SA's future business environment, business strategies for kick-starting the SA economy and regional strategies for long-term growth.

It will be attended by about 150 senior executives from the US, Europe and Asia.

"Judging from the response we are having from the international community vis-à-vis this upcoming forum, we hope to be able to reinforce the co-ordination and co-operation schemes already drawn up for the regional context by establishing greater economic co-operation at the highest level," Sicre said.

Angola, Zimbabwe seen as primary investment targets

By Ramsay Milne
Star Foreign Service

NEW YORK — Angola and Zimbabwe are likely to join South Africa in the next decade as the primary targets for foreign investors tapping into the African continent, according to a wide range of US investment experts and businessmen.

Quoted extensively in the US Journal of Commerce, an authoritative industrial and commercial publication with semi-official links in Washington, the experts believe that South Africa, southern Africa's most industrialized nation, would serve as the "economic engine" for the region, with its wealth of natural resources and a potential market of 150 million consumers.

Trading bloc

Already loosely aligned into a mix of economic and political partnerships, southern Africa could eventually produce Africa's first significant trading bloc, according to the experts quoted in the report, most of whom represent major US corporations or investment institutions.

South Africa would make a starting-off point for the area, says William Moses, a research analyst at the Investor Responsibility Research Centre in Washington. "It's like companies using Vienna to take advantage of Eastern Europe."

Millard Arnold, a senior associate with the Carnegie Endowment for International Peace,

says one trading zone that could emerge in a post-apartheid Africa would encompass South Africa, Mozambique and the 18 current members of the Preferential Trade Area.

The group was started by the Organisation for African Unity about 10 years ago to promote trade in the region.

Its members are Angola, Botswana, Burundi, the Comoros, Djibouti, Ethiopia, Kenya, Lesotho, Madagascar, Malawi, Mauritius, Rwanda, Somalia, Swaziland, Tanzania, Uganda, Zambia and Zimbabwe.

Fairly free

Another possibility was for Mozambique and Zimbabwe to join the Southern African Customs Union, which already allows for fairly free trade among its five member countries, Mr Arnold says.

This would give goods entering Mozambique's ports improved access to South African consumers.

But, Mr Arnold warns, the region has a long way to go before it is able to set up a trading bloc that would help foreign investors.

Nonetheless, even though the area would not be economically viable for five to 10 years, US investors should be looking at the area now to remain competitive.

"US companies are unfamiliar with Africa and don't see the niches to be carved out of it, as Europeans do," he says.

"It takes two to three years to be up and running. By the time we get there, it may be too late."

Investors put off by high risk factor

Star 9/10/91

74B

FRANKFURT — International investors appear ready to return to South Africa, but some bankers said at a conference on Tuesday that worries persist about its political and economic outlook.

"At the moment bankers are flooding the country," said Caspar von Hauenschild, head of Bayerische Vereinsbank's International division.

SA business and political leaders addressing the conference expressed confidence that SA would remain on course with its market oriented policies.

But some said at the one-day conference, "South Africa — Open for Business", that doubts about the nation's political future were causing banks to consider it a greater risk than less economically developed countries.

Mr Von Hauenschild said the perception of risk associated with SA was forcing the country to pay the highest premiums on its international debt. Also, bankers noted that international bank lending to SA was currently concentrated in the short-term — most loans carried maturities of one year or less.

Stephen Denning, director of the World Bank's South Africa division, said the bank was prepared to resume lending to SA, but only with international consensus.

Last month SA launched its first public bond issue in six years — a Dm 400 million five-year issue — ending a self-imposed exile from public capital markets which began in 1985. The deal was lead-managed by Deutsche Bank.

"The comeback was expensive ... they had to pay 200 to 250 basis points above what German federal bonds pay," Mr von Hauenschild said.

Investors' concerns have



Dr Gerrit Viljoen . . . rosy view of SA economy.



Thabo Mbeki . . . nationalisation must be an option.

been fuelled recently because of fresh talk from Nelson Mandela and the ANC about the possibility of nationalisation, as well as the renegotiation of loans.

"This (ANC reaction) was almost to be expected after the strong subscription to the new bond," said Conrad Strauss, managing director of SA's Standard Bank Group.

The SA bond, launched on September 19, was originally for Dm 300 million, but the demand was so strong it was raised to Dm 400 million four hours into trading.

At a press conference in Frankfurt yesterday, Minister of Constitutional Development Dr Gerrit Viljoen accused the ANC of sticking to its "unfortunate" economic policy demands "in order to

strengthen their negotiating position".

ANC secretary for international affairs Thabo Mbeki did not respond to the charge, but he stressed the ANC position that a fairer distribution of wealth had to occur in any new SA and that nationalisation must remain an option.

Mr Mbeki also warned the SA Government not to negotiate any new loans or other forms of credit during "this transitional phase". Such agreements would have to be renegotiated by a new government, he insisted.

Giving a rosy view of the South African economy, Dr Viljoen said a "sound, modern economy" had been built despite the "handicap of apartheid".

The present Government recognised the dire need for priority channelling of funds to support the poor and disadvantaged, but, he added, "we believe in redistribution through growth, not in the bizarre concept of growth through redistribution".

Pressed to state specifically how the ANC stood on the question of nationalisation, Mr Mbeki said: "There is a whole series of political issues to be discussed. One of them is what do we do about the issue of this over-distribution of wealth. One of the options we have to look at is nationalisation. But privatisation is also an option."

Speakers at the conference said that while the longer-term outlook for SA's economy was positive, complete removal of international economic sanctions and strict adherence to market oriented policies were essential.

"If sanctions do not disappear we will be faced with the inevitability of having to abort the recovery of the South African economy," Dr Strauss said. — Star Foreign Service and Sapa-Reuter.

INVESTMENT PACKAGES FOR FOREIGN INVESTORS

GOVERNMENT was giving serious consideration to offering investment packages to foreign investors, said Department of Trade and Industry director general Stef Naude.

Mr Naude told the Afrikaanse Handelsinstituut in Port Elizabeth that growing international competition for investment funds made it necessary to consider long-term industrial investment incentives.

Mr Naude said such incentives existed in many coun-

DIRK TIEMANN at the AHI conference

tries around the world and were very attractive.

Mr Naude added: "South Africans must not be naive. The lifting of sanctions will not see investors just flooding back."

"In 1989 direct foreign investment totalled R200-billion, but only R30-billion of this amount went to developing countries. The rest was invested in the so-called Triad, comprising the European Community, the United

States and the Far East

Mr Naude said investment packages were essential to swing those "cold" investment decisions made by trans-national companies who needed to be competitive in world markets with a South African product.

Mr Naude said that the Triad also dominated direct investment in most other countries, leading to a "clustering" of 30 countries

around the Triad in which the trans-nationals were investing.

"Developing countries run the risk of being left in the cold in this process, hence the importance of developing investment packages."

Mr Naude said government would soon take a decision on the Industrial Development Report, which called for a supply side package to stimulate industry through lower company tax, higher savings, realistic exchange rates, lower inflation, a disciplined workforce, disciplined government spending and abolition of the surcharge on capital goods.

The IDC report also recommended that pressure be exerted on industry to become more competitive. Protection would gradually be reduced and the general export incentive scheme would

be phased out over the longer term.

Mr Naude said SA has also been approached by several countries for the signing of bilateral trade agreements. Central and Eastern European countries and Latin America have signed such agreements to attract trans-national investment.

These agreements create a stable business climate by addressing issues such as: conditions of entry into the local market by foreign investors; standard treatment of these investors; transfer payments; compensation in case of nationalisation; and settlement of disputes.

Mr Naude said his department was also aware of the critical role that technology played in development. A policy paper had been drawn up which would go before government soon.

S Times (Biz) 13/10/91

Sunpak to open US facility

SUN Packaging (Sunpak) has disclosed that it is to relocate certain operations to the US, giving it greater exposure in the lucrative American market.

Speaking at the weekend, recently installed chairman Ian Willis said Sunpak would establish a facility in Cincinnati in the US for the manufacture of synthetic labels, used mainly for the packaging of carbonated beverages.

Willis said although Sunpak had established export markets for these labels in the face of international competition, various factors contributed to a loss in the division for the last financial year.

"We took a hard look at the operation and, convinced of its potential, decided to establish a manufacturing facility in the US. The division contributes about 25% of sales volumes for Sunpak, and the US market represents about 75% of those sales.

"Our technology agreement with Japan-

B/ Day 14/10/91 (199) (199)
BRENT VON MELVILLE

ese manufacturers Sekisui allows us to do this and we will be closer to our markets," Willis said. Sunpak currently makes label paper in SA and pays huge sums to transport it to customers in the US.

Plans are afoot to transfer certain existing equipment to the US for the establishment of the label facility, while other international customers will continue to be supplied from SA.

Willis said the plant's capital base would be about \$10m, and Holdains would take a direct stake in the operation.

Sunpak, which is engaged primarily in polystyrene packaging, posted a 4.7% rise in earnings to 17.4c (16.7c), and left the dividend unchanged at 8c, off net income of R9.3m (R9m) for the year to end-August.

Willis said demand for white foam trays,

□ To Page 2

Sunpak

the company's core business, continued, albeit at a lower rate. He said the move to the US would lead to a "major improvement" in Sunpak's future profits.

Recent VCM-listing Biopolymers, which produces polymer for the Sunpak operation and which has been suffering from start-up problems, improved on its first-half performance although it still came in with a R684 000 net loss. The loss for the first six months was R508 000.

The combined performance of Sunpak

and Biopolymers resulted in a slight decline in earnings for Sunvest, controlled by Holdains since January. Sunvest, which holds 50.1% of Sunpak and 58% in Biopolymers, saw earnings dip to 15.8c (16.6c) off net income of R4.3m (R4.5m).

Willis said he expected the weak trading conditions in the domestic and international markets to persist. Sunpak closed at 110c, and Sunvest at 105c Friday, putting them on p/e ratings of 6.3 times and 6.8 times respectively.

□ From Page 1

ANC unveils plan to lure foreign firms

B/day 14/10/91

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ALAN FINE

IN A document likely to allay some foreign concerns about the economic policies of a future ANC government, the organisation has outlined a comprehensive policy on foreign investment which guarantees investors their assets will not be nationalised without fair compensation.

Designed to attract primarily high-technology corporations, it also assures foreign investors that they would be free to repatriate profits.

The policy is contained in a speech which was to have been delivered by secretary-general Cyril Ramaphosa to an investment conference in Hong Kong on Friday. Ramaphosa cancelled the trip because of a family illness.

The speech is understood to have been based on a draft policy statement devised at an ANC-SACP-Cosatu seminar on foreign investment in Johannesburg last month, and on consultations with the UN Centre for Transnational Corporations. Parts of the policy are likely to be codified should an ANC government come to power.

The document says the poor state of primary commodity markets meant SA had to diversify its exports into manufacturing, and foreign investors would be crucial "in our effort to restructure and regenerate the SA economy".

Foreign investment would also be critical as a source of foreign exchange: "We want to make certain that when our upswing begins, as it will when we enter a democratic era, it is not constrained by balance of payments problems."

An ANC government would, in particular, encourage stronger links with transnational corporations which are the repositories of advanced technologies and know-how, and can provide crucial conduits to international markets.

The document says the ANC might also encourage the participation of foreign firms in labour intensive sectors, but it expects local capital to be more prominent there.

It is understood that the ANC and its allies would be loathe to establish new regions such as the existing border areas where firms are exempt from environmental, labour and other legislation. However, they are unlikely summarily to withdraw existing exemptions for fear of disrupting local economies.

The document says the most important way to attract foreign investment is by creating a general economic climate conducive to investment, including: strong and growing domestic and regional markets; political stability; consistent and predictable economic policies; and the prospect of sustained economic growth.

"We are intent on providing all of them — our emerging economic programme is designed to achieve these objectives."

This, it says, would reverse the consequences of misconceived NP economic policies which provoked a weakening of foreign investment in SA.

"We do not hesitate when we say that an ANC government would be willing to guar-

□ To Page 2

ANC plan

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□ From Page 1

antee foreign investments against nationalisation without fair compensation. Moreover, we envisage an economic system where foreign investors will be free to remit funds in the appropriate currencies — for the purpose of repatriating profits, or purchasing inputs," it says.

The document argues that worker repression and "fancy incentive schemes" — such as tax breaks — to attract foreign investment would be irrelevant if the right climate existed. The efficacy of such incentives was ambiguous, at best.

However, it adds, "highly desirable and expensive domestic or foreign investments might require some special financial arrangements — such as those provided for the Columbus stainless steel project. And

we might consider reciprocation for export performance or some other form of foreign exchange earning or saving."

The document also proposes co-ordination between the countries of Southern Africa in respect of foreign investment.

It repeats the ANC view that an interim government is a crucial step in the attainment of foreign investment.

"Capital will not be cheap or abundant on international markets during the early '90s, and there are other strong contenders for investments and loans — in Eastern Europe, Asia and the Americas.

"Southern Africa will have to prove its economic soundness before we can really expect substantial inflows of foreign capital," it concludes.

18/10/91

Breaking down the old barriers

THE adage "trade follows the flag" is being rewritten in South Africa by the business community to say "the flag follows trade", says Sacob deputy director general Ron Haywood.

Developing

Chambers have long been involved in developing trade with foreign countries and with new markets opening up — particularly in the East Bloc — Sacob's relationship with chambers in other countries has facilitated many connections which otherwise would not have been possible, he says. "Chamber networking enables interplay with specific businesses and busi-

nessmen. "An example of this is the recent bilateral agreements concluded with the chambers of commerce in the USSR, Kenya, Hungary, Romania, Belgium, France and Spain and the contact which has already taken place between some of these countries and SA businessmen," Haywood says.

As chambers are seen to be non-political, it has been an easy avenue through which to open doors into countries which formally had no contact with SA.

"Through Sacob," Haywood says, "SA has been able to obtain observer status in the Preferential Trade Area Federal Chamber of Commerce and Industry, as well as the busi-

ness council of SADEC.

"But not only Sacob, as a voice of business, is involved in opening doors.

"Other business organisations, such as Nafcoc and Fabcos, are also involved in these organisations."

Encouraging

Politicians are no doubt using the chamber movement and encouraging businessmen to go into new countries because business is unfettered by politics and can move about freely, he says.

"The apolitical nature of the chamber movement has been crucial in its success in breaking barriers and forging new ties. Business and trade is an invisible support system to the gen-

eral public, but among businessmen it is a viable communication source to the greater business community.

"None of this takes into account the invaluable publicity, public relations effort and Press coverage given SA by such delegations and forays into foreign markets," Haywood says.

The primary interest in making contact with businessmen in foreign countries is to develop trade, identify investment opportunities, set up joint ventures and exchange technical information.

"This is particularly so for African countries as they see SA as understanding the African needs and having developed techno-

logy suitable for African conditions," he says.

The latest in the long line of delegations going abroad to take advantage of warming relations with SA were delegations from the chambers of commerce in Cape Town and Durban.

Both tours have gone to Europe.

Visited

Earlier this year, Sacob, with the Department of Trade and Industry and the Afrikaanse Handelsinstituut and various businessmen visited the Soviet Union, Hungary and Czechoslovakia.

Sacob director general Raymond Parsons visited Australia and Oslo. While in Sydney, Parsons

oversaw the establishment of yet another link in the chamber movement, the Australian/SA Chamber of Commerce, which added to the numbers of bilateral chambers of commerce already existing, such as the ROC/SA Chamber of Commerce and, says Haywood, another such chamber will be established soon.

Foreign delegations to SA have been swarming through Sacob's doors at an astounding rate since the emergence of the "new" SA, Haywood says.

"We received 59 delegations in the first five months of this year, including British, French, Canadian, Finnish, numerous African countries, the entire East bloc and even Red China."



RON HAYWOOD

QUALITY BANKING ISN'T MERELY

WITH

Meeting to woo foreign investors to go ahead

Finance Staff 17/10/91

The R280 million international loan meeting organised by the Independent Development Trust is set to go ahead despite rumours the ANC is opposed to the issue.

A spokesman for US merchant bank JP Morgan, which is leading the loan issue, told Reuters in London yesterday the bank and the IDT were proceeding with its European meeting to woo potential investors.

Speculation at the IMF meeting in Bangkok was that the bond issue could be shelved after a JP Morgan spokesman on Tuesday said there was doubt whether the European meetings were still on after the ANC ap-

parently withdrew support.

The IDT issue was said to carry ANC's president Nelson Mandela's stamp of approval. However, there is understood to be opposition from certain quarters in the ANC to all new financial loans to SA.

JP Morgan officials said the IDT bond would be spent on projects such as schools, water schemes and health care.

● Finance Minister Barend du Plessis met the leading Soviet economics official, Grigory Yavlinsky, at the IMF meeting in Bangkok today, Magnus Heystek reports.

No details of the content of the meeting were released.

Visiting UK businessmen are hopeful (14B)

BRITISH business is quietly optimistic on South Africa's political outlook.

This is the message from David Chambers, leader of the Leicestershire Chamber of Commerce & Industry trade mission currently visiting South Africa.

"I have urged my own colleagues on this mission to develop and maintain local outlets, distributors and connections and not delude themselves by believing they can

serve this market from behind a desk in the UK. Equally, I would ask South African industrialists to recognise that many British companies can bring more efficient and productive ideas to help your industry and economy and to give a fair hearing to the presentation of these ideas."

Star 20/10/91
Mr Chambers says that in addition to expanding trade ties with South Africa, his mission could well pursue invest

ment opportunities here, "though these would take time to come to fruition".

He says several of the mission's members view South Africa as a springboard to markets elsewhere in Africa.

The mission's members are involved in businesses ranging from systems for waste water treatment and industrial dust control equipment through to auto accessories, educational books and textile and knitting machinery.

MP proposes Soviet-SA ventures

DAVE LOURENS

VISITING Soviet MP Iosif Kobzon has suggested joint venture schemes between Soviet and SA companies as a means of circumventing his country's severe foreign exchange shortage. *B/Dcom 21/10/91*

SA companies investigating business prospects in the Soviet Union recently were discouraged by the Soviets' inability to pay cash for goods and services.

Kobzon said Soviet companies tended to offer barter deals as access to foreign currency was limited. The main purpose of his visit was

to gather information on various business sectors to determine which were viable areas for Soviet-SA co-operation.

He foresaw tremendous opportunities for joint ventures in the mining sector. Soviet companies could provide land and mining rights, and SA companies could bring in skilled personnel and high-tech equipment. Other promising sectors included

the medical and health care industry, as well as the pharmaceutical industry. There was also the possibility of establishing direct air links between Moscow and Johannesburg.

Kobzon is hoping meet ANC president Nelson Mandela to hear his views on sanctions.

He said until the economic boycott was officially relaxed, Soviet trade with SA would have to be on a small scale.



Soviet Union MP Iosif Kobzon in Johannesburg last week. Picture: CATHERINE ROSS

COMPANIES

Sasfin starts expansion into Africa

TRADE and equipment financing group Sasfin is well positioned to take advantage of new trade opportunities in southern Africa, chairman Martin Glatt said in his 1991 annual review. *8/Dec 21/10/91*

Glatt said an expected drop in interest rates next year combined with growing trade opportunities in southern Africa had motivated the group's expansion into Africa. Sasfin has established a wholly owned subsidiary Sasfin (Central Africa) in Malawi to co-ordinate two-way trade.

The group also opened an equipment financing office in Cape Town and acquired Techrent Natal, an equipment financing brokerage.

Glatt said the group was now concentrating on equipment financing rather than

SEAN VAN ZYL

providing a mere broking service in instalment finance deals. *(28)* *(220)*

The group recently concluded the flotation of SA's second securitisation issue in conjunction with the Discount House Group. Glatt said the group was "particularly proud" of the first issue, housed by Sasfin's Asset Securitisation (SAS). *(746)*

Sasfin has achieved an annual compound growth in earnings of 36,8% over the past seven years and enjoyed a compound growth rate of 24,3% since its listing in 1987. The group disclosed a 20% increase in earnings to 21,3c (1990: 17,7c) a share for the year ended June. *42*

Private backers

PRIVATE investors have set up an organization to promote foreign investment in small- and medium-sized businesses. The Centre for the Promotion of Foreign Investment is scheduled to start operations in Johannesburg next month. Funded by five individual backers, the centre is intended to be a non-party political and profit-making venture.

Heading the centre will be current Commerce executive director Wayne Mitchell, who is leaving Amchem at the end of the month. Although funded by private individuals, the centre will subcontract high-profile companies to provide consultancy services. Mitchell said last night that major corporations had initially been approached to provide such direct involvement in its operations, but had sought too much direct involvement in its operations.

"Our backers will essentially be sleeping partners unconnected with the start-up finance, we will be looking for additional funding further down the line through equity participation."

Top of the centre's list for investment promotion is the Pacific Rim, specifically Japan, Hong Kong, Singapore, Malaysia and the Japanese Government to lift trade and investment.

The centre would hold regular SA investment seminars at home and abroad. It also planned to conduct feasibility studies on investment opportunities in SA.

Robertson warned, however, that SA's foreign trade was likely to perform better than foreign investment in the short term.

Organisation to promote foreign investment

"We are sensitive about the affirmative role we will have to play, and our objective is to match up partners, and our objective is to match up partners, and our objective is to match up partners."

Subsequent promotion drives would be targeted at EC countries which have trade involvement in SA, such as Spain and Portugal.

The centre aimed to include previously hostile territories for SA investment promotion — such as the Scandinavian countries — in later marketing efforts.

Robertson said, however, that SA's foreign trade was likely to perform better than foreign investment in the short term.

Robertson said, however, that SA's foreign trade was likely to perform better than foreign investment in the short term.

LLOYD'S (14B) FM 25/10/91
A mite contrite

David Coleridge, making the first official visit to SA by a chairman of Lloyd's of London, this week faced a group of Johannesburg "Names" — about 25 of whom have been taking substantial losses in the London insurance market.

"Obviously, all I can say is that I am deeply unhappy," Coleridge told the *FM* before the meeting. "It's trite to be contrite but it's unfortunate that this group comprises mostly people who were recruited to excess risk syndicates and also that they joined recently, so did not enjoy the profits that went before."

Until 1988, when Lloyd's current run of catastrophes started, the market had enjoyed 20 uninterrupted years of profits.

The day before the meeting, a group of 64 US investors filed suit against Lloyd's in New York, claiming the market broke federal racketeering laws by inducing them to buy securities and misrepresenting the risks. That charge — and any other — will be stoutly defended, says Coleridge.

But there's no doubt Lloyd's is taking a media pounding. Coleridge is resigned about the intolerant media coverage and tells the *FM* that "professional Lloyd's-watchers" in the London media have been reasonably fair about Lloyd's problems. When human interest stories involving the rich becoming poor emerged, the gossip columnists, with no understanding of the market, became interested. "But we can't write our own press."

The debacle of the past three underwriting years has again brought into question the issue of Names' unlimited liability. If they

FM 25/10/91 (14B)

are in the wrong syndicates, they can be called on for their last cent to pay claims.

Some, Coleridge feels, brought disaster on themselves by seeking out syndicates that had earned large profits earlier and, almost by definition, were likely to be high risk and vulnerable to the series of catastrophes for which Lloyd's has been picking up the bills.

Yet a task group is considering ways of ameliorating potential individual hardship.

The principle of unlimited liability will probably continue, Coleridge feels. Without pre-empting the findings of the group, which reports early next year, he feels a formula might emerge that puts a cap on an individual member's losses (a very high percentage of the premiums written), with the excess being "mutualised" across all other members of the society.

He is emphatic that the liability exposure will remain high. "If you play around with the unlimited liability pillar, at some stage, Lloyd's would have to become incorporated and we'd end up no better than an ordinary insurance company. In fact, we could end up no better than a rather indifferent insurance company."

In the US, he emphasises, Lloyd's is allowed to trade with special privileges, which would disappear were liability ever limited.

While sympathising with Names who lost their fortunes, Coleridge is not so tolerant of those who deliberately joined high-risk syndicates. "Some put themselves with not one or two excess risk syndicates, but up to six." Their problems, arising from the catastrophe sequence, were compounded by Lloyd's decision to increase reserves by more than £1 bn, to provide against pollution claims in the US.

There has been criticism of the rewards earned by underwriters to some of the loss-making syndicates. Coleridge implicitly agrees. He favours a return to a system where the members' agent agrees a modest salary for the underwriter, plus profit share. In recent years, he says, underwriters' salaries have gone to totally unrealistic levels. ■

Japan looks at SA projects

LEADING Japanese business groups are investigating billion rand capital projects in SA and Africa, the Department of Trade and Industry has disclosed.

A DTI official said Japanese business groups which had established contacts with his department were investigating several different SA projects that could be of interest to them.

Japanese investors were also considering capital projects in African countries in which Japan would be a major contractor and SA a major sub-contractor, the official said. *810 say 28/10/91*

"A large Japanese group recently tendered in an African country on the basis that a South African engineering company would be the main contractor.

"Our transport network, financial infrastructure and knowledge of the southern African market should offer significant advantages to Japanese businessmen.

"The importance of a base like South

LESLEY LAMBERT

Africa with its sophisticated financial sector will play a major role in decisions on investments in Africa by Japanese, European and American companies," he said.

While no specific incentives were planned for Japanese investors, the DTI said it believed SA could play a role in Japan's aggressive "globalisation policy" of foreign investment. *(KS)*

However, there is some concern in the local industrial sector that Japan may continue to view SA as a provider of raw materials and be unwilling to invest in local projects to beneficiate raw materials. *(74B) (KSD)*

In the meantime, Japanese officials in SA have warned that their countrymen will be hesitant to invest here if nationalisation remains a threat.

Comment: Page 8

Forum to discuss SA's regional role on cards

6/02/91
21/10/91 TIM COHEN (148) (148)

YAOUNDE— A regional conference to discuss SA's very sensitive role in the region is a "distinct possibility", says Foreign Affairs deputy director for Africa Derek Auret.

Auret, who was appointed to his post recently, said it was not clear when such a conference would take place.

But discussions on SA's role in the region were necessary to combat fears of SA domination and to gear SA's integration accordingly, he said in an interview.

Auret is on a trip to Ivory Coast and Senegal, principally to introduce himself, and he also visited Cameroon.

He was warmly welcomed to the Cameroon capital by a variety of ministers and during meetings was assured visas for South Africans would be issued speedily.

Auret emphasised that although SA was currently a "sexy topic" in Africa, his department would engage in its own version of US negotiator Chester Crocker's "quiet diplomacy".

But the barriers to SA were coming down "very, very fast" and expectations were high, he said.

"This is not surprising. What we are seeing is the coming to fruition of something that has been latent for some time."

Sapa reports that Organisation for European Co-operation and Development executive director Jean Bonvin said on Tuesday that Africa would have to attract foreign private investment and generate its own investment to survive.

Speaking at the All Africa Sidco 91 conference in Youande on Tuesday, Bonvin said the continent had seen private foreign investment halve in the last decade while it had doubled in Asian countries.

'Africa must not expect too much'

By Sven Lunsche
Star Africa Service

YAOUNDE — South Africa will have to dampen the high expectations African countries have of the role it can play in lifting the continent's stagnating economies, says Derek Auret, a senior South African diplomat.

Noting that South Africa was already trading with nearly all African countries, Mr Auret, the Deputy Director-General of Foreign Affairs with responsibility for Africa, said talks with various African countries were largely focussed on economic interactions.

"The idea of a more formalised structure for inter-African trade is very much under discussion and there is a lot of talk that South Africa can be the driving force behind such a configuration," he said in an interview during the all-Africa trade conference here.

"Through the contacts we are having now we must stress the need for bilateral relations and that we have no desire to dominate the region economically."

Mr Auret, who was appointed to his present post a few months ago, is leading a delegation in a visit to four West African countries — Senegal, Ivory Coast, Cape Verde and Cameroon — in what he described as an introductory visit.

Trade plan

In Cameroon he met the foreign minister as well as the ministers handling economic planning and energy affairs. "There is a general understanding that we need to interact economically to advance growth in both countries," he said.

He emphasised, however, that his task was to establish the framework in which private business could start trading without bureau-

cratic interference.

"South Africa can provide Africa with skills and technology, but trade will eventually have to be a two-way development."

Asked whether South Africa's rapidly expanding contacts with African states was undermining the sanctions stance of the OAU, Mr Auret said that "African countries are realising where their economic interests are."

"It is not an erosion of OAU policy, but with Europe walking away from Africa, we have to turn to our direct neighbours for economic cooperation."

Mr Auret rejected the idea that South Africa should limit economic relations in Africa to states that practice good governance, operate free market economies and allow multi-party democracy — a condition being demanded by many Western aid donors.

Investment and skills needed

Ramaphosa

Star 1/11/91

(143)

South Africa would be unwise to alienate investors or drive out skills, says ANC secretary-general Cyril Ramaphosa.

He told the conference: "The ANC has been unwavering in its commitment to a non-racial, non-sexist South Africa.

"It is these commitments plus our acceptance of the link between investment and redistribution being critical for future stability that will enable the ANC as a political organisation to unify a divided society around common objectives."

Mr Ramaphosa said South Africa had a potentially dynamic private sector and that the government of the future had a duty to ensure the potential was fulfilled.

"But this is not an invitation to complacency on the part of the private sector. It does not mean business as usual.

"It means we have to face new challenges and find new ways of meeting those challenges.

"The private sector, in co-operation with the public sector, must go out and create job opportunities, especially for those people, the black people of South Africa, who through no fault of their own were sent off the field before the economic game started."

Mr Ramaphosa added: "At present in the public debate one side fears that redistribution will stop

investment, while the other side fears the pursuit of investment will be at the expense of redistribution.

"Both are legitimate fears, but we must go beyond expressing our fears as if they were iron laws of economics."

Mr Ramaphosa told the delegates that the ANC was concerned about the additional and potentially serious long-term obstacles to investment.

"This is a concern that is very strongly shared by our alliance partners," he said.

Participation

"Addressing these problems requires a very high degree of participation by all the key actors in society and the economy.

"The Nationalist Government is not capable of either addressing these problems alone or of involving all the key actors."

Mr Ramaphosa said that the overwhelming proportion of investment in South Africa came from domestic sources and that this would continue for economic reasons.

"However, foreign investors can, and we hope will, play a valuable role in taking a democratic SA along the path to prosperity.

"Our general objective is to revive investment within a framework that maximises our capacity to eradicate poverty." — Sapa.

FOREIGN investors need more than political stability and the promise that a future SA government will not become a latter-day Robin Hood.

They want widespread agreement on new economic policies and specific details of tax policies and incentives for the next decade.

Francois de Selliers, a Belgian businessman in SA, has drawn up a blueprint for the type of economic environment which would make SA an attractive destination for foreign investment. The document, based on consultations with foreign investors and local businessmen, has been submitted to Cabinet and is being shown to the trade union movement.

De Selliers, MD of Port Elizabeth-based textile producer Industex and formerly a director of the merchant banking and foreign exchange divisions of Banque du Benelux in Brussels, says there are "hundreds of millions of rands in Europe waiting to be invested in SA should a proper economic plan be enacted".

He argues that recent reports by Sacob, the IDC and the State President's Economic Advisory Council emphasise the philosophical aspects of economic policy but fail to make practical recommendations.

De Selliers sets out to clarify specific issues which foreign investors feel government should address. He

Blueprint details investor needs

By LESLEY LAMBERT

suggests ways in which organised labour could assist the process of economic restructuring, and identifies some of the contributions foreign investors could make.

The objectives of his plan are similar to those of most other economic restructuring proposals. However, his proposals on how these objectives could be achieved are specific, and he reiterates that their success will depend on agreement between government, labour and business.

The plan is based largely on the assumption that economic growth will be export-led. To improve international competitiveness, De Selliers says government would have to remove all unnecessary regulations such as price fixing, restrictive trade practices and commodity control boards. It would also have to commit itself to a reduction in corporate tax rates to 40% after four years and 35% after a further five years.

Tax reform would have to be accompanied by non-discretionary incentives to support investment in new machinery. These incentives could take the form of a 30% cash grant of the purchase price and the

removal of all non-refundable taxes, duties and levies on the purchase price. Government would also have to commit itself to the lowering of input costs by reducing inflation, import duties and labour costs.

De Selliers recommends that import duties be reduced to give industry the time it needs to adjust to the removal of protective legislation. He recommends that the authorities increase protection, then begin to decrease it after three years by reducing import controls and formula duties and reducing ad valorem duties to 10% over 10 years.

To attract the foreign investment required to boost economic growth, government would have to clarify legislation affecting foreign investment and address certain restraints such as double tax liabilities and withholding tax on dividends.

It would also have to modify exchange control regulations in order to reduce administration in the banking community. This could include

allowing foreigners to distribute dividends and pay management fees and royalties offshore without Reserve Bank approval, subject to certain limitations to prevent repatriating all profits.

De Selliers also recommends that the use of financial rands be restricted to, say, share or bond purchases and that government eventually remove the dual currency system and all other exchange controls.

To support government's commitments to fiscal and exchange reform, De Selliers says companies should undertake to make capital investments equal to their annual tax depreciation amounts during the next five years. They should also agree to commit at least 1% of their annual turnover to research and development and should work with organised labour to achieve stability in the labour market.

Organised labour should, in turn, undertake to improve productivity and contribute to social and industrial peace by abstaining from political stayaways, boycotts and strikes for three years. It should also agree to limit wage or salary increases to, say, 5% a year for the same period,

provided that individual companies agree to distribute quarterly special bonuses of, say, 20% of the previous quarter's taxed profits.

For its part, industry could undertake not to retrench for three years and to use short time and layoffs to counter economic downturns.

Central to the plan is the development of an export-oriented industrial sector. To achieve this, government should first consider equalising all incentives offered by GATTA affiliated countries and eliminating trade tariff barriers.

Then it should replace existing export incentives with short-term tax incentives or subsidies which could be phased out and replaced by a reduction in the corporate tax rate of companies which perform well in export markets.

Industry's contribution could be to develop products demanded by foreign customers, while organised labour could agree to assist actively in promoting access to all world commercial and financial markets.

To create employment, De Selliers says government could offer incentives such as low-interest loans or capital grants to industrial developments which broaden the job market. These actions would have to be accompanied by improvement of welfare and education facilities.

BY DON ROBERTSON

A MOVE by foreign construction companies into markets in neighbouring countries is raising the ire of South African groups.

Many foreign firms receive help and incentives from their governments.

Charl van der Merwe, chairman of Murray & Roberts, says Scandinavian companies enjoy benefits, particularly if they bring in finance.

"It will become an issue and if SA should qualify for international aid, it could affect activities in this country as well," says Mr Van der Merwe.

Managing director of Group 5 and president of the SA Federation of Civil Engineering Consultants (Safcec), Peter Clogg, disagrees that it is a major problem.

But he concedes that it is more difficult for SA companies to qualify for Government assistance.

Geoff Price, a consultant with project manager Philip Loots & Associates, says the problem arises in countries such as Botswana, Mozambique and Lesotho, where foreign construction groups are able to submit low tenders as a result of Government assistance.

"This is particularly true of Italian companies.

"Iraqi firms are operating in Botswana and Taiwanese groups are able to offer deferment of national service to workers on large railway and road contracts.

"Brazil is also encroaching on Sub-Saharan Africa."

Mr Price says unsuccessful approaches have been made to the SA Government for help.

In addition, most incentives for SA companies doing work in other countries will be scrapped in March.

Mr Clogg insists that if SA

Foreign firms poaching SA business

SITIMORC (Buss) 3/11/91
companies are able to negotiate at least 75% of a contract in a neighbouring state, they could qualify for assistance from the Industrial Development Corporation.

Other countries are not so strict and assistance is more easily obtainable.

Barry Sawyer, director of Design, Planning International, a division of Stauch Vorster, agrees that foreign groups enjoy an advantage over SA companies. But he says SA does not have the export finance to compete against them.

Like Mr Van der Merwe, he believes that with increasing foreign activity in SA, companies here will face a bigger problem — particularly from the Italians, French and Germans.

aid emanates from their country.

743

Bigger

60

UK trade inquiries flooding in

By Neil Behrmann

LONDON — The South African Embassy in London is receiving about 500 trade inquiries a week, says Kent Durr, South African Ambassador to the UK.

Last year there were about 400 to 500 inquiries a month, embassy officials say.

Speaking at a recent conference organised by accountants

Ernst & Young and the United Kingdom South Africa Trade Organisation (Uksata) in London,

Mr Durr said: "South Africa is entering a new renaissance.

"Many people compare the events in Eastern Europe and South Africa," said Mr Durr.

"However, if one subtracts communism in Eastern Europe, there is very little left.

"Subtract apartheid and there is much left on which to build.

"Their problem is one of construction, ours is essentially one of inclusion."

The seminar of 140 delegates illustrated the growing foreign business interest in South Africa.

Last month, Business International and Standard Bank South Africa held a conference in Frankfurt.

It was attended by 110 delegates.

The Confederation of British Industry and Standard Bank will hold another conference at the end of next month.

Speaking at the Ernst & Young conference, Max Tlakula, vice-president of the National African Federated Chamber of Commerce, said that foreign investors would do well if they backed the black business community.

He forecast that in ten years' time 30 percent of the directors of JSE companies would be blacks, coloureds and Asians. Forty percent of these companies would be owned by black shareholders.

This appears to be a remarkable prediction, considering the wealth disparity between whites and blacks.

But delegates agreed that there was consider-

able room for listings of smaller companies owned by blacks. So far there is only one.

Mr Tlakula, who is managing director of Elim City Shopping Centre, noted that the African Bank's assets had expanded to R140 million from R23 million in the early Eighties and there were now 23 branches.

Foreign businesses could approach that bank with propositions, he said.

Colin Hall, chief executive of Wooltru, delivered an almost evangelical speech about prospects for South Africa in the Nineties.

Provided black business leaders and management had the entrepreneurial and leadership spirit, they would do well, he said.

"It doesn't matter if some only have a Standard Five education," he said.

The speech was well received and delegates were impressed by his dynamism and enthusiasm.

South African businessmen and managers should not sit back and expect President FW De Klerk to carry out all the reforms, he said.

They should do their utmost to make their own companies democratic.

They should listen to opinions of employees, regardless of colour, and do their utmost to help blacks advance in management.

Nick Mitchell, executive director of Uksata, said that Britain's Department of Trade and Industry had designated South Africa as a target market.

The Department of Trade was now able to provide a full range of export services for South Africa, he said.

UK government funding was now available to support trade missions and for participation in trade fairs.

Trade missions to South Africa had risen to nine this year from two a year in 1989 and 1990.

There were applications for 27 missions in 1992 and parties included 20 members against a dozen or fewer previously, he said.

MPANIES

Barlow Rand's UK conglomerate slips

74B

B/Dcm 7/11/91

LONDON — Falling sales and a slump in its most profitable division have put the brakes on earnings growth at J Bibby, the UK mini-conglomerate 79% owned by Barlow Rand.

In spite of acquisitions totalling £24m in 1990, Bibby's sales dropped £1m to £547.3m in the year to the end of September while pre-tax profits rose 5.4% to £35.3m. After recovering from three years in which profits fell by 20%, Bibby's pre-tax earnings rose 17% in fiscal 1990.

Earnings a share (adjusted for the £14.6m rights issue in May) rose 3.5% to 20.8p in spite of a lower tax charge against a 23% gain the year before. The dividend was increased from 9p to 9.75p.

Bibby's science products division — lasers, optics and laboratory equipment — which accounted for 40% of 1989-90 operating profits ran into problems of recession and intense competition in the US and UK. Operating profits slid 27% to £11.4m.

This depressed the impact of strong per-

JOHN CAVILL

formances elsewhere. Paper and converted products were boosted by the £13.7m takeover of Eurofilters of Belgium. Operating earnings from this division leapt by 116% to £7.6m.

The material handling business — expanded by the £8.3m acquisition of Lamson — increased its contribution by 14% to £15.4m even though it was hit by falling levels of activity in the American and British markets.

And agricultural products — animal feeds to seeds — achieved an improvement of 12% to just under £7.6m bringing total operating profits to £42.1m, up 6.8%.

Chairman Richard Mansell-Jones said confidence in an economic recovery was growing. US business was showing "tangible evidence of an improvement" and while there was no material increase in orders in the UK, lower interest rates should benefit the group towards the end of the current year.

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'Ignore ANC nonsense'

REMBRANDT Group executive vice-chairman Johann Rupert yesterday urged businessmen to "stop pandering to and listening to the nonsense dished up" by trade unions and the ANC. (B) (74B)

On a visit from London, Rupert told the Cape Town Afrikaanse Sakekamer SA would never attract overseas capital until investors were no longer told the country would go under within four years unless it was helped soon.

8/Dec 8/11/91

FM INVESTMENT CONFERENCE

FM 8/11/91

Reaching for the right climate

The Reserve Bank Governor sees a green light for growth

FM 8/11/91

After the longest recession since World War 2, it may now be safe for animal spirits to come out to play.

Looking ahead to 1992, Reserve Bank Governor Chris Stals told the FM Investment Conference last week: "Prospects for a revival in the economy have improved significantly in recent months."

He said monetary policy in the year ahead would be "cautious but perhaps more relaxed." And, though he opposes "unrealistic extraneous injections, like the artificial creation of more money by the central bank" to initiate recovery, he is not averse to "stimulants of the right substance" to "reinforce normal market forces."

After this signal from the central banker, what business needs is reassurance from the ANC that investment per se is worthwhile in the longer term. And a measure of this came, too, at the conference, from ANC Secretary-General Cyril Ramaphosa.

Obviously, any statement on economic policy by the ANC is treated with caution by the business community. That policy is still in its formative stages and subject to ebbs and flows of a variety of viewpoints within the organisation — as well as to strategic manoeuvring ahead of negotiations. But, for what it was worth, Ramaphosa spoke more of investment than of redistribution.

The ANC, he said, was "acutely conscious of the need to successfully reintegrate our economy into the world economy. What is under consideration in our think-tanks... is a simple but powerful inducement package based on assurances rather than financial or industrial relations incentives and allowances. There are successful international precedents for this. More details on this approach will emerge relatively soon."

The tone of the speakers at the FM's 21st annual Investment Conference ranged from cautious to upbeat.



Governor Chris Stals ... things are looking up

Apart from political considerations, Stals had one serious reservation about the future: the strength of inflation. In reply to a question from the floor, he said a central bank's objective is always to get inflation lower, so the target for inflation is zero.

On the other hand, he suggested, progress had been made; a development which would be more fully reflected as the new weighting of the CPI basket was phased in over the next year — a process which began in August.

He is, at least, satisfied that "the rate of growth in the money supply and domestic credit extension and the level of interest rates are now more in line with the requirement of an environment conducive to growth with stability."

The green light for some policy relaxation has come from the balance of payments.

At a time when the current account is likely to show a surplus of R3bn-R4bn — a conservative estimate — the capital account is improving. The net outflow in 1991 may be even smaller than the R2,9bn last year — "easily less than R2,5bn."

For 1992, the prospects are "comforting." Commitments to repay foreign loans with formally fixed maturities add up to less than US\$1bn.

Against this background, it will be possible to maintain a relatively stable

exchange rate against a weighted basket of currencies.

"We now have greater scope to accommodate a sustainable upturn in the economy — particularly if foreign finance is used to finance imports of capital goods."

Foreign funds and, in particular, real capital investment, might be more readily available than seemed likely a year ago, when a huge capital drain to eastern Europe was expected. Morgan Guaranty Trust MD Rimmer de Vries told the conference this is not imminent. He argued that these countries have to prepare themselves to absorb foreign capital.

There are other factors:

□ The present Latin American current account deficit of about \$12bn is not likely to rise much;

□ The needs of the Gulf countries "are likely to be a two-year phenomenon, freeing \$25bn a year by 1993-1994";

□ Japan is expected to run a much larger annual current account surplus — probably about \$50bn more in two to three years' time than the 1990 surplus; and

□ The US current account deficit can reasonably be expected to be significantly smaller than 1990's \$100bn, freeing funds for other borrowers.

So the capital requirements of eastern Europe will be met relatively easily by world markets.

De Vries, however, balanced this optimism with some sobering long-term projections: if there is no change in present government policies and business attitudes in the US, Europe and Japan, the steady drift towards forming protectionist blocs will reduce growth everywhere over the next two decades.

In the near future, he foresees only a modest recovery in the US. The significance of this for SA is that the benefit which a boom confers on commodity prices will be that much less. Gold is now included in the commodity category of exports.

Its changing role was described by another speaker, Alfred Schneider of the Zurich Swiss Bank Corporation, who concluded that gold prices "will increasingly reflect the fundamental relationship between supply and demand, as is the case with base metals." Fortunately, demand for gold fabrication is likely to grow and will "sustain a solid basis for demand for gold."

Some encouraging factors are emerging on the supply side, according to Gengold MD Gary Maudc, who spoke on SA's gold mining prospects. In the Eighties, new opportunities were created by the development of comparatively inexpensive leaching technology which added substantially to the supply.



FM's Nigel Bruce and ANC's Cyril Ramaphosa

...knew about it at that time
...Mr Gibbins said he had found
...for interpretation
...and arrived back in South
...this afterwards. I will

Clean up or lose out, foreign investors warn SA business

74B

Star 9/11/91

SOUTH Africa is being bundled into taking action to clean up its environment — but the pressure is coming from outside, not inside.

In the last two months there has been an unprecedented number of moves to begin the big clean up. Fear is the driving force.

Industries from fish exporters to metal fittings manufacturers are inundating environmental consultants for advice.

Overseas trading partners — themselves pressured into cleaning up — are sending out letters asking their South African counterparts: "What are YOU doing? We need to tell our shareholders."

One local company whose production was geared to supplying a German-based international company was recently told that its production methods were not in line with acceptable environmental standards. It was given three years to come up to scratch and this was to have entailed large capital expenditure and changes in management.

Three months later the Germans cancelled the contract, saying they had found a company which already complied with their standards.

Commenting on the incident, Dr Dirk Grobler, head of the CSIR's division of environmental services, said that while such contract cancellations were still rare, the German incident was "an indicator of what lies ahead".

Europe, North America and Japan are determined to clean up and stabilise their impacts on the global environment and this is causing them to be wary of whom they do business with. Japan's policy is to grab the high ground in environmental sensitivity because it sees it as good for business. But Europe is also spending billions going green.

Energy conservation and the avoidance of waste production

South Africa is about to begin The Big Clean Up, writes JAMES CLARKE.

have become part of a new industrial ethic. There are the first signs of this happening here too. Some industries have even become leaders in the "green revolution".

But, generally, environmental conditions in South Africa are below par for a country whose trading partners consider her "industrialised" rather than Third World, and the Government's attitude has been to protect industry rather than people.

The fear of a crippled "Spaceship Earth" baked by the greenhouse effect and bombarded by ultraviolet rays coming through the ozone holes has become entrenched in the northern countries.

South Africa has no such global perception.

This could be because it lacked television at a crucial period in the world's history. Unlike the rest of the world, South Africans never experienced the sight in 1969 of their planet appearing "live" on the screen as man, for the first time, left Earth. The sight of the blue and shining planet had a profound effect on western thinking. Nine months later came Earth Day.

Signs that South Africa is about to start the Big Clean Up include:

● The President's Council has called for more power, staff and money for the Department of Environmental Affairs and recommends bigger fines for polluters. It wants an end to secrecy regarding energy resources and pollutants and tougher controls over marine fishing. It wants firms to employ environmental management systems and it wants an annual re-

port on the environment tabled in Parliament.

● Businessmen and industrialists attending last week's SA International Conference on Environmental Management (the conference was packed out) stated they were urgently devising new voluntary environmental standards.

● Industrialists of the Industrial Environment Forum — formed by South Africa's biggest corporations — have committed themselves to doing annual audits to demonstrate how they are improving their environmental management.

● In the last two months there have been dozens of conferences — international and regional — on environmental issues.

● The CSIR produced a frank report on Waste Management and Pollution in South Africa — finding both needed urgent attention. The report-back is next week.

● There have been several workshops and seminars on environmental management — Audi is holding a big one in Midrand on Monday.

● The ANC, PAC and Inkatha have issued position papers aligning themselves with the global ethic of allowing only development which can be sustained without diminishing the environment for future generations.

● The Minister of Environment Affairs last week launched a comprehensive policy for coastal zone management, saying if developers do not voluntarily comply, he would declare the entire coast a limited development area.

● The suggested Bill of Rights contains the following clause: "Everyone has the right not to be exposed to an environment which is dangerous to human health or well-being or which is seriously detrimental thereto, and has the right to the conservation and protection of that environment."

SA firms spend R1,3bn on foreign acquisitions

SOUTH African companies gained control of several foreign firms in deals worth more than R1,3-billion in the year to June 1991.

The figure is based on information supplied to Ernst & Young by nine companies.

But the true amount is probably much higher because another five companies which made acquisitions abroad did not disclose the prices.

Ernst & Young Corporate Advisory Services managing director Claire Herbst says the R1,3-billion accounts for only about 16% of the amount spent at home and abroad by SA companies on merger and acquisition (M&A) activity in the year.

By TERRY BETTY

Among the deals are Vol-tex's purchase of the Bennet & Fountain Group in the UK and Anglo American's acquisition of Elkebies Muhl Pretin from the German Government through Minorco.

Safmarine bought Belgium's CMB Transport.

Mrs Herbst says that since June, Liberty Life has acquired joint control of Sun Life.

It is not clear how much of this involved a flow of cash from SA. In some instances funds would have been raised abroad.

Exchange control general manager John Postmus says foreign investments have been spurred by the narrow-

ing discount between the financial rand and the commercial unit from 40% in the early 1980s to about 10%.

Mr Postmus says permission for a foreign acquisition is granted if it provides a long-term advantage for SA, such as securing markets for exports or getting cheaper imports.

Unfortunately the inflow of foreign capital has not matched the outflow.

Mrs Herbst says 11 foreign companies are known to have invested in SA in the year to June 1991. Six gave the prices of the deals, which totalled R55-million.

Junk

Mrs Herbst says capital inflow was not only slowed by political factors, but sagging world economies were also responsible.

The greatest damage was caused by the collapse of the US junk-bond market which financed most major foreign acquisitions in the 1980s.

Although the number of deals fell by only 12%, the value of acquisitions dropped by 51% because more expensive conventional finance had to be obtained.

Junk bonds are low-grade, high-risk investment instruments that may yield high returns.

Senbank chief economist Nick Barnardt says hundreds of millions should be flowing into SA to supplement the shortage of domestic funds.

He says SA desperately needs the money to spur investment in new projects, which does not come only through M&A activity, but from share issues taken up by foreigners.

S/ Times (Buss)

10/11/91

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602

Austrians in SA to invest R25m

AUSTRIAN industrialists are set to invest more than R25m in SA, says Austrian Trade Commissioner Leopold Birstinger.

The industrialists are part of a 35-strong Austrian trade delegation which arrived at the weekend.

Birstinger said one member of the Austrian delegation, who did not want to be named, was an investment broker with instructions to invest R25m in SA.

And another delegation member, Friedrich Vanicek, said at the weekend he was in SA to finalise a joint agreement with a local firm to manufacture and distribute machinery for the SA timber industry.

Birstinger said the investment broker was keeping his options open, and had not yet decided whether the R25m was to be invested in shares, in unlisted companies or in property.

He said there was great interest in the Austrian business community in investment opportunities in SA, and the broker's presence indicated a desire to invest immediately.

Austria, which is not a member of the EC, lifted trade sanctions against SA earlier this year.

Vanicek, who is a director of the Viktor Vanicek timber drying machinery company, said that his company already supplied some of the world's most advanced timber drying technology to the timber industries of Austria and eastern Europe. He was in SA to finalise a joint venture with a local firm to manufacture Viktor Vanicek machinery locally.

The long-term aim of the investment would be to export SA-manu-

factured machinery to the timber industry across the entire southern African region, with Mozambique as another target market, he said.

He would not disclose how much he was prepared to invest, but said the operation would "start small and get bigger", concentrating on profitability within SA before export.

Another delegation member, A Martin Bunzl MD Thomas Gaiger, said there was a growing market in Austria for "unconventional" SA exports including cotton, wool and textiles.

Gaiger said waste from the SA cotton industry could be exported to Austria and other central and eastern European countries.

Birstinger said Austria should be an important target market for SA exporters.

Austria is expected to be the next European country to gain EC membership, and, as a member of the European Free Trade Association (Efta) with traditionally strong links with the former Eastern bloc states, is situated at a strategic economic crossroads.

Another delegation member, Birstinger said, was in SA to promote a method for heavy industry to increase profitability while becoming environmentally "clean" by selling waste products.

The method, developed in the Austrian steel industry, involves selling arc furnace dust and slag to companies which then purify the waste and sell it.

10/11/91
DARIUS SANAI

Japanese keen to invest in property

Sc wefan
THE property market could see an inflow of Japanese capital now that trade and investment sanctions against South Africa have been lifted.

This could result in a bigger demand and subsequent increase in prices for up-market property in particular, according to Camdon's group manag-

14/11/91
By JOSHUA RABOROKO

ing director, Mr Scott McRae.

He said: "The Japanese are ardent believers in the long term investment value of property. Their forays into the United States, Australia and Europe have been profes-

sional and astute. (M43)
"One hears of mass buying expeditions by Japanese investors. In terms of their strong currency, South African property is absurdly cheap compared to their own, where it is said that a handkerchief dropped on a Tokyo pavement would cover land worth tens of

thousands of rands. ()
"Now it seems South Africa's turn may come and an influx of Japanese buyers could well spur interest among buyers from elsewhere in the world.

"Potential Japanese property investors have been in the country over the past few months, probably in anticipation of sanctions being lifted," he said.

Their interest will be in property from coastal to commercial, provided it has an investment potential. It's fascinating to speculate that, even if a small percentage of Japan's 10 million tourists bought property in South Africa, it would represent

a major boost for the market.

"South Africa should avoid the mistakes made by other countries. In Australia, for example," MacRae said, "unbridled Japanese buying had sent prices spiralling, generating great resentment among Australians."

"It is difficult to see how a similar situation could be prevented here, although South Africa could perhaps take its cue from Australia, which introduced a foreign investment control board.

"Inevitably foreign buyers will discover that SA is the best kept secret in the property world," he said.

Elangeni shares to be redeemed

FOLLOWING the October takeover of Elangeni Holdings by the Saudi Arabian Dallah Group of Jeddah, shareholders holding the 3,5% interest in Elangeni not yet held by the controlling shareholders are advised today that their shares are to be redeemed.

The company has also announced it is to terminate its listing on the JSE.

The 3,5% of ordinary shares not held by the controlling shareholders were to be converted into redeemable preference shares and then the preference shares were to be redeemed.

14/11/90
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WILLIAM GILFILLAN

The redemption was to be made by way of a cash payment of 50c a share which was at a 5c a share premium over yesterday's 45c closing price.

Yesterday Elangeni reported earnings of R48 000 for the 12 months to June, which was substantially down on the R529 000 for the 14 months to June 1990.

The Dallah Group took control of the soap and edible oil group in October with its R5,1m acquisition of a 70% interest in the group.

Elliott's on the move in Africa

REMOVAL group Elliott International has acquired a majority stake in Swaziland Bearings.

By DON ROBERTSON

This is its first expansion venture in Southern Africa, Swaziland Bearings distributes SK bearings and seals. It has an interest in an industrial chemical and packing operation in Matsapha.

Elliott chairman Tom Ansley sees the acquisition as a promising diversification, but regards it as a "guinea pig" in the company's expansion into Africa.

Mr Ansley says that although it seems a strange diversification, bearings are transport oriented and the company services its own vehicles.

"The bearings business is a baseline from which to develop and expand into Swaziland. I am confident this company will soon be a force to be reckoned with."

Early next year, Elliott plans to introduce a removal and storage operation in Swaziland as well as enter the packaging market to produce paper, plastic and cardboard cartons.

"Swaziland has some interesting tax concessions, including a 37.5% corporate tax rate," says Mr Ansley.

The company is also investigating investment opportunities in Zimbabwe and Mozambique.

Beware! Those \$\$\$\$\$\$s can extract a high price

■ MONEY TALK

WITH New York mayor David Dinkins visiting South Africa during the past week, sanctions were in the news again.

While Dinkins's visit was mainly political, the vast majority of important visitors during the past year have been businessmen interested in making contact with the "new South Africa". Many of them have mentioned the possibility of investing again in this country.

South Africans should approach new investment by foreigners with great circumspection. We need to do some careful planning on the best way to attract the right kind of investment. It should, for instance, always be borne in mind that our currency is weak against those of our biggest trading partners. This could result in us eventually paying through the nose for what was originally a relatively small investment.

At the moment we are getting so precious little



VISITING VIP ... New York's David Dinkins.

CIPRES 11/11/91
foreign investment that we may well use the time to carefully evaluate our priorities.

For instance, there are already rumors that certain large American companies are carefully planning to eliminate local competition when they return to our markets. We should not restrict their

entry, because that would mean uninformed bureaucratic interference in the market place, which often does far more harm than good. But neither should we go out of our way to welcome back those companies which, before divestment, were mostly interested in "milking" profits out of their local

subsidiaries (M4B)

We should rather create special measures to encourage those types of investment that will benefit us by creating jobs and producing goods suitable for the export market. We do not really need service industries and franchises which add precious little to our economy, while at the same time costing us a packet in "fees" payable to the parent company in America or elsewhere.

Some experts believe that the exchange control system should be used creatively to discourage this kind of investment.

Whatever we do, now is the time to put our heads together and set down priorities for foreign investment. Above all, we should stop making fools of ourselves by making conflicting appeals to foreign businessmen. South Africans should at least be able to stand together when faced with the extremely competitive international business. That is the hallmark of every successful trading nation in the modern world.

US franchises seen as a good bet

DURBAN — Although direct investment by American companies in South Africa remains an unlikely prospect, opportunities for small black businesses to take on franchises could prove a safer path for prospective US investors, says visiting US analyst Jennifer Kibbe.

Ms Kibbe, who hails from the SA Review Service of the Investor Responsibility Research Centre in Washington, says American companies would be more likely to enter into non-equity ties such as licensing and franchising agreements, which entail a smaller injection of capital and lesser financial risk.

Ms Kibbe has just completed a survey of attitudes of 50 American business executives, consultants, bankers and government officials to investing in a new South Africa.

She says ongoing violence poses more of a threat than nationalisation to the security of their investments.

"Companies who have committed themselves to staying

here all these years, despite pressures to pull out, all mention the violence as a factor that could cause them to change their minds.

"They told me of problems with Americans who were supposed to take positions in business here, but refused to come because they were too scared," she says.

Other indicators of investor uncertainty were noted by Ms Kibbe at a private meeting between African National Congress representatives and US business leaders at Notre Dame University in October.

Ms Kibbe said both sides left the meeting with unfulfilled expectations.

"The ANC was saying that it wanted business to focus on training, in preparation for future investment, while businesses had expected to get the go-ahead from the ANC to move back in.

"I don't think that this meeting was a setback for relations between the ANC and those

companies that attended".

Ms Kibbe says that although the federal Comprehensive Anti-Apartheid Act was lifted in July, 58 local and state restrictions are the major obstacle to US investment.

She says anti-apartheid activists on a local level are now looking at how to lift sanctions.

Promoting opportunities for small black businesses to take on small contracts and franchises could be an acceptable process.

"If anti-apartheid groups can find a way to make the process of lifting sanctions favourable to black South Africans, then they would even lobby for them to be lifted and for companies to move back in," says Ms Kibbe.

"But there is still a lot of bitterness felt by those companies who were forced to pull out. And although people are talking about the opportunities of the black consumer market, compared to all of Eastern Europe, it's puny." — Sapa.

Star 18/11/95

63

74B

12/10

Theologians plan investment code

By Phil Molefe

18/11/91

The Kagiso Trust and three leading theological bodies are planning a major consultation in order to work out a code of investment for South Africa.

The consultation, which will take place between February 10 and 13 at Broedestroom, will be hosted by the Kagiso Trust, the

SA Council of Churches (SACC), the South African Catholics Bishops Conference and the Institute for Contextual Theology.

The theme is "Towards a code of investment — ethics for South Africa's international economic relations".

SACC general-secretary the Rev Frank Chikane said that

the talks would bring together representatives of trade unions and business and political bodies, as well as experts on economics.

It would create a reflective interaction with church leaders and theologians on "the need for investment with justice in the present and future South Africa", he said.

6/12/91
18/11/91

Investment code planned

THE SA Council of Churches (SACC), the SA Bishops' Conference, the Kagiso Trust and the Institute for Contextual Theology are jointly planning a consultation to work out a code of investment.

An SACC statement said the consultation would be held in February in Broederstroom. (M4B)

Liberty takes up all Sun Life shares

star 19/11/91.
Liberty Life's offshore operation TransAtlantic Holdings is to acquire indirectly the remaining 40,2 percent shareholding in UK-based long-term insurer Sun Life it does not already own.

Liberty said in London yesterday an offer of £11,60 per share was being made to minority shareholders, through Rockleigh Corporation, of Sun Life, who collectively own 27,34 million shares valued at £317 million (R1,57 billion).

The offer follows on the joint acquisition by TransAtlantic and French-based Union des Assurances de Paris (UAP) of 3,02 million shares (4,4 percent) in Sun Life in September for £35 million (R173,2 million).

Subsequently, the two companies formed Rockleigh Corporation into which their respective holdings of 18,835 million shares each in Sun Life were transferred, bringing their total holdings to 59,8 percent (40,69 million shares) valued at £472 million (R2,34 billion).

TransAtlantic and UAP have equal voting shares in Rockleigh.

Rockleigh was formed to acquire and manage the investments of UAP and TransAtlantic in Sun Life.

Any acquisitions by Rockleigh of Sun Life shares, including the present offer, will be funded by either UAP or TransAtlantic through cash subscriptions for restricted voting shares in Rockleigh — unless

both companies agree to subscribe for an equal number of voting shares.

Liberty said yesterday the holder of the majority of the restricted voting shares in Rockleigh would have the right to nominate the chairman of Sun Life.

The representation of UAP and TransAtlantic on the Sun Life board will be increased from two to three directors each.

In the year to December 1990, Sun Life had a total premium income of about £1 billion, with taxed profits of £32,5 million.

Insurance funds amounted to about £7,3 billion.

In terms of the shareholders' agreement, UAP yesterday also subscribed for 35 million new ordinary shares in TransAtlantic and acquired a further five million shares from Conduit Insurance Holdings at £3,50 per share.

This brings UAP's total shareholding in TransAtlantic, on a diluted basis, to 16,8 percent.

Liberty Life's fully diluted interest in TransAtlantic has been reduced to 55 percent.

First International Trust holds 42,9 percent, while Liberty Life directly holds 12,1 percent.

Last month Liberty said it was making an international offer of 12 million shares to raise some \$143,4 million for expansion of its overseas operations. — Sapa.

le metal detector to frisk a commuter at a Soweto station.

Picture: Joao Silva.

German investment 'to develop skills'

By Brian Sokutu

German investment in a future South Africa will not merely be based on profit-making but on developing skills, particularly of underprivileged blacks, German Deputy Foreign Affairs Minister Helmut Schaefer said in Johannesburg yesterday.

Addressing the South African Institute of International Affairs (Saiia), Mr Schaefer, on a week-long visit to the country, said German companies would be "well-advised to assist the South African future government with its problems".

"I think concentrating on skills training will be most important."

He said his country would "carry on as we've done before to channel assistance to the underprivileged blacks".

He said education prepared the underprivileged for full economic and social participation. South Africa required huge investments.

"I'm sure that my country as well as other European countries will be prepared to participate in this gigantic task.

"Without sound economic development the chances of success of the political process will be minimised."

South Africa, he said, had embarked on a process of "South African perestroika" and change was irreversible.

"Combining courage and reason, President de Klerk set this country on a radical new course. And in (ANC president) Nelson Mandela he has a partner whose statesmanship, determination and wisdom makes this transformation possible."

He said he admired Mr Mandela's spirit of conciliation and moderation in working for peace after serving 27 years in jail.

Mr Schaefer said Germany had been in the forefront of a campaign to end apartheid.

"Germany introduced a code of conduct into the European Community that made European labour standards applicable to their companies in South Africa.

"Our companies paid particular attention to training and promoting non-white labour and management," Mr Schaefer said.

During his visit Mr Schaefer will hold talks with President de Klerk, Mr Mandela, Cabinet Ministers, the Inkatha Freedom Party, the Democratic Party and other political organisations.

Foreign investment trend reversed in SA

ROBERT GENTLE

THE number of foreign non-US companies with direct investment or employees in SA increased by 23 to 456 in 1991, reversing a four-year-old declining trend.

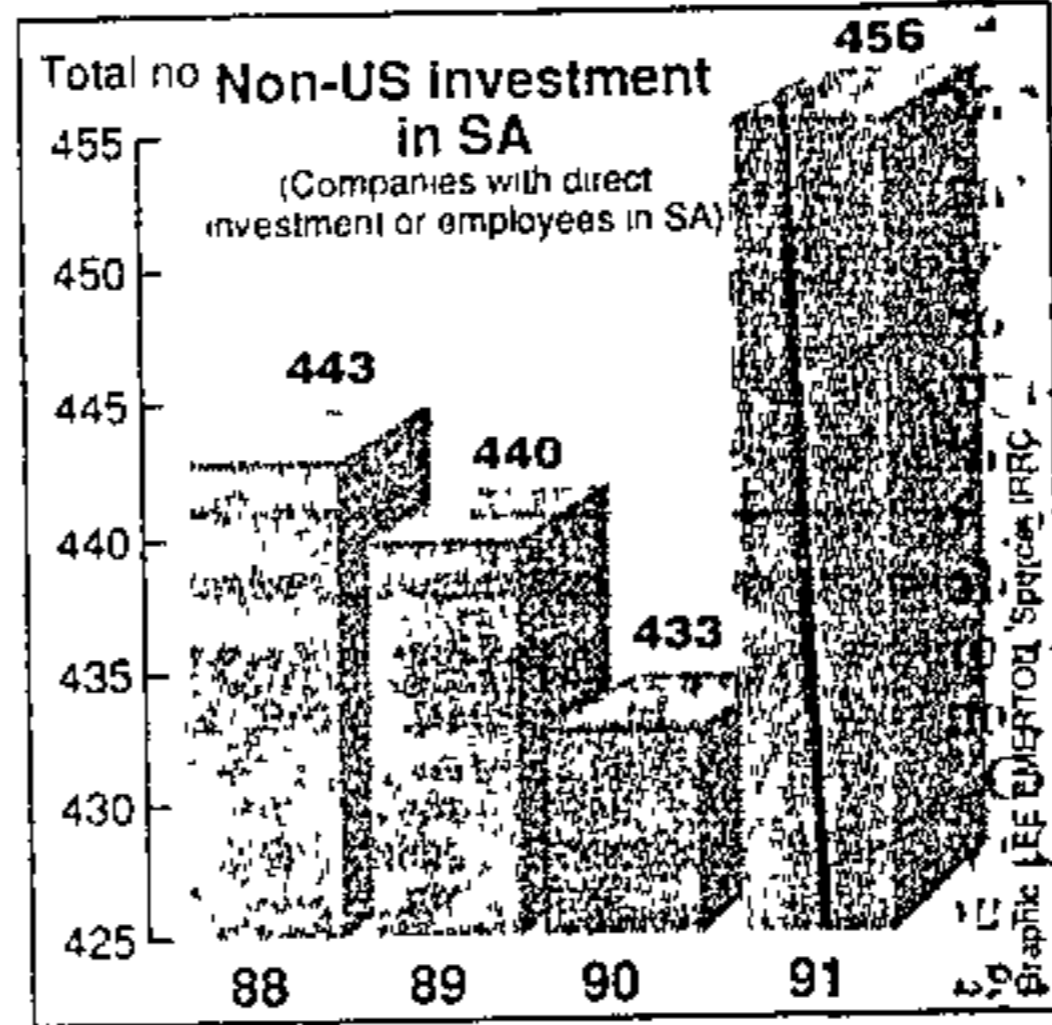
This emerges from statistics published by Investor Responsibility Research Center (IRRC), an independent research organisation based in Washington DC.

The IRRC's 1991 edition of International Business in SA, published this month, shows that of the companies that still have direct investment or employees in SA, 156 are British, 132 are German and 104 are American. *810ay 20/11/91*

However, it says in a Press statement that the trend in the US is still towards disinvestment rather than investment.

No US company has made new investments in SA since President George Bush lifted the ban on new investment in SA in July this year. And although the number of US disinvestments has dropped from a high of 56 in 1987 to only one in 1991, the number of US companies present in SA is "the lowest it has ever been".

The total number of disinvestments from SA since 1984 now stands at 403, says the report.



Of this total, 215 (or 53,3%) came from the US, 87 (or 21,5%) from the UK and 34 (8,4%) from Germany.

By contrast, France, the Netherlands, Switzerland, Belgium and Sweden together accounted for only 30 (or 7,4%) of the total.

The trend among foreign companies towards establishing non-equity links (such as licensing or distribution agreements) with SA companies continues to increase, the report says. A total of 363 foreign companies have such links, of which 192 are American.

At least two US companies — Federal Express and Lotus Development Corporation — have established non-equity links with SA companies since Bush lifted sanctions.

Govt says SA's role vital in establishing regional pact

CAPE TOWN — The SA government could play an invaluable co-ordinating role in negotiating with developed countries for a better deal for the southern African region, Foreign Affairs deputy director John Sterban said at a SA Institute of International Affairs seminar yesterday.

Sterban said the economic resources of SA were limited but it had the potential to assist in the restructuring of the region.

"The SA government is willing to meet other governments on the continent to discuss regional co-operation and development strategies with a view to drawing up structurally sound master plans which could receive the support of industrialised countries and ensure investment in the region," Sterban said.

LINDA ENSOR

He added that government believed SA's infrastructure and expertise, together with the resources and opportunities of southern Africa and the financial strength of industrialised countries, would provide the best prospect for successful future development.

However securing foreign investment would require an end to regional instability and violence.

Suffer

Sterban said government's foreign policy towards southern Africa was to create a regional bloc of sovereign nations.

He stressed that, in the face of a single European market in 1992, southern African countries had to group together or they would suffer a severe disadvantage in world trade.

"The future well-being of the entire continent will depend on how effectively the

resources in the various regions can be jointly harnessed to increase economic performance in an increasingly competitive world," Sterban said.

Already there was substantial regional co-operation, Sterban said, though political sensitivities had meant this had been given little, if any, publicity.

For instance the SA transport system provided the only reliable link with efficient ports for Botswana, Lesotho Swaziland, Zimbabwe, Zambia, Malawi and Zaire.

During 1989 over 10 500 South African wagons and 50 locomotives were in service outside SA at any given time.

"SA's trade with other countries in Africa has shown healthy growth over the past years and is now estimated to exceed R10bn per annum," Sterban said.

He said co-operation also existed in the fields of medicine, veterinary services and agriculture.

The region is warned to lower its expectations, writes Barney Mthombothi

Africa needs a lesson in reality

Star 22/11/91



AFRICAN countries are so hopeful the new South Africa will come to their rescue that they treat with disbelief and incomprehension any explanation that this country will be too pre-occupied with its own social and economic problems to throw them a lifeline.

So says Erich Leistner, director of the Africa Institute, in the institute's publication *Africa Insight*.

Dr Leistner says African countries, starved of Western aid, are nursing frantic hopes that South Africa, with its supposedly unbounded wealth will step into the breach to help them.

He says visitors to African countries regularly have to contend with these expectations. "Their attempts to explain South Africa's actual position are often

met with polite disbelief. The visual impact of South Africa's bustling metropolises with their fleets of late-model cars, their gleaming high-rise buildings, functioning telephones, and luxurious suburban villas is greater than mere statistics on unemployment, housing, education and the like."

Dr Leistner says even "sobering words" from people like the ANC's Thabo Mbeki — who has argued that a future government may pursue policies harmful to its neighbours by reducing foreign workers to ease unemployment — have made no impression.

"If South Africa's rapidly normalising relationship with the rest of sub-Saharan Africa is not to get off on the wrong foot, it is imperative that its partners be familiar-

ised with the country's structural social and economic realities," Dr Leistner says.

A conference in Windhoek in September, he says, appears to have begun the "re-education" of Africa on South African realities.

Such interaction between South Africans and opinion formers in neighbouring states will have to take place regularly, and all the participants will inevitably have a great deal to learn.

"South Africans will, for instance, have to appreciate that pursuit of their own national interests demands that they carefully take into consideration the needs of their neighbours too.

"The other countries in turn will have to realise that even under the best conceivable cir-

cumstances, the new South Africa will not be able to dispense appreciable financial aid, and that for all practical purposes it will play its role as the region's engine of growth only by way of commercial exchanges in respect of goods, power, water, transport, tourism and research."

Dr Leistner says if South Africa succeeds in revitalising its economy and attracting investment, it will be capable of generating the growth impulses the other economies of Southern Africa need.

Since economic interaction with the region will initially probably be based on bilateral agreements, the negotiation process is bound to give the other countries a deeper understanding of South Africa. — Star Africa Service. □

Mitsubishi Finance sets sights on SA

SUN CITY — Mitsubishi Finance International plc, the London subsidiary of Mitsubishi Bank, is applying to its parent company in Tokyo for permission to trade in SA, and expects to start early in 1992.

This was disclosed by director and arbitrage operations head Desmond Fitzgerald at the SA Futures Industry Association (Safia) annual conference at Sun City at the weekend.

Fitzgerald, the keynote speaker, said his firm was looking forward to trading in the SA financial market.

"The SA market is an interesting one because it contains a lot of the products we trade in," he said, referring to futures,

ROBERT GENTLE

forward rate agreements (FRAs), interest rate swaps, options and equity-linked fixed interest products.

He said he was "eagerly awaiting" the opening of the JSE's Traded Options Market (TOM), which would offer options on equities and equity indices.

"Some of you may come to regret the easing of Japanese sanctions," he told delegates, alluding to the expertise and competition which Mitsubishi intends bringing to the local market.

Mitsubishi operates mainly in the area

□ To Page 2

Mitsubishi ^{Bloom} 25/11/91

of arbitrage — profiting from pricing inefficiencies across different financial markets. The SA market offered opportunities because of mispricing.

Fitzgerald said Mitsubishi could offer large investors exposure to international markets through tailor-made products. Such products — for example a rand-linked contract on the American S & P 500 stock index — could then be sold on a retail basis to SA investors, broadening their range of investment alternatives.

The low liquidity of the SA market was not an insurmountable problem, he said,

and foreign participation would help boost liquidity. (NB) (P) □ From Page 1

However, the lack of ratings was a problem, especially when it came to granting credit lines and assessing the creditworthiness of potential clients.

Another problem from a foreign perspective was a lack of adequate information on local volumes and market activity.

This lack of transparency, he said, would improve once the JSE was opened up to more competition. "A Big Bang of some sort on the JSE is inevitable."

● See Page 3

COMPANIES

Japanese bank looks into SA

LONDON — Sumitomo Bank, one of Japan's Big Three, yesterday confirmed it was exploring the possibility of doing business with SA.

"We will probably resume contacts with South African banks from whom we have had a number of approaches," said an official at Sumitomi who declined to be named.

"But we are keeping a low key approach and only considering the situation at the moment." *B/D by 26/11/91*

He could not confirm a report that Sumitomo would be making an on-the-spot assessment of SA as a prospective investment but added: "We like to keep every door open."

Sumitomo Bank's interest follows fact-finding visits by Nomura International, a subsidiary of the world's biggest securities house, and Mitsubishi Finance.

JOHN CAVILL

Commenting on the discussions in SA by Nomura International's president, John Howland-Jackson, a spokesman said: "It was exploratory. Mr Howland-Jackson met a wide range of people but nothing was agreed or signed. *(743)* *(743)*

"Now that sanctions are ending we regard SA as a new business area which has opened up for us. There is a lot of interest," she said. *(743)* *(743)*

During its visit to SA, a Nomura delegation met several government agencies, the Independent Development Trust, Eskom and the ANC.

It is also reported in London that Dalas Securities, another giant Japanese investment group had already visited SA but no official confirmation was obtainable here yesterday.

LIFTING OF SANCTIONS WILL MEAN NEW AND EXCITING TIMES LOCALLY

WITH the lifting of most forms of international sanctions, many multinationals are re-examining business opportunities in southern Africa — with their primary focus being on South Africa as the dominant economy of the region.

Many local companies are also looking with renewed interest at establishing a presence abroad.

Ernst & Young corporate advisory services MD Claire Herbst says: "These developments are new and exciting for South Africans, who for so long have had to watch a stream of disinvestment from this country and endure pariah status when investing abroad."

The investment boom that followed the Second World War was characterised by companies establishing branches from grass roots as they imported capital and expertise to exploit growing markets.

The next wave of investment is likely to be different as with sanctions came disinvestment and the transfer of ownership of many multinational businesses into local hands.

8/10/91 27/11/91
Flourished

Herbst says most of these businesses have flourished and continue to dominate their market niches.

"In an environment where markets are not growing — SA is entering its third year of recession — and where local companies dominate market share, this time around foreign companies are more likely to invest by acquisition in order to gain access to our market of some 30-million consumers,

"Only companies with unique products or technologies are likely to take the more competitive route of opening branch offices."

The high level of economic concentration in SA is another factor potential investors need to bear in mind.

Through their direct and indirect holdings in myriad commercial and industrial institutions, economic activity is



CLAIRE HERBST

dominated by a handful of conglomerates.

Among the big companies are Anglo American, Gencor, Barlow Rand, SA Breweries, Rembrandt and Anglovaal.

Behind these corporations lie an even more powerful group, the major life assurance companies, which have succeeded in tapping the savings of the nation for several decades.

These groups are the dominant institutional investors on the Johannesburg Stock Exchange and in the capital and money markets, as well as major providers of finance in the property market.

As exchange controls prohibit unrestricted foreign investment, these giant institutions are forced to invest their cash flows locally.

With so few players by international standards, the liquidity of the JSE is poor

This means foreigners interested in investing in SA through acquisitions are unlikely to be able to use the JSE as the point of entry.

Instead, they need to identify local partners and negotiate acquisitions direct.

Herbst says over the past six months, Ernst & Young has noticed an increase in cross-border merger and acquisition activity.

The firm has handled "the second stage" sale of several management buyout companies that have again been sold.

"In one of the cases we have handled, the original seller repurchased the company at a substantial profit to incumbent management."

"In another case, the purchaser was a large international competitor of the original disinvesting parent."

"This transaction was also done at a full price."

"As about 25% of foreign MBOs had buy-back clauses, more activity can be expected in this area," Herbst says.

Many potential investors are still at the early stages of assessing the SA market.

European companies appear to be the most active, although preliminary interest is being shown by some companies from the Far East.

American investors appear to be cautious in view of continued sanctions at state level.

Investigations

"However, I have been pleasantly surprised at the number and quality of discreet investigations emanating from the US," Herbst says.

She says most SA executives are painfully aware of the series of financially disastrous foreign expansions of the '80s.

Companies such as Barlows, Malbak and Sage had to go through steep learning curves in understanding business abroad.

Most recently, Foschini and the Lewis family failed to acquire a UK-based retailing group for which they made a hostile bid, although they still retain a substantial minority stake.

Herbst says: "Against this background, the increased interest of SA companies in investing abroad is interesting."

"Explanations include an increased awareness of the need for global thinking based on successful role models such as Anglo American, Liberty Life and Richemont, combined with an urgency for foreign diversification in the face of a changing local business environment."

Exploiting one of the world's last outposts

EXCITING opportunities created by the normalisation of South Africa's situation internationally and the creation of a European free-trade zone next year will favour a revival in mergers and acquisitions in this country.

Senbank senior GM Estienne du Toit says the last flurry of merger and acquisition activity was brought about by disinvestment and poor economic performance.

"Now it's a new ball game and many overseas

companies are investigating opportunities in southern African markets.

"Re-investment, the lifting of sanctions and the impact of the Europe 1992 factor on world markets will prompt some companies to consider repositioning themselves by merger or growth through acquisition," says Du Toit.

Merchant and corporate bankers are in for a busy time as the regional dominance factor looms larger in the minds of SA industrialists, whether they are

gearing up for sharper competition from abroad or positioning themselves as targets for acquisition by multinationals.

"Many overseas companies have told us they see Africa as one of the last great unexploited markets and SA as the gateway to Africa," Du Toit says.

"They can get a foothold in Africa by taking over an SA company or through building alliances involving a strategic stake in a local company."

Du Toit says SA com-

panies must be ready to meet the challenge of a European free-trade zone which will favour consolidation and heightened competitiveness.

To remain competitive, SA companies may have to achieve economies of scale through merging with rivals or taking them over.

"SA companies are also looking at teaming up with overseas conglomerates to catch up on technology developments they missed out on during the sanctions era," Du Toit says.

Foreign investment in SA up - US report

By Hugh Robertson,
Washington Bureau

Foreign investment in South Africa increased last year and there was also a rise in "non-equity" links between foreign and SA firms, says a new report issued by the Investor Responsibility Research Centre.

The IRRC is an independent, non-profit organisation which, among many diverse activities, monitors US and other foreign investment and trade links with South Africa.

The 1991 edition of the IRRC's report on international business in South Africa says the number of non-US firms with direct investment

or with employees in South Africa increased by 23 during the year.

But the report stresses that no new US companies invested in South Africa during the period, although there was an increase in US companies entering into licensing, distribution and other "non-equity" agreements with companies in South Africa.

It notes that the number of non-US companies with direct investments in South Africa declined slightly each year from 1988, when there were 443 such firms, down to 433 firms last year.

But, in the past year the decline was reversed and the number of companies with direct investments in South Africa grew to 456.

The report notes that "the trend in the US is still towards disinvestment from, rather than investment in, South Africa".

It adds that no US company has made new investments in South Africa since President George Bush lifted sanctions in July.

"Although the number dropped since 1987, the number of US companies with direct investment, or employees, in South Africa is the lowest it has ever been," the report says.

There are now only 104 such US companies as opposed to 322 in 1984.

By contrast, there has been an increase in the number of US companies with non-equity links in South Africa.

Crime brings gloom to business

STAR 27/11/91
By Michael Chester

The dramatic increase in violent crime has plunged businessmen into gloom and raised the risk of a new wave of white emigration, say researchers at a noted economic think-tank.

The Econometrix research unit has warned that business has been pervaded by a sense of gloom without parallel.

Its latest analysis of the economic outlook says the impact of violent crime on business confidence has been even more devastating than earlier bouts of gloom caused by political violence and the sanctions blockade.

The savagery of the crime wave is blamed on unemployment, hunger and "the spirit of anarchy which has arisen out of an atmosphere of mass action on an almost daily scale".

Econometrix director Dr Azar Jammine added: "For the first time since the large-scale emigration of white skills in the mid-1980s, there is widespread talk of leaving the country.

"The risk of a fourth wave of white emigration, together with the loss of vital skills for the economy this would entail, has increased dramatically over the past month."

The first three exoduses were all inspired by prospects of political upheaval — following the Sharpeville drama, the Soweto riots and the Rubicon controversy. New talk of emigration was centred on the fear of more violent crime.

The atmosphere of business gloom had been further exacerbated by the nationwide strike called by Cosatu on November 4 and 5. The indirect psychological harm inflicted on business confidence could turn out to be far more detrimental than the multimillion-rand economic cost of the strike.

"In addition to these factors and in spite of the lifting of many international economic sanctions," said Dr Jammine, "the stand adopted by the ANC from time to time in regard to such matters as nationalisation or reneging on foreign loans issued to the National Party regime has harmed confidence further.

"As each day goes by it is becoming ever more apparent that foreigners will not invest in this country before they feel more certain about the nature of the economic system in a new South Africa and feel more assured that political transition will not blow up into a civil war," he said.

Price Forbes goes abroad

743 SEAN VAN ZYL

FINANCIAL broking group Price Forbes has followed the wave of SA companies which have expanded their operations to the European markets. *bloomy*

Price Forbes CE Paul Heinemann yesterday revealed the group's offshore expansion objectives which starts with the opening of Price Forbes London on January 2. *5/12/91*

Heinemann said the UK broking operation would initially concentrate on the London insurance market while a second phase expansion programme would involve exposure in Europe and the US.

Other opportunities for offshore expansion would be considered on merit, said Heinemann.

He added the UK company would focus on placing general property, motor and personal business classes of risk largely with Lloyd's of London under the umbrella of the Sedgwick Group.

Heinemann expected PFV London to become a registered Lloyd's broker by next September.

No rating, no investment from Japan and US, says SA agency

JAPANESE and US investors will not invest in the shares and commercial paper of SA companies until the companies obtain a credit rating from a recognised international rating agency, says Dave King, head of local rating agency Republic Ratings.

He was speaking in an interview yesterday shortly after returning from an overseas trip.

Ratings were necessary because strict regulations in the US and Japan required major investors, such as pension funds and

ROBERT GENTLE

trusts, to place money only in "investment-grade securities" — securities which have a high enough rating.

King said even if local companies were rated by international agencies like, say, Moody's or Standard & Poor's, their ratings would be so low as to perhaps deter potential investors.

This was because of the low credit rating of SA itself, which a recent Euro-money survey put at 36th position — below countries like Mexico or Czechoslovakia.

"The message overseas is that these company ratings would necessarily be lower than SA's sovereign risk rating, which itself is regarded as far from investment grade. In fact, it is regarded as speculative, mainly because of political risk."

King said the advice from overseas investors was for SA companies to wait two years for the political situation to improve before venturing overseas for an international rating.

However, obtaining a local rating would in the interim help overseas investors to better assess their profitability and creditworthiness.

"We have noticed increased interest in local ratings from overseas investors, mainly banks in the UK, France, Germany and Switzerland," said King. "They seem mainly interested in the ratings of blue chip corporates and banks."

Enquiries were also com-

ing in from African countries, he said, and Republic would soon embark on a marketing drive to sub-Saharan Africa.

King said Republic had already rated more than 30 local companies, from Eskom and the Post Office to First National Bank and Tiger Oats. Informal ratings had also been done on 150 other companies.

Big corporates like Transnet had started to allocate lending business on the basis of these ratings. He said FNB had picked up extra credit lines "worth three figures in millions" simply because it was rated.

"There is no doubt that the case for ratings has received a boost from affairs like Masterbond, FundTrust and Cape Investment Bank," said King.

US firms wary

of investment

Sueden 5/12/91.

(S) *(S)* *(H)* *1413*

NEW YORK - When ANC president Mr Nelson Mandela meets this week with United States corporate leaders to discuss foreign investment, he's likely to find an attentive but cautious audience.

That view emerges from a random survey of major corporations that cut ties with South Africa amid protests over apartheid.

For years, the ANC and Mandela urged the international business community to quit trade with South Africa as a means to pressure the country's white rulers to relinquish power to the black majority.

Limited

The ANC president has credited economic sanctions for the limited progress in South Africa.

Mandela, scheduled to address the United Nations General Assembly today, has planned meetings with executives at major corporations and foundations to encourage foreign investment once a black majority government comes to power.

Key

An ANC spokesman said a key message from the meetings is that the organisation was "not hostile to foreign investment."

"Once the question of an interim government has been solved, then the ANC would like assistance in resolving the economic problems because we need job creation and investment."

Ms Lindwe Mabusa, the ANC's chief representative in Washington, said through a spokesman, "We have too much unemployment."

Irony

The Ford Foundation sponsored a luncheon yesterday with Mandela and representatives of some two dozen corporations and foundations in New York.

On Friday, HJ Heinz Company invited Mandela to address 2,500 executives at the University of Pittsburgh.

Some corporate leaders found a bit of irony in Mandela's scheduled meetings with some of the cor-

porate power brokers the ANC pressured to leave the country.

But Mandela's visit is generally viewed by businessmen as a natural evolution of South Africa's return to the fold.

Needs

"They recognise the country needs to get back into the mainstream," said Mr Andrew Myers, spokesman for American Telephone and Telegraph Company.

The telecommunications giant, which does not do business with South Africa, would hesitate investing in the country until some 27 states and about 100 local governments in the US repeal laws restricting business and investment in companies with economic ties to South Africa, he said.

"That is a question that

would have to be resolved before we could return to South Africa," said Myers.

In July, the Bush Administration repealed a 1986 federal sanctions law which banned trade with South Africa until the Government freed political prisoners and dismantled other laws that led to the political and economic isolation of blacks.

One East Coast banker, who spoke on condition of anonymity, said Mandela may find a lukewarm response to his plea to delay investment until a new black government gains power.

Important

"If we're being told that investment is important but we can't do it yet because of political reasons, then it's sort of going to be a turn-off," the banker said. "And we will look elsewhere un-

Given the pace of change in South Africa, Smyth said a new multiracial government could rise to power by the time a corporation finally decides on its best investment opportunity.

"Timing itself may not be an issue," said Smyth. Elsewhere, the investment outlook was more uncertain. General Motors Corporation, Xerox Corporation, and Mobil Corporation carefully stated they have no current plans to invest in South Africa. But they recognise change is afoot.

"We never thought the Soviet Union would be investing private investment into Russia, either," said Xerox spokesman Mr Thomas Abbott. - *Sapa AP.*

ice Slovo said he respected members who
ort were critical of the notion of "democratic
so- socialism", but emphasised that some sup-

● See Page 14

Foreign investors hold onto their funds despite renewed interest

POTENTIAL foreign investors are still holding onto their funds despite visits by trade delegations from more than 50 countries this year, a survey by Business Day has found.

They cite fears of violence and political instability as their main reasons for not investing.

Trade delegations from more than 50 countries visited SA in 1991, including top private sector representatives from Germany, France, the UK, Netherlands, Italy, Greece and Czechoslovakia as well as countries which have traditionally been opposed to trade with SA, such as Canada and Denmark.

But diplomatic sources representing most of these countries said yesterday that investment in SA would not start until a political solution had been found and an end to the violence was in sight.

Sources close to the US embassy said that the future lifting of state and local sanctions would have little effect on trade and investment because of political instability in SA.

"There's a lot of interest, but no jumping in," the sources said.

Another informed source said that many US firms saw little reason to invest in SA because its economy was smaller than that of some US states, and was perceived as inherently risky.

15/ Aug 6/ 12/ 91

DARIUS SANAI

Some countries, notably Netherlands and Austria, recorded an increase in imports from SA. Exports to Netherlands were up 4.4% in the first seven months of 1991 over the same period last year.

Austria recorded an increase of 3.9% in the value of imports from SA for the first nine months of 1991 over the first nine months of 1990, said Austrian Trade Commissioner Leopold Birstinger.

But Birstinger said that Austrian industrialists were adopting a "wait and see" attitude towards SA despite the relatively high level of trade already conducted between the two countries. Austrian imports from SA totalled R326m in 1991, making the central European country SA's eighth biggest trading partner.

Trade representatives of other countries echoed the Austrians' sentiment, saying that most firms were reluctant to invest in SA because of the levels of violence and political instability.

A spokesman for the commercial section of the Dutch embassy said that while trade with SA had increased during the past nine months, investment had been minimal.

He said Dutch and other European firms were interested in using SA as a stepping stone for trade with southern Africa.

Hotel group keen to invest in SA

MARCIA KLEIN

INTERNATIONAL hotel group Hyatt Hotels and Resorts is looking at prime sites in Johannesburg, Cape Town and Durban to open its doors in SA.

Hyatt's corporate marketing director for Europe, Africa and the Middle East, Allan Edgar — who is in SA investigating opportunities — said in an interview yesterday SA had all the necessary ingredients to facilitate Hyatt's entry into the country. B.D.C. 6/12/91

Although the local industry was depressed, this was merely a reflection of worldwide trends. SA had the infrastructure and the service levels necessary for international tourism.

"We have been closely monitoring the changing scene in SA, and we believe that the country offers enormous potential," he said.

Edgar, who was director of marketing for the Carlton Hotel for two years from 1985, said that based on his knowledge of the SA hotel and travel industries, the time was ripe to include SA in his company's portfolio.

He said Hyatt was considering various possibilities in the country, including management contracts and partnerships.

The hotel management group operates 159 hotels and resorts worldwide, with more than 59 000 rooms.

It has 12 hotels under construction in the US, Asia/Pacific, Europe and South America.

CHARTER

Taking a dip

With the UK construction industry in deep depression, fierce competition in the road-stone business and flat results from 38,5%-held Johnson Matthey, Charter Consolidated's first-half earnings took a dip.

But, helped by cost-cutting at Anderson (mining equipment) where 1 135 jobs have gone, the fall was only 7% to £38,5m pre-tax for the six months to end-September.

EPS were 8% off, at 22,4p, and the dividend has been held at 7p. The sale of the final tranche of Minorco — which owns 36% of Charter — yielded £12,5m after tax, restoring the net cash position to £131m after capex of £13,2m and £10,5m spent on acquisitions.

The brunt of the downturn was borne by Cape (67% owned), the building products

FM 13/12/91 ~~14.3~~ 74.8
and services group, where operating profit was 26% down at £6,4m on 4% higher sales of £97,8m.

While the outlook for construction in the UK remains bleak, Cape is increasing overseas business, which accounted for 32% of sales (25% last year) through acquisitions in Holland, Belgium and Germany and new contracts in Australia and the Gulf.

Cast, the quarrying and mining division, suffered a margins squeeze and reduced demand for coal in the US, leaving its surplus almost 27% off, at £1,6m, and turnover down 7% at £28,4m.

At Anderson, the second-biggest business, falling sales (£54,7m against £58,3m) reflected cutbacks by British Coal. But cost reductions in the UK plus exports to Poland, France, Australia and the US helped the division to turn around — though from a low base. Operating profit was up 54% at £2m.

Finally Pandrol, the rail track equipment division where profit jumped by 77% in 1989/1990, consolidated its international business which is now extended to Hong Kong and China. Profit rose 4,8% to £6,6m.

CE Jeffery Herbert called it "a strong performance in tough trading conditions." But, against the sluggish economic background, the accent for Charter must be on further cost reductions and the hunt for good acquisitions. With its dividend under no threat, Charter's yield of 5,8% limited market reaction to the 9p fall to 485p — on a weak morning for London equities.

The share has had an up and down year: rising 38% from the 1991 low and losing almost half the gain since the peak at 554p. The stake in Johnson Matthey — 40% of Charter's market capitalisation and 41% of pre-interest earnings — and its recovery prospects on any upturn in the world car industry should provide a cushion. *John Cavill*

Foreigners look at small

By DIRK TIEMANN

FOREIGNERS are looking at some of South Africa's small banks for potential takeovers or mergers.

One bank which has attracted interest is Discount House of SA. It has held talks with several potential foreign partners.

Executive chairman Colin Dunn and managing director Mark Thompson went to Europe for discussions with 12 financial institutions, but decided to go it alone, at least for a year.

Market talk was that Discount House had arranged a takeover deal with a German bank, but that it had fallen through at the last minute because of political considerations.

Mr Thompson denies that talks with any foreign bank have reached finality.

Better

He says: "We would like to build up a track record as a bank and acquire a foreign exchange licence.

"That should help to clinch a better deal a year or so from now. A bank of our size is attractive to a foreign one seeking an entry into Southern Africa and Africa. We are small and a major stake would cost a fraction of the price of a larger bank."

The specialised role of discount houses has changed under the Deposit-Taking Institutions Act. They now fall under the same rules as all the other banks. Most seek to establish a niche in merchant banking where competition is becoming tougher. Some foreign banks are expected to join the fray.

Rand Merchant Bank executive director Russel

SA banks

Loubser says small banks that do not have a niche will be forced to find shelter.

Mr Loubser says foreign bankers are here to hold exploratory talks, "but they are not jumping in, boots and all".

A major foreign shareholder can be a big asset if a genuine two-way relationship is developed. The SA bank would benefit from access to the international market.

Mr Loubser says RMB is not looking for foreign interests.

A representative of a German bank in SA says there

are several interesting prospects, including Investec, Discount House, RMB, Finansbank and UAL.

The Board of Executors could be added to this list. It announced this week that it was looking for an acquisition in the financial services sector or a possible foreign association.

An official says, however, that there is no rush to move into SA because of the preoccupation with Eastern Europe.

Most banks on foreign shopping lists have a strong infrastructure which makes them attractive. But there

are other small banks whose role in the market is becoming less well defined and which could find the competition too tough.

Republic Ratings recently published a risk evaluation of all SA banks, partly in response to the many inquiries from foreigners.

The tail-enders included Prima, District Securities, African Bank and Mercantile Bank.

The credibility of many small banks has been tainted by the recent failures of Alpha, CIB and Pretoria banks.

Many small banks struggle to meet capital requirements and find it difficult to issue acceptable guarantees.

Martin & Co director Richard Jesse says several small banks are likely to disappear in the next three years.



COMPANIES

Oceana all set to bag new deal

CAPE TOWN — Investment holding company Oceana Investment Corporation is negotiating a £1,8m deal to increase its stake in Handbags International to 48% from 28,9%.

It is also looking into the possibility of applying for a listing on another European stock exchange following the cancellation earlier this year of its listing on the London Stock Exchange on the grounds of its unsuitability. *Biday 17/12/91*

The proposed acquisition of Handbag shares follows Oceana's unsuccessful bid to gain control of Etam, a failure which resulted in the cancellation of its listing.

"It is anticipated that Oceana and certain key executives of Handbags will, through a joint voting arrangement, control that company to the extent of some 80% of its share capital," chairman Stanley Lewis said in the corporation's profit announcement. Lewis has been appointed chairman of Handbags' board of directors.

LINDA ENSOR

74B
Oceana achieved a 20,6% increase in after-tax profits to £415 000 (£344 000) in the six months to end-September.

However, the almost doubling of the weighted number of shares in issue diluted earnings a share, which fell 33% to 3,96p (5,94p). A dividend per stock unit of 1,5p (nil) was declared.

The change in the nature of the company's investment portfolio resulted in a significant lowering of the tax rate.

The greater contribution from Handbags International in the second half would also boost the year-end performance, Lewis said.

The market value of the corporation's assets have increased significantly to £71,9m (£17m).

Net asset value at market value increased to 352,8p (286,1p) per stock unit.

US firm targets SA bonds

WASHINGTON — A New York-based firm, Saicor Ltd, is offering major US pension funds and other institutional investors limited partnership interests in a fund that will purchase SA government, parastatal and development bonds.

Saicor co-founder Peyman Pourjabar, a former SA securities specialist with Deutsche Bank, calls the venture a "pilot project" that could ultimately lead to the channelling of billions of dollars of US capital into SA's economic reconstruction.

The response so far has been cautious. While US citizens have been permitted to buy SA securities since the repeal of the Comprehensive Anti-Apartheid Act in July, many public employment pension funds are still barred from SA-related in-

SIMON BARBER

vestments by state and local sanctions, and by their own policies. Another disincentive is the continued US veto of SA access to IMF facilities. Pourjabar expects this problem to be overcome by mid-year.

He says the fund has been able to line up a "lead investor" and 10 others ready to purchase limited partnership interests, which carry a par price of \$250 000 a piece and are being sold in blocks of four.

However, the initial closing date, which was to have been yesterday, has been deferred until "early in the new year" pending the outcome of the all-party talks.

Saicor proposes to raise up to \$100m

To Page 2

Bonds

through the current offering, more than 80% of which will be invested in fixed rate instruments. Issuers, says a memorandum to investors, will include government, Eskom, SA Posts and Telecommunications, Transnet, the Development Bank of SA and the Independent Development Trust.

"The high interest rates available in the SA capital markets make investment in SA bonds attractive when analysed by any global risk/reward criterion," the memorandum states.

Other selling points include the high quality and liquidity of SA's public debt. "There has never been a default in either interest or principal payment in the history of these bonds." Saicor notes that most of the paper it proposes to buy is traded in large volumes on the JSE as well as in

over-the-counter markets in London, Geneva and Frankfurt.

Adding to the attraction, in the company's view, is SA's dual exchange rate system which enables non-South Africans to buy and sell SA bonds in financial rands while all interest is paid in commercial rands, thus increasing effective yields.

Pourjabar stresses that the ANC's stance on nationalisation and the possible disavowal of debt is "softening". "We are very confident that a future government will be adopting market-friendly policies."

Pourjabar founded Saicor with John Marsh, a former Merrill Lynch trader, who developed an SA bonds and securities operation for Deutsche Bank. The fund's investment activities in SA are to be managed by Syfrets Trust.

From Page 1

M-Net strikes deal with Kenyan station

~~743~~ MARCIA KLEIN ~~743~~

M-NET is to make its first major move into Africa following its announcement of a joint venture agreement with a Kenyan television station, pegged at \$2m to \$3m.

M-Net said yesterday it had reached agreement in principle for a partnership with Kenya Television Network (KTN). In terms of the proposed deal, M-Net would become a 50% shareholder in KTN.

In another move, M-Net had also been granted a six-month licence to broadcast in Namibia, divisional CE Paul Edwards said yesterday. He said the licence was temporary as Namibia was promulgating a new broadcasting Act. M-Net would proceed with a test mode tomorrow.

The Kenyan deal would be worth between \$2m and \$3m, KTN chairman Jared Kangwana told Reuter yesterday.

An M-Net spokesman said besides M-Net's shareholding in KTN, it would provide decoders and other technical and subscription management services. Kenyans would not receive M-Net in the same form as it was broadcast to SA audiences.

KTN, which has been operating since 1990, is Kenya's only independent commercial television service. Programming focuses on entertainment, news and sport.

Kangwana said M-Net would bring its strengths in technical broadcasting and subscription management to the new Kenyan pay station. ~~13/12/91~~ 15/12/91

KTN was investigating the viability of another television channel in Kenya, but in the meantime it would change its format next year from a purely open station to one which included a combined service of open and pay television. The new format would

To Page 2

M-Net ~~13/12/91~~ 15/12/91

have four hours of open television with the balance in an encoded format.

M-Net co-operative ventures manager Nolo Letele said pay television was one of the fastest growing industries worldwide, and was available in more than 60-million US homes.

He said pay television obtained films earlier than public broadcasters. It broad-

~~743~~ ~~743~~ ~~743~~ From Page 1

cast to a specific audience and focused more on entertainment.

M-Net CE Koos Bekker said the partnership was "exciting", and M-Net hoped to develop the potential of a successful subscription television service in Kenya.

Market reaction to the deal saw the share rise yesterday by 30c or 4% to close at 780c.

Saudi-linked Islamic bank to open second SA branch

ANDREW GILL

A JEDDAH-based company with banking interests is to open its second SA branch in March next year, having set up a joint venture bank with local shareholders in 1989. SA-registered Al Barak Bank, 50% owned by Saudi Arabia's Al Baraka Investment and Development Company and 50% by SA shareholders, opened its first office in Durban in 1990, catering mostly for the Muslim community.

Al Barak SA CEO Ebrahim Bawda said it had now acquired a building in Cape Town with a view to opening an office early next year.

He was responding to a Reuter report from the Jeddah office that a Cape Town branch had already been opened. *BIDay 18/12/91*

Banking is based on the Islamic financing principle of partnership financing or "profit and loss sharing" where returns are not guaranteed. The bank has built up an asset base of R37m since opening up.

Bawda said it had been successful beyond expectations. Returns often exceeded those offered by traditional banks....

He said the bank did not exist to serve only the Muslim community, but anyone who was prepared to comply with Islamic financing principles.

By CIARAN RYAN

A EUROPEAN tax directive could put SA companies operating there at a big disadvantage.

The ruling removes all withholding tax on dividends between parent and subsidiary companies in European Economic states.

But SA firms with European holding companies will be able to pass the benefits of the tax saving to customers.

All EEC states are required to enact the provisions of the directive in their domestic law by January 1.

(743) Force (220)

But transitional arrangements have been negotiated by Germany, Greece and Portugal.

In terms of the directive, a subsidiary is defined as a company in which the parent has a 25% holding.

SA firms without a European holding company will still be subject to withholding tax at whatever is the applicable rate for the country.

The directive will force many SA companies to restructure their European operations to benefit.

The potential saving in tax for SA companies is vast. Italy, for example, imposes a 32.4% withholding tax on dividends remitted to SA. Denmark imposes a 30% withholding tax on SA, but

EEC tax rule may hit SA companies

SITimes 22/12/91
the UK has no withholding tax on dividends remitted to SA.

David Lerner, senior international tax consultant at Coopers Theron Du Toit, says SA companies without European holding companies will have to match the benefits offered by the tax directive to remain competitive.

Mr Lerner says: "Obviously, if companies are no longer obliged to pay withholding tax on dividends remitted to their European holding company, this enables them to pass on the benefits to customers in the form of lower prices."

"SA companies will have to find some way of countering this in order to hold their European market share."

But the ideal of a European federal state with a unified tax system is no nearer realisation than it was 10 or 20 years ago.

Instead, the EEC is focusing on eliminating specific tax obstacles to cross-border transactions in Europe.

The EEC recognises that the economic problems of each member do not allow for a totally unified European tax system. The approach now is to harmonise the taxation of cross-border transactions.

Mr Lerner says SA companies which do not establish representations in Europe are neglecting the world's largest market.

"The issue is either to go global or die. The SA market will be eroded as foreign competitors start to establish a presence here."

Excess

"Faced with a weak rand, high interest rates, high inflation and stiffer competition, a larger number of even small to medium SA companies are making use of the weak rand and moving into Europe. There are now considerable tax benefits in Europe."

A merger directive also

(BUSS) comes into force in January. It provides tax relief for many types of cross-border corporate reorganisations in Europe.

The major benefits will be the deferral of tax on capital gains on a cross-border share-for-share acquisition where more than 50% of the target is acquired.

Previously, such an acquisition may have given rise to capital gains tax in the seller's hands on the excess of market value over his tax base in the shares sold.

Mr Lerner says: "The effect of the other provisions of the merger directive is less clear because in many cases the transaction envisaged by the directive cannot be accomplished under existing national company law."

"Until the appropriate company law is enacted at national level it is uncertain how this directive will affect corporate reorganisations in Europe."

Premier warns Maputo over import duty claim

Star Africa Service

MAPUTO — A South African company, Premier International, whose Maputo warehouses have been closed by the Mozambican customs authorities, has warned that the action may threaten future investment in Mozambique by South African companies.

Premier holds a contract with a Portuguese company, FNAC, which runs duty-free shops in Mozambique, where purchases are made in foreign currency.

This contract allowed Premier to sell goods wholesale, for foreign currency, from its warehouse near Maputo port.

But customs officials, who are waging a war against tax evasion, say that Premier is not exempt from import duty.

On December 10 customs sealed the customs warehouses,

saying they could be reopened only once import duty had been paid on existing stocks.

In a full-page statement in the Sunday newspaper Domingo, Premier said it had merely acted in accordance with the terms of its contract. It said many of the goods in the warehouse had already been sold and were waiting for clients to collect them.

The statement said Premier chairman, Albert Nelissen, visited Maputo last week to try to reach a just solution that would respect existing contractual undertakings. This visit had so far produced no result.

Mr Nelissen said the non-recognition of existing legal commitments would cause difficulties for future investments by Premier in Mozambique and could affect investment policies of other South African companies towards Mozambique.

STAR
30/12/91

74B

Premier warns Maputo over import duty claim

Star Africa Service

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Bulgarian dealership granted to Zentraquip

ROBERT WICKS

WITH business opportunities rapidly emerging in Eastern Europe, the Barlow Rand subsidiary Zentraquip has been granted the Caterpillar dealership in Bulgaria, estimated to be worth R10m to R20m in the first two years of operation.

Barlows Equipment Company MD Tony Phillips said although the initial investment required to establish the dealership amounted to more than R3m, he was confident of recouping the investment "fairly quickly".

The equipment will be sourced from either the US or a European dealership and some underground mining machinery, manufactured at the Barlows Equipment Manufacturing plant in Boksburg, will be sent to Bulgaria.

Bulgarian mines could

provide an export opportunity for local trackless mining machines incorporating "Cat" componentry, Phillips said.

The new dealership will be staffed by Bulgarian personnel, with specialist staff from SA providing marketing, computer and information training for three months.

To assist in the Bulgarian operation, Barlows has also formed a new Johannesburg-based company, Barlows Trading and Finance Company (BTF).

Caterpillar Africa distribution manager Johan du Plessis said he was pleased that Caterpillar would now have direct representation in eastern Europe.

The new company has still to be named.

COPI
Fm 3/1/92
Currency casualty

Activities: Packaging in the Caribbean, UK and East Africa. Also invests in securities and currencies.

Control: The Kalmanson family.

Secretary: M C Johnston.

Capital structure: 17,6m ords. Market capitalisation: R493m.

Share market: Price: R28. Yields: 4,5% on dividend; 11,0% on earnings; p:e ratio, 9,1; cover, 2,4. 12-month high, R30; low, R24,50.

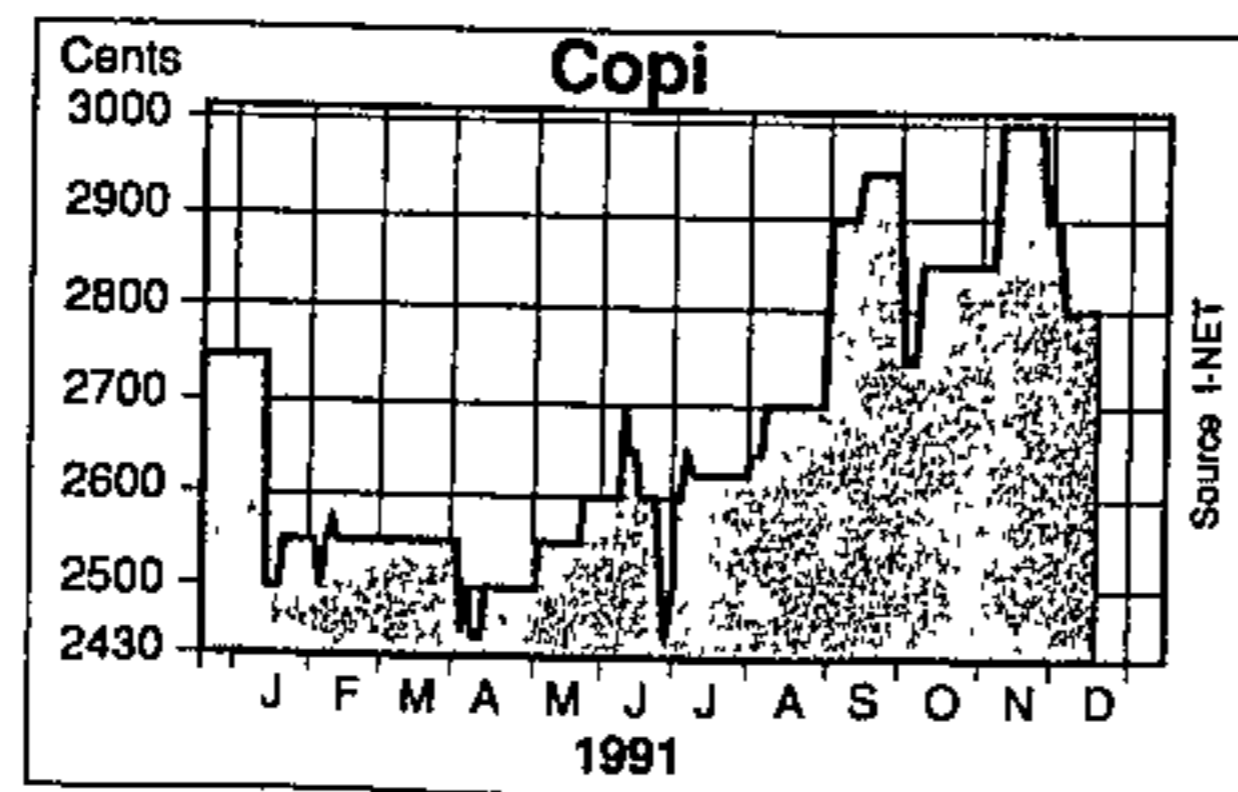
Trading volume last quarter, 83 000 shares.

Year to June	'88	'89	'90	'91
ST debt (C\$m)	7,9	6,9	8,1	5,8
Shareholders' interest	0,85	0,86	0,86	0,87
Int & leasing cover .	16,7	14,7	10,6	9,9
Return on cap (%) ..	8,6	7,8	7,8	9,5
Turnover (C\$m)	103	100	93	107
Pre-int profit (C\$m) .	18,4	17,6	18,1	22,4
Pre-int margin (%) ..	17,9	17,6	19,4	20,9
Earnings (Cc)	90	65,4	88,7	120,8
Dividends (Cc)	44	44	45	50
Net worth (Cc)	1 020	1 088	1 136	1 143

The relative strength of the rand against the dollar didn't help Canadian Overseas Packaging Industries' performance on the JSE over the past year. Against the trend, the share price is actually R1 lower than when we reviewed the 1990 report.

This despite one of the best earnings advances for some years, though absolute earnings are still well below the 1986-1987 peaks. A major contributor was a turnaround from a C\$2m loss to a C\$2,2m gain on foreign currency conversions, despite the fact that the Canadian dollar was one of the world's strongest currencies and it was impossible (because there is no market) to hedge against the weakness of the Jamaican dollar and Kenyan shilling.

Fortunately, East African Packaging Industries (Kenya) had a "satisfactory" year, with higher profit, but profit in Jamaica was badly hit by the poor state of the economy. Other Caribbean interests had mixed fortunes but Encase, in the UK, converted the previous sizeable loss into profit and, the directors say, was the main contributor to the improvement in earnings from operations, from C\$7,4m to C\$11m.



Investment and other income was little changed, at C\$13,4m (C\$14,2m). Directors say it was decided to make the portfolio more global in content. US\$-denominated investments were cut from 65% to 48%, the balance being in Europe (37%) and the Far East (15%). Equities comprise 72% of the portfolio and bonds 28%. Cash and short-term deposits, held mainly in ECUs early in the year, were switched back to C\$, and at year-end combined investments and cash were distributed in North America (73%), Europe (19%) and the Far East (8%).

Directors say that with lower interest rates in prospect, an uncertain stock market outlook and strong recessionary influences affecting all manufacturing operations, "it is difficult to be optimistic" for this year.

Aided by the long-term weakness of the rand, Copi has been a rewarding long-term holding. This may be a standstill year for underlying earnings and dividends, but rand-hedge attractions should underpin the price and it should start to perform again if (when?) the rand weakens against the North American currencies.

Michael Coulson

Entry of foreign banks a fillip for the local sector

ENTRY of new foreign banks into SA can only aid the banking industry's existing trends towards higher technology, lower handling costs and higher quality of service, says the Bank of Lisbon.

Furthermore, foreign banks could boost SA's foreign trade, promote the country's role as a regional financial centre and broaden the base of the local foreign exchange market.

In its latest Economic Focus, the bank notes the revival of interest in SA operations among foreign banks. It says "several dozen" such banks have opened representative offices in SA since the introduction of domestic political reforms and the loosening of local financial regulations.

The Bank of Lisbon finds few potential drawbacks in the local financial services industry as foreign banks are established.

Shortages of skilled labour in the banking sector should not be intensified, since considerable retrenchments of bank staff have occurred over the past year or so and could be followed by more.

Neither should the arrival of foreign banks create an overtraded banking sector, says the bank's report. "SA may be underbanked in the sense that large numbers of non-whites do not possess bank accounts, and this could mean that large financial resources may be currently untapped by the banking system."

As trade between SA and the rest of Africa expands, new foreign banks could help provide buyers' credits for

the increasing number of SA exporters wanting to sell into Africa.

New foreign banks could also help the SA financial system make a bigger contribution towards economic development in other African countries. "Financially, SA could easily become a convenient intermediary operating between the developed financial markets of the industrial countries on the one hand and the developing countries in Africa on the other", helping to promote SA as a regional financial centre.

A long-standing deficiency of the local foreign exchange market is the limited number of active dealing banks. New foreign banks which conducted forex business would add to the liquidity of the local market.

They could also, by opening up new credit lines, alleviate those problems experienced by domestic banks whose limits on forward commitments come under pressure.

No new foreign banks have been established since 1970, and three have withdrawn from the country. Among the obstacles still remaining to foreign banks setting up in SA are the debt standstill and the prohibition on the establishment of foreign bank branches in SA.

The debt standstill is a problem because international capital adequacy standards mandate that provisions be made against new lendings of more than a year to any country which has debt-rescheduling arrangements in force.

31 Dec 6/1/92 (94B) (GP)
SIMON WILLSON

Hebox deal ~~(S)~~ saves 600 jobs

~~(S)~~ JONO WATERS ~~(S)~~

ABOUT 600 jobs have been saved by the acquisition of Hebox Textiles at Hammarsdale by German textile industrialist Claas Daun.

Financial details of the deal were not disclosed. *Biday 10/11/92*
The holding company, Natal-based Tongaat-Hulett, decided to close the factory last November after it had made an "unacceptable loss". The mill closed on December 20 and 1 000 employees were made redundant. *(74B)* ~~(S)~~

Former Hebox Textiles MD Mark Perrings would assume the position of CE in the newly reconstituted operation presently in the process of re-employing 600 people, a statement said yesterday

The takeover would also benefit the local cotton industry where producers and manufacturers are in dire straits.

Daun, who is resident in Germany, also has interests in the Morkel Group, Total Sports, Courthiel and Table Bay Spinners.

The mill had been running at 60% capacity after import liberalisation in the textile industry had seen imports of cloth treble in the last three years.

Far East exporters had supplied local importers with denim at one third of the local cost and Hebox, which accounts for 50% of local production, found its operation had become unprofitable.

AN Arab League meeting, due to be held in Cairo in March, is expected to drop sanctions against South Africa.

The move will open SA trade in Persian Gulf nations which have a population of 87-million and import goods worth \$66.2-billion a year.

Lebanon — not an Arab stronghold — is well disposed to SA and could support the lifting of sanctions, says Safto Middle East manager Gyford Fitchat.

Johannesburg-based Islamic Business Chamber director Abdul Gani says the likelihood of sanctions going is shown by the number of approaches being made to SA by Arab interests.

But Breyer Development Services managing director John Bell warns that a prime factor that will influence any decision is SA's ties with Israel.

Surprise

There are signs of a thaw between SA and Arab countries. Some of SA's most vehement critics in the Arab world are believed to have visited SA to review the changes taking place.

A major development was President De Klerk's surprise stop-over in Oman last November when he met the oil-rich nation's Foreign Minister, Yusuf Bin Alawi Bin Abdullah.

A senior Safto manager was well received by high-ranking officials on a visit to Dubai and Egypt last October.

SA has been exporting small quantities of goods to the Arab countries through third parties.

There are signs of increasing Saudi Arabian investment in SA.

The Al Baraka Bank, half-owned by a Saudi company, will open its second branch in SA in March. The Saudi Arabian Dallah group took control of the Durban-based

SA gears up as Arabs take softer trade line

(M4B) STimes (RUSS) 12/11/92

By ZILLA EFRAT

Elangeni group, which makes soap and edible oils, in October.

The Saudis are believed to have invested in some luxury retreats on the Garden Route.

The Islamic Business Chamber is gearing up for the end of sanctions and Safto will take a group visit to Oman and the United Arab Emirates in February.

Several official and private organisations are keen to meet the SA delegates, says Mr Fitchat.

Some SA companies have also been invited to the international commercial vehicle and plant equipment exhibition at the Dubai World Trade Centre in April.

Safto plans a "big splash" of SA products at the Dubai World Trade Centre exhibition later this year. High-profile representation is expected from official and industrial organisations.

Hotels

A business delegation from Dubai will arrive in SA to investigate shipping links in a couple of days.

Mr Fitchat believes further Arab investment in SA will be forthcoming, especially in hotel chains and resorts. Arabs could also provide venture capital for mining exploration.

He says that in the past, SA companies exported to the

Persian Gulf region under third-party brand names and had to pay a political premium.

Mr Fitchat says the Persian Gulf region, which has a high standard of living, has few natural resources other than crude oil and has to import most commodities.

He believes that SA fresh produce, processed food, grain, livestock and frozen chickens would be competitive in this market.

The oil-refining industry in the region is making large investments to produce val-

ue-added chemicals, an area in which SA has expertise.

In the long term, SA engineering suppliers should be able to get contracted work from international companies already in place in the region.

Patience

Mr Fitchat says countries that offer a good starting point for SA exporters are the United Arab Emirates, Oman and Bahrain. Saudi Arabia, Iran and Qatar could be served from them.

Safto's starting point is Dubai because it is the centre of imports and re-exports in the region. It plays a pivotal role in the region's cargo movements.

Dubai is expected to become the Hong Kong of the region and its Jebel Ali Free Zone attracted \$1-billion in investment from international companies in 1991.

However, Mr Fitchat warns that because it takes time and patience to enter the Arab market, SA exporters should start working on their plans now.

SA to seek final deal on foreign debt

B/Day 15/1/92

~~74B~~ 74B
 SHARON WOOD

THE Reserve Bank would push for a final debt arrangement to deal with the outstanding \$5bn when the third interim debt arrangement ended in 1993, Reserve Bank Governor Chris Stals said yesterday.

In an interview, Stals said there would have to be another arrangement to deal with outstanding debt because SA could not afford to repay the whole amount in 1993. The \$5bn owed was not big by world standards and SA always acted in accordance with the arrangements.



● STALS

"I hope the political process will make enough progress this year, making it easier to come to a more permanent arrangement next year with SA's creditors.

"This will be extremely difficult if we do not have normal relations with the IMF and the World Bank, but I do not think it will be too difficult to get co-operation."

If SA managed to secure the agreement with international creditors, it would no longer be a country with an outstanding debt problem. SA's foreign debt has been

subject to three interim debt arrangements since the debt standstill in 1985.

The \$1bn debt due this year was relatively small and the foreign reserves position was fairly comfortable, he said. This year would be an easy year for the balance of payments, when the current account surplus would again exceed capital outflows.

Stals warned the balance of payments would be a big problem in the future, when imports soared on the back of renewed private and public sector fixed investment. But this would not occur in 1992 because the economy was too depressed.

On the inflation front, Stals said he was confident that inflation would fall this year but not to single digits. "Single-digit inflation is still achievable and the Reserve Bank will have to go on fighting inflation until it reaches that stage, which will certainly not be this year."

Monetary policy had been successful in a number of areas, particularly in reducing money supply growth and bank credit extensions, but it would remain restrictive this year. Money supply had grown at 9.5% seasonally adjusted and annualised since February last year, which was acceptable, but there would be a shift in monetary policy stance only if the rate of growth

□ To Page 2

Debt

B/Day 15/1/92

dropped to between 2% and 3%.

A rough estimate showed that money supply growth would not be inflationary if it grew at three times the rate of real growth, he added.

Stals said the reason inflation had not fallen despite more than two years of restrictive monetary policy was because of built-in structural factors and not as a result of government spending.

Correcting these would take priority in the fight against inflation in the future, he said. Monetary policy had gone as far as it could and would now be used to contain inflation rather than reduce it.

Stals believed a social accord between

~~74B~~ 74B

□ From Page 1

business, government, trade unions and the Reserve Bank, was necessary to address the structural component of inflation.

He was confident this would be more easily achieved in a new SA and under a new government because there would probably be a different relationship between labour and employers which would make it easier to break down structural inflation.

Monetary policy would not be used to restimulate the economy because the severe problems experienced by the various sectors of the economy did not stem from restrictive monetary policy, but rather from the climate of uncertainty that prevailed in SA, he said.

French group buys R25-m stake in Grincor

By David Canning

STAR 17/11/92

West and Central Africa.

In one of the largest local foreign investments since the ending of sanctions, a giant French shipping group is to inject more than R25 million into Durban-based Grincor group's holding company.

Grincor chairman Murray Grindrod said in an interview that Grinhold and the French SCAC-Delmas-Vieljeux SA had entered a "strategic partnership" which would greatly aid South Africa's growing trade with East,

At the same time it would give Grincor additional trading opportunities and help to consolidate Grindrod's international freight forwarding network.

Mr Grindrod, who signed the deal with French representatives in Durban yesterday, said the quoted Grincor group would be making a R50 million rights issue. This would give it the opportunity to increase investment in ships and other ventures.

SCAC-Delmas-Vieljeux (SDV) is a major operating subsidiary of the R12.5 billion giant French

group Bollore Technologies. It formally came into existence only this month as a result of a merger of SCAC, the largest freight forwarder and shipping agent in France, with Delmas-Vieljeux which itself is by far the biggest private French shipping company.

This month's merger makes SDV a major player in the international shipping and transportation industry, giving it shipping services on many of the world's major trade routes. It also has a comprehensive net-

work of freight forwarding and ships agency operations and is particularly strong in Europe and East and West Africa.

As a result of the partnership, Grincor subsidiaries will acquire SDV's local investments. The main operation is that of freight forwarder Walon.

The French investment will give SCAC-Delmas-Vieljeux SA a 25 percent stake in Grinhold and enable the local parent company to follow its rights in Grinhold, maintaining its stake at more than 50 percent.

The private sector needs a partner in the state

Blouay 31/11/92.

DEREK KEYS

THE fixed investment decisions of businesses are not taken in Parliament. They are also not taken in the offices of Ministers and government officials. These growth-determining decisions are taken in large and small businesses throughout the country in the light of their projections and expectations and their views of the opportunities the future offers them.

Their record is not a bad one. There are examples of where the private sector invested in the wrong direction and received no return. On average, however, our entrepreneurs have shown healthy judgment and have read the future investment climate well.

But we need more investment. We need more investment in productive capacity. How do we get the private sector firms to decide, to a greater extent, to venture in the fixed investment areas? This is the crucial question. It is the main question I am interested in. If you like, it is the question I am prepared to become obsessed by. It could not unfairly be described as the question that brought me to this place. In terms of instruments to promote investment, there is a veritable arsenal available in the shape of government actions of one kind or another. In this first speech I would prefer to try to reach the root of the problem rather than tinker with remedies for symptoms.

As a country we have, however, reached the point where, against the background of a lukewarm world economy, we must enter two important new investment fields where the risk-reward relationship for the private sector seems less promising than that to which it is accustomed. The first of these is the export market for manufactured goods and their intermediate products. The second is the whole domestic socioeconomic field.

Compared to the internal market the export market is a jungle. This jungle is not neutral. Every man's hand is against one, and he is backed by his home government at every turn. The governments of the largest countries jump left and right in trade matters to protect and advance the interests of their nation's firms. There is still plenty for South Africans to learn in this area.

As regards the socio-economic area, a crucial one for us to get right, we have still not developed a satisfactory mechanism for fully enlisting private sector participation. If we want to win, we shall have to do so. Clearly, the underlying basis of this challenge will not change quickly. How then, against this background, can we increase entrepreneurs' level of certainty?

The answer is simply confidence. Firstly, the state must demonstrate its own confidence by calmly and systematically striving towards the highest long-term economic goals.

Secondly, we must let entrepreneurs develop confidence in the state as a reliable partner in the successful extension of business. I am not talking about money. I am referring to co-operation, flexibility, and the willingness to undertake any transactions that will advance the general welfare. The motto must be that the entrepreneur can depend on the state.

This does not happen overnight. We are talking attitudes, we are talking transactions, we are talking deals, we are talking about a process which begins with a trickle and ends in a flood of confidence.

LETTERS

I have been talking about investment decisions which centre on the entrepreneurial factor. However, I should not like anyone to think that I underrated the role to be played by labour or the critical importance of its contribution to accelerated economic growth.

In all the international examples of superior economic growth — Sweden in the '30s, postwar Germany and Japan, Korea in the '60s and so on — there is one common factor, the golden triangle of business, labour and the state, joined in a consensus carefully and consciously aimed at economic growth.

This is very much in my mind, and I am watching every attempt being made to develop areas of business-labour consensus with the keenest interest.

□ This is an edited extract of Trade and Industry and Economic Coordination Minister Keys's maiden speech in Parliament on Wednesday.

TINY ROWLAND, chief executive of the troubled Lonrho group, slipped in and out of South Africa this week on a mystery visit.

Deputy chairman of the multinational group Paul Spicer confirmed Mr Rowland's visit, saying that "quite a few" of the 15-million Lonrho shares bought at bargain basement prices in the past few weeks had "found their way down south to very sensible people".

This fuels speculation that Lonrho is trying to sell off some of its southern African interests to reduce crippling gearing of more than 70%.

Talk in London is that Gencor could soon be able to take responsibility for Lonrho's interests south of the Sahara.

"I am not commenting on Gencor or anyone else," Mr Spicer told Business Times. "We like them very much and they like us. But then we have some significant friends in southern Africa, including Anglo American."

Gencor has been mentioned as a probable buyer should Lonrho decide to sell some of its shares in Western Platinum, in which Gencor has a 27% interest.

India

But chairman Brian Gilbertson says no meeting was held with Mr Rowland this week and no offer has been made for the mine.

"But if he wanted to sell, we would be interested," says Mr Gilbertson. "We have a pre-emptive right on Wesplats."

Head of investments at Sanlam, Ronnie Masson, is unaware of Mr Rowland's visit to SA. A spokesman for Old Mutual would not comment on the Lonrho chief's visit.

Mr Spicer says: "Whenever he travels like this it has one purpose — to act in the interests of Lonrho and its shareholders. That is as much as I will say at the moment."

Nothing should be read into Mr Rowland's discreet visit — his first acknowledged trip since September 1971.

"I can certainly confirm that he was in South Africa and he was moving at a politically very high level before going straight to India."

Lonrho is eager to scotch suggestions that Mr Rowland is another Robert Maxwell, the British tycoon who drowned last year when his business empire foundered.

Rights

It is believed there are three possible reasons for Mr Rowland's SA safari:

- Political discussions — Rowland is notorious for horse-trading, particularly in black African countries where he built his business empire. More than 60% of Lonrho's 1989-90 profits came from Africa, much of them from Wesplats. Mr Rowland will be keen to update himself on political developments;

By **ROBIN PEGLER** and **CIARAN RYAN** in Johannesburg and **IAN HOBBS** in London

- Reassuring institutional investors that the group is not in trouble, although they will take some convincing. Several institutions bought large parcels of Lonrho as a rand hedge in 1990 when the price was nearly 2000c. It has fallen by 60% to 750c. It is estimated that 13% of Lonrho shares are held in SA.

- The possible sale of all or part of Lonrho's 73% interest in Wesplats to Gencor to reduce its £1.1-billion debt. Wesplats, according to Lonrho, is the lowest-cost producer of platinum. It is regarded by SA analysts as a highly efficient producer.

Gencor will be flush with cash after its R2-billion rights issue and can afford to wait for a recovery in platinum and rhodium prices. But cash-strapped Lonrho does not have time on its side.

There is good reason for Gencor to hope that Wesplats might eventually be offered for sale at a favourable price because of its strong bargaining position.

Lonrho has sold its 50% interest in Kuhne & Nagel to its former partner in Germany. It has many assets in 80 countries which it can sell to cut borrowings.

In the past 10 weeks, the market has wiped out nearly half of Lonrho's market capitalisation — now down to R4.2-billion.

Worse

Last week's shock cut in the 1991 final dividend and the 24.2% drop in pre-tax profits to £207-million confirmed fears that the group was in trouble. No interim payment will be made this year.

Mr Spicer blames the fall in profits on the recession, but this is only half the story. Lonrho has financed its expansion by borrowing. Although it benefited from this in good times, the interest bill became crippling when profits fell.

Worse still, earnings were hit by the depreciation of Third World currencies against sterling. Lonrho borrowed in hard currencies and invested in weaker ones, resulting in losses. Earnings received from Third World countries were also hit by the weakness of their currencies.

Mr Spicer is indignant about UK press reports which speculated that Lonrho would lose control of the UK import and distribution of Volkswagens and Audis from the end of 1993. The VW and Audi business, started 16

years ago, has been a spectacular success and accounts for more than 20% of Lonrho's worldwide turnover.

Mr Spicer blames speculation in a Financial Times report for a further 50c fall in Lonrho's share price. The report, he said, "was typical of the recent disgraceful press speculation that has been damaging to Lonrho".

He told Business Times that the VW-Audi contract was due for renegotiation only at the end of 1993 and VW had said publicly that as long as Lonrho was run by Mr Rowland and his management team, the contract was secure.

At 74, Mr Rowland is looking for a successor. His style of management is dictatorial and he has a reputation for being a tenacious fighter.

Witness his long court battle with the Fayed brothers about their acquisition of House of Fraser.

Lonrho's Tiny in mystery SA visit

STimes [Buss] 2/2/92

7/18
2/2/92

TINY ROWLAND: Batting



BUSINESS

Taxman reassures foreign investors

Finance Staff

STAR 4/2/92

The recent bout of volatility in the financial rand market is expected to subside after yesterday's statement by the Commissioner for Inland Revenue that non-residents are not likely to be taxed on interest earned in South Africa.

Rumours to this effect last week caused a sharp sell-off of the financial rand, with the finrand dropping to as low as R3,47 against the dollar at one stage.

The Commissioner for Inland Revenue said yesterday the impression which was recently created that all interest paid or accruing to non-residents was now taxable was not correct.

He said in a statement the long-established rules still applied.

As far as interest is concerned, the general principle, contained in the Income Tax Act, was that income tax was levied if interest was received by or accrued to a taxpayer from a South African source.

The commissioner said

the source principle applied to all taxpayers, including non-residents, and meant that the actual source of interest was determined by the place where the credit was made available by the creditor to the debtor.

However, the commissioner said there were various exceptions to the principle, including interest payable to non-residents on capital market stock and some double taxation avoidance agreements entered into by South Africa and other countries.

Non-residents who derived interest from a South African source had the same obligation as South African residents to render income tax returns and to pay the taxes owing on assessment, the commissioner said.

The Department of Inland Revenue was presently obtaining information from financial institutions and others to ensure that taxes which were properly due were collected, the statement said.

FW, Mandela plea for investment

Southern 4/2/92

74B

~~74B~~

~~74B~~

DAVOS (Switzerland) - A public clash here between Mr Nelson Mandela and the chairman of the prestigious World Economic Forum came close to wrecking a carefully co-ordinated approach by the Government and the ANC aimed at inspiring investor confidence.

In an important breakthrough for South Africa's hopes of attracting foreign investment, President de

Klerk and Mandela, for the first time, presented a united front here to the world's most powerful economic and political leaders.

But the moment was marred when Mandela complained - before his illustrious audience - that he had been given less speaking time than De Klerk.

The forum chairman, Professor Klaus Schwab, smoothed over the potential row but Mandela remained

stony-faced as he left the podium.

Before that the two leaders had deliberately put aside their local differences to speak as South Africans to the 1300 mega-industrialists and politicians in the prestigious World Economic Forum - widely regarded as one of the world's biggest concentrations of economic and political muscle.

IFP leader Chief

Mangosuthu Buthelezi also joined in the new spirit of accord with a speech of conciliatory gestures.

All three leaders sounded a common plea to the world's economic giants to divert their development funds and energies to South and Southern Africa.

They were addressing the forum on South Africa's place in the new world order before taking part in a panel discussion with

C

SA still out in the cold for investors - poll

By Shaun Johnson
Political Editor



Those who believe that international businessmen are queuing up to invest in the new South Africa had better think again, according to the results of a Gallup poll commissioned by the London office of the South Africa Foundation (SAF).

In spite of the optimism expressed in South Africa after President de Klerk and ANC leader Nelson Mandela addressed the Davos World Economic Forum, British investors are not convinced of this country's attractions — and there is no reason to believe that their

European and American counterparts think any differently. In influential British circles, South Africa is regarded as being an investment prospect only marginally more enticing than Russia, Czechoslovakia and Brazil, the survey reveals.

The survey, conducted among influential UK fund managers, MPs and journalists, is cause for "considerable concern regarding UK-SA investment and trade", according to the SAF.

"Not only are the levels of ignorance about South Africa surprising, but when it comes to matters of trade and investment it is very clear that SA has not come in from the cold.

Some 25 fund managers, 50 MPs and 25 media figures were polled. Their attitudes suggested a worrying level of indifference towards South Africa — a sentiment which, observers note, could be even more debilitating than active hostility.

Some of the key findings are:

- Nearly half of all respondents believe much of or most apartheid legislation is still in force.
- Close to 40 percent said it would take 10 years or more for South Africa to correct current social, political and economic imbalances.
- Nearly half believed a future South African government would have an economic policy of "free market with partial

State intervention".

- South Africa was regarded as a "medium risk" investment.
- Just less than 70 percent of respondents cited "political instability" as the greatest disincentive to investment.
- "Violence" was cited by close to half of those polled.

The SAF interpretation of the results is that, in spite of the freer climate created by the negotiations process, British decision-makers are not expressing marked interest in investing in South Africa. It is pointed out, for example, that the current generation of fund managers was trained in an environment in which there were little or no dealings with South Africa.

AS roadshows go the European performances of President De Klerk and ANC president Mandela undoubtedly added to the swelling reservoir of goodwill to South Africa.

It was especially true at the World Economic Forum in Davos where the focus was on investment in and trade with post-apartheid SA (PASA).

Backed by a chorus line of SA capitalists of industry, commerce and finance and with Inkatha's Chief Mangosuthu Buthelezi chiming in, there was less counterpoint and more harmony in the serenade of the two leaders to prospective investors.

Unfortunately, of necessity, it was only a familiar overture to the international investment community which still waits for the curtain to rise on the real show.

Since Mr Mandela walked free two years ago, there has been a proliferation of International PASA conferences, seminars and presentations at which every shade of opinion in SA has been voiced. The cloud of ignorance which accumulated during the sanc-

Politics making way for SA's bottom line

...tions years has rolled back.

The number of inquiries I have received in London every week from financial advisers about subscribing to the Financial Mail, Sunday Times and Business Day must have totalled close to 1 500. Stockbrokers, corporate finance directors and fund managers who are interested in the new SA now have large databanks on the country.

Each, too, has a theory about the possible political permutations which can emerge from the constitutional negotiations. But in general terms, according to Jon Bergthell of broker James Capel, which keeps a permanent finger on the pulse of sentiment about SA, most assume that there will be a settlement

which will embrace "some sort of free market".

The sea-change in the history of the 20th century which has occurred in the past three years virtually ensures that PASA cannot afford to be too far out of step with the rest of the world and find itself marching with only the anomalies for company, such as Fidel Castro's Cuba.

So there has been a shift in the weighting attached to investing in SA from the political likelihoods to a more clinical examination of economic prospects and values and returns.

Mr Bergthell says: "The political utterances don't surprise fund managers although it has increasingly become a matter of trying to read between the lines to gauge what kind of economic policy and strategy will emerge in South Africa. "But at the moment they are not turned on by the values they see".

Pending concrete developments in SA, views of value are largely governed by the financial rand discount which is expected to fluctuate as political developments lurch raggedly forward.

It is expected that as a result the financial discount will swing between 5% and 20%, causing buying opportunities at the bottom and profit-

taking at the top for many of those who trade in SA shares.

Mr Bergthell says: "When the discount got down to 7%, values looked too low and many investors pulled back. The message we got was to give them a call when it went out to 15%".

This week with the financial 16% below the commercial rate to the dollar, interest was returning, mainly for big tradeable, high-yield SA bonds, such as Eskom. There is some optimism that inflation in SA may be near its peak and that with rising real yields investors will reap a double benefit

JOHN CAVILL in London

from higher bond prices and an exchange-rate gain.

Mr Bergthell says the decision to tax interest on short-term financial rand deposits has caused "a few jitters", but has not affected "serious investors." Investors want clarification of the ground rules. Because the financial is an offshore currency it need not be deposited with SA banks.

By now most prospective and actual investors can reel off the potential of PASA, its developed infrastructure, availability of labour, power and sophisticated financial markets and the wider rewards to be had if its role as the "engine of growth" in the

sub-continent can be fulfilled. But the ultimate test remains the bottom line of earnings a share and dividend growth.

LONRHO's share price appears to be in a state of neutral buoyancy after the storm of controversy and speculation caused by the profit and dividend slump and moans about the governance of chief executive Tiny Rowland.

Capitalised at £781-million the 600-company conglomerate now bobs on its 40% discount to net asset value while awaiting the next stage in proceedings.

That will come with the full annual report and accounts on February 26 when the balance sheet will be fine-combed by analysts and investors for signs of hope or despair — none more keenly than Old Mutual, the second-biggest shareholder after Mr Rowland, with an estimated 8% of the company bought as a rand hedge at prices well above the current 119p.

A month later Lonrho faces its most exciting annual meeting since Conservative Prime Minister Ted Heath dubbed it the "unacceptable face of capitalism" after a three-year investigation by Department of Trade inspectors into alleged irregularities under the Companies Act.

Its criticisms of a raft of activities, from deals done in Rhodesia — which led to Lonrho finance director being briefly detained by police in SA — to offshore payments for the then chairman Lord Duncan-Sandys to expenses charged to Lonrho by Mr Rowland.

The 660-page report's conclusion was milder than that of the investigation into the late Robert Maxwell's which said the press tycoon was not "a fit person" to be in charge of a publicly quoted company. In chief, the report said that Lonrho needed a board which could provide "an independent check on its executive" and added:

"We believe that Mr Rowland has a great deal to offer Lonrho and its shareholders, but his achievements will be all the greater if he will allow his enthusiasms to operate within the ordinary processes of company management."

Lonrho rejected all the points — as it does most criticism — and today it is still resisting pressure for independent directors.

Its damage-limitation exercise has led Mr Rowland to talk to the big funds which hold stock in Lonrho, but still not to stockbroking analysts — he still holds the City in disdain. His failure to communicate with the people who advise market makers in the stock remains a major flaw.

Analysts, who are tentatively recommending Lonrho as a high-risk buy because of the underlying value of its businesses and calibre of on-line management, believe the downside is limited.

But much hangs on whether Lonrho's balance sheet sends a positive signal and how Mr Rowland handles the annual meeting — even though he never speaks at these occasions.

However, some plausibility is attached to the rumour that Gencor — ex its rights issue — may find Lonrho a tempting investment at the present price. It is what one analyst called "a decent market rumour".

The thesis is that while Gencor would not be interested in Caribbean hotels or Scottish newspapers, it would find Lonrho an interesting investment when it unbundles its interests.

I still back second tier



By DAVID COBBETT, director of Simpson McKie Inc

FOLLOWERS of the investment scene are familiar with the phenomenon of the two-tier market.

The first tier comprises shares favoured by the major institutions and the second (by far the majority) not so blessed because of smaller market capitalisation and restricted marketability.

In an article published in Business Times a year ago I waxed eloquent on the values to be found in this second tier and ventured to make some selections. Readers will not be slow to conclude that if I now return to the subject it is because I have a good story to tell.

Last year was surprisingly good for investors in industrial shares. From the date of my article to February 6 the

JSE industrial index rose by no less than 56%.

The performance of my selections in that time is given in the first table.

Possibly fortune favoured my selections. But the fact that all six produced excellent results came as no surprise to those who studied their records.

Their relative obscurity resulted in all six being neglected by the market and they were patently undervalued. To a large extent this has been corrected and at least two (African Life and Santam) have now attained institutional recognition.

Although their prices have soared, each of the six to my mind still offers above-average value and I can certainly see no reason to sell any of them.

Skilled

As we enter 1992 the two-tier market remains intact and bargains are still to be found. But all share prices are much higher than a year ago and with no light yet on the economic horizon only a genius or a gambler can hope to repeat 1991's performance.

In giving six selections for the coming year I limit my aim to demonstrating again that carefully chosen second-tier shares can offer better value and, in terms of market prices, better security than the high-flying market leaders.

If I beat the JSE industrial index in the next 12 months I shall be content.

What that index will be is a very different question. My six selections are in the second table.

ABS Holdings describes its business as "the adding of value to standard computer hardware by means of skilled staff and specialist software".

Vow

I am of a generation that has difficulty in grasping exactly what ABS sells, but I like the people who run it and the figures they produce. The recent annual report exudes optimism.

Autopage is controlled by Altech, which is a recommendation in itself. It leads the fast-growing radio paging business and is diversifying into financial information services.

Interim profits were 15% up on the previous year.

Table 1

Market	Price 18.1.91	Market Price 6.2.92	Dividends Received	Return		
				Capital	Income	Total
African Life	135c	285c	14.2c*	111.1%	10.5%	121.6%
Currie Finance	370c	700c	43c	89.2%	11.6%	100.8%
Datakor	95c	170c	9.5c	79%	10.0%	89
Santam	215c	510c	33c	137.2%	15.3%	152.5%
Unihold	120c	175c	19.8c*	45.8%	16.5%	62.3%
WB Holdings	225c	370c	21c	64.4%	9.3%	73.7%
Average				87.8%	12.2%	100%

* taking scrip alternative

Table 2

Market price 6.2.92	Historic Yield	
ABS Holdings	50c	9.0%
Autopage	135c	5.9%
Karos Hotels	150c	—
Omnia Holdings	430c	7.9%
Otis Elevator	270c	7%
Sable Holdings	1 025c	4.4%

most good things) they are not easily obtainable.

Omnia Holdings holds a comfortable 25% of the fertiliser market and has diversified into explosives, seeds and farming.

The company has vowed to reward shareholders for their sufferings when the fertiliser market was a jungle and the recent 50% jump in the interim is an earnest of this intent.

Otis Elevator's recent purchase of Melcor, its main competitor, adds glamour to this company. Still under the control of its US parent, Otis is confident that, after a rough patch two years ago, its profits, unlike its products, will only go up.

The chairman tells shareholders that they "can look forward to increased dividends in the years ahead".

Yielding 7.5% on last year's payment and with the Melcor acquisition still to make an impact, the share has all the potential of being

a real winner. The forthcoming rights issue should provide a good buying opportunity.

Sable Holdings, having sold its Steiner Service business to Bid Corporation, is sitting on more cash than the company's market capitalisation. It also has a sound property portfolio worth probably R5 a share.

Warning

John Nash has yet to decide what to do with the money, but with the family owning 80% of the shares he is not likely to do anything foolish. A long shot is that he may elect to buy out minority shareholders.

A word of warning. This year's selection is more adventurous than the previous one and the market in some shares is limited. Buy them by all means (if you can), but my first choice for solidity and growth remains the 1991 list.

R60m for clean-up

WORK is progressing at one of the world's largest wastewater purification works north of Sandton.

The R60-million contract has been won by Gillis-Mason Construction and the project at the northern wastewater purification works is expected to be completed by April next year. There will, however, be a phased hand-over of some sections before then.

The contract includes 28 circular concrete tanks 25m to 35m in diameter and 5m to 6m deep, four rectangular biological reactors, a 40 000m³ balancing tank and a chlorine maze and aeration one.

All about Africa

CSIR Information Services has launched the Africa Information Unit to capitalise on opportunities in Africa.

The unit will provide South Africans with information about Africa from databanks, journals, newspapers and specialist reports.

It is also in contact with national and international institutions and research organisations involved in Africa.

The unit's range of specialised services include a business network database which provides business and government contacts in specific countries.

WEEK IN BRIEF

A SUMMARY of the week's corporate announcements. MONDAY: Dorbyl warns. Penpln delists. Mediclinic warns. Unicon, Unidev warn. M-Net's rights offer 106% subscribed.

PITAL

PANDING

MPANIES

finance to entrepreneurs and industrialists starting or

3.0 million, is available to applicants who

FNB sets sights on British subsidiary

FIRST National Bank is to ask shareholders for R550m to help establish a subsidiary in the UK and to recapitalise its Swiss finance company, says senior GM and chief financial officer Vivian Bartlett.

Bartlett said yesterday FNB felt market conditions were right now to raise funds.

Details of the issue will be made known on Monday, February 17, according to a statement to shareholders published today.

The Swiss subsidiary has been in existence for years although Bartlett was reluctant to provide details of the operation.

The proposed UK operation was the subject of a feasibility study last year.

In today's announcement FNB said that the proceeds of the rights issue would provide FNB with additional capital, which would strengthen its ability to "maximise opportunities for appropriate, profitable growth in both the domestic and international markets".

This follows the announcement in the annual report that the group is investigating opportunities to expand its operations to other, unnamed countries.

8/1/92 10/2/92

JABULANI SIKHAKHANE

News of the rights issue comes after strong denials by FNB in December that it was planning a rights issue.

Market speculation at the time suggested that the banking group would need to raise between R1bn and R2bn because of the capital constraints on growth imposed by the Deposit-Taking Institutions Act.

Analysts felt FNB needed capital to grow its asset base. In the past few years the banking group had restrained its asset growth to concentrate on quality business.

The 1991 annual report said the group had a total capital adequacy requirement of 8%. The Deposit-Taking Institutions Act says institutions should maintain capital equal to 4,5% of risk adjusted asset and off-balance sheet transactions.

By 1995, deposit-taking institutions would need to lift this to 8%.

At the end of the 1991 financial year, FNB had a 1,1% return on total assets.

The group shares closed at R58,50 on Friday from R54 at the start of the year.

SA 'not investing enough for economic development'

SA IS not investing enough to ensure economic development that would benefit all communities, and should recognise the need to establish a political and economic framework conducive to investment. *By Day 10/2/92*

This view was expressed by the economic and financial department of French bank Paribas in a study published in its journal *Conjoncture*.

Paribas said government and the ANC agreed that an upturn in growth hinged on investor confidence.

Excessively rapid population growth (3% a year) and the resulting difficulties of integration in the eco-

SHERIDAN CONNOLLY

nomy would make it imperative for the level of unemployment to be stabilised, Paribas said. *(74B)*

Lifting sanctions and the settlement of the debt problem enabled SA to promote an ambitious growth policy by revitalising investment and private consumption. Foreign currency earnings from exports would enable SA to import capital and intermediate goods needed to expand its production capacity and build up a manufacturing industry.

Its re-emergence into the world

economy should enable it to change the protected nature of its economy and concentrate its resources on sectors in which it had a comparative advantage, such as textiles and iron and steel. *(40)*

ADRIAN HADLAND reports that a code of ethics for investment in SA will be discussed at a conference in Broederstroom near Johannesburg today. The conference, hosted by church organisations, will be attended by representatives of business, trade unions and political bodies.

● See Page 13

FNB looking at UK subsidiary option

8/Day 11/2/92
SHARON WOOD

FIRST National Bank was still determining the business case for opening a UK subsidiary and its establishment would depend on whether it would generate the right returns, senior GM and chief financial officer Vivian Barlett said yesterday.

The subsidiary was one of the options FNB would consider capitalising with the proceeds of a R550m rights offer. The bank had also not made a decision on whether the Swiss financing company would become an FNB subsidiary.

If the bank decided not to expand

its overseas interests it would use the money for local operations.

The rights issue would raise FNB's capital adequacy ratio from its present 8% to 10%, including second tier debentures.

FNB would have been under pressure if it had remained at the former capital to asset ratio of 8% because inflation and growth in assets would have had a debilitating effect on the capital/asset ratio. All banks were required to achieve 8% capital ade-

quacy by 1995 in terms of the Deposit Taking Institutions Act.

743

An analyst said the size of FNB's rights issue could have been restricted by the ability of Anglo-American Corporation to follow its rights. Anglo which holds 22,5% of FNB, has been squeezed for cash lately and last year had to auction its shares in Gencor and a portion of its holding in First National Bank.

Based on FNB's rating on the market, it could easily have raised more than R550m, he said. FNB's shares have risen by R28,50 to R58,50.

GH Marais
awarded
Bulawayo (74B)
Biday 11/2/92
contract

Business Day Reporter

ENGINEERING firm G H Marais had been awarded a Z\$30m contract as consulting, electrical, electronic and mechanical engineer for a shopping centre to be built in Bulawayo, the firm said yesterday.

The centre will be the largest in Zimbabwe.

The firm, which was involved in the construction of similar shopping centres such as Sandton City in Johannesburg, will handle the design of electrical and mechanical services for the centre, including lighting, fire-fighting and security.

Construction is to be financed by the Mining Industry Pension Fund (MIPF) whose CE, Sam Nkomo, is the brother of Zimbabwean vice-president Joshua Nkomo.

The contract represented a major breakthrough to carry out similar projects in the future, G H Marais chairman Ferdie Geyer said in a statement.

"While the business sector of Zimbabwe has at its disposal a fairly strong infrastructure, there is still considerable scope for expansion and the need for large shopping centres is increasing," he said.

Geyer said the firm would use its offices in Zimbabwe to establish new links with other countries in Africa.

He said the company was looking at undertaking projects in Kenya and Angola.

The contract was awarded to G H Marais as they had already established a company in the country, Nkomo said.

The MIPF manages assets of over Z\$500m and its property portfolio is worth about Z\$100m, Nkomo said.

The fund planned to invest in similar projects throughout the country.

London coup for SA businessman

B1000 12/2/92

LONDON — SA businessman Hugo Biermann yesterday bounced back on to the London Stock Exchange with a £15.2m deal, heavily backed by British and US institutions.

With Nick Toms, a friend since their student days at Stellenbosch, Biermann is making a reverse takeover of a shell company, Pathfinder, by injecting two distributors of electronic and electrical cables. The deal means that Biermann and Toms will jointly hold 26% of the enlarged Pathfinder, to be renamed Maddox Group.

Biermann will become executive chairman on an annual salary-pension package worth £153 000 with Toms as joint deputy chairman on £141 000. Pathfinder's current chairman, Stephen Hargrave, is the other deputy chairman.

The deal marks the return of Biermann three years after he and his SA partner Julian Askins pulled off one of London's biggest coups. In 1986 they acquired control of Thomson T-Line, valued at £800 000.

Three years later, after a string of deals which included taking over the Vernons football pools firm, Thomson T-Line was sold for more than £180m to Ladbroke's, the giant leisure and gambling group. Askin returned to SA to run Tollgate while Biermann stayed on to manage the part-

JOHN CAVILL

ners' overseas interests.

One was Seacoast Electric, based in New York and the biggest supplier of cabling to the US Navy, and which is now moving into the offshore oil and gas market as well as industry. The other is Cables and Flexibles of the UK which was part of Thomson T-Line and which was bought back from Ladbroke's last year.

Combined sales of the two companies are £30m and it is expected they will make £2.5m before tax in a full year.

Part of the restructuring involves the placing of new shares in Maddox to raise £7.2m — all of which have been placed in Britain and the US.

"We have had tremendous support from the institutions on both sides of the Atlantic — Massachusetts Mutual insurance alone will hold 10% of the group," said Biermann, son of SA's former Defence Force Chief Adm Hugo Biermann.

"The prospects are exciting. We are aiming to be a leading force in the market for cable and wiring systems, especially for computers and telecommunications."

Biermann has plans for acquisitions to boost Maddox further.

Investor cruises in to Walvis Bay

KENYAN businessman Madat Abraham took a walk in Walvis Bay a year ago during a world cruise on the QE2. Four hours later he was owner of a prime commercial site in the middle of town, bought from Spoornet for R500 000.

Construction is due to start next month on the Baystar Mall, a shopping centre to be built in two phases. The site is bounded by Seventh Street, Thirteenth Road and Sixth Street. *6/Day 12/2/92*

Abraham, on a visit to Johannesburg this week, described himself as an "international investor", with his main interests in Kenya and California.

"Before coming to SA aboard the QE2, I had made an in-depth study of the country," he said.

"We called at Durban and Cape Town, and then at Walvis Bay. I took a walk in town, and was fascinated by the place.

Business Day Reporter

"I have interests on the Pacific Ocean, and it seemed a good idea to have something on the Atlantic. Within four hours I had bought the property." *(12)*

Abraham says he has had a lot of inquiries from Cape Town about the centre, and from local shopkeepers anxious to move to the prime position. He expects the centre to provide 250 new jobs.

Abraham is surprised at South Africans' lack of knowledge of Walvis Bay.

"It seems to me that 90% of South Africans know nothing about the enclave.

"There may be tension in Durban, Johannesburg and Cape Town, but Walvis Bay is serene." *(1413)*

Walvis Bay architect Even Mackintosh has designed the Baystar Mall, and the agents are J & B Estates.

Politicians fiddle while SA crumbles

Sowetan 12/2/92

~~74B~~

74B

~~74B~~

~~74B~~

STRONG signals of substantial economic investment in South Africa have been coming into the country recently, and on Friday, the president of the International Monetary Fund, Mr Lewis Preston, is expected to arrive here.

And last night a top Washington lawyer told a South Africa Foundation forum in London that the World Bank was preparing, within four years, to make this country the largest recipient of aid on the continent - Nigeria, the largest to date, has presently received more than R15 billion.

All of this could mean absolutely nothing because it appears as if the single criterion for investment in South Africa, according to the ANC, PAC and Azapo (to name but three political movements), is not widespread hunger, rampant poverty and creeping economic deprivation or stagnation, but reaching a "satisfactory" political settlement.

The Government, on the other hand, uses the investment issue as a battering ram against the ANC in the current electioneering campaign, or constituency-building, as it were. . .

It does so with a perceived disregard for the current carnage and mayhem in the country.

When State President FW de Klerk arrived from Europe on Monday morning, where he addressed investors and met world leaders, he was as bouncy as a newly married person - complete with that smile of benign delight pasted on his face.

De Klerk told a snap media conference at Cape Town's DF Malan Airport that he felt "bullish" about South Africa's future, and that there was growing trust in

FOCUS

By ISMAIL LAGARDIEN
Political Correspondent

South Africa's future among all the political and business leaders in Europe.

The biggest concern among all business and political leaders, however, was that the future must hold some kind of guarantee of safety for investors' money.

De Klerk promised them protection, and repeated this upon his return to South Africa this week.

Protection

The Government would make sure that some legal protection was built into any new constitution to protect investors from abuse of power by the rulers in the next South Africa, he said.

In stark contrast, the ANC last week stressed - perhaps quite correctly - that it would not, as a government, feel bound by any loan agreements entered into with the present administration.

This is perhaps better summed up by the analogy that if any person buys a house, that person cannot be held responsible for debts incurred by the previous owner - not unless there is some kind of prior agreement to this effect.

This is perhaps also why the ANC says it would only approve lifting economic sanctions when an interim government is in place.

Be that as it may, an interim government or transitional author-

ity will be an extremely tentative scenario, given the fact that real elections for the real next government of the real next South Africa was still not a reality. . .

It will take careful if not cunning political reasoning to secure loans and development aid for the next South Africa, now and during the interim government stage.

South Africa is fortunate in that it has for many years been unable to secure any foreign loans; this effectively means that the country has very little foreign debt.

Between the rigours of apartheid and the subsequent sanctions campaign, the country has been shredded into fragments of great deprivation and, needless to say, the present drought does nothing to ameliorate this situation.

An obvious and logical next step, in any other normal country, would be to seek foreign aid from the Bretton Woods institutions - the International Monetary Fund and the World Bank.

But, this is not yet possible, for two reasons. One is because of the sanctions campaign; the other is, to a great extent because of apartheid.

Coupled with the economic recession in the country, and the deficit in the Budget, there appears to be no way out of South Africa's economic misery.

Not for as long as both Government and its extra-parliamentary opposition still choose to use investment and sustainable economic growth as a political weapon.

This way of determining South Africa's economic growth through the ideological ordering of society is succinctly summed up perhaps by the ANC's refusal to allow the Independent Development Trust to accept R100 million loan to help fund a national

school and clinic building programme.

The ANC's reply to the argument, and indeed to black people for whom the schools and clinics were to be erected, is that the money would "bust economic sanctions".

The Government too, and especially De Klerk, is not entirely committed in its search for economic solutions in South Africa.

De Klerk has become such a gad-about that he has aircraft landing gear for legs and safety belt imprints across his lap, while in horrendous counterpoint the country is quite literally coming apart at the seams.

Murderous violence continues to rack the social fabric of the country. Black education is in a pathetic state.

Evidence

Reports and evidence is published daily about either South African Police or military involvement in the political violence in the country.

The country is trapped in a vicious recession. Serious drought is threatening to destroy millions of hectares of farmland.

And all of this is happening against the background of a spontaneous uproar across the country over the indiscretion with which criminals are being released into a society already riddled with crime and violence.

At exactly what point investment, economic stability and sustainable economic growth can be encouraged in South Africa is not clear at this point, but what is clear from the indications is that it doesn't matter among politicians that there is not enough money, jobs, schools, clinics, personal security and confidence to go once around the country

'Bargains for Africa' on Spain's Costa del Sol

B/day 12/2/92
743 3070
PETER GALLI

MARBELLA — SA property buyers looking for a bargain abroad are in luck. The economic recession is taking its toll on property markets worldwide, and the Costa del Sol in the south of Spain is no exception.

The falloff of European buyers, added to huge overdevelopment and foolhardy speculation, has resulted in a substantial drop in prices, with desperate sellers often lowering prices by as much as 40%.

SA buyers in the Costa del Sol area are not uncommon, particularly in the Marbella area, as some developments have been marketed in SA over the past seven years.

Marketing these properties was started through a company called Fincasol, says Phillip Coates, Spanish marketing and sales manager for the UK-based group, Y J Lovell.

Reserve Bank restrictions on the movement of capital have severely hampered the sale of properties to SA buyers, and only those with access to offshore funds have been able to invest. But this has not deterred the marketers.

"The economic climate has forced us to look at markets outside our traditional ones," says Coates. "We have targeted SA and Japan, though both are difficult markets."

Visits by prospective SA buyers, arranged last year, are now under way, with SA offering "good potential", particularly as it regains its place as a major economic player in the world.

Y J Lovell is offering units in two developments, Pueblo Aida and White Pearl Beach. While both will appeal to the SA buyer, they are vastly different. "White Pearl Beach offers a fine lifestyle and unique location, and is also popular with the upmarket European buyer. Pueblo Aida is more on the lines of a typical Spanish villa development — and cheaper."

Units at White Pearl Beach, on the Marbella beachfront, are similar to many of the upmarket developments on the Cape seafront. Including terrace areas, one bedroom units offer 126m², rising to 341m² for a four-bedroom unit.

Prices start in the region of

\$200 000 and move up to \$850 000 for a penthouse apartment, but are negotiable.

Units at Pueblo Aida, situated inland but with sea views, tend to be smaller but more realistically priced — from about \$100 000, which compares favourably with similar "second home" developments in SA.

"We expect this development to be the more popular with SA buyers as it is a replica of a Spanish village, with cobblestone paving, narrow streets and the village atmosphere," Coates says.

While Spanish property developers and marketers do not expect a surge of demand from SA, they believe there is a market that needs to be identified.

Political developments have brought SA companies acceptance abroad, and the possible establishment of offshore subsidiaries could see a demand for overseas homes.

"The Costa del Sol is ideal for this purpose as it offers a similar climate to SA's, spectacular scenery and easy access to central Europe and North Africa," says Coates.

Talks with France and Hungary

SA seeks new tax deals to lure investors

BIDay 13/2/92

320 600 74B

SA is negotiating new tax agreements with its trading partners in an effort to attract foreign investment.

Inland Revenue director Ian Meiklejohn confirmed yesterday his department was negotiating double tax agreements with countries where no agreements existed.

Inland Revenue commissioner Hannes Hattingh and leading tax officials were in France and Hungary last week to start negotiating the agreements, which would be more attractive to foreign investors than the current taxation method, he said.

A similar agreement with Taiwan was near finalisation. Negotiations with other major trading partners, including Eastern nations and the US, which terminated its double tax agreement when it imposed sanctions on SA, were likely to follow.

"SA is getting back into international traffic and we need to negotiate agreements which will encourage foreign investors to come here," Meiklejohn said.

He declined to comment on the terms of the agreements because these would have to be approved by Cabinet.

Most double taxation agreements are based on the standard OECD model where the signatories agree to limit the taxation of foreign investors' income to a certain percentage of that income.

While SA has maintained tax agreements with some countries — such as the UK, Israel, Germany and the Netherlands — during the sanctions years, investors from other countries have to pay normal income tax on interest earned from SA investments other than gilts.

On dividends, foreign investors pay non-resident shareholders' tax of 15% or less if

LESLEY LAMBERT

there is a double agreement with the investor's home country. In most cases they are also taxed in their home countries.

Recent warnings that the tax authorities would continue to enforce the existing method of taxation sent the financial rand plummeting as disgruntled investors became bulk sellers of the currency unit.

The pending Taiwanese agreement is based on the standard OECD model but others, particularly those with European countries, may follow the more recent international trend in which the sole right of taxation is limited to the resident country.

If this is the case, foreign investors will not be taxed in SA and South Africans investing in foreign countries will not be taxed abroad on investment income.

Responding to concern that this could give foreign companies an unfair advantage over local companies, Meiklejohn said this could happen where the rate of tax imposed by the foreign investors' resident country was lower than SA's.

In the past, SA had a 10% withholding tax on foreign investors' interest income. But it was merely granted as a credit on assessment if the interest was subject to normal income tax.

Some tax experts say Inland Revenue should reinstate a low fixed-rated withholding tax on foreign investors' local investment income but exempt it from normal income tax.

This would make it easier for investors, many of whom are not disclosing their investments, to submit returns. The fiscus would then collect more revenue, they say.

Foreign investors 'allies of oppressor'

74B
STAR 14/2/92

By Carina le Grange

Foreign companies and banks that thought of investing in South Africa now were allies of the oppressor, South African Council of Churches general-secretary Dr Frank Chikane said in Broederstroom yesterday.

He said the time to lift economic sanctions would come only when all South Africans had been given maximum participation in decision-making on matters affecting the country and their future.

Dr Chikane was speaking at a press conference at which a draft code of conduct with regard to investment was announced after a four-day consultative conference.

Influence

The title of the code is "Towards a Code of Investment: Ethics for South Africa's International Economic Relations".

The consultation was organised jointly by the SACC, the South African Catholic Bishops Conference, the Institute for Contextual Theology and the Kagiso Trust.

The proposed code of conduct would not be an economic policy document, however, but would "influence and complement" Government actions and domestic and foreign companies after sanctions were lifted.

Initial suggestions include provision for the monitoring of such a code.

The document emphasises social and moral obligations and says foreign investment should be regarded with caution since it "tends to withdraw wealth out of the country".

Advance

Guidelines include suggestions for affirmative action to advance the position of black people, and women in particular, as well as to redress the urban/rural imbalance.

No date has been set for the formalisation of such a code. This could be done only after wider consultation with all the interested parties.

More immediately, a call was made on the church to establish an ecumenical task force on economic matters.

The corporate community was urged to take part in the transformation of South Africa by adhering to ethical codes of conduct in keeping with the priorities of the people of the country.

outen abducted in broad daylight from the taxi rank in Vereeniging, Some of the girls being abducted th

Mandela bid to ease investors' fears

By SEKOLA SELLO

THE ANC, reeling from international opposition to its economic policies, is considering adopting an investment code to encourage foreign capital.

The issue of an investment code comes in the wake of Nelson Mandela's recent trip to Europe, where he encountered open hostility from leading in-

dustrialists about the ANC's nationalisation policies.

Mandela, speaking to journalists at his Soweto residence yesterday, said that as long as a future ANC government maintained its policy of nationalisation, it would drive away potential investors.

In a rare admission of the consequences of nationalisation,

the ANC leader said: "As long as we maintain nationalisation, we will not get investors."

Mandela and members of the organisation's national working committee went into a three-day retreat this week to have an "in-depth look into the overall political situation, ways of addressing the fears of minorities and the peace process".

The issue of nationalisation and the attitude of big business was also discussed and the matter will be dealt with at length at the organisation's economic policy conference in April.

At the end of the session the ANC reiterated its opposition to a whites-only referendum on constitutional changes. It also rejected regional self-determination.

Stanbic to boost foreign investment flows into SA

The Argus Foreign Service

LONDON. — Standard Bank Investment Corporation's London subsidiary will be making a market in South African equities and bonds this week.

The rationale behind the move is to boost South African equities trading in international markets and to encourage investment flows into South Africa, said Pieter Prinsloo, chief executive of Standard London, Stanbic's UK unit.

Moreover, such a presence abroad will help South African corporations raise foreign finance, he said in an interview.

Standard will be the first South African banking institution to make markets in shares.

Alan Beuthin, head of equity and foreign trading believes that Standard's presence will help boost liquidity in the volatile and thinly traded South African equity market. Standard's London subsidiary has become a member of the London Stock Exchange.

The entry of Standard will hopefully make pricing of South African shares more competitive, says John Taylor, an analyst at James Capel, agency brokers which are active in the South African equity and bond market. Keener market making should help boost trading volumes and investment, he says.

Ray Davis, who is in charge of Smith New Court's South African dealings welcomed a "committed market maker" such as Standard.

Smith New Court, which also trades South African equities on Nasdaq, the over the counter market in the US, is by far the leading market maker in South African equities, say brokers.

Other less active market makers are Credit Suisse, First Boston and Warburg Securities, they say.

De Beers, Driefontein and Anglo American are the most actively traded South African shares in London.

But other leaders, notably Kloof, Vaal Reefs, Free State Geduld, Ofsil, Richemont, Rustenburg and Impala have spreads between bid and offer prices of as much as three to five percent.

The gap between buy and sell prices of less active South African counters is as wide as 5 to 10 percent or more. Clearly the wide spreads and volatile prices on small volumes are a disincentive for foreign institutions which are potential investors in South Africa, say market participants.

Standard London intends contacting corporations, institutions and foreign players to boost volumes, says Mr Beuthin.

As a starter, Standard London is the lead distributor of the bull-bear two-year Transnet Elfi IV bond issue, he says.

Standard, however, is entering a tough market. Dealers say that there is too little business for too many brokers and the market desperately needs a gold and metals boom to raise

overall trade.

In January, for example, South African share trading accounted for less than 1 percent of the £27.7 billion (R139 billion) of foreign shares traded on the London Stock Exchange's "SEAQ International" screens. The Australian share was even lower and that market is even more illiquid than the South African one.

Besides equity market making, Standard London, is in the process of forming a bank specialising mainly in Southern African trade, corporate finance and investment.

It is presently involved in discussions with the Bank of England to eventually obtain a banking license in the United Kingdom.

If Standard London meets requirements of the Central Bank, it will be the first South African Bank to obtain a UK banking license since the country's debt moratorium in 1985.

Since the moratorium, South African banks have had either branches or representative offices in London. Following Standard Chartered's sale of Stanbic in 1987, the South African bank set up a small representative office in London. It also bought a trade finance and countertrade company, Ludgate Advisory Services.

Ludgate, among other activities, serviced UK corporations in the use of South African debt to help them finance operations in South Africa. It has been renamed Standard London and will be the central operating unit of the institution.

7/14

ARG 17/2/92

Kenyans seek to nurture SA links

3/10/92 17/2/92
A FOUR-man delegation from Kenya's Investment Promotion Centre (IPC) and Export Processing Zone Authority (EPZA) is in SA to establish high-level contacts and broaden the base for commercial interaction between Kenya and SA.

Group leader and IPC chairman Joseph arap Letting yesterday said Kenya had a lot to offer the SA investor, including a well-established market economy, efficient public and private sectors and well-developed infrastructures.

"Now that SA has emerged from its isolation, Kenya's track record and its consistent business acumen can offer SA investors opportunities second to none."

The IPC was established to promote in-

SHERIDAN CONNOLLY

vestment and help investors in Kenya. It offered a "one-stop" approval system, quickly processing project applications and obtaining relevant approvals on behalf of the investor, and provided information on investment opportunities and incentives offered by Kenya's authorities.

EPZA CE Silas M'Njamiu Ita said yesterday that investors who produced 100% for the Kenyan export market would be relieved of exchange controls and import duties. Investors would operate within a liberalised system and would be given the necessary support and advantages to export competitively.

Anglo's Boyd backs tight monetary policy

STAR 19/2/92.

~~743~~ (743)

The Reserve Bank's tight monetary policy must be supported in an effort to reduce inflation and attract new investments, says Anglo American deputy chairman Lesley Boyd.

He told the conference investments were the most effective way of achieving growth.

However, he said, to encour-

age new investments there had to be a climate of certainty, lower real interest rates, lower company tax and tax incentives — in order to make South Africa world competitive in attracting investors.

To achieve lower inflation, he said, there would have to be

lower wage demands from unions and more resolve by employers to settle wage and salary increases at sub-inflation levels.

With regard to taxation Mr Boyd stressed that many industrialised and even developing countries had tax rates significantly lower than South Africa's. — Sapa.

SA firms look to Gibraltar interests for route to EC ^(74B)

THE Gibraltar government has received several inquiries from SA companies hoping to take advantage of investment and business opportunities offered there.

One area targeted for development is the banking and financial sector.

"While we have not yet been approached by SA financial institutions hoping to establish an offshore base, we are optimistic as

PETER GALLI ^(74B)

SA banks compare well internationally," Gibraltar's banking supervisor Mike Davidson said in a recent interview.

He said SA banking and financial institutions were welcome in Gibraltar, which would give them a foothold in the EC. Tax concessions offered would be an advantage.

The Reserve Bank had to encourage external investment as this would see profits and income flow back into Gibraltar. The outflow of capital was necessary to facilitate a corresponding capital inflow, Davidson said.

Once a bank was licenced in Gibraltar, it could expand to the EC without seeking individual licences, he said.

Trade and Industry Minister Michael Feetham will lead a delegation to SA in April.

He said SA financial institutions had kept up with international developments and would easily integrate and become accepted abroad.

Pam Golding takes a position in Spain

282
188
Biday 19/2/92
PAM Golding Properties' decision to establish an office in Marbella in the south of Spain offers interesting opportunities for the expatriate South African who is considering buying abroad.

Apart from offering prospective buyers an agency that is SA-based, the office manager, Ian Waudby, spent much of his childhood in SA.

"We are looking at offering the expatriate or person with offshore funds a feasible property alternative to the home he could buy in SA. While many of the developments cater for the second home market, they are quite suitable for permanent residence," Waudby said in an interview in Marbella recently.

The Spanish property market, like those in the rest of Europe and the US, is battling under the world economic recession and overdevelopment during the boom years of the late '80s.

Prices have fallen by about 25% on average, but buyers can pick up bargains at discounts of up to 40%.

Snapped up

"The prices are now more realistic as the boom prices were artificial and inflated. Despite the large availability of stock, bargains are being snapped up by both foreign buyers and Spanish buyers," Waudby said.

Pam Golding Properties already has sole mandate to market units to local buyers in a number of developments on the Costa del Sol, including upmarket apartments, townhouses, leisure and golfing resorts.

One such development is La Zagaleta, previously the Spanish estate of international arms dealer Adnan Khashoggi. The 1 000ha estate was sold for just more than \$40m and individual plots are currently being marketed.

Only 25% of the total area will be allocated for plots, which will range from 3 000m² to 10 000m². While plot prices are selling at an average of \$90/m², buyers have to purchase a share of the estate and

its facilities and membership of the Club de Campo, at a price of about \$300 000.

The development offers an equestrian centre and game drives and shoots, with the original homestead being renovated and serving as the clubhouse. This has facilities such as restaurants, a disco and ten pin bowling alleys.

Grupo Banco Bilbao Vizcaya (BBV), the largest property player in the Spanish market, with a portfolio of more than \$1bn, also believes its developments on the Costa del Sol offer the SA buyer good value.

"Our speciality is golf courses and we have \$200m worth of developments for sale, under construction or in the pipeline. We are offering two developments at present," BBV realty director general Christer Rosen said.

Aloha Gardens offered 1 345 units in three phases around a golf course set on a 200ha estate. Units are priced at between \$100 000 and \$200 000, with 159 out of the 240 units available in the third and last phase.

The second development, La Chinta Golf, already boasts five SA buyers, and offers 1 500 units around a 27-hole golf course. "The SA market consists almost exclusively of expatriates who seek a second home in a similar setting but in another country, or who want to retire to an area that offers easy access to Europe," Rosen said.

Spanish property players all agree the market is bottoming out, and will probably only begin to boom again around 1995.

Y J Lovell (Spain) sales marketing manager Philip Coates said 1992 would put Spain on the map as it was "the cultural capital of Europe", and hosted the Barcelona Olympic Games and Expo 1992.

"This will make the consumer aware of Spain as a feasible alternative which, combined with its excellent climate and competitive prices, should see active buying interest as soon as world economic conditions improve," he said.

3054-88 (114B)
PETER GALLI

Call for major export drive

Sanlam pours R20bn into investments

8/ Aug 20/2/92 (14B) (14B) (14B) (14B)

CAPE TOWN — Sanlam had committed R20bn to investment projects, the life assurer's chairman Abie van den Berg said at the company's annual meeting yesterday.

He said the capital had either been invested in recently completed projects or would be invested in projects that would be completed during the next five years. Van den Berg said the R20bn was roughly equal to the value of SA's annual gold production or a quarter of the annual national Budget. The larger Sanlam group of companies employs more than 450 000 people.

"A new gold mine and expansions to other gold mines as well as platinum and coal mines are some of the ventures involved. Investment in ferro-alloys, alloy steel, paper and wood pulp, liquid energy and a large variety of smaller industrial investments, ensure that our group is well represented in the most important mining and industrial industries."

Van den Berg said property investments in new areas of development created by urbanisation made up more than 100 000m² and were increasing.

In the year to end-September the market value of Sanlam's assets increased by 33% to more than R50bn. Investment income of R3,4bn was earned.

In his chairman's statement Van den Berg called for a greater degree of fiscal discipline. "It is essential that the rate of increase in government spending be strictly controlled and that this expenditure be financed in a non-inflationary way if we wish to prevent inflation from getting out

LINDA ENSOR

of hand, with disastrous consequences for the country in the longer term."

It was of the utmost importance that the confidence of local and foreign investors be restored. The support of foreign investors, bankers and businessmen would be forthcoming only if the safety of capital was guaranteed, attractive returns could be earned, the tax system was fair, unrest declined and strikes occurred only within reasonable limits, and if the political system was economically justifiable.

Foreign capital would be vital to achieve economic growth and foreign support for the enormous task of social upliftment was essential, Van den Berg said. He said the achievement of a higher rate of economic growth would also require a drastic improvement in the export drive.

"What we need is a comprehensive export strategy thoroughly planned by government in consultation with the private sector, to make us far more export-orientated." Manufactured and beneficiated goods would increasingly have to replace raw materials as the mainstay of foreign earnings.

In his seconder's address Transnet MD Anton Moolman said SA would not be able to count on large-scale foreign assistance in future and would have to exploit the inherent strength of its own economy.

Government had neither the funds nor the ability to lay the foundations for the country's socio-economic future, Moolman said, and the business sector would have to assume greater responsibility.

Mike Siluma reports that investors should observe certain guidelines

An economic balancing act

STAR 21/2/92

74B

DURING his appearance recently at the World Economic Forum in Switzerland, Nelson Mandela went out of his way to reassure potential investors, promising a review of the ANC's policy on nationalisation and debt repayment.

But the other side of the investment coin, he might have added, relates to growing concern in his constituency that any new investments, while ensuring returns for investors, must also lead to visible material benefits for the majority.

The imminent restoration to full membership of the world economic community has galvanised the ANC and the Congress of South African Trade Unions into urgently considering the critical issues of when and how foreign businesses should be allowed to invest.

In Davos, Mr Mandela called on the world's investors not to pour in their money now, but to hold off at least until an interim government had been installed.

In Johannesburg last week, after a church-sponsored conference on investment, SA Council of Churches general secretary Dr Frank Chikane used even stronger language to emphasise the point made by Mr Mandela, declaring that to invest in South Africa now would be tantamount to collaborating in the oppression of the majority of South Africans.

The issue of the terms on which foreign investment should flow back into South Africa is not so straightforward. It is being examined with renewed urgency by both the ANC and Cosatu.

While mindful of the fact that international investors, despite their growing interest in South Africa, are not exactly scrambling to do business in the country, the Johannesburg conference warned that "foreign investments must be regarded with caution"

"Investors," it argued in its communique, "should only operate

within the framework of control mechanisms which make it most advantageous for them to enhance a life-sustaining economy."

Delegates to the conference, — representing the SACC, the Institute of Contextual Theology, the Southern African Catholic Bishops Conference and the funding group, Kagiso Trust — all committed themselves to co-operate with the liberation movements, the trade unions and other groups to draw up a code of investment and corporate conduct.

So far, debate on the issue of an investment code has tended to focus on the following areas:

- The need to stimulate economic growth with the objective of raising the standard of living of disadvantaged communities through, for instance, the provision of housing and electricity.
- Ensuring that the influx of new investments does not encroach upon the rights of workers and that all employers (including local companies) adhere to the International Labour Organisation (ILO) conventions.
- Encouraging employers to play an active part in improving living conditions in the disadvantaged communities through social responsibility programmes.
- The necessity of affirmative action within companies to advance the position of those previously discriminated against.

In addition, companies investing in South Africa would be asked to adopt responsible policies towards the natural environment.

Whatever form the code eventually takes, those who draw it up will have to do a delicate balancing act of ensuring that South Africa remains attractive to foreign investors (without too stringent an investment code) while at the same time striving to redress the injustices of apartheid and breathing new life into the stricken economy. □

M&R set to open a subsidiary in Zambia

INDUSTRIAL holdings group Murray & Roberts (M & R) is to incorporate a subsidiary in Zambia, paving the way for the company to tap into the rebuilding of Zambia's infrastructure.

Incorporation of the Zambian subsidiary will also enable M & R to tender for projects in other Southern African Development Co-ordinating Conference (SADCC) member states.

A memorandum of understanding, signed by Zambia's local government and housing minister Michael Sata and M & R CE Dave Brink in Johannesburg yesterday, provided for M & R to be a preferred contractor in

JABULANI SIKHAKHANE

Zambia.

The memorandum said resources would be set aside to investigate opportunities to help Zambia rebuild its infrastructure, which had degenerated during the past 30 years. The cost of rebuilding the infrastructure would be more than the country's current foreign debt of \$6,5bn.

Zambia's identified needs were: road construction; housing; agriculture; mining; cement, concrete block and brick production; a factory for prefabrication of grain storage facilities; schools; clinics; and offices.

The memorandum said the M & R subsidiary would enjoy a tax-free period of five years. After that it would be subject to tax on a sliding scale, building up to the full corporate tax rate.

No import duties would be levied on government-related imports necessary for the company to fulfil its obligations.

All profits earned in Zambia would be fully remittable and profits earned

on exports from Zambia would qualify for retention wherever M & R wished.

Sata said profits earned by the M & R subsidiary on projects in other SADCC countries would qualify for export earnings status.

M & R's capital and assets in Zambia would be designated in US dollars and could be repaid freely in the same currency.

Zambia's new government had committed itself to privatise 80% of the country's economy, Sata said. He said government had also received support from the international community, including the writing off of some debts and interest.

Government hoped to balance its budget next year, remove foreign exchange controls, legalise merchant banking and liberalise the economy.

Roberts Construction, which merged with Murray & Stewart to form M & R in 1967, was one of the biggest contractors in Zambia before and just after that country's independence.

Commodity producers are suffering

THERE was considerable consternation when major SA mining company Samancor announced it was closing certain of its operations because of a world oversupply of ferrochrome.

As the world's leading producer it felt that to continue with production would simply place prices under further pressure.

Samancor's predicament highlights a problem which has been depressing the economies of most commodity-producing countries in Africa and elsewhere in the Third World. It is the consistent decline, in real terms, of commodity prices

MONEY TALK

over the past two decades.

Effectively, this means that the producers of primary products, such as metals, minerals and even food, are getting less for their output than 20 years ago.

How great the drop has been is illustrated by All-Items Commodity-Price Index published by the London-based *Economist*, which is currently standing about 50 percent below its 1988 peak.

The collapse of commodity

CPA 23/2/92
prices is a boon for the rich industrial states as it helps them keep inflation at low levels.

However, for primary producers such as SA, Zimbabwe and Zambia, this is extremely bad news. It means that the only way they can introduce economic reforms and service their debts is by forcing their populations to tighten their belts.

At the same time, investment and economic growth are constrained, making any badly-needed adjustments very difficult to carry out.

Even food-producing countries are forced to sell their

746
exports at low prices because the rich nations of Europe and elsewhere heavily protect and subsidise their own farming industries.

But if, for instance, they were prepared to cut back world grain and meat production, prices would immediately improve.

SA is depending to a large extent on an upswing in commodity prices, especially of metals and minerals, to fuel its next economic upturn.

However, the question as to whether an upswing will result in a real increase remains valid.

Indications are that prices

may improve but this will not reverse the long-term decline in value for commodity producers.

Even technological advances in the industrialised countries are supporting this trend. Plastics are replacing metals in many industries (car bumpers for example), artificial sweeteners are replacing sugar and even copper is being replaced by fibre optics.

Some deep thinking is needed in SA to ensure we do not join that part of the commodity-producing world that seems doomed to struggle economically for many years.

London broker goes for Premier

748
SITimes (BUS)
23/2/92

By JOHN CAVILL: London

INVESTMENT interest in South Africa is moving from the general to the specific and away from the imponderables of gold. London broker Henderson Crosthwaite, which has not previously devoted much effort to SA shares, has sent a long bullish analysis of the outlook for Premier Group to 350 of its institutional clients.

A strong element of caution about political developments remains.

But Henderson analyst Bill Myers says: "We believe that now or quite soon, investment in selected SA companies should be seriously considered. Premier offers an excellent combination of risk and reward."

Apart from the high quality of management and business, Mr Myers notes: "For more than a decade the group and its management have been in the first rank of those urging the end of apartheid. Before President De Klerk this was an exposed position — since the beginning of reform it becomes a major commercial advantage."

Margins

Barring civil unrest, he foresees Premier's achieving a big improvement in operating margins from 1% to 2% in the next two years in its Metro acquisition which has almost doubled turnover. Group gearing should be held at no more than 30% in the medium term.

The nub of Henderson's forecast is that Premier sales will rise from R11,5-billion for 1991-92 to R13,3-billion in 1992-93. It expects pre-tax profits (up 53% after the merger) to gain another 28% to R575-million.

Earnings a share on the increased capital should register a three-year compound growth rate of nearly 18% to 295c by April next year.

SA firms in major push into Zambia

SA FIRMS are set for a major expansion drive into Zambia and are also the likely candidates to benefit from the privatisation of government-owned assets.

Zambian Local Government and Housing Minister Michael Sata, who was on a seven-day visit to SA last week, invited SA companies to come and share "the spoils and profits of Zambia's rebuilding of its economy".

Sata also signed agreements with financial services group Investec and industrial holdings group Murray & Roberts which provide for the two companies to enjoy a preferred status in Zambia.

He said on Friday that his visit had been successful, adding he had received good co-operation from SA industrialists.

"We are looking forward to the resolution of SA's problems so that business can flow freely between Zambia and SA," Sata said.

He extended his government's welcome to Murray & Roberts and Investec, "who are both pioneers in terms of being the first companies to invest in Zambia".

On Friday industrial holdings group Murray & Roberts said it would incorporate a subsidiary in Zambia, paving the way for the company to tap into the rebuilding of the country's infrastructure, in which multilateral aid funding will be a key ingredient. The cost of rebuilding Zambia's roads, houses, schools, warehouses and offices is likely to exceed its current foreign

JABULANI SIKHAKHANE

debt of \$6,5bn.

M & R and the Investec Group will, subject to SA Reserve Bank approval, incorporate subsidiaries in Zambia.

Investec will act as an adviser on the restructuring and unbundling of Zambian government assets.

A memorandum of understanding signed on Friday by Sata and Investec chairman Bas Kardol provides for Investec to become Zambia's preferred financial, banking and property adviser.

Kardol said that Investec would investigate possible opportunities such as restructuring of existing government debt.

"We also see ourselves as playing a part in negotiating and structuring finance needed for infrastructural development, specifically rail and air transport, as well as advising on valuation and methods of disposing government-owned property assets," he said.

The memorandum provides for Investec Merchant Bank to look at the privatisation of appropriate businesses and the restructuring and promotion of new capital issues.

Sata said about 80% of Zambia's economic resources were controlled by government.

Investec might also be required to assist the Zambian Central Bank with the man-

□ To Page 2

Zambia

agement of the country's foreign currency.

Investec would also manage four government pension and provident funds. The four funds have a total membership of 320 000. One of the funds, for employees in the Ministry of Local Government and Housing, was valued at 2-billion Zambian Kwacha, Sata said.

He added that Investec's subsidiary in Zambia would have access to other SA Development Co-ordinating Conference (SADCC) member states.

The new Zambian government had committed itself to the liberalisation of the economy. Corporate tax had been cut from

45% to 40% and Sata said this would be further reduced next year.

To boost investment, he said, foreign investors would enjoy a tax-free term of five years. All profits earned in Zambia would be fully remittable and any profits earned on exports from Zambia qualified for 100% retention.

Genmin, Gencor's mining arm, is also understood to be involved in negotiations to help or even possibly take a stake in the government-owned Zambian Consolidated Copper Mines.

● Picture: Page 3

□ From Page 1

EC urged to support SA economic development

B/D Day 24/2/92
 (743)

LINDA ENSOR

CAPE TOWN — EC Commission vice-president Martin Bangemann is to recommend to the commission that the economic development of SA and southern Africa be underpinned by a wide range of supportive measures from the EC.

Bangemann announced this at a media briefing on Friday to mark the opening of an SA office of the Friedrich Naumann Foundation. Bangemann is chairman of the foundation's board of trustees.

The measures would be aimed at providing public backing to private industrial co-operation between EC countries and SA, although ideally the measures would apply to a southern African regional bloc.

The measures could, for example, provide guarantees for investment; grant a southern African regional bloc greater access to the EC market with its 350-million consumers; and include SA in a private and publicly funded system of insurance covering

the risk of losses incurred when investing in countries with which the EC has industrial co-operation agreements.

Other measures could provide political backing in the form of investment protection agreements, agreements for capital transfers and the transfer of profits, and the legal protection of intellectual property rights.

Bangemann said it was incumbent on European countries to back the political development of SA towards a fully fledged democracy.

Democracy without economic growth and stability was not possible and economic development could take place only with international co-operation.

Bangemann said he would recommend that Europe offer this co-operation to SA.

In his address at the opening of the foundation, Bangemann stressed the

importance of regional co-operation.

It was impossible in the modern world to attempt to foster economic development on a national basis, he said. Doing away with the Customs Union in southern Africa would be a first, shy step towards regional integration. More important would be the standardisation of technical and tax systems and possibly the introduction of a common currency.

The Freidrich Naumann Foundation has an annual budget of about DM30m, of which about DM2m has been allocated to SA projects. It is involved in projects throughout the world but its attempts to improve living conditions in developing countries had not had the success desired, Bangemann said. A lack of regional co-operation had been a major obstacle to economic development.

He saw the foundation's role in SA as being to stimulate debate by holding seminars and conferences on different subjects and to bring out constitutional and other experts to SA.

NESS

Protectionist

policy must go,

says top UK

industrialist

By David Canning

DURBAN — British business is encouraging South Africa to become economically-competitive on a world scale and to move away from protectionism.

This was the message delivered by Sir John Banham, director-general of the Confederation of British Industry, at an SA-British Trade Association (Sabrita) lunch in Durban yesterday.

He said protectionism in general "is bad news for business, consumers, competition, international trade and investment".

Paying his first visit to the Republic, Sir John described SA as being of "great importance" to the UK as it was among its top five overseas markets, outside the OECD.

Developments in SA, including the outcome of the referendum, were being closely watched by British business, he said. This flows from wide-scale links between the countries and "self-interest" flowing from the UK's huge existing stake in the country and the potential for future trade.

He said potential British investors in SA were weighing up the risks and returns obtainable in the Republic with those of countries like India, Pakistan, Israel and in the Pacific Rim.

The lessons of countries like the former East Germany were pertinent. As a result of the command-type economy which had existed there, "eight hours of work" generally meant two hours of actual work and "six hours of waiting for the electricity to come back on or for parts to arrive."

Ex-Soviets target SA for joint projects

74B
25/2/92
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WILLIAM GILFILLAN

THE former Soviet Union is targeting SA as a market for its manufactured exports and as a base for joint production ventures.

Currently visiting SA from the Commonwealth of Independent States (CIS) to explore business opportunities are two representatives from Techmaslexport, one of the CIS's import/export agencies.

Deputy director-general Evgeniy Volgov and director Boris Golikov said they were not only looking for local agents to represent Techmaslexport in SA but were also seeking joint venture opportunities to set up assembly and manufacturing plants here.

Among the goods they are exhibiting are cameras, bicycles and hail-breaking equipment, claimed to turn hailstones into rain.

During this visit, their first, much time has been spent setting up stands for the Rand Show where some of the goods they represent will be exhibited.

Although Techmaslexport acts as the

representative for a multitude of products, one they hope will succeed in SA is the hail breaking equipment.

Volgov said the equipment, which is extensively used in Brazil and Argentina, consists of a small missile which, fired more than 10 000m into the sky, converts the hail into rain through the use of chemicals.

"But the chemicals present no problems for the ecology," he hastened to add.

However, refrigerators, bicycles, cameras and optical equipment, watches and drilling equipment for mining and other industries are a few of the CIS goods that will shortly be available in SA.

Golikov said the people in SA had been good to them, adding: "It is very important for us to establish strong contacts with SA as we have had so little contact in the past."

He said they also wanted to trade with the African hinterland from bases in SA.

'British investors require stability'

Bay 25/2/92
DURBAN — Political and economic stability — and in particular free market principles — would attract British investment to SA as this country was one of the five most important export countries outside the developed nations, says Confederation of British Industry director-general Sir John Banham.

Addressing SA businessmen yesterday, Banham said there were many potential investors who were

looking for countries with stable political and free market economic policies. *(Handwritten initials)* *(Handwritten initials)*

"We're looking to SA because it's a very important market," he said.

Banham said the upcoming white referendum and the constitutional process in SA were important to his country and British business would do all it could to ensure both had positive outcomes. — Sapa.

Internal markets, exports to grow Keys

JOHN CAVILL

LONDON — Internal markets which will grow for decades as living standards improve and the potential for exports provide powerful reasons why foreign companies should invest in SA, Trade and Industry and Economic Co-ordination Minister Derek Keys said here yesterday.

In his first overseas appearance since taking office five weeks ago, Keys was speaking at a conference on Investing in SA organised by Business Research International with the SA Foundation.

Keys was confident reform would continue with President F W de Klerk winning the March 17 referendum.

He listed four growth imperatives to which any future government would hold. "Nobody wants to even mildly inconvenience the golden goose, let alone kill it, if its egg production can be stimulated to everyone's benefit."

Government wanted to see per capita incomes growing by 1% annually, implying expansion of 4% a year.

SA's large population of young people promised "big and growing markets ... (which) won't even approach saturation for decades to come," Keys said.

To reduce unemployment government was likely to maintain the encouragement of local production. At the same time it was necessary to generate competition "and a careful lowering of tariffs" would encourage this.

In many export markets, especially for intermediate and manufactured goods, SA was "small beer", he said. "There is room for us in the world supermarket of industrial goods." *B/day 25/2/92*

Here SA's proximity to sub-Saharan Africa gave it an advantage. While sub-Saharan Africa was not "much of a prize" at present, Keys said the world could not stand idly by and see the region "become effectively de-linked from world economic growth".

There was a need for partnerships between SA and the developed economies which would play crucial roles elsewhere in Africa. These would benefit SA exports to the rest of Africa and boost the region's two-way trade with SA and sales to the rest of the world.

SA told to sell its opportunities

B/day 25/2/92

743

JOHN CAVILL

LONDON — SA's present package of investment incentives looked like a script from the Goon Show, British Industry Committee on SA (Bicsa) director Nick Mitchell declared here yesterday.

Mitchell, whose organisation represents 80% of UK companies with investment worth £10bn in SA, made a strong appeal for a coherent strategy and concentrated effort to sell the country's opportunities to international investors.

He was speaking at the two-day conference, Investing in SA, organised by Business Research International with the SA Foundation.

Apart from problems such as the violence in SA, Mitchell said there were several problems with attracting business in spite of the wide range of opportunities for British companies. The removal of disincentives, such as high corporate taxation and bureaucratic obstacles, were probably more important.

There was a need to clarify objectives and priorities and then to promote SA's case coherently in the markets of the world.

Mitchell said: "In the last year I have attended 15 separate presentations — from promotions for Johannesburg and Qwa Qwa, Pietermaritzburg and KwaNdebele or the Cape and Transkei — but nothing which

counted as investment in SA itself.

"The first decision in making an investment is the choice of country and the second is the choice of region. The case must be presented as a south or even southern African story. It is a fact that opportunities which are not sold in the market place means they go unfulfilled."

Mitchell said he hoped the National Economic Forum would produce a united effort from "those representing the present and the future" but he also warned of the dangers of bringing in codes of conduct, as proposed by Frank Chikane of the SA Council of Churches.

However much people might agree with the morality behind such codes, said Mitchell, "you must bear in mind that there are many competitors for investment in the world and conditionality can be dangerous".

He described urgency on the economic front as the "great missing ingredient" in developments in SA.

At the same time he warned British businessmen to be on the alert to the competitive advantage of acting now "before SA gets its act together".

There was already "a scrum" for investment prospects "with French, Germans, Italians and Japanese running around SA looking for opportunities", he said.

World's investors focus on referendum

By Michael Chester

The eyes of international investors were fastened on the March 17 referendum as a guideline to future investment plans, Sir John Banham, director general of the influential Confederation of British Industry, told businessmen in Johannesburg yesterday.

The result, he told a South African Chamber of Business (Sacob) luncheon, would be seen as a vital pointer to the kind of economic system that would emerge.

Crucial

"As far as overseas investment decisions are concerned, the stakes are high," he said.

Signals from the referendum and the Codesa negotiations would be crucial.

Indications of progress with

a free-market system would flash a green light to overseas investors.

The alternative of trends towards a central-government command economy would bring about a crisis in business confidence.

The referendum aside, the omens looked good. British inquiries about the prospects of closer business ties with South Africa were running 10 times higher than two years ago.

Interest in current events was intense. South Africa ranked high among Britain's list of world-wide trade partners — one of its biggest single markets outside Europe, North America and Japan.

Since the early 1980s, the UK had ploughed tremendous amounts of investment cash into the US and Europe and was now looking elsewhere for new opportunities.

"Investors are now looking towards South Africa again," Sir John said. "They see remarkable potential — but for

the moment they also have to balance the political risks.

"Businessmen don't like a climate of uncertainty, especially uncertainty about economic systems under which they are expected to operate.

"British investors are following developments here very, very closely."

● It was announced in Johannesburg yesterday that two businessmen have launched a campaign for a positive vote in the coming referendum.

Support

A statement said the fund, suggested by Times Media Limited managing director Stephen Mulholland, would seek financial support from business for a non-party-political campaign that would include extensive print and electronic-media coverage.

The fund would be jointly chaired by Dr Chris van Wyk and George Thomas.

Poll result crucial to future investors

8/19/92 26/2/92

WILLIAM GILFILLAN

THE outcome of the referendum will play a major role when international companies assess the political risk of making an investment in SA, director-general of the Confederation of British Industry (CBI) Sir John Banham said yesterday.

Speaking at a lunch hosted by the South African Chamber of Business in Johannesburg, Banham said SA's transport and general infrastructure and the large home market provided great potential for foreigners to invest in SA.

But political instability and a command economy would dissuade people from investing here.

Banham humorously illustrated the inefficiencies brought about by a command economy by noting that piles of rubbish left over after the last world war could still be found on side streets in eastern German cities.

He said the Pacific Rim countries, India and the Gulf states would all compete with SA in vying for foreign

investment by UK firms.

India was becoming increasingly attractive considering it was currently deregulating its economy and also it had an instant market of 200-million middle class consumers.

And the Gulf region was excellently located as it was so central, he believed.

"But SA also has attractions for foreign investors. These include a world class transport infrastructure and — if the economy develops — a potentially large home market," he said.

The opportunity to serve the many other markets in southern Africa increased the attractiveness, Banham added.

"But businessmen don't like uncertainty, either political or economic. And therefore CBI members will be watching out closely for any portents on both the political and economic fronts," he stated.



Sacob president Hamnie Vrijoen, left, meets Confederation of British Industry director-general Sir John Banham at a lunch hosted by the SA Chamber of Commerce in Johannesburg yesterday.

Picture ROBERT BOTHA

Poll result crucial to future investors

81 days 26/2/92

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Sacorb president Hennie Viljoen, left, meets Confederation of British Industry director-general Sir John Banham at a lunch hosted by the SA Chamber of Commerce in Johannesburg yesterday.

Picture: ROBERT BOUTH

Europe showing keen interest in SA

~~ESP~~ 14 B
DARIUS SANAI

EUROPEAN firms and financial institutions are eyeing SA with great interest and several are already investing here, says an international consultant. *B/Dam 26/2/92*
Manual Soto, head of Arthur Andersen's operations in Africa, Europe, the Middle East and India, said yesterday SA was in a "very promising situation regarding foreign investment".

He said he knew of a number of European firms actively involved in investing in SA.

"In five to 10 years, many things which now seem like a dream in SA will come true," he said.

Soto, who is based in Madrid, is on

a week's visit to SA. He said European firms were beginning to wake up to the African market after ignoring the continent for years.

"SA will be the economic bastion of sub-Saharan Africa, and the success of SA is very important to European companies. They realise that SA is the only country in the region, at the moment, that has the economic and intellectual infrastructure to be a base for the African market."

SA was attracting an unprecedented amount of interest from his firm's clients worldwide, and it was Arthur Andersen's policy to advise clients to

invest in SA as soon as possible, Soto said.

He said senior management figures from several banks in EC countries were coming to SA within the next few weeks to discuss establishing branches.

The other sectors showing an interest in SA were manufacturing and the chemical industry.

Firms in Germany, the UK and Spain were showing the greatest amount of interest in SA, Soto said.

And a consortium of French companies had recently visited SA to establish a supply route for SA-made supermarket supplies to west African countries.

'We need peace to woo investors'

STAR 27/2/92

BLOEMFONTEIN — It was critically important that South Africa took part overseas economically — if not, the country's political situation would be negatively affected, Trade and Industry director-general Dr Stef Naude said yesterday.

Dr Naude was addressing the Free State congress of the National Woolgrowers Association in Bloemfontein.

He said South Africa had the ability to recover economically provided the country became peaceful and stable, restored the confidence of overseas investors and became a full player in the international economy.

Dr Naude said international investment in South Africa was not merely a question of the

lifting of sanctions and other trade restrictions; overseas investors had to be confident about South Africa.

He said most investment was made in the First World, and the percentage for developing countries was getting smaller and smaller.

In spite of sanctions and other restrictions, however, South Africa had had export successes since the middle 1980s. Exports had risen by an average of 10 percent annually and agriculture had made an important contribution.

There was also an increasing tendency to export processed goods rather than raw items. This was important because

processing goods created jobs.

Dr Naude said industries had to be more competitive in the highly competitive overseas markets.

It would be possible, with the co-operation of the Government, to produce competitively, with reasonable tariff protection and barriers against "dumping" by other countries.

The Government was willing to co-operate, he said.

● J A Neethling of Smithfield was unanimously re-elected president of the Free State branch of the National Woolgrowers Association at yesterday's congress. C J Louw of Jagersfontein was re-elected vice-president. — Sapa.

SA car makers set sights on global niche markets

By Jane Arbous



748

coming global niche market players."

Smuggling has long paid handsomely for South Africa's underworld which spirits some 13 000 stolen cars a year into black Africa.

But, with anti-apartheid sanctions withering, such rackets face new, above-board competition as car and component producers carve out markets, not only in neighbouring states, but as far afield as Britain and China.

Mercedes-Benz SA's chief executive Christoph Kopke says: "The seven major manufacturers are working hard at developing exports — aiming at be-

The removal of trade barriers will give impetus to an export drive encouraged by government incentives, local recession, and spare manufacturing capacity.

Industry spokesmen expect a 57 percent rise in the value of car and component exports this year to R1,1 billion.

Manufacturers quality until 1995 for tax rebate incentives equal to one-half of the value of their foreign sales.

The first major car export deal was undertaken in mid-1991 when Samcor exported 500 Sao Penzas, modified Mazda 323s, to Britain.

STA 2

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In February Volkswagen (VWSA) announced a R150 million deal to export 5 000 Jettas to China in "the first step in a continuing business relationship" with its parent firm's joint venture in China.

Nissan SA is negotiating to sell 2 000 cars a year to Taiwan. Mercedes-Benz SA, which operates the group's only car manufacturing plant outside Germany, has been sending components to its parent since 1990.

Britain's Johnson Matthey and Germany's Zeuna Starker have established local bases for exports of catalytic converters to Europe. But the focus for local car

makers is Africa, where they may be prepared to cut margins to gain a foothold, analysts say.

"What we expect to see soon are the parent companies or international franchisers allowing them to take over their Africa markets in distribution agreements for finished vehicles," one analyst said.

Apart from the competitive advantages of shorter supply lines compared with, say, Europe, SA manufacturers can export at prices below those in the local market where new vehicles are now beyond the reach of most.

"The industry faces a crisis

of affordability," a spokesman for the National Association of Automobile Manufacturers of South Africa (Naamsa) says.

"Eighty percent of the new car market now consists of corporate buyers."

Mr Kopke says that comparing salary buying power to vehicle expense, cars cost three times more in South Africa than in Germany.

Nissan SA says its export efforts are concentrating on Africa, while VWSA is investigating new markets after being host to an all-Africa motor industry conference last October. — Sapa-
Reuter.

Foreign investment

Brokers upbeat on SA

By Neil Behrmann



LONDON — An international conference on South Africa ended in London in a confident mood this week, with the proviso that President de Klerk wins the referendum.

However, most delegates at the investment conference, thought Mr de Klerk had made a shrewd move and that voters would support him.

There was merely uncertainty about the degree of support.

"Speakers were upbeat — prospects look interesting," said Lafayette Barnes, a black American investment analyst representing Capital Strategy Research, a Washington-based adviser to institutions.

Mr Barnes is due in South Africa to investigate the political situation, economy and market.

Relative optimism at the conference, however, contrasted with the uncertain mood of foreign investors, who are avoiding South African securities.

Their pessimism is reflected in

a financial rand discount to the commercial rand, now around 23 percent.

But John Taylor, SA specialist at broker James Capel, said from the speakers' platform this was the best buying opportunity for almost a year.

"We believe the odds are substantially in favour of significant positive political developments within the next six months."

Assuming a positive vote for the referendum, the interim government could well be formed by September 1992, he said.

Bonds recommended

Mr Taylor is advising his clients to buy SA Government and para-statal bonds, which are yielding 21 percent for the international investor.

"We can see the financial rand discount narrowing to a conservative 13 percent within six months, with a potential for a 10 percent currency gain."

He forecast the JSE share index could easily rise to 3850 from around 3540 points and is recommending shares such as Gencor and Barlow Rand.

Mr Taylor foresaw a 20 percent return for the international investor over six months.

He was cautious about the SA market and financial rand between August 1991 and February this year, during which period foreign investors incurred large currency losses.

He said many foreign investors were losers because they tended to buy at the top soon after President George Bush of the US had lifted sanctions.

Months before, when the financial rand and securities were cheap, they ignored advice to buy.

"I feel nervous, but I believe that they are making the same mistake again," he said.

While the foreign fund manager was fearful of buying, domestic investors were beginning to accumulate securities.

"There is demand for scrip, but little selling," Mr Taylor said.

Robert Guy, director of N M Rothschild & Sons, was more cautious, but certainly not bearish. He is concerned about the rand.

"If Mr de Klerk is defeated, prospects of foreign investment would be nipped in the bud," he warned.

"The financial rand would fall, the move towards accommodation with the World Bank and the IMF would grind to a halt, trade would decline, unemployment rise."

Nevertheless, Mr Guy held the more optimistic view that the move towards a non-racial interim government would proceed swiftly.

Joint ventures

He said the process would help alleviate the SA mining industry's dearth of long-term capital.

In the new South Africa, there was likely to be scope for joint ventures with foreign mining companies.

"Asset swaps and mergers between local and foreign companies can provide a mutually attractive means of diversifying asset portfolios," he said.

The World Bank would open the door for its affiliate, the International Finance Corporation, to provide project finance for mineral developments.

There would also be opportunities for SA mining companies in Africa, said Mr Guy.

REFERENDUM



Moellermann . . . EC will ask South Africans to vote "yes".

Return to racism would end all Western investment

STAR 28/2/92

German Economic Affairs Minister Juergen Moellermann, who arrived on a four-day visit to South Africa yesterday, has warned that foreign investment would dry up if South Africa "returned to racism".

Mr Moellermann, the highest-ranking German official yet to visit the country, said the European Community would ask for white South Africans to vote "yes" in the coming referendum because a "no" result would

"disturb hopes and wishes all over the world". Speaking at Jan Smuts Airport, where he was met by Foreign Affairs Minister Piik Botha at the start of his SA visit, Mr Moellermann warned that no foreign investor would invest in South Africa in a "phase of civil war" that would result from a "no" outcome.

He said Germany — in a bid to promote the negotiations process — would be prepared to intensify its economic and political co-operation with South Africa and to fully integrate the country in the world economy.

In an interview before leaving Germany, Mr Moellermann said it was disappointing to see that both white and black politicians willing to seek a negotiated settlement were coming under pressure from radical forces. Referring to the ANC's threats of nationalisation, he warned: "Certain economic ideas emanating from radical elements in the ANC are not compatible with a belief in a free-market system."

The German Embassy in Pretoria confirmed that during his whirlwind tour, which will include Cape Town, he would meet President de Klerk, Nelson Mandela and Zach de Beer. He and Mr de Klerk were due to address a SA-German Chamber of Commerce banquet later

tions to SA to explore and strengthen economic and political links would stop.

● In a statement, the British Embassy said reform was the "only course which would achieve SA's full reintegration into the international community and enable it to attract the investment it needed for economic growth . . ."

● The US Embassy stated that retreat from negotiations would be a "devastating step backwards towards international isolation . . ." — Finance Reporter and Sapa.

today. Helen Grange reports that Western diplomatic sources predict a return of punitive sanctions in the event of a "no" vote. Although diplomats were reluctant to be specific about likely reaction to a CP victory, they warned of the serious consequences of a return to world isolation.

● A European embassy source said the current flow of government officials and delega-

Investment

STAL 28/2/92
at stake,

745
says Sacob

The outcome of the March referendum would play a major role in international companies' assessment of investment in South Africa, the South African Chamber of Commerce (Sacob) said yesterday.

Sacob did not get involved in politics, the organisation said, but the importance of the referendum compelled it to identify some of the key issues at stake for South Africa and the business community in particular.

"Because of the decisive role of investment — both foreign and local — in a return to a substantial growth path, South Africa cannot afford to be isolated again from the world economy and its capital resources."

A high rate of economic growth was needed to face the enormous challenges that lay ahead, Sacob said, and South Africa had to normalise its external economic relationships and maximise its inherent human and other potential if it was to survive and grow.

To achieve satisfactory economic results a high level of confidence among businessmen both in South Africa and abroad was required, Sacob said.

The decision in the referendum would therefore play a major role when companies assessed the political risk of doing business in South Africa.

"The result should strengthen, and not weaken, business confidence so as to enhance investment, job creation and the addressing of urgent social needs."

The outcome could also have important implications for southern Africa in that it would have to be attractive to overseas businessmen. — Sapa.

STAR 2/3/92

Wealthy Kuwaitis looking to invest in SA

By Des Parker

748 (C/S)

DURBAN — Wealthy investors in oil-rich Kuwait are keener than ever before to learn about South Africa's prospects, says Sir John Banham, director-general of the Confederation of British Industry (CBI).

Speaking in Durban at a week-long fact-finding mission — the first by a CBI chief — he said that during a visit to Kuwait less than a fortnight ago

he had received more inquiries about the potential for investing in SA than he had heard in the previous five years.

"These are very, very wealthy individuals indeed, with their money spread around the world," Sir John said.

"These global investment players keep a very close watch on world affairs and just at the moment, they're very interested in SA."

Sir John stressed he was not

here to be prescriptive, although he had a few cogent lessons to share from Britain's experience in dealing with stubborn and persistent inflation.

Excessively high interest rates, kept in place too long because the British government failed to understand the underlying cause of rising inflation, were at the core of the extended recession in the UK, he said.

While rates had dropped considerably over the past year,

confidence among the public to spend remained at a low ebb — even though industry was leading business out of the downturn.

"Britain's fundamental economic position is very sound; inflation in manufacturing is two percent and falling, the retail price index is four percent and doing likewise; unit labour costs are about static and the pound is strengthening against other major currencies," said Sir John.

Flood of UK money waiting for new SA

By Frank Jeans

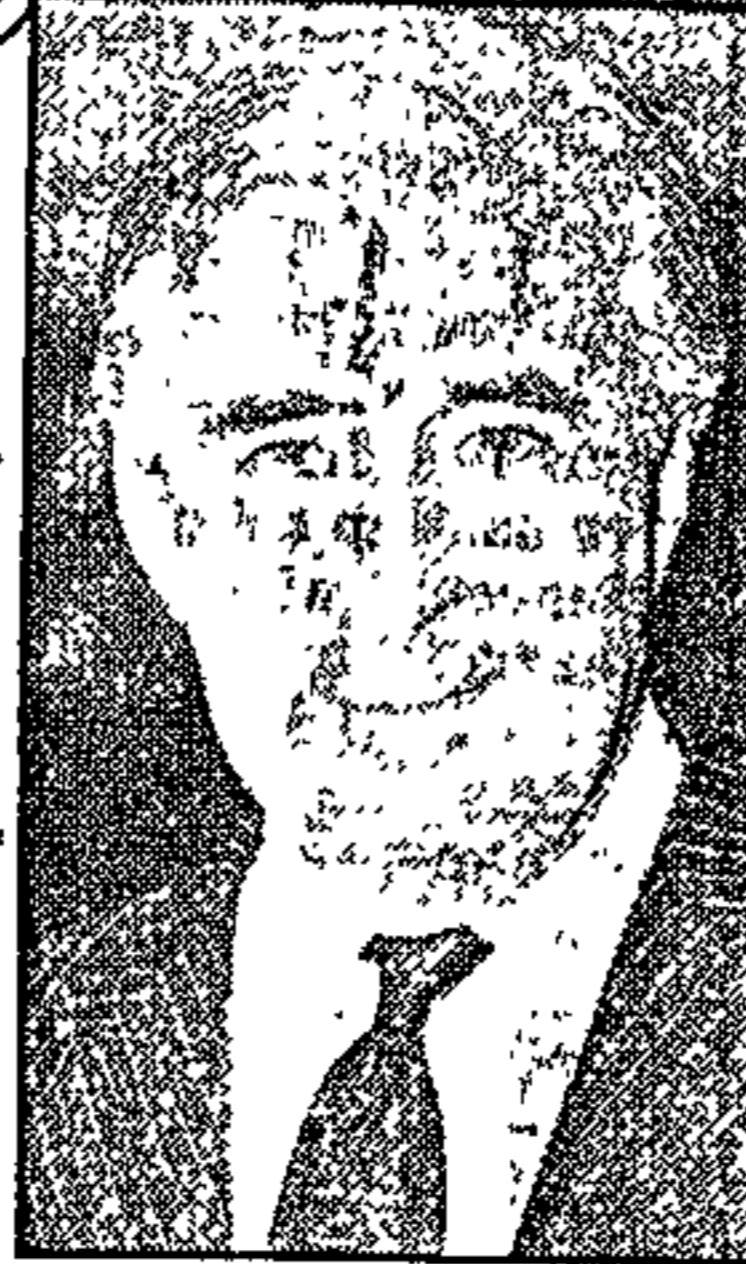
A flood of investment money into South Africa from Britain could follow a political settlement and stable market conditions.

This assurance was given by Sir John Banham, director-general of the Confederation of British Industry, at a lunch of the South Africa Britain Trade Association (Sabrita) in Johannesburg.

Sir John said British businessmen were looking carefully at the Codesa process and saw South Africa as a target area for market growth.

Giving an indication of the wealth of funds earmarked for foreign investment, Sir John said British investors had secured acquisitions in Europe to the tune of \$25 billion.

"For South Africa to maintain a real growth rate of 5 percent a year, it would need to attract at least \$10 billion a



Sir John Banham.

year," he said. "But this would translate to one quarter of all of Britain's mobile investment abroad."

● Britain has renewed its presence in the South African business exhibitions scene, with 13 companies taking part in the recent Packprocess-Print Expo at the Nasrec centre south of Johannesburg, organised by Specialised Exhibitions.

Anglo taps foreign interest

MOUNTING interest in investing in SA has prompted Anglo American to launch an investment roadshow to brief international investors on the group's activities.

Anglo official Glen Finnegan said yesterday that during June and July, Anglo planned to hold an "investor presentation in Johannesburg as well as in the main financial centres around Europe".

She said there would be "general presentations" on the corporation and its investments.

"They are a response to the growing and renewed interest from international investors in SA companies, and in Anglo American in particular," Finnegan added.

The news comes as SA's return to international financial and business respectability gathers pace.

Anglo American faces the prospect of having to contribute billions of rands to

74B
MATTHEW CURTIN

finance large new capital projects in SA, as well as more run-of-the-mill capital programmes under way in the numerous mining and industrial companies in which the corporation has interests.

Anglo has a 50% stake in the Columbus Stainless Steel joint venture, with Gencor, which is expected to be given the go-ahead this year at a likely cost of R2,5bn.

Anglo is involved in a variety of gold exploration projects and has a stake in Gencor's developing Oryx gold mine which will come to full production in the mid-1990s at a cost of R1,3bn.

Feasibility studies on Anglo's R900m Namakwa mineral sands project are also expected to be completed this year, when the corporation may give the project the green light.

Japan sees SA as gateway to African trade

7143
THE referendum and the possibility of future nationalisation in SA were factors causing concern among potential Japanese investors, visiting Japanese academic Anatole Goshi said in Johannesburg yesterday.

He said political instability was a serious threat to investment in SA. Japanese investors were perturbed about the potential nationalisation of SA's mines as nationalisation was not seen as a viable solution to SA's economic problems. *BIP 5/3/92*

Goshi said Japanese companies had earmarked large sums of money for investments overseas, which in-

SHERIDAN CONNOLLY

cluded SA. He said Japan had much to offer SA in the way of skills development, trade and manufacturing experience, as well as job creation.

SA was the gateway to trade with the rest of Africa, and Japan therefore hoped to establish regional "headquarters" in the country by the turn of the century, Goshi said.

The Japanese economy had come under pressure from both the US and from recent scandals which rocked investor confidence in Japanese financial and stock-market circles,

ne said. Japanese authorities were as a result now under pressure to stimulate the domestic economy.

Goshi said Japan's prime minister had envisaged a 3.5% growth in GNP for the current year. The Japanese government planned to invest in civic projects. This would provide SA exporters with good opportunities to export goods to Japan.

As a professor of management at Nihon University in Tokyo, Goshi spends about two months each year in SA consulting on ways to approach new business opportunities opening up worldwide.

Sanctions leave US firms in Angolan gold

8/10 day 5/3/92

743

SIMON BARBER

WASHINGTON — US businesses are asking President George Bush and Congress to lift US sanctions on Angola, arguing that they are giving SA and other countries an unfair competitive edge in the country.

The plea is opposed by Unita and its US supporters who contend that the sanctions — similar to those Bush has lifted from SA over the past year — are needed to force the MPLA to accept a date for elections.

Ironically, their reasoning is almost identical to the ANC's own argument for maintaining economic pressures on SA.

General Motors Africa sales director Stevan Koch complained to the House international trade policy subcommittee this week that SA and European trade delegations were "aggressively pursuing investment opportunities", while US companies were kept at the starting gate.

While GM was not considering direct investment in Angola at this stage, Koch said, the troubled car maker was anxious to export US-made vehicles but could not compete because the US government refused to subsidise exports to Angola.

Franklin Kennedy, president of partly

US-owned Equator Bank, said SA, Japanese and Portuguese companies were snapping up opportunities.

He noted that SA banks were already opening lines to the Banco Nacional de Angola and providing export insurance cover, while Pretoria had moved to exchange commercial representatives and reciprocal airline flight arrangements were being planned.

SA firms were "getting a foot in the door" by providing emergency relief and forming joint ventures with Angolan concerns "to take advantage of technical assistance contract and other future commercial opportunities".

Angola, to which the US has yet to grant diplomatic recognition, is subject to many of the same sanctions the Congress imposed on SA in the '80s.

US firms operating there are subject to double taxation provisions. Access to Exim financing is effectively barred and, until recently, the US administration was obliged to oppose Angolan requests for IMF and World Bank loans.

Blocked cash for timeshare

ZIMBABWEAN emigrants who left blocked dollars behind have an opportunity to invest them in timeshare.

Zimbabwe Reserve Bank approval has been obtained by Zimbabwe Sun Vacations, a timeshare company in the Delta Group, for blocked dollars to be invested in its projects.

Delta is Zimbabwe's largest company.

Sun Vacations has developed two resorts — at Troutbeck in the eastern highlands, and Caribbea Bay on Lake Kariba.

Blocked dollars can be used to buy weeks which can be exchanged for any of the 2 400 RCI-affiliated resorts around the world. There are 150 in SA.

Prices are comparable with those in SA. An off-peak week costs \$17 000. A week in luxury over Christmas costs \$60 000.

By JULIE WALKER

The depreciation of the Zimbabwean currency to \$1,90 to a rand has made any interest payments received outside the country nearly worthless. The funds, estimated to be millions of dollars, earn only 4% in Government stock and half goes in tax.

Membership of RCI (Resorts Condominium International) costs R1 500 payable in SA. This also covers administrative costs.

John Locke, representing Zimbabwe Sun Vacations in SA, says it gives people an opportunity to put their money into a growing investment while not obliging them to take every holiday in Zimbabwe.

More information is available at Johannesburg (011) 476 6413 and Durban (031) 52 6951.

Insurance warning for firms trading in Africa

WITH the general relaxation of sanctions, South African companies trading in neighbouring countries should check their insurance arrangements relating to assets in those countries — or they may find themselves without cover, warns a leading insurance broker.

"During sanctions, businesses operating in those countries were, for security reasons, reluctant to disclose offshore assets, and undisclosed assets can create difficulties in a claim situation," says Rodney Maitland, a director of PFV Insurance Brokers.

"Some companies with wide geographical limits have claimed for damage to property located in African countries.

"In certain instances, these assets were not specifically declared and difficulties were encountered."

He points out that now sanctions are fast disappearing, it will pay South African companies to ensure that foreign property and assets requiring insurance have been fully declared.

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ANC investment code seen as encouraging

STAR 10/31/92

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74B

By Garner Thomson,
London Bureau

LONDON — The ANC's prospective investment code guaranteeing rights for foreign investors is one of the most positive steps yet toward reassuring them about the future of South Africa, says the London Times.

The report, by finance writer Jon Ashworth, quotes Max Sisulu, ANC director of economic affairs, as saying that foreign investors would be allowed to repatriate some of their profits — the first time such a guarantee has been made in writing.

Mr Sisulu also agreed that a stable and growing economy was needed to attract investment.

But Mr Sisulu admitted that the ANC would want something in return for the concessions.

"We will want some of the profits to remain, and we also want foreign investors to concentrate

on certain areas. We want them to come in where it is going to be productive, create work and create jobs".

However, Mr Sisulu was clear that until an interim government was in place, the ANC wanted no new investment.

He said: "Until there is a new form of government, until there is some kind of agreement on the constitution, we are opposed to any investment or loans because these tend to strengthen the present illegitimate regime."

"Having said that, we recognise that foreign investment has played an important role in South Africa and elsewhere.

"We would welcome in the future foreign investment and would like to believe that foreign investment will contribute to economic growth as well as to increasing the standards of the people."

He said the ANC was particularly interested in companies that would set up labour-intensive

plants in areas such as the Eastern Cape, where work was desperately needed, pumping some of their profits back into the communities.

Mr Sisulu echoed Nelson Mandela's words last month in rejecting mass nationalisation as a path South Africa could reasonably follow.

Mr Sisulu said: "Nationalisation is not a problem for us, it is not a sacred cow."

"I don't see massive nationalisation going on. It is simply one of those options and one of the policy instruments for change. We are not opposed to privatisation."

However, he warned against continuation of the principle in which "one conglomerate controls everything".

He said: "We are looking at anti-monopoly/anti-trust legislation. We want to see how it works elsewhere and how it can be applied in South Africa to break up the monopolies and to open up competition."

New incentives for foreign investors

B/pay
10/3/92

GOVERNMENT has moved to boost job creation in SA's rapidly growing metropolitan areas by extending relocation grants for foreign companies to the PWV and Durban/Pinetown areas.

Regional and Land Affairs Minister Jacob de Villiers said yesterday the Cabinet had approved the extension of a maximum relocation grant of R1m to "foreign industrialists who want to invest in SA irrespective of the establishment location".

De Villiers said the two industrial cores were "pre-eminently capable of attracting foreign industrialists" and the extension of the grant could make a considerable contribution to accelerated industrial growth and a corresponding increase in new jobs.

In launching its new regional industrial development programme last year, government excluded the PWV and Durban areas from relocation grants and concessions, on the grounds they already had infrastructural benefits which other areas lacked.

MATTHEW CURTIN
and LINDA ENSOR

J J Pienaar, the Regional and Land Affairs Department's chief director responsible for regional industrial development, said government's move reflected its concern at unemployment in urban areas as urbanisation gathered pace in SA.

Although concessions for foreign investors which were applicable to industrial areas outside the PWV and Durban would not be extended, Pienaar said government was trying to further level the investment playing field.

He said it was important that the market was the main influence in determining where and how foreign companies invested, and the extension of the relocation grant would "optimise the viability" of new investments. Johannesburg Chamber of Commerce and Industry CE Marius de Jager said last night that the chamber

□ To Page 2

Incentives

B/pcom
10/3/92

strongly welcomed the move.

He said Johannesburg and Durban had been concerned at their exclusion from the incentives last year at a time of massive retrenchments in the mining industry, the continued influx to the cities and the rising problem of homelessness.

Attracting foreign investment to the cities was a priority, and given the competition worldwide among countries for overseas investors, the move was one in the right direction, De Jager said.

Sacob also welcomed the move. Chief economist Ben van Rensburg said the extent of urbanisation, dramatically shown in the 1991 census figures, had brought home to government the need for job creation in the heart of the metropolitan areas.

Natal Chamber of Industry executive director John Bryce said: "Urban drift has hit inner urban areas where enormous

numbers of people have arrived believing that jobs are available." The housing problems outside Johannesburg and Durban were evidence of the scale of the problem.

Bryce said the relocation grants might bring some relief. He noted the large number of foreign trade and government missions coming to SA. He said that in considering investment in SA, foreign investors looked more sympathetically on well-known areas like the PWV and Durban than unfamiliar rural development areas.

Pienaar said companies applying for relocation grants would be judged by existing criteria, subject to certain conditions. Foreign industrialists would have to register as a company or close corporation locally, maintain a minimum equity of 35%, and have their investment plans financially and economically evaluated.

□ From Page 1

Hotel group may invest in SA

Sunday 13/3/92 (74B)

MARCIA KLEIN

INTERNATIONAL hotel group ITT Sheraton is considering entering the SA tourism market.

ITT Sheraton vice-president for Europe, Africa and the Middle East Michael Prager, who is visiting SA, said yesterday competition from major local hotel groups, as well as the complete relaxation of the Comprehensive Anti-Apartheid Act, would be determine whether his company would invest.

Although the group was looking at SA, Prager said no investment decisions had been made.

ITT Sheraton has about 450 owned, leased, managed and franchised properties in 62 countries, and says it has more rooms in more countries than any other chain.

The group recently acquired the Prince

de Galles in Paris and seven all-suite hotels from Marriott in the US in the largest transaction in ITT Sheraton's history.

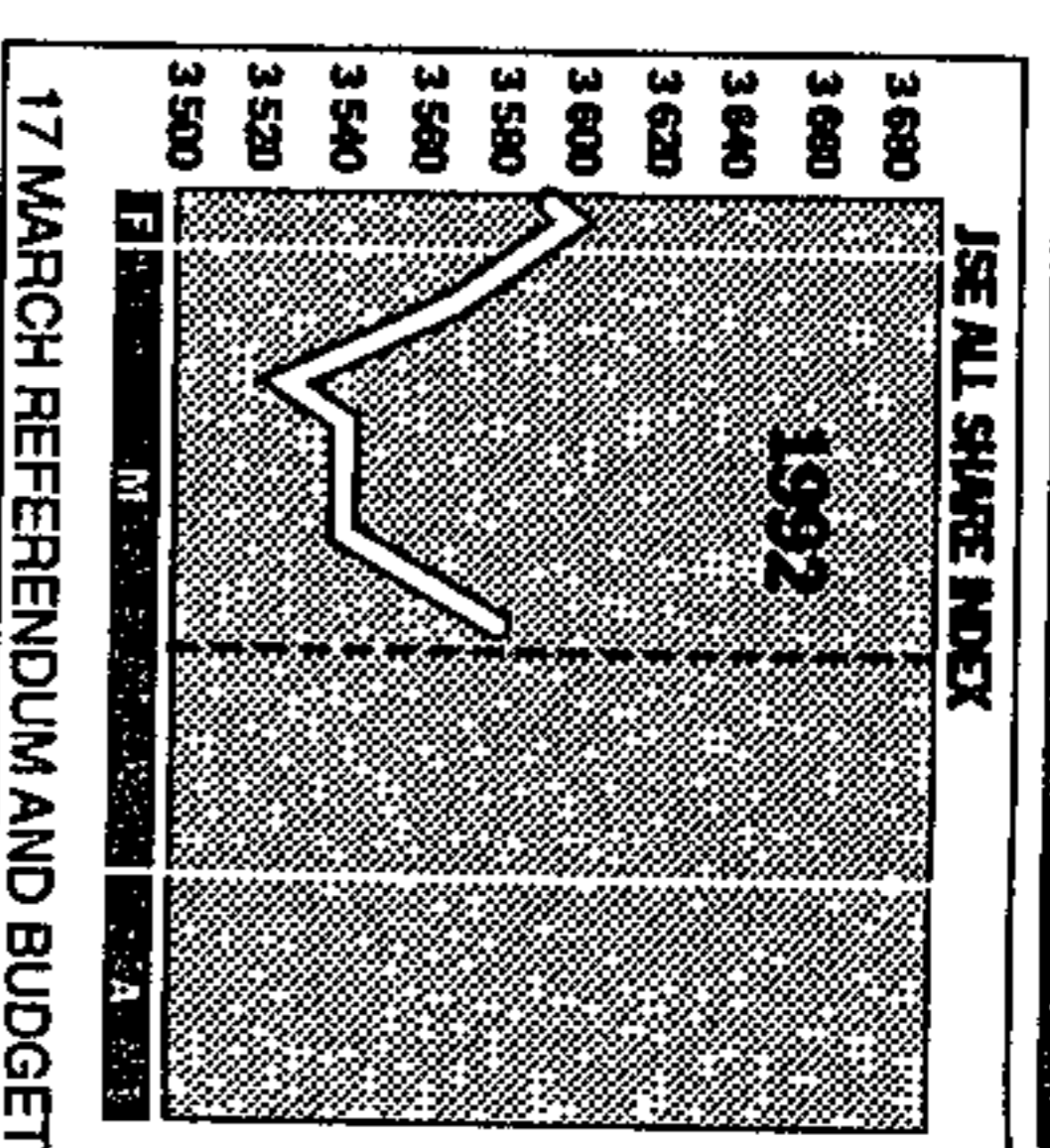
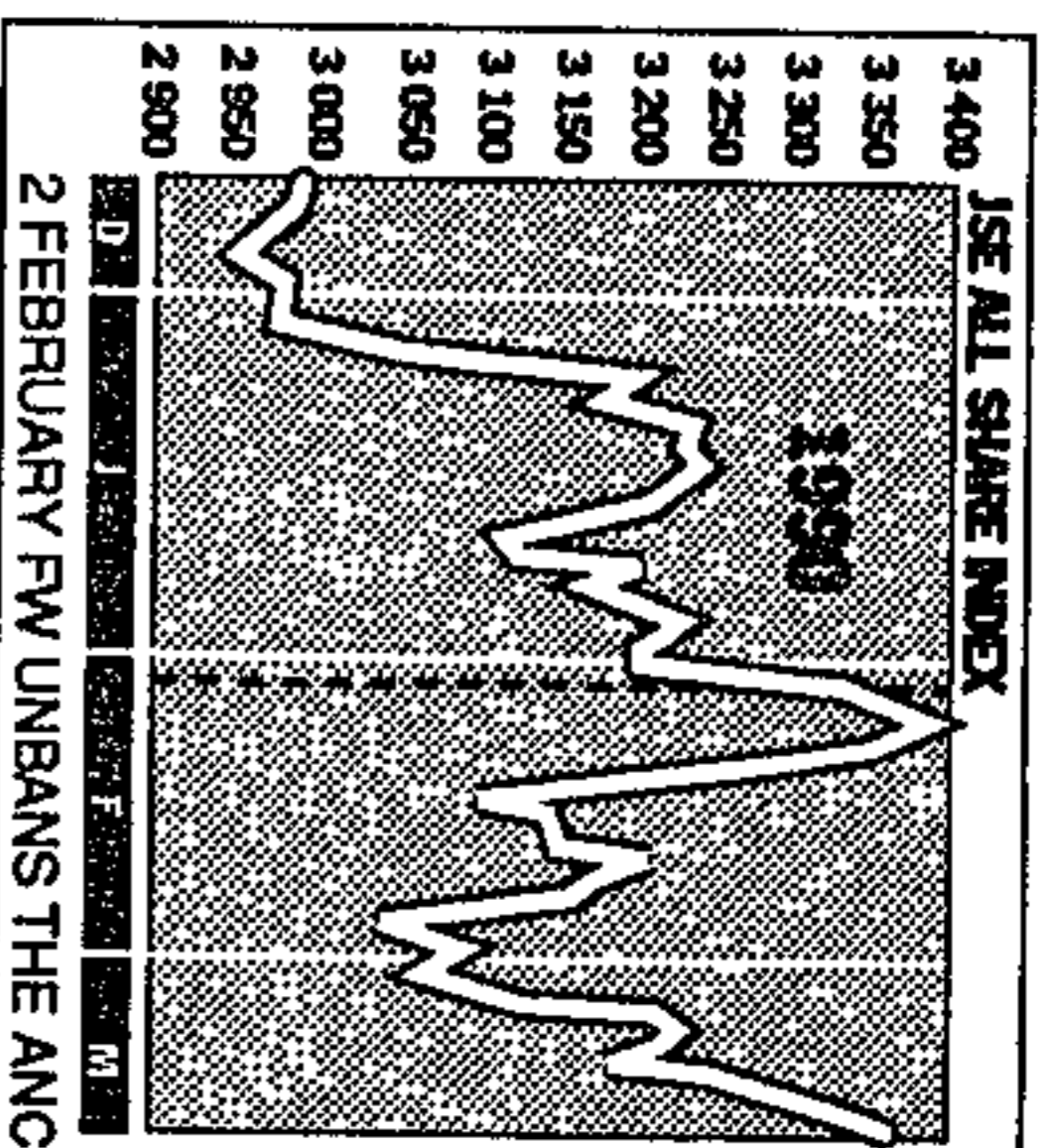
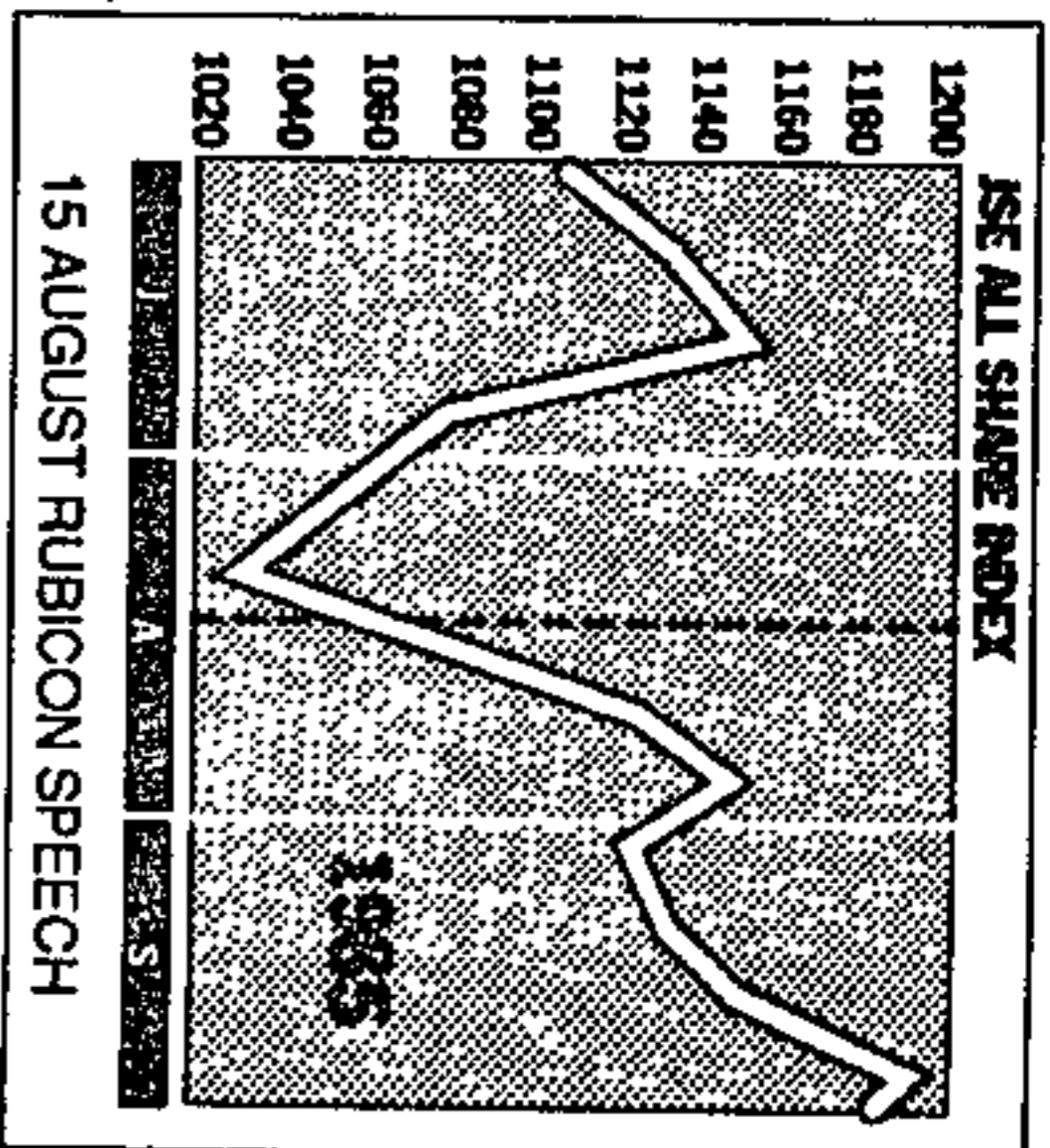
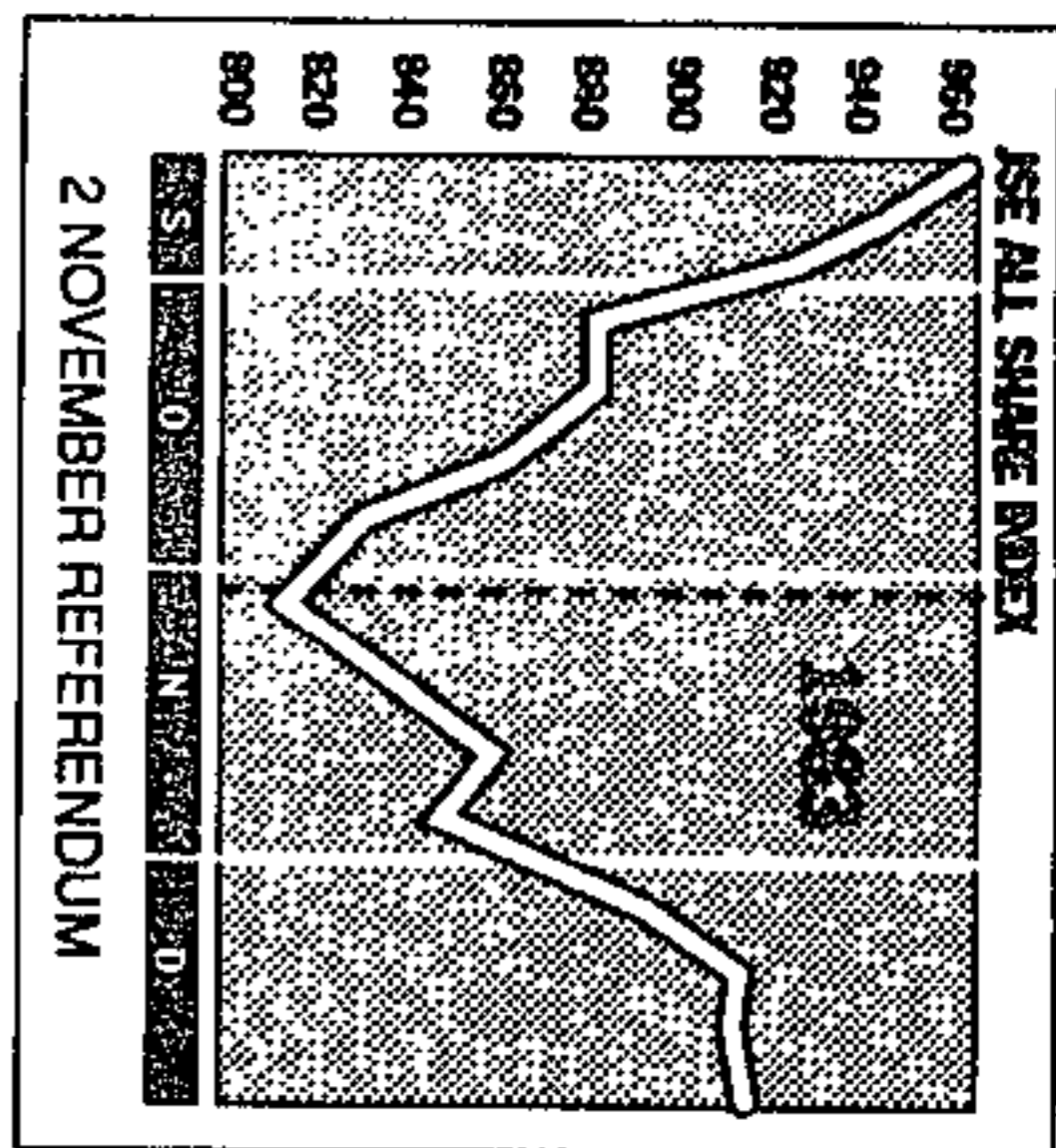
According to the group, this was "a significant step in ITT Sheraton's aggressive global development plans and supports the company's objective of having a strong presence in virtually every major business centre in the world".

In southern Africa, it is represented in Zimbabwe and Botswana.

About 22-million people visit ITT Sheraton hotels each year, and the group employs about 125 000 people.

Last week ITT Sheraton received the Travel Trade Gazette Europa award for the best worldwide hotel group for 1992.

THE JSE AND MILESTONES ON ROAD TO REFORM



Investor money backs a Yes vote

STIMULUS (BUSINESS) 15/3/92

74B

INVESTORS in shares are betting on a Yes vote in Tuesday's referendum. The JSE overall index dropped this month after the referendum announcement, but has regained most of the lost ground (see 1992 graph above).

One observer says: "Investors have placed their bets and the market will probably move sideways until the referendum result and details of the budget are known."

But like most sources approached by Business Times, he believes the effect of the budget on share prices will be overshadowed by the referendum result.

By CURT VON KEYSERLINGK

heavy of the new SA Futures Exchange indicates that investors expect a Yes result. Exchange chairman Stuart Rees says: "Futures are trading at a slight premium to prices reflected by the JSE all-share index."

"If the futures market is to be believed, there will be a Yes majority and it will be business as usual afterwards."

Futures

The referendum has stimulated interest in futures. Until the beginning of the month volumes traded in futures averaged about 70% of JSE turnover of about R80-million a day.

But since March 5, futures transactions on the all-share index have exceeded R150-million a day. They hit R268-million on Monday and R284-million on Wednesday before falling to R170-million on Thursday.

Much of the trade is based on speculation about the referendum, many investors expecting a favourable outcome, says SA Futures Exchange assistant general manager Patrick Birley.

Stockbroker Dawid Meades of Meades De Klerk says that if the Yes vote wins, euphoria will take prices to new highs in the short term.

"But after a while people will realise that we are still in the same old South Africa with the same old problems. It could happen that the market will rise, fall and then move sideways."

Stockbroker David Cobbett of Simpson McKie says: "A Yes vote will signal the start of real economic growth because the chances of the influx of foreign funds will improve."

"But this will strengthen the firmand curb the rise in share prices."

Mr Cobbett says a Yes re-

Investors

From Page 123

sorship and the resulting disappearance of scenes of political violence from newspapers and television screens, helped.

Expectations of a momentous political announcement by President De Klerk lifted the index before February 2, 1990. The rise continued after his speech on the unbanning of the ANC.

But the bubble burst after Nelson Mandela's release from jail when he proclaimed that nationalisation was still on the ANC's agenda.

A renewed spate of political violence in Natal and other black townships also damaged investor confidence.

Analysts are unanimous that a No result will have a disastrous effect on share prices in the short term. Standard Bank chief economist Nico Czynionka says there would be a blood-bath in the gilt market. He says half of Eskom's domestically issued stock is held by foreigners, many of whom would dump it if the referendum went the "No way".

But some analysts say that after an initial shock, share prices would rise again and "could be higher in about 12 months' time than if there were a Yes result."

Sell-off

One says: "If there is a No vote, there will be no wholesale sell-off of equities by the big institutions. But there will also be virtually no investment in new business ventures. That will lead to even greater liquidity. A lot of these surplus funds will find their way to the JSE and will lead to a stronger market for negative reasons."

Conversely, a Yes result could take money out of shares into investment in the real economy.

Share prices have reacted sharply to political events in recent years (see graphs). Uncertainty about the outcome of the 1983 tricameral parliament referendum led to a fall in the JSE index before it recovered after the Yes victory.

The index fell again after township unrest and declaration of a state of emergency in July 1985. It started rising after hitting a low point in August 1985 and continued higher even after the notorious Rubicon speech.

Analysts say this was because the reintroduction of the firmand the moratorium on foreign debt repayment brought stability to the market. Stricter media cen-

To Page 3

US investment breakthrough

BID out
 THE US yesterday announced two breakthroughs in trade and investment with SA, signalling the possible return of substantial US investment.

In the first, the Overseas Private Investment Corporation (Opic) announced that it would send a high-level delegation to SA within two months to investigate the possibilities of US private investment in SA.

A US embassy source said investments were possible in the fields of computers, food processing and chemicals.

Opic insures US investors against political risk, expropriation, war and currency problems.

SA qualified as a country able to obtain Opic involvement when US President George Bush announced the lifting of the Comprehensive Anti-Apartheid Act in July last year.

The embassy source said

17/3/92
PATRICK BULGER

it was uncertain whether investment would be forthcoming before an interim government was in place, but that investors needed to gauge the possibilities so they were not caught unaware when such a government was established.

Concerning the second development, the State Department said the Trade and Development Programme (TDP), which funds feasibility studies in "friendly" countries, would

143
 begin operations in SA. The TDP investigates projects which could boost US exports. The embassy source said the TDP concentrated on socio-economic projects in the fields of housing, education and health.

The US Embassy said in a statement that the concern "we share with South Africans over the economic condition of this country as it pursues a transition to a non-racial democracy make it appropriate to have TDP activities here"

● See Page 8

Conducting business with the Japanese ^{S/Times [13435] 22/3/92} the Japanese way

GERMANY, Britain and the United States have successfully cracked the Japanese market. There is no reason why SA cannot do the same, says Yukio Sato, a Japanese consultant with Omega Research, an SA-based business research company with a strong emphasis on Japan.

Omega publishes a newsletter which is distributed internationally to non-Japanese companies with details of events and opportunities in Japan, explaining how to deal with Japanese companies.

Negligent

In addition, a fortnightly brief is translated into Japanese and sent to Japanese businessmen with an interest in SA. Omega includes among its directors MP Denis Worrall.

This list of the do's and don't's of dealing with Japanese businessmen was compiled with the help of two Japan experts, Simon Organ, based in Johannesburg, and Yukio Sato, based in London.

● Think long term. The Japanese are in business for the long haul — their time horizons extend decades, even hundreds of years, into

the future.

"If you are looking for a quick killing, look elsewhere," says Mr Sato.

He says SA businesses should learn from the British experience. Japanese business etiquette training courses have boomed only during the past three years, although Japan has maintained a strong presence in the UK for more than 10 years. The Japanese perceive Britain's tardiness in learning Japanese business practice as negligent.

● Develop relationships. You should not expect to deal with Japanese customers on a deal-by-deal basis. Mr Sato says Japanese business is essentially a network of long-term relationships between companies and suppliers.

● Build trust. The Japanese take time to build a relationship as they are initially guarded with strangers. Once trust is established it must be honoured and maintained — for life.

● Learn how the Japanese manager-and-company system works. There is deep respect for seniors, and juniors defer to their bosses in several ways: allowing them to pass through doors first, bowing deeply as a token of

respect — there is no handshaking in Japan although Japanese businessmen are generally accustomed to the Western handshake.

Simon Organ says it is often better to observe Western codes of respect, such as a polite handshake, than to make a mess of Japanese etiquette.

Decisions are made on a committee basis in Japan, and a senior will never make decisions on behalf of a junior.

Geisha

The presentation of gifts is an integral part of business in Japan and the wrapping is just as important. When receiving a gift, admire the wrapping but do not open it in front of the giver.

It is customary to entertain visitors in Japan, and a visit to a geisha house may be arranged for you.

● "Familiarise yourself with Japanese business etiquette," says Mr Sato. "Nobody would suggest that you become Japanese to do successful business. But knowing and observing a few simple rules, such as the right way to present and exchange business cards, will contribute more

than you may imagine to developing a relationship."

The correct way to present and receive a business card is with both hands. Show interest in the card, acknowledge it, study it for a while and do not put it in your pocket.

Mr Organ says etiquette dictates that you place the card on the table for the duration of the meeting, positioning the cards to reflect the seating arrangements. This enables you to identify each person in the meeting.

Cards should be printed in Japanese on one side and English on the other. The card will generally tell you (in the subtlest way) much about the person you are dealing with.

● Understand Japanese customer culture. The customer is god and gods have the highest expectations, says Mr Sato. A British automotive component supplier to a Japanese car manufacturer was chagrined when upbraided for weld splatter on the silencer, even though this had no effect on the part's performance.

Quality and reliability — such as delivering when you say you will deliver — are considered paramount in business.

Money comes pouring in

Stiles 02/3/92

THE final result of the referendum was not even announced when telephones in South African trade missions around the world began ringing with inquiries from potential investors.

Billions of dollars worth of foreign aid and trade are now set to pour into the country. May promises to be a month of wall-to-wall trade delegations from around the world. Denmark, which only recently lifted trade sanctions against South Africa, has awarded R60-million over the next five years to development.

Its Chamber of Commerce and Federation of Industries believe annual trade between the two countries could exceed R720-million before long.

A 30-member trade delegation will accompany Denmark's Foreign Minister here in April.

America, home to some of the toughest sanctions legislation, announced a R75-million, four-year housing programme, a trade and development programme and export-import bank guarantees.

An aerospace trade mission with 30 members from 18 major corporations, including Westinghouse International and Gulfstream Aerospace arrive in April.

They are "seeking new business partners through

CHARLENE SMITH tots up the cash benefits of Tuesday's referendum

distributors, sales representatives and joint ventures, as well as sales".

Canada gave SA just over R12-million in development aid. Foreign Minister Barbara McDougall, who chairs the Commonwealth Foreign Ministers Committee, will discuss with them the easing of further sanctions and will speed up the exchange of trade missions.

Britain is calling for an end to EC trade sanctions. Its largest importer of fresh and canned fruit and wine has lifted restrictions against SA. Germany has announced it will offer SA a unique development package to help it through the transition, probably by classifying the country as a "developing" nation.

In SA, meanwhile, the tourist industry is predicting a 15 to 30 percent upswing in the R3-billion a year tourist market — after being warned at the recent international tourism fair in Berlin, Germany, that trade would dry up with a "no" vote.

Sheraton Hotels confirmed plans to invest here and Hong Kong investors made known intentions to spend R150-million on hotels.

Close to R100-million in property deals have firmed after the referendum, including a R12.7-million deal with Hong Kong investors.

A major Belgium bank, in a joint venture with a Swiss and French bank, will study opportunities in SA.

IRG Plastics will investigate opportunities here. Foreign business leaders led by the Belgian Trade Minister will visit in May.

A marriage between CMB Transport and Safmarine has been taken out of the balance. M-Net's new venture with Filmnet in Europe will also now continue unhindered.

Malaysia confirmed establishing airlinks and said it would consider lifting some sanctions.

A major industrialist will visit in April with the aim of establishing a television manufacturing factory.

Japan's powerful economic federation, the Keidanren, arrives in April with a 30-member delegation. A major Japanese company has launched investigations into mining and beneficiation operations.

These moves could provide a much needed boost to SA's sagging GDP, which relies on

trade for 50 percent of its revenue. The positive referendum result boosted competition to pull SA into trading blocs. Italy will use SA as a base for joint ventures in third countries both in the African continent and Eastern Europe.

Portugal will use SA for development projects in Angola — in line with many other countries using SA to assist development in Africa.

SA representative in Mauritius Coen van Wyk said Indian Ocean countries were keen to form an Indian Ocean Rim economic bloc, similar to the highly successful Pacific Rim, which includes Japan, Australia and Hong Kong. It would take in India, East Africa and Kenya.

Nigeria, the first country to congratulate SA this week, is keen, once OAU sanctions are lifted, to include SA in a five-point continental economic power grid.

A major African development agency with links to the World Bank has begun seeking ways to do business with SA.

Graham Chisholm, a trade official at the SA Embassy in London, said since the referendum results were announced "phones haven't stopped ringing in the trade office with queries about increased trade and the establishment of manufacturing facilities in SA".

Gary Player's back in Japan

GARY PLAYER, a cult figure among Japan's millions of golfers, has returned to the Japanese competitive circuit after a 17-year absence forced on SA sportsmen by sanctions.

He will compete in the Fuji Grand Slam this week and will return to Japan in June for the BMW Classic and again in October for the Ho-oh Cup.

But sport is only one of the reasons for his return to Japan. The Gary Player Group is busy designing a number of golf courses in the country and intends capitalising on Player's popularity by promoting a range of golf-related businesses.

Together with partners in Country

Club Golf Equipment, the South African company manufacturing the Anvil range of golf clubs, the group will launch the Anvil range in Japan this year.

"We forecast sales of R3-million to R4-million in the first calendar year and the potential growth is enormous," says Mike Clark, financial director of the Gary Player Group.

The group is also negotiating to launch a number of Gary Player golf academies in Japan.

Mr Clark says: "An enormous number of Japanese are enthusiastic about the game of golf, but there is a serious

shortage of facilities. They seldom get onto a course without booking well in advance. (743)

"We are planning both resort-located and metropolitan golfing instructional facilities with a highly advanced and flexible programme, including manuals and video material. The training programme will cover the technical, physical and mental aspects of the game as played by Gary Player."

Player will also be using his name to promote companies and products in Japan. The group is negotiating with a Japanese car manufacturer to use Gary Player to endorse the company's products.

Blame for unrest 'hard to pinpoint'

Own Correspondent

DURBAN — Pinpointing the major perpetrators of the violence in SA was an almost impossible task, says a new study by the SA Institute of Race Relations.

The institute's 1991/92 Race Relations Survey released yesterday said various organisations made conflicting statements about last year's political violence.

It said one agency had, on the basis of Press reports, blamed Inkatha for 51% of the acts of violence on the Reef; the SAP for 23%; the ANC for 4%, and other groups for 23%.

Where both aggressors and victims could be identified, the police blamed the ANC for 56% of attacks and Inkatha for 40%.

It said firearms were used in 30% of incidents; explosives and incendiary devices in 25%; hacking and stabbing instruments in 16% and stones in 15%.

The report also said more than 60 000 SADF personnel and one-third of the police force were deployed to stop the violence.

Little investment as isolation ends

Business Day 24/3/92

282 (50) 748

THOUGH few foreign investors were prepared to commit money to SA for fear of political instability and future economic policies, the country nonetheless rapidly reversed its international isolation after February 2 1990, says the latest Race Relations Survey.

In a special section highlighting the turnaround in SA's international position, the survey, published by the SA Institute of Race Relations this week, reports that trade delegations from more than 50 countries visited SA during 1991.

However, even though the US lifted the ban on new investment in SA in July last year, the number of US companies present here was "the lowest it had ever been".

The survey says that none of the 215 companies which disinvested between 1981 and August 1991 sold SA subsidiaries to black management, and that only two gave black workers minority stakes.

The number of non-US companies with direct investments in the country increased by 23 to 456 in 1991 — reversing a four-year declining trend.

According to the survey, of those companies that still had direct investment, 156 were British, 132 German and 104 US.

The year also saw the lifting of the ban on flights by SAA over Africa. Flights were open to a number of new destinations, among them Nairobi, while flights to New York were reinstated.

It was also reported that Czechoslovak Airlines would open an office in Johannesburg in 1992, and that the Malaysian airline was expected to begin flights to SA next month.

SA's progress in ending apartheid also resulted in the general assembly of the UN unanimously urging all countries to restore sporting, cultural, scientific and academic exchanges with SA, said the survey. — Sapa.



COMPANIES



BORKUM ... optimistic over Codesa negotiations

Picture: ROBERT BOTHA

Many factors confusing investors, says Borkum

51 pay 24/3/92 (74B)

TOO many imponderables currently overhanging the Johannesburg Stock Exchange are blurring shorter-term perspectives of the market, says Max Borkum, past president and doyen of the JSE.

In his 46 years of broking, Borkum, who turns 75 today, cannot recall a period when the market was beset with so many diverse influences which are confusing investors and reducing turnover to minimal levels.

The referendum — which the market had discounted days before the event — has brought some relief, a return of confidence, but not a flood of investment capital pouring into SA.

"The resounding 'yes' vote has undoubtedly changed overseas perceptions of the positive developments in this country, but an offsetting, and disturbing, influence is the 'killing fields' with its daily death toll," says Borkum. "We will not see foreign capital coming our way in any quantity until the violence is quelled."

Borkum attributes some of the violence to prevailing socio-economic tensions, which he hopes will be eased through the Codesa negotiations which he views with

HAROLD FRIDJHON

optimism. The ANC is performing more like a political party with an ability to give and take, he says, and less and less like a liberation movement.

A prime factor in the undermining of share market confidence has been the sliding gold price, performing in an unpredictable fashion. Investors abroad are large holders of gold shares and their associated mining houses and most of their trading on this market has been through the financial rand.

"Now the Reserve Bank has introduced a note of uncertainty into the gold market by declaring its intention to intervene in the finrand market. It has introduced a new element into that trade because dealers will not know when the Bank is participating and when it is abstaining."

Borkum, for 46 years a bull, has not turned bear.

In spite of some present difficulties, some misunderstandings, he is convinced that basic factors, common sense, assets and the will to co-operate will bring into being a new and prosperous SA.

MP: foreign investors still wary

STAR 2513192
Statements about nationalisation, incidents of violence and threats to wreck the economy were continuing to frighten off foreign investors from South Africa, Deputy Minister of Trade and Industry David Graaff said yesterday.

In a debate on a private member's motion on the economy proposed by Brian Goodall (DP Edenvale), he said that in the next decade South Africa would have to compete with about 106 other countries for scarce surplus capital.

Conditions for loans would be determined solely by the lenders, and political stability would be a major priority for foreign lenders and investors.

One of the megatrends in the next century would be the shift towards free-market, democratically governed societies. Three major trading blocs — Japan, Europe and the US — would dominate the world economy.

South Africa would have to determine how it would adapt to this new world.

Douglas Gibson (DP Yeoville) said all major players should reach consensus on economic policy to be followed by the present Government, by a transitional authority and by a democratically elected government in the long term.

Melt Hamman (NP Ceres) said South Africa should take part fully in the process of technological innovation.

Dr Pieter Gous (CP Parys) called on the Government to lift exchange-control regulations as an "ultimate guarantee" to foreign investors. — Sapa.

No merger, say FNB and Nedcor

MERVYN HARRIS
and SHARON WOOD

SPECULATION hotted up again on financial markets yesterday about a possible merger between FNB and Nedcor, but both denied there were plans to join forces.

Nedcor CEO Chris Liebenberg said a merger could not be done without Old Mutual, because it was the majority shareholder in Nedcor and it was not looking for a buyer. FNB senior GM Norman Axten said the two parties had not spoken and had no intention of merging.

Speculation was bound to happen after the Absa/Bankorp merger, Axten said. FNB and Standard Bank were seen as unlikely partners and this left a possible Standard Bank/Nedbank merger or an FNB/Nedbank merger, and markets had settled on the latter.

The rumours first started circulating about a month ago after Absa announced it would be taking over Bankorp. While some

analysts initially scoffed at the suggestion, the persistence of the rumours has given credence to such a possibility.

An analyst said Anglo American would probably be happy to reduce its stake in the financial services sector. It had recently reduced its interest in FNB.

On the other hand, FNB would be favourably inclined to increasing its share of the home loan market through the Perm, which was part of the Nedcor group.

There could be cultural synergies between Nedcor and FNB, the analyst said. While Old Mutual would have to have discussions with Anglo's insurance-arm Southern Life, analysts pointed out that Old Mutual already had interests in all the major banks.

Immediate investment rush unlikely, says poll

THERE has been a subtle post-referendum shift in sentiment towards investment in SA among UK investment brokers, according to a survey.

But while the referendum will provide impetus to the renewed global interest in SA, it is unlikely to galvanise institutions into immediate investment activity.

This has emerged from a snap survey of influential brokers by London communications consultancy Financial Dynamics.

James Capel broker John Taylor said SA was now increasingly viewed as a legitimate market. "The final moral impediments are now out of the way and the stigma of unacceptability has been removed," Taylor said.

But without exception, brokers did not expect the reform mandate to kick-start investment in SA immediately, the survey found.

Capital House CE Norman Riddell told Business Day yesterday there was still a lot of work to be done before SA could expect any significant inflow of funds.

Inflation remained a hurdle and the country could not expect any serious in-

vestment until government had addressed the problem, Riddell said.

Smith New Court analyst Steve Oke said there had not been a flood of activity into the market but the way had been cleared for investors to make informed decisions about SA.

The brokers surveyed were still looking forward to positive words from ANC leader Nelson Mandela regarding US investment.

"This, coupled with the clear positive message from the referendum, will provide the much needed boost of American interest. The frustration of still having American investment potential excluded continues to dampen the market," the poll found.

Investors could still take the view that the balance between risk and reward did not yet lie favourably. Although the attraction of the financial rand discount did not go unnoticed, liquidity was a serious hindrance and the market was considered expensive.

Govt slated for backing takeover

LINDA ENSOR

CAPE TOWN — Government action in overturning the Competition Board's ruling against the takeover by FSI of Arwa raised doubts about its commitment to the promotion of competition, Cape Town Chamber of Commerce acting president Herbert Hirsch said in a statement yesterday.

Government had counteracted the first major action by the board in recent years to combat monopolistic practices, as FSI's takeover of Arwa created a monopoly in the manufacture of women's hosiery, Hirsch said, adding that government should instead give the board its support.

EXECUTIVE SUITS



Taiwanese
 74B (38) (38)
 bank ready
 STAR 26/3/92
 for business

By Magnus Heystek
 Finance Editor

The wave of foreign investment promised in the event of a referendum yes vote seems to have started.

Yesterday the Bank of Taiwan said it intended to start operating in SA with a capital investment of R50 million.

Earlier, British entrepreneur Richard Branson said he intended making large investments in SA.

Other deals are in the pipeline and a rash of similar announcements can be expected.

Bank of Taiwan has occupied a building in Rosebank for some weeks, awaiting the outcome of the referendum to announce its plans.

In an interview, MD David Chang, said: "Although all the obstacles to economic growth have not yet been removed, we feel confident about the South African economy.

"The outcome of the referendum was a "silver lining" and if violence can be scaled down, I believe that the SA economy has a great future."

According to Mr Chang, a career banker, he will initially concentrate on trade finance between South Africa and Taiwan.

"There are a great number of Taiwanese businessmen and manufacturers in South Africa.

"My bank will concentrate on them, but will also finance any kind of trade between the two countries," he said.

He added, however, that the bank would also act as financial gateway between South Africa and the whole of the Far East.

Bank of Taiwan, which is a registered deposit-taking institution, would at a later stage consider entering the local retailing market, Mr Chang said.

The local operation will initially be staffed by 20 people, five of whom are from Taiwan, with the rest recruited locally.

The bank will officially open its doors on April 2.

Until then Mr Chang will have some time to sharpen his golf, which he calls the "best fringe benefit" he's ever had.

Si Times (BUS)
29/3/92
**Tatung
for SA?**

THE Taiwanese industrial giant Tatung is considering investment in South Africa, says Mr WS Lin, president of the \$2,5-billion company.

On a visit to SA to the local Tatung Information Technology products distributor CSS Group last week, Mr Lin had meetings with Eskom.

He said the cost of electricity in SA, among the lowest in the world, is an attraction to any energy-intensive manufacturing process. (74B)

He added that SA's huge supplies of natural resources were an additional incentive and would be suited to automotive catalytic convertors that require platinum catalysts.



Opportunities in Asia Pacific 'are not to be missed'

30/3/92 MICK ELLINGHAM

SA COULD not afford to miss out on trade and investment opportunities in Asia Pacific, said Stephen Weatherseed, Hong Kong partner of international accounting firm Grant Thornton.

Speaking last week in Johannesburg at Kessel Feinstein — local partners of Grant Thornton — Weatherseed said unlike most major economies, the Asian economies were on a relentless growth path.

Asia Pacific was fast accumulating wealth and expertise which were destined to make this region the dynamic economic force of the 21st century, he said.

Weatherseed divided the area into three distinct groups: Japan, newly industrialised countries (NICs) and emerging NICs.

Japan had established relations with SA which should continue, importing coal, diamonds and precious metals from SA. The Japanese market was, however, difficult to penetrate and SA would need to manufacture high quality niche products to export successfully.

The NICs (South Korea, Taiwan, Hong Kong and Singapore) had grown dramatically in the past 10 to 15 years. The initial catalyst for their growth was export-driven Japanese investment.

South Korean industrial giant Samsung was already exploring possible joint ventures in SA, and Weatherseed predicted others would soon follow.

Taiwan was a centre for electronics and computer companies and might also be looking to SA for joint ventures.

Despite impending Chinese rule in 1997 there was great optimism in Hong Kong and local businesses had invested heavily in southern China. China in turn routed 40% of its business through Hong Kong.

Weatherstreet said it was an ideal market for SA's precious metals, while Hong Kong's entrepreneurs in turn would be on the lookout for joint ventures in SA in fields such as jewellery and clothing.

Joint ventures between Singapore, the main centre of the petrochemical industry, and SA were also possible.

The third group of countries in Asia Pacific, labelled emerging NICs, were Malaysia, Thailand, Indonesia and the Philippines. These countries had grown strongly in the past few years with investment by Japan and the NICs. Their growing middle classes created an increasing demand for consumer products.

To exploit opportunities in Asia Pacific effectively, investors had to take time to understand the business environment, he said.

Investment queries reach 'unmanageable levels'

STAR
3/13/92

By Garner Thomson
Star Bureau

7413

LONDON — South Africa is on the brink of an investment boom, according to trade officials at the South African Embassy here.

One of them, Peter Pullen, Pretoria's commercial minister in London, has admitted to a British newspaper that inquiries about investment have reached "unmanageable" levels.

He told the Daily Express's City Editor, Tom McGhie, that calls to the Embassy about opportunities in the Republic had almost doubled, especially since the recent Yes vote in the referendum.

At the same time, trade missions to the country have increased five-fold in the past two

years, with at least 10 missions, comprising about 10 companies each, scheduled to visit during this year alone.

Virgin Atlantic founder Richard Branson's recent sortie into South Africa has also helped boost confidence in the country's future and several banks, including Standard Chartered and Barclays, are contemplating returning to the Republic, together with several hotel and catering chains.

British-based companies specialising in selling South African properties also report a strong upturn in inquiries in line with investment interest.

Giving another boost to South Africa's fortunes, it was announced in Bonn that Germany is drafting a package of economic cooperation steps with South Africa to accompany any

lifting of European Community sanctions.

Chancellor Helmut Kohl's spokesman said the cabinet agreed some sanctions should be lifted but it was waiting for an EC decision.

Claus Hommer, spokesman for Economics Minister Juer-gen Moellemann, told reporters Germany was putting together measures to help South Africa beyond lifting sanctions, including training programmes.

Mr Moellemann was having talks with Bonn's finance and foreign ministries to find ways to promote economic cooperation between Pretoria and its southern African neighbours.

Mr Hommer said it would be desirable for South Africa to join the regional South African Development Conference.

Foreign investors still have doubts

Finance Staff

STAR 2/4/92

While the South African equity market had become infinitely more attractive to foreign investors, they were not likely to pile into the market, says Genbel Investments managing director Anton Botha.

Speaking at a conference yesterday Mr Botha said that recent trips to the United States and Europe had confirmed the view that foreign investors were far more positive in their attitudes towards South Africa, "but are adopting a cautious, wait-and-see attitude".

Foreign investors comment that they find South African management generally very competent and they are more at ease with our managements than with those of the emerging markets, he said.

Mr Botha added that there were a growing number of investors who believed that, as a result of the strong stand against inflation taken by the South African Reserve Bank, the risk of a devaluation of the commercial rand was diminishing.

Currency risks

"This is important because in many developing economies the currency risk is so high that it can wipe out an otherwise good investment decision," he said.

However, he pointed out that foreign investors were not about to invest in South Africa on any significant scale.

Two reasons he cited for their hesitancy was the financial rand and the perceived overva-

uation of the local market.

Mr Botha explained that the financial rand was a thin market which complicated the buying and selling of shares and added a speculative element to the market.

"Because of this thinness and the fact that only non-South African investors can trade in the market, the financial rand market is volatile and a speculator's paradise."

The second negative was the fact that the stock market was perceived to be overvalued and illiquid.

"Both these factors are a direct result of exchange control imposed on South African investors and will remain a serious disincentive for foreign equity investment in the future," he added.— Sapa.

McCarthy moves into UK market

By David Canning

DURBAN — McCarthy's move into the UK market announced last week is just one of several strategies designed to keep SA's largest car retailer on the growth track.

In one of its most significant moves in years, McCarthy announced the acquisition of four Toyota dealerships in England — at Sidcup, Belvedere, Maidstone and West Malling.

Its position as SA's largest vehicle retailer limits its growth potential to a degree, whereas in the much larger UK market there is huge potential for expansion.

Owing to Japan's voluntary constraints on exports to the UK Toyota's share of the UK market is only around two percent. However, the building of a

new Toyota manufacturing plant at Derby will soon result in production of 200 000 cars a year — more than that for the entire South African market last year.

McCarthy predicts that Toyota will significantly increase its market share in the UK.

An additional bit of fortune dropped into its lap with the announcement in the UK budget that the tax on cars would be cut by half.

This, together with an expected improvement in the economy, will boost sales prospects in the UK, where car sales have fallen dramatically as a result of the recession.

The new British subsidiaries have been selling about 1 000 new cars a year, but these volumes are expected to rise. The investment is expected to

have a neutral impact on earnings this year.

But with UK management staying in place and now supported by McCarthy expertise, profit prospects are described as "encouraging".

The overall impact of the group must be expected to be relatively small in the early years.

Theo Swart, who has moved from Pretoria to Durban as MD, says greater focus is being placed on parts and service, which are areas yielding better gross margins than car sales.

The average life of the car park is now 10.5 years and expected to increase to 12.5 years by 1995 — ensuring increased demand for parts.

He says another thrust will be to maintain a growing stake in the full maintenance leasing area. Overall, Mr Swart sees

local market conditions continuing to be tough this year.

Mr Swart says McCarthy's presence in the heavy truck market — it has about 14 percent of the national cake — also looks as if it would yield significantly better returns once spending on capital investments recovers.

Strategically McCarthy is placing greater emphasis on the black consumer, whose buying power is increasing.

A recent innovation is to develop joint ventures to trade more effectively in the black community.

Overall, he says McCarthy's second-half earnings to June should prove a little better than the first half when net earnings were 11 percent down at R20.96 million on a turnover increase of 17 percent to R1.59 billion.

STAR 614192 (15) (743) (15)

R1 stands offered to investors (25)

WELKOM — Stands on offer for just R1 are being advertised in European publications in efforts to attract foreign companies to the Free State gold fields.

Dawid Vermeulen, executive director of the Free State Gold Fields Development Centre, said last week the advertisements had attracted great interest from both Europe and America.

The FGF marketing campaign was launched last month.

The organisation was recently formed to

broaden the region's economic base

Mr Vermeulen said the advertisements, which reached about 32 000 companies worldwide, outlined the incentives offered by the FGF, including the R1 a stand offer

In addition to the marketing campaign, a working group was set up last week by Transport Minister Piet Welgemoed to investigate the key to the area's development: the national road between Kroonstad

and Odendaalsrus

Mr Vermeulen said FGF directors and other community leaders wanted to see the N1 linking Kroonstad with the gold fields instead, but as an interim measure wished to see the existing highway upgraded by the Free State Provincial Administration.

The working group, which is headed by the ministerial representative for the region, Dr Flip Nel, is also looking at the plans to develop the region's economy — Sapa.

OECD's investment policy a model for SA

STAR 7/4/92

It is of utmost importance that the future investment policy of South Africa meets international standards and compares favourably with existing policies of competing countries, says the SA-German Chamber of Commerce and Industry chief executive Klaus Schuurman.

Mr Schuurman made particular reference to taxation, nationalisation and equal treatment of foreign and domestic companies in a statement at the weekend.

He suggested that the Declaration on International Investment and Multinational Enterprises of the OECD countries should serve as an investment policy model for a future SA government.

"This means the creation of an environment that is conducive to investment, not only foreign, but also for domestic funds," he said.

To create this environment Mr Schuurman pointed out that political as well as economic factors would have to be considered.

"Political stability is as impor-

tant as stability in labour relations."

Taxation in SA, he said, had to be favourable for enterprises and with specific guarantees with regard to the repatriation of capital and dividends.

He also strongly voiced his opposition to the possibility of nationalisation.

Nationalisation

"Nationalisation of whole industries has failed to reach positive results all over the world and this must therefore be a taboo in the New South Africa."

Mr Schuurman said that in return for a favourable investment environment South Africa could expect German companies to take into account the general objectives of the host country.

"They consider South Africa's aims and priorities with regard to the urgently needed economic and social progress, industrial and regional development, the creation of employment and the protection of the environment and consumer interests".— Sapa.

Bahrain hopes for investment, trade

By Day 8/4/92

TRADE representatives from Zimbabwe and Bahrain arrived in SA this week for talks with government and local business.

The private delegation of Bahraini businessmen arrived at Jan Smuts yesterday with official instructions from their prime minister to invite SA to trade with their country.

Speaking at an interview in Johannesburg, Bahrain Chamber of Commerce vice-president Hassan Zainalabedin said Bahrain was interested in importing SA-made goods because Bahrain had full confidence and appreciation of the technology of production in SA.

"SA products will be very competitive in the international market and Bahrain hopes to develop SA as a source," he said.

Bahrain imported everything from heavy equipment, technology and know-how to consumer items.

The delegation was also in SA to tell business about the opportunities of investing in Bahrain, which acted as a bridgehead for the Gulf region. Businesses investing there paid no corporate tax and there were no limits on repatriating capital.

Zainalabedin hoped that an official Bahraini delegation would follow this private visit to SA.

Safto international division GM David Graham said: "In addition to being an important commercial centre, Bahrain is an entry point to the markets of Saudi Arabia, Kuwait and

SHARON WOOD

Iran."

Bahrain was a major offshore banking centre for the Middle East, with over 100 offshore, commercial, investment and specialist banks.

The delegation would meet Safto, Sacob, the Foreign Affairs Department, Department of Trade and Industry and senior business leaders.

Safto also hosted a reception for the Zimbabwe trade mission at which Zimtrade CE Morrison Sifelani said his country looked forward to growing SA influence in the southern Africa region.

Zimtrade is a newly established trade promotion organisation and its delegation to SA includes a number of Zimbabwean businessmen.

Sifelani said that SA and Zimbabwe were going to be closely tied together. "I hope that there will be closer co-operation on many fronts."

Zimtrade would work with SA businessmen to ensure that barriers between the two countries disappeared.

The Zimbabwean government was irrevocably committed to getting rid of the foreign exchange allocation system to stimulate trade.

"Zimbabwe needs to stimulate its export drive because it is significant for the success of the structural adjustment programme," he said.

Safto and Zimtrade should make a joint approach to government about abolition of the visa system, he added.



Bahraini Chamber of Commerce board member Abdul Nabi al Sho'ala, left, and vice president Hassan Zainalabedin in Johannesburg yesterday.

Picture BRIAN HENDLER

FM 10/4/92

FOREIGN INVESTMENT

One-way street

74B

The recent R550m investment by Anglo American and Mondi in Austrian pulp-and-paper giant Frantschach is another sign that SA is being welcomed back into the international business community.

The deal is far-reaching. Anglo and Mondi, together with De Beers Centenary and Minorco, acquired 44,4% of the Frantschach, which effectively gives them joint control of the company. Certainly the investment will provide the consortium with a substantial foothold in Europe. Frantschach's annual turnover is around R3bn and the group has extensive European outlets for its paper, pulp and distribution operations.

The Austrian purchase is one of several large overseas deals completed in recent months by local companies. Last September, Liberty Life finally clinched control of UK assurer Sun Life — valued at R2,3bn; last year, Pepkor established no fewer than 17 chain stores in Scotland; last week saw motor vehicle group McCarthy enter the UK market with its acquisition of four dealerships near London.

By contrast, however, the post-sanctions period has attracted little inward investment.

Says Ken Warren of the SA Chamber of Business: "There's a lot of paperwork floating around. Numerous co-operation agreements have taken place — the chamber has, among others, an agreement with the Russian Chamber of Commerce to foster trade relations — and opportunities for trade appear to be greater. But there's a big difference between trade and investment. What we need is investment."

To be sure, investment abroad is to be encouraged. These deals expose local business people to new technology trends, management styles and markets and eventually help the balance of payments when companies repatriate profits. Says Mondi executive chairman Tony Trahar: "The deal will give us access to new technology and spheres of influence, improve dividend flows, complement our hard-wood pulp operation in Richards Bay and give us a foothold in Europe."

David Graham, of the SA Foreign Trade Organisation, confirms the lack of actual investment but says there's been a lot of interest from multinationals wanting to use SA as a trading partner and as a springboard into southern Africa.

Some sceptics believe that many of the deals taking place abroad are geared at moving money off-shore in the "wait-and-see climate" that prevails in the face of the ongoing violence and political and economic uncertainty.

Trahar, while stressing the importance of political and economic stability in securing both foreign and local investment, emphasises Mondi's long-term commitment to SA. "In the past five years, Mondi has spent some R1,4bn in its SA operations by way of a

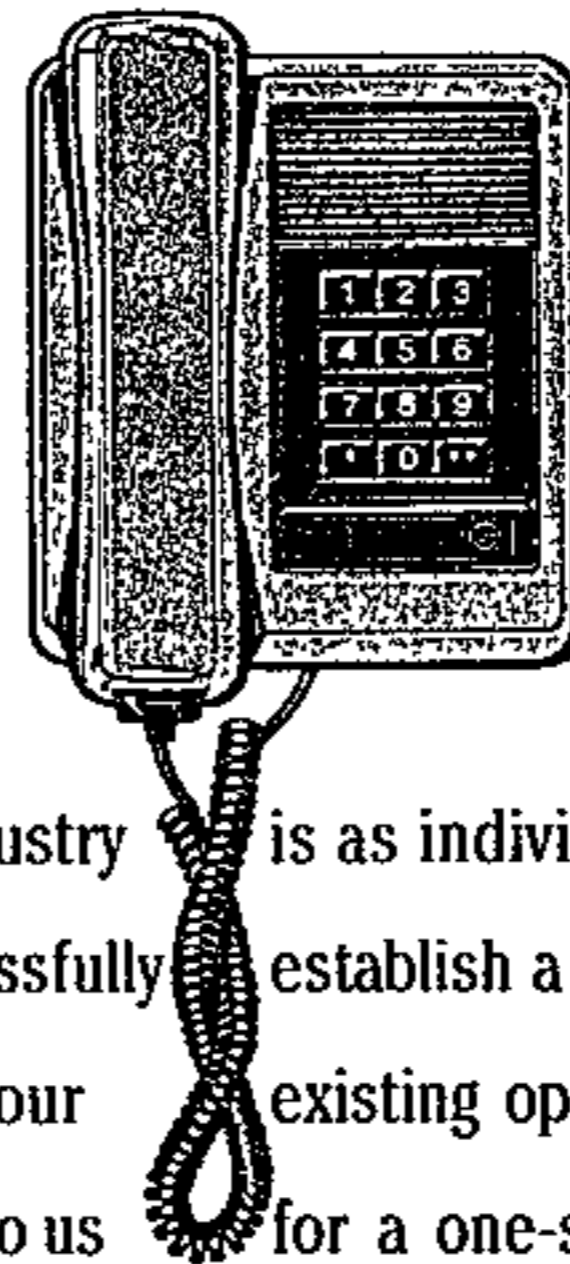
capital expansion and replacement programme, representing a long-term commitment to the country."

Warren says SA needs to become investor-friendly. He suggests the problem is multifaceted.

"The reality is that capital costs and taxation are too high and productivity is not what it should be. We need real tax incentives and an industrial policy that makes exports more competitive. But above all, we need clarity on the ANC's economic policy." Sadly, this clarity may be absent for some time.

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Rewarding rand hedge

FM 10/4/92

Those who took the opportunity to invest in UK electronics group Telemetrix when it was listed on the JSE in November must be well pleased. In terms of the local listing Altron offered shareholders, together with investors in its Ventron pyramid, the option of buying Telemetrix shares at 140c. The counter opened here at 165c and today, little more than four months later, is around 245c.

The financial restructuring that accompanied the Johannesburg listing resulted in

NEW BROOM

Year to Dec 31	*1990	1991
Turnover (Rm)	360	415
Operating income (Rm) ..	21	26
Attributable (Rm)	8	9
Earnings (c)	9,9	10,4
Dividends (c)	3	3

* Restated.

Italian giant IRI considering local trade onslaught

STAR 13/4/92

By Magnus Heystek,
Finance Editor

IRI Gruppo, Italy's largest industrial concern, and the fifth-largest company in Europe, is currently investigating investment opportunities in South Africa.

A group of several senior board members has just completed a week-long visit to South Africa and a decision on making direct investments will be made within the next few weeks.

IRI Gruppo is the holding company of more than 500 diversified companies in Italy, with interests ranging from airlines (Alitalia), shipping (Lloyd Trestino), motor manufacturing (Fiat), to telecommunications, road construction and agriculture.

It employs about 500 000.

Turnover in the past financial year was in excess of R150 billion.

The week-long visit to South Africa was headed by Bruno Corti, an executive member of IRI's executive committee, and one of Italy's most powerful

74B
businessmen.

IRI's exploratory visit was rounded off by a glittering function held at the Sandton Sun last Thursday.

It included several prominent South African businessmen, members of the Reserve Bank and government officials.

Seen at the banquet were senior officials of Standard Bank, the construction group LTA, and Dr Jaap Meijer, senior deputy governor of the Reserve Bank.

IRI's visit to Johannesburg and other major cities was the spearhead of what seems like a major Italian onslaught on not only South Africa, but the entire sub-continent.

The visit coincided with IRI's stall at the Rand Show, one of the largest this year, and a display of Italian craftsmanship currently on show at the Market Theatre.

The show was organised by the Italian Ministry for Commerce and Industry and Handicrafts.

According to Aldo Castellari, the local representative for the Italian Ministry, he has been "worked off his feet in recent

months" as a result of the huge upsurge in trade-related inquiries from Italian businessmen.

Asked at the banquet what investment opportunities IRI was looking at, a spokesman replied:

"Just about everything. IRI is a major player in virtually every sector of the Italian and European economies.

"With the uncertainty concerning the referendum now removed, we are actively looking at South Africa as a springboard for a major assault on Southern Africa," he said.

From discussion with other IRI Gruppo members it became evident that IRI is primarily looking for joint ventures with local companies.

But the possibility of major direct investment cannot be totally excluded.

IRI has been involved in South Africa on a limited scale for a number of years.

Its most visible involvement has been through its airline Alitalia, which recently raised the number of flights to South Africa from two to three a week.

Says Dr Frederico Traversi, general manager of the local operation: "Trade and tourism between South Africa and Italy are picking up all the time.

"If this trend continues, we will have to consider more flights between Johannesburg and Rome, Alitalia's home base in Italy."

Other, smaller interests of IRI include building operations such as Mortheo, a construction company involved in cluster developments in Johannesburg's northern suburbs.

The IRI Gruppo was born in the dire economic recessionary times of 1929.

Although controlled by the Italian government, it is involved in undertaking business ventures in collaboration with the private sector, not unlike those of Iscor, Eskom and Sasol.

SA 'needs body to co-ordinate trade'

3/14/92
LINDA ENSOR *148*

CAPE TOWN — The absence of a central body to co-ordinate foreign investment in SA was an obstacle to the implementation of effective investment programmes, the Cape Town Chamber of Commerce's recent trade mission to France and Holland discovered.

The chamber's latest bulletin said it became clear during discussions with policy-makers overseas that SA had been earmarked for investment, but the lack of a co-ordinating body was an impediment.

"It was realised everywhere that SA would form the commercial gateway to Africa and that its infrastructure, raw materials, labour force and technology were the vital components to become the economic engine of southern Africa. It is now waiting for SA to take the next step and indicate under what conditions it will re-enter the international market."

Chamber president Kenneth Marcus said close co-operation by government, local authorities and chambers of commerce and industry would be necessary to devise a plan for participation in world trade.

"In particular, it will be vital to meet foreign standards ... have a clear understanding of the markets and customers ... and develop an appropriate export culture ..."

Germans watch and wait

GERMAN firms had expressed renewed interest in investing in SA but would not do so until there was a clear outline of a future industrial policy, SA-German Chamber of Commerce and Industry CE Klaus Volker Schuurman said yesterday

Schuurman said as long as there was still a question of nationalisation, there would be no large-scale investment. "SA entrepreneurs are not investing in the country to any large extent and so SA cannot expect foreigners to invest here," he said.

Many German firms had resisted disinvestment pressures in the '80s and had stayed in SA despite worldwide sanctions. *Biday 16/4/92*

Schuurman expressed confidence in the potential for medium-sized firms investing in SA.

With the abolition of sanctions, there were no longer any trade barriers and SA could now gear its manufacturing production increasingly towards exports, Schuurman said. "I

SHERIDAN CONNOLLY 748

expect there will not be a phenomenal increase in the demand for the more traditional exports, but the potential lies rather in exports of finished products."

One area that showed great export potential was SA's excellent wines.

Schuurman said since the lifting of sanctions on iron and steel by Germany in February this year, there had not been a significant improvement in trade in this area.

This was largely because the recession abroad had not allowed much scope to expand exports.

SA Foreign Trade Organisation (Safto) GM Ann Moore said yesterday German firms had never stopped showing interest in investing in SA over the past decade. "Very few German companies pulled out of SA during the sanctions era and this explains the ongoing German interest in SA," Moore said.

Foreigners still wary of investing in SA

W/M ^{16/4} - 23/4/92

By MONDLI MAKHANYA

DESPITE numerous trade delegations and fact-finding missions, foreign investment is barely trickling in.

Relatively good infrastructure, an excellent banking system and the country's proximity to African markets are making South Africa an attractive investment area for Western businesses.

However, political and economic uncertainty are proving a deterrent to potential investors. Also scaring off the money men are repeated threats of nationalisation from left-wing organisations.

Several American companies, among them Pepsi Cola and Heinz are planning to invest here. German companies Hertz and catalyst producers Zeunar Starcheten are among European giants which are considering setting up plants here. Another notifiable trend is of companies choosing to enter into joint ventures with local companies in order to get grounding in the market.

But these plans are still up in the air pending negotiations and clarity on the economic policies of a future government. To press home the urgency of the need to make business decisions, the German Chamber of Commerce and

Industry has written an open letter to parties at the Convention for a Democratic South Africa urging them create a conducive climate for investment.

The letter highlights issues of concern of almost all the foreign investors waiting to come into the country: high taxation and guarantees on repatriation of capital and dividends out of South Africa; fear of possible nationalisation, and that foreign firms should be treated on the same basis as local companies.

Points out German Chamber of Commerce deputy director Matthias Boddemberger: "There is a lot of interest but people are just waiting. As long as there is violence and the economic future is not certain, investors will not commit their money."

Low growth — which has been with us for the past decade and which worsened with the onslaught of sanctions — has created a vicious circle.

"Investors are unwilling to invest because of the low growth rate here, but that in itself is preventing the economy from growing," says Econometrix director Azaar Jammine.

This is exacerbated by high real interest rates which are set to remain as high so long as the inflation rate is high.

What South Africa also needs to avoid, says American Chamber of Commerce executive director Michelle Cohen, is prescribing to investments via an investment code.

"We must be aware that people are not queuing up to invest here. There are plenty of exciting investment opportunities opening up in other countries," notes Cohen.

The cost of labour is another issue which concerns foreign investors. Jammine says a lot of foreigners, particularly Oriental businessmen, are fearful of unionisation and are perturbed by the "high cost of labour in relation to productivity". Americans are also fearful of unions. But to the Europeans, who are accustomed to unions, unionisation does not prove a problem.

For some, conglomeration in the economy and the existence of near-monopolies in certain industries prevents possible entry into the South African market. This is said to be a major reason why some of these companies have gone into joint ventures and licensing agreements with local companies.

But Jammine reckons large multinationals have enough power to "break the backs" of any local business that tries to keep them out of the market.

Rich pickings in Maputo for SA

~~215~~ 74B
Sowetan
23/4/92
~~215~~

MAPUTO - Some are fixing up hotels, some breed cattle, some sell hot dogs.

But all are South Africans hoping to reap a financial harvest from newly accessible Mozambique.

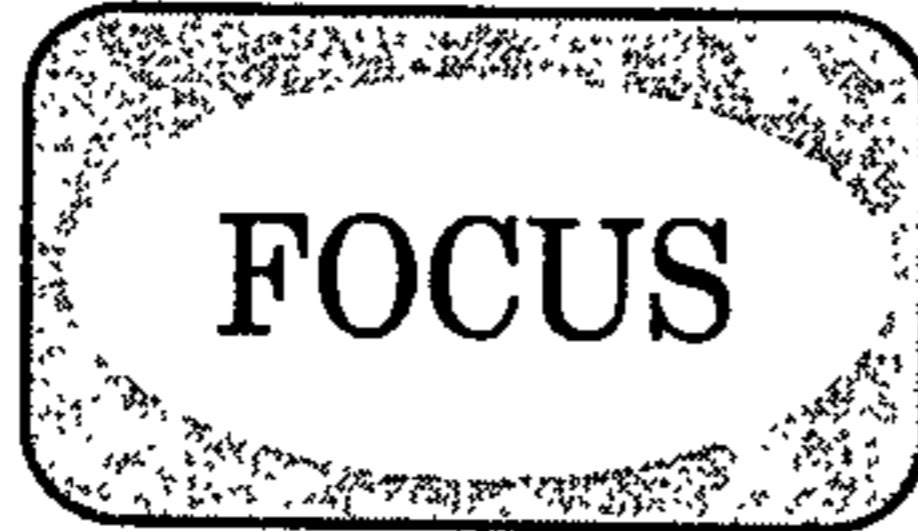
South Africa, which for years backed rightwing rebels in a war that has crippled Mozambique's economy, is now being welcomed as the sponsor of a business revival.

The once-hated South Africans appear as farmers in far-flung provinces, managers of restaurants, businessmen seeking contracts in everything from plastics to shipbuilding.

Hot dog seller Mr Niel van Niekerk, a white South African from Johannesburg, came to the Mozambican capital Maputo last November and says he is glad he made the decision.

"We are making a very good profit," he said, taking the equivalent of little more than a dollar for a "boerewors" hot dog smothered in tomato sauce, mustard and onions.

"People doing the same busi-



ness in Johannesburg would never make the turnover that we do in a little thing like this. Never, never, never."

Mr David Ankers, who works for the South African hotel company Karos, is equally enthusiastic about doing business in Mozambique.

Elegant relic

For the last two years he has been manager of Maputo's Polana Hotel, an ageing but elegant relic of Portuguese colonial days.

The hotel in the tree-lined Avenida Julius Nyerere was nationalised soon after Mozambique won independence from Portugal in 1975 and still belongs to the State, but the business is now effectively under South African control.

Karos is also the biggest single shareholder in the local company, Hoteis Polana Limitada, with 32,5 percent of the shares, he added.

Ankers said that Karos had spent R38 million on refurbishing the hotel.

"I have no fear of competitors. I think people will come to the Polana for the sake of nostalgia," he said.

"Looking at our forward projections, we feel that we won't have a problem. Turnover is exceeding R864 000 a month and we have an average occupancy of 70 percent."

Ankers is planning an inauguration party for the revamped hotel, to be attended by "certain personalities" from both countries, in late June or early July.

He won't say who the personalities are but Maputo business sources say invitations have been sent to President FW de Klerk and President Joaquim Chissano of Mozambique.

After that ceremony, said Ankers, Karos plans to spend another R8,1 million to renovate the

Polana-Mar, an annexe to the hotel which overlooks picturesque Maputo Bay.

Maputo does not have diplomatic relations with Pretoria. But the South African trade mission, a sprawling modern complex down the road from the Polana, is regarded as an embassy by many Maputo residents.

Mr David Laubscher, chief of the mission, said Mozambique was attracting considerable attention from the business community in South Africa for a variety of reasons.

"Mozambique is known from the past to a lot of South Africans and many have links here. The flow is being aided to a certain extent by the economic recession in South Africa."

In February, Mozambique's State-owned hydrocarbon company and Sasol signed an agreement for the exploitation of millions of cubic feet of natural gas at Pande in southern Mozambique. - South African Press Association- Reuter

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**Investment
think-tank
to be set up**

74B
B1000/28/4/92
DIRK HARTFORD

MAJOR political and business organisations have agreed to set up a joint policy think-tank on foreign investment as a step towards an independent institution, which they will control, to encourage local and foreign investors.

This emerged at a weekend conference attended by the ANC, SACP, NP, DP and PAC, as well as Sacob, the Afrikaner Handelsinstituut, Nafcoc and the Black Management Forum.

The conference was organised by a steering committee of the participating parties under the chairmanship of Prof Wiseman Nkhulu from the Independent Development Trust.

Among issues discussed were:

Whether there should be incentives for foreign investors and how these should apply to local investors; and

The benefits of foreign investment, global and domestic restraints on investment and the need to balance investors' demands with the needs of SA's people.

A number of local and international investment codes were looked at.

While all parties agreed the economy could not grow without foreign investment, and incentives for foreign and local investors should be the same, there were differences over how rigid an investment code should be.

The meeting agreed discussions should continue and that research on pertinent issues was needed.

Aid agencies the key to generous Kenya

74B

Bl/day 30/4/92

GILLIAN HAYNE

MULTILATERAL aid organisations are one of the keys to SA's involvement in Africa because they have both the funds to undertake major projects and they pay in hard currency.

They are also looking increasingly to private enterprise, whose management and technical expertise is trustworthy, to fulfil the role previously undertaken by parastatals.

Kenya Equity Management operations director Michael Power says SA's re-entry into Africa has coincided with a radical change in philosophy by aid organisations. No longer are they prepared to support parastatals but increasingly want to co-invest with the private sector.

"There is plenty of money but not enough reliable delivery vehicles — private enterprises and financial intermediaries — which gives SA companies enormous scope and opportunity," he says.

But for SA companies to succeed they need a more adventurous spirit and need to be prepared to deal with the swings and roundabouts in African business.

Statistics show that the World Bank spent \$3,932bn in aid to Africa in 1990, while the EC has channelled about \$15bn.

Throughout Africa, aid organisations are still involved in large scale infrastructural developments

such as building roads, dams and hospitals.

Major organisations with leanings towards private enterprise co-investment include the US Agency for International Development and the European Investment Bank. British aid is channelled through the Overseas Development Agency and the Commonwealth Development Corporation.

Other major players are the International Finance Corporation (the private enterprise arm of the World Bank), the African Development Bank and German and Dutch aid organisations.

Zones

One of the US Agency for International Development's activities in Kenya is its involvement in export processing zones. Companies operating in the zones are given extensive tax and other incentives but many Kenyan companies do not have the foreign exchange necessary to operate within the zones.

The agency swaps Kenyan shillings for US dollars, thereby giving Kenyan companies the opportunity to establish themselves.

There are virtually unlimited opportunities in agriculture, manufacturing, construction and tourism.

Power says although projects are put out to tender,

the best way to find out what projects are on the go is to cultivate relationships with Kenyan businessmen. For example, SA construction companies should get to know local architects and quantity surveyors.

SA companies are already involved in reinsurance, office supply and the leisure industry. Sun International chairman Sol Kerzner is rumoured to be planning a big project in Watamu, a village on the north coast.

Power says companies which process agricultural products are needed. Agriculture contributes 30% of Kenya's GDP but most of the produce is exported without value being added.

Kenya also acts as a regional manufacturer for its neighbours and is a major economic force.

Kenya Equity Management is one of Kenya's leading merchant banks, specialising in mobilising and co-ordinating project finance.

It is one of the few companies in the country which deals on an equity level. Power says equity finance is not common because it is not widely understood.

The company combines external and internal investment by bringing together Kenya's small but vibrant institutional investor market, the government and aid organisations. It also invests in the pro-

jects it co-ordinates and works closely with commercial banks which provide loan finance if necessary in a venture.

Other companies involved in project finance in Kenya include the fund for Economic Development for Eastern and Southern Africa (Edesa), a fund backed by many leading SA companies, and the Investment Promotion Service (IPS), a company within the Aga Khan group.

Allowances

There are generous allowances for foreign companies establishing ventures. Capital allowances are given in the early stages and favourable tax treatments are granted.

Within Kenya's export processing zones the incentives are even greater. Companies are permitted to keep their accounts in foreign currency, are given a 10-year tax holiday and pay tax at only 25% for the next 10 years. They can repatriate their money at will with no restrictions on profit and dividend remittances; they are exempt from import duties on machinery, raw materials and intermediate inputs and are exempt from VAT.

There are also no restrictions on management or technical arrangements.

The corporate tax rate in Kenya is 37.5% and at present there is no capital gains tax.

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Handful of projects overshadow the rest

74B
Bluxing 20/4/92

SOME projects have dominated project finance in the last two years — Mossgas, the Sua Pan soda ash plant in Botswana and the Lesotho Highlands Water Project.

Others still in the pipeline are Alusaf's multi-billion rand expansion programme and the Columbus Stainless Steel project. In addition, the petrol-chemical industry could spend up to R15bn in the next five years.

In mid-1991 a soda ash and salt project opened in Botswana. It was a joint-venture project between the Botswana government and AECI, Anglo American Corporation and De Beers Holdings.

It is estimated to contribute 10% to Botswana's national export earnings.

The first phase of the R14bn Lesotho Highlands Water project began construction last year and is planned to be completed by 1997. Phase IA will cost R5,9bn.

Standard Bank and

First National Bank provided about R1,9bn in commercial loans for the project. Five major domestic banks put up a R1,5bn export credit.

Offshore funding will also raise \$500m. The World Bank has a hand in the project and will provide \$100m.

Earlier this year aluminium producer Aiusaf announced its intention to invest between R3bn to R4,5bn in a new aluminium smelter.

The project is still in the pipeline, along with the R2,5bn Columbus Stainless Steel venture.

Sasol plans to spend R900m on expanding its wax and paraffin facilities and the ammonia synthesis plant at Sasol 1. It will also upgrade the Natref refinery (R370m), anode coke and liquid fuels project and a R320m acrylic fibre plant.

Engen could invest over R4bn within the next four years.

No 'fast money' to be made in Mozambique

Bl Day 30/4/92
GAVIN DU VENAGE

SA INVESTORS keen to make fast money are falling over themselves to put cash into Mozambique, often without any idea of what they are getting into.

The Mozambican Bureau for Investment Promotion in Maputo says it has been flooded with feasibility studies which "do not always reflect the reality of the situation".

Spokesman Musfa Ufmbn said this week stringent requirements had to be met before an application was considered. "We need to know the value of investment, and the cost of equipment and machinery to set up a project," he said.

Investors also needed to supply income projections for at least five years, as well as a detailed assurance of funds, he said. He said the bureau investigated the background of potential investors.

Ufmbn said some people "mistakenly believe we have cheap land for sale". While land in Mozambique was inexpensive, it was on a leasehold basis only. An investor had to show the land would be used "to the benefit of the local economy".

He said once granted, however, the tenant would enjoy the same security as if he owned the land. "Nobody can move you without a good reason," said Ufmbn.

Property for personal use was not available.

He added most interest from SA investors was in agriculture and tourism.

SA's Maputo trade mission head David Laubscher said businessmen might have been misled by media reports suggesting land was being given away.

He said investors should consider the "what, where and how", before submitting a feasibility study.

Meanwhile the latest edition of the Indian Ocean Newsletter has accused SA and Portuguese investors of wanting to "jump on a bandwagon". It said investors were seeking to exploit Mozambique's economic liberation programme, often without even specifying which region they wanted to operate in.

FM 115792

74B

As chairman of TAH, Gordon was non-committal about the kind of valuations Capco might produce at the end of this year. But the discernible, if slow, pick-up in retail sales and quality of Capco's shopping complexes should mean the worst is over.

TAH has been knocking on the London stock market door for several years, but to no avail because its assets were solely interests in companies which were already quoted (Sun Life, Capco and Continental & General Investment Trust). With hindsight, and as Gordon said in the last annual report, TAH's 1 000-plus shareholders were probably better off by not being invested in a high profile, property-dominated stock.

The FT-Actuaries property sector index languishes 53% below its 1989 zenith — and that is after some recovery.

But the time may now be ripe. With Sun Life and Continental delisted, Gordon is confident that a London quotation, and the acquisition opportunities that will go with it, is close. If it means buying out the 17% minority in Capco, that, at, say, 200p (178p now) will need only £45m. It will be a pleasure after the 367p TAH had to pay Pearson for its 3.3m Capco shares, and at a discount of 50% to a conservative NAV it could look clever two years hence.

With a market cap of £900m-£1bn and the bolstering growth of Sun Life, TAH would warrant automatic inclusion in the FT-SE 100 index and institutions' investment lists.

John Cavill

TRANSATLANTIC More Gordon cashing-up

Chairman Donald Gordon does not like debt, even when interest rates are waning. He also wants a listing on the London Stock Exchange for Liberty Life's 55%-owned UK life insurance-property group TransAtlantic Holdings which is now quoted in Luxembourg. FM 115792

Hence the double reason behind TAH's 1-for-4 rights issue at 250p to raise £147m net, which, incidentally, earns the distinction of being the first UK cash call since the Conservative general election victory. The discount is 23% to TAH's net asset value of 323p (depressed from 450p by two years of property slump in the UK) but only 11% to the closing Luxembourg price on the day of the announcement, when a flutter of selling in an illiquid market knocked 45p off the price.

The issue is fully underwritten by Liberty — well armed by November's European placing of 12m shares for some £80m — and backed by TAH's other main shareholders, Union des Assurances de Paris (16.8%) and Gencor group (12.5%). There is some doubt whether Liberty's First International Trust will be able to take up all its rights (43%) but French partner UAP is the probable candidate for absorbing any leftovers.

TAH has been a heavy investor in the past year. Shoring up Capital & Counties (80.7%), where the UK property collapse has knocked about 40% off asset values since end-1989, required £102m from shareholders. Then the acquisition of 100% of Sun Life in partnership with UAP absorbed £161m.

Finally, when the Pearson group exercised its put option on a tranche of Capco stock, TAH spent another £12.3m, increasing its stake to 82.6%. End-December net cash of £103m turned to £70m net borrowings.

Ex-rights TAH will have some £80m cash for itself. While Capco is still 75% geared (borrowings £490m, net assets £556m), it is more soundly funded at what appears to be the bottom of the property cycle.

Sappi's deal shows Europe is changing

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The purchase by Sappi of the Hannover Papier company in Germany, which was announced yesterday, has all the appearances of being a first rate investment that should bring both Sappi and South Africa an extremely useful return.

But as far as the South African investment scene is concerned, there is another extremely important aspect to this move. The way the investment is being financed appears to be the result of a successful challenge by Sappi to European investment managers to reconsider their current negative attitude towards South Africa.

This is a most welcome development as for several years there has been no new net foreign investment in shares listed on the Johannesburg Stock Exchange. In fact, JSE statistics show that there has been a steady net outflow which is still continuing — in spite of the apparent improvement in the political scene.

In recent months there has been a spate of overseas investment managers visiting this country and having a good look at its investment possibilities. But not one tenuous proposal has yet emerged.

One reason, of course, is the first duty of an investment manager is to safeguard the funds under their control. And they can argue that if a large and important South African organisation such as De Beers felt it expedient to put its foreign assets into a non-South African company, it was not really appropriate for them to do the opposite and put assets here.

But Sappi, which expects to successfully issue to overseas investors some 19 million to 20 million shares worth around R1 billion, has apparently given them good reason to change their minds about investing in this country.

By Derek
Tommey



The generally held view in local investment circles is that foreign investors have been extremely impressed by Sappi's prospects. There is no doubt that the German acquisition will help push Sappi into the major world league of pulp and paper producers and manufacturers.

Furthermore Sappi, to some extent, is making it easy for Europeans to digest the issue as one third of Sappi's assets are in Europe and another third of Sappi's income from exports. This helps to reduce the South African connection. In fact Sappi's chief executive, Mr Eugene van As, says that the shares will not be offered at a "South African" discount, but at the top rating they deserve.

And the fact that Commerzbank, Germany's fourth biggest bank, is prepared to exchange its 10 percent stake in Hannover for Sappi shares on these terms has no doubt conveyed an important message to other European investors.

While the share issue is still to be made, one expects that Sappi has done its homework and that it is pretty certain that the shares will be taken up.

Altogether, it seems that Sappi is doing much to make European investors change their view about investing in a South African company.

In SA's favour

(Times (USS) 3/5/92)

A SENIOR World Bank consultant has listed the advantages which South Africa still enjoys in attracting foreign investors — despite inflation, recession and high interest rates.

Witney Schneidman told a forum on Investment Policy in a Post-Apartheid South Africa this week that the economy's weakness was offset by sound financial institutions and policies.

Mr Schneidman said: "South Africa has a well-regulated financial system that is run in an orthodox, predictable manner. The highly respected Reserve Bank lends a critical measure of stability and predictability to financial developments."

The fact that the dual exchange-rate system provided a discount in the conversion to rands also favoured investors. But most bankers would prefer a single, realistic exchange rate.

Other pluses listed by Mr Witney included:

- the availability of local capital,
- the existence of the Johannesburg Stock Exchange which made the transfer of capital and access to it much easier,

Business Times

Reporter

- an excellent physical infrastructure,
- the size of its consumer market with a real cash economy which in percentage terms may be larger than Nigeria's.

Mr Schneidman warned, however, that SA was unlikely to receive major new investment capital soon.

Waiting for realistic economic manifesto

STAN 4/5/92

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By Michael Chester

How long will South Africa sit back and assume that new investment funds are bound to start flowing now that we have donned sackcloth and ashes in repentance for apartheid?

In an eager rush to stake allegiance to democratic reform, most of us seem to have grasped hold of an odd notion that somehow the outside world owes us massive rewards for political reform.

Why no gush of new investments or loans from the World Bank? Or the International Monetary Fund?

Or all the big private-sector financial institutions and multinational corporations that made a fast exit when anti-apartheid storms broke out in the mid-1980s — with hints they would return when South Africa mended its ways?

True, potential investors have started to put South Africa back on the world atlas of possible new business opportunities, especially with all of its chances to become a gateway into the much larger arena of the sub-continent market as a whole.

But as pointed out by a number of seasoned observers, most of them are carrying notebooks rather than chequebooks.

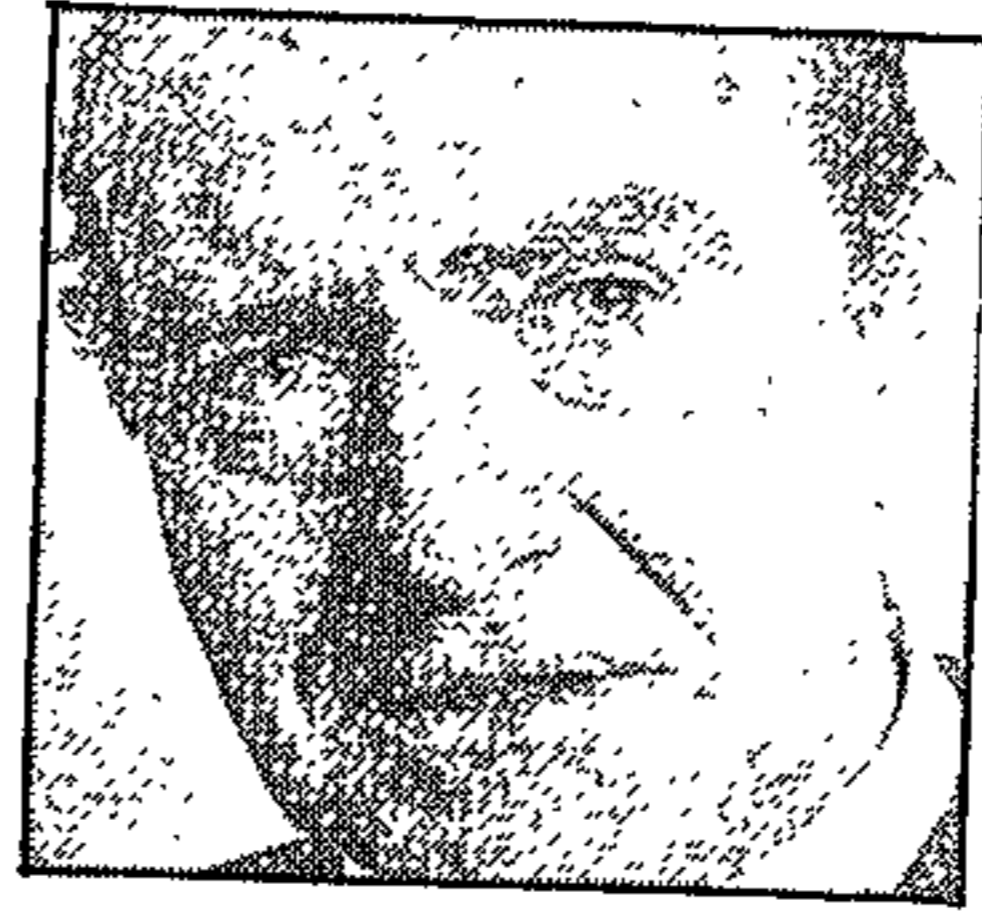
The hesitation is understandable. Professor Lawrence Schlemmer, a general manager of the Human Sciences Research Council and vice-president of the SA Institute of Race Relations, put a finger on a few of the reasons last week.

He had got hold of results of surveys that showed that as many as nine out of 10 investment fund managers in Britain, as an example, favoured deals with South Africa now that apartheid problems had been buried.

Yet six in every 10 of them still placed SA in the medium-to high-risk category as far as international investments were concerned, largely because of chronic violence and political instability.

Equally fascinating, though, were revelations in the surveys about the ignorance of overseas fund managers about the economic and political realities in the new South African scenario.

At first there may be hoots of derision, even among sophisticated SA observers here at home, about the naivety of anyone suggesting there were any



clear-cut guidelines. Professor Schlemmer sounded ready to agree. But he had delved deeper than most into a more dispassionate and unbiased analysis of the scenario that may well unfold.

Of course, there was allowance for the risk of the canvas being torn into shreds. However, he also made a lot of sense about the blunt realities about how far the political extremists can influence the ultimate outcome.

Refusing to be deafened by political rhetoric, he found that calm research indicated that no single one of the main parties had the muscle to win the sort of majority vote it needed to be dictatorial.

If elections were held at the moment, he forecast, the ANC/SACP alliance would harvest 45 percent of all the votes; the NP and DP would muster 32 percent; Inkatha 12 percent; the Conservative Party no more than 5 percent — leaving around 6 percent of the vote to be shared out between the also-rans.

So? In all probability, he said, the government in power in 1995 would be a coalition — which was precisely what the rank-and-file supporters of all the main parties wanted, whatever the bluster of party leaders shouting from public platforms.

An Alice in Wonderland scenario? Perhaps not, if one turns down the volume of rhetoric.

It may be premature to place bets on the outcome. All it needs is for each of the main political parties to offer an economic manifesto that shows at least tentative offers of compromise away from hard-and-fast dogma.

Investors wait for interim rule

MAJOR decisions on foreign investment in South Africa were being delayed until an interim government was in place, a member of a top-level Belgian government and business delegation said yesterday.

Textile industrialist Mr Philip Verbeke said it was critical that Codesa did not lose its momentum.

"The closer we get to a solution, the more people are adopting a wait-and-see attitude. People say 'wait for an interim government'."

Speaking at a Press conference in Cape Town hosted by Belgian Minister of Foreign Trade and European Affairs Mr Robert Urbain, Verbeke said it was hoped that the African National Congress would embrace foreign investment.

South Africa already had an export base to the rest of Africa and the world was looking for its next cheap labour base.

Verbeke said if stability were achieved South Africa's growth-rate could move close to double-digit figures.

Urbain, who heads the Belgian economic mission to this country, said their presence in the country served to encourage the Government that "the process here is clearly understood abroad".

The mission was looking for means to achieve a more balanced trade figure, which currently favoured South Africa, and methods to improve bilateral trade between the countries.

Belgium's international exports totalled R250 billion in 1991. It exported goods worth R1 billion to South Africa and imported R2 billion. - Sapa.

74B

Sowetan 5/5/92

Prepare teams for Europe, firms told

CAPE TOWN — SA companies wishing to expand into Europe would have to alter and educate their management teams, Investec executive chairman Bas Kardol said at the SA Institute of Chartered Accountants' annual congress yesterday.

European nationals should be recruited extensively and domestic executives exposed to the issues and subtleties of Europe, Kardol said.

"In the case of Europe 1992, it will be in our interest to secure as much access as possible to the largest single market on earth. The onus is upon us as SA business people to familiarise ourselves with the rules of the European game."

Kardol said SA companies needed to develop lobbying ability or face the possibility of European rules which might hurt their ventures. They should position themselves to raise international capital and form joint ventures with visiting bankers and industrialists.

SA could not realistically expect too much "soft money" and would have to compete for European investment on hard commercial grounds.

"As the new Europe tries to organise itself more efficiently, it is becoming more inward looking. Intra-European trade is receiving more

encouragement than trade with non-Europeans. Intra-European assistance, necessary to narrow the income gap between the rich north and the less affluent south, may crowd out the appetite for involvement in development regions like southern Africa," Kardol said.

About 57% of SA's classified exports to the industrialised world went to the EC while 59% of its imports came from the community. Between 1984 and 1990 the annual compound rate of growth of exports to Europe in constant dollar terms was 10,7%, substantially exceeding the 5,6% annual compound growth rate of total exports to the industrialised world.

Kardol said during sanctions a trend of export switching to Europe was evident and, except in the case of exports to Italy, very limited real gains had been achieved since 1987.

He said it was important to ensure that SA products met international standards.

"A sad legacy of the sanctions period is that South Africans have become used to trading through the back door. Many of our companies will have to develop knowledge of rules and standards set for products traded via normal channels."

Platform for change 'shaky'

CAPE TOWN — The economic platform for the transformation of SA society was very shaky, and the success of the change was not guaranteed, Old Mutual chairman Mike Levett said yesterday.

The weak performance of the economy was shown by the fact that per capita GDP had been declining for more than a decade, investment had dropped to unsatisfactory levels, unemployment was rising rapidly and the distribution of income was unequal.

It was unrealistic to expect an average annual GDP growth rate of more than 3% over the next four years and even at this "optimistic" level, living standards would remain stagnant. The real incomes of whites would continue to decline as wealth was redistributed to blacks.

Even the optimistic projections of SA's future economic growth were inconsistent with a successful transition which was rendered more improbable by the prevailing social violence, Levett said.

Education to enhance the capabilities of the population to earn higher incomes was a vital prerequisite for a successful transition, Levett stressed.

The other ingredient was a switch in economic policy to one which was outward-looking and manufacturing orientated to ensure a higher rate of economic growth.

Reports by
LINDA ENSOR

Speculation over Sappi acquisition

PAPER manufacturer Sappi is expected to make an announcement today on a major offshore acquisition, industry sources say.

A Sappi spokesman confirmed that "an announcement" would be made shortly but would not confirm it would be about an offshore deal. Industry talk has been of an acquisition in Germany. (746) (220)

Market analysts believed Sappi would prefer to finance an acquisition through a share swap rather than involve itself in a cash deal. Sappi executive chairman Eugene van As would not be drawn on the matter yesterday. *Friday 5/5/92*

The speculation follows a cautionary announcement three weeks ago that the group was involved in negotiations for an acquisition. Van As had been quoted as saying that Sappi's strategy was to become a global player in the paper and pulp market by the turn of the century.

Competitors believe this will be possible

~~1111~~ / MADDEN COLE ~~1111~~

only once Sappi broadens out of its present narrow product range in Europe.

Last year Sappi established Sappi Europe after buying five British fine paper mills for R500m. The company also announced last year that it had established a Zurich-based company, Sappi Trading, to handle its offshore trading activities. It also acquired the Hong Kong-based pulp and tracing house, Speciality Pulp Trading, which holds contracts to distribute Sappi's non-rand denominated sales.

The group is on the lookout for further European acquisition opportunities. Sappi Europe MD Kim Jokipii said last year that the company was looking to form a European network to market products produced both in SA and the UK as one package.

Sappi shares held steady yesterday afternoon at R43.50 after rising from R38 in the middle of April.

Trade group contributed to ANC policy Mandela

STEPHANE BOTHMA

TALKS between the ANC and a Japanese trade delegation visiting SA provided valuable information for the formulation of an economic policy by the organisation, ANC president Nelson Mandela said yesterday. Mandela, however, urged the group of businessmen to join the demand for an interim government before making new investments in SA.

Mandela met the trade delegation, led by Itoh Koya Mica, MD of Sito and Co — one of Japan's largest trading houses — yesterday afternoon shortly after his return from a week-long visit to several African states. Speaking at a Johannesburg news conference, Mandela said he regarded Japan as one of the most economically successful countries in the world. Japan was also an inspiration to SA.

Mandela said the talks, which took place at the ANC's head office in Johannesburg, made a valuable contribution to the ANC's search for an economic policy and provided ways to draw foreign investors to SA. He added that the ANC was seeking to break government's monopoly on political power. He expected all business groups to join the demand.

Mica, who also addressed the news conference, said SA would offer great economic prospects if stability could be achieved by people like Mandela. SA had a strong infrastructure and good people, Mica said.

His company was interested in investing in SA, but stability in the country was a prerequisite. Mica said the delegation was visiting SA to explore the investment opportunities for Sito and Co and to ensure the transfer of technology through licensing. This would create independent industries capable of producing high quality products.

BIDAY 6/5/92
BUSINESS DAY, Wednesday, May 6



Japanese Chamber of Commerce and Industry in SA president Shuji Okita, right, talks to vice-president Shigefumi Noda during a news conference yesterday. Picture: ROBERT BOTHAM

Japanese Chamber launched in Jo'burg

A JAPANESE Chamber of Commerce and Industry was launched in Johannesburg yesterday, but officials said SA's political situation continued to discourage investment. *BI Day 6/5/92*

Chamber president Shuji Okita said with the lifting of Japanese sanctions last year, and the normalisation of diplomatic relations, Japanese companies now wanted to expand their business interests in SA. However, immediate investment could not be expected.

748 ANDREW KRUMM

Okita said although SA's political future was a better risk than former Soviet Union states, it remained uncertain.

He said a second stumbling block to investment was the lack of a tax treaty between SA and Japan, which resulted in "double taxation" where company profits were taxed in both countries. The chamber planned to take up the issue with the authorities, Okita said.

Control acquired via share swap

German deal makes Sappi a world leader

Bloom 6/5/92

IN AN international deal valued at R825m (in finrands), SA's largest pulp and paper manufacturer Sappi yesterday became one of the top 15 paper manufacturers in the world.

Executive chairman Eugene van As said Sappi had acquired the controlling interest in Hannoversche Papierfabrieken Alfeld-Gronau AG (Hannover Papier), one of Germany's leading producers of coated wood-free paper.

He added that the acquisition was Sappi's second major step into the international arena in less than two years. In June Sappi bought control of five paper mills in the UK.

The current deal marks the first time since financial sanctions were imposed on SA that a local company has swapped shares to acquire control of a foreign company.

"The deal enhances Sappi's position as an international forest products group. In future approximately two-thirds of the group's turnover and profits will be generated from exports and from Sappi's non-SA subsidiaries," Van As said.

Sappi is acquiring 90% of Hannover Papier's share capital, 80% from Ncb Aktiebolag of Sweden, a pulp and paper company, and 10% from Commerzbank AG,



MADDEN COLE

Germany's fourth largest bank. The remaining shares are publicly held.

Sappi will settle the purchase price by the issue of new ordinary Sappi shares to Commerzbank and by the issue of convertible debentures for Ncb shares. Ncb will receive cash and Sappi will assume Hannover Papier's existing borrowings of DM370m (R763m at the finrand rate).

Sappi proposes to place the ordinary shares arising out of the conversion of the debentures which are to be issued for the acquisition.

The placing will be made in the Euro-equity market with major international investors and with SA institutional investors that already hold Sappi shares.

Van As said the price would be the prevailing market price at the time of placement in Europe and in SA.

As a result of the acquisition, Sappi intends applying for a listing of its shares on the London, Frankfurt and Paris stock exchanges.

"Arrangements are well advanced in applying for these listings," Van As said. He said he expected the acquisition to retard the rate of growth in recovery of Sappi's

□ To Page 2

Sappi

Bloom 6/5/92 (74B) (10) (10)

From Page 1

earnings a share in the first three years. Earnings would start rising after that.

"In the medium term, as Hannover Papier's products are integrated and marketed with those of Sappi Europe, the acquisition will make a material contribution to earnings a share."

Van As added that Sappi would in future consolidate all its controlled subsidiaries outside of SA which were currently equity accounted.

The acquisition would have no material effect on the net asset value of Sappi or on the level of its debt-to-equity ratio, he said.

Asked what percentage of group assets were now held abroad, Van As said of the total asset base, 35% was invested abroad and the balance in SA.

"Hannover provides us with a strong

base in Europe, both in sales and production," he said.

"What we are doing is buying great assets at a substantial discount, estimated at a 40% discount to the replacement value of these assets."

Hannover Papier employs 2 650 people. In 1991 it had a turnover of DM750m.

Van As said the German company's range of products complemented that of Sappi Europe, which meant Sappi would be able to offer its customers one of the most comprehensive ranges of high value added paper grades in Europe.

The move into Europe did not mean the group would cut down on local expansion, Van As said.

"We are not cutting back on SA growth and will continue to invest heavily in SA."



Sappi acquires specialist German paper producer

By Derek Tommey ^{STAR} 6/5/92

Pulp and paper giant Sappi has taken another step towards becoming a world player in its field.

It is acquiring control of Hannover Papier, a leading German producer of coated woodfree paper, for about R825 million at the financial rand rate.

The company employs 2 650 people and had a turnover of Dm750 million (about R1,5 billion) in 1991.

The acquisition follows the purchase in June 1990 of five paper mills in the UK.

Chief executive Eugene van As says Hannover Papier's range of products complements those of Sappi Europe.

The transaction will make Sappi one of Europe's top suppliers of a virtually complete range of high value-added specialist paper.

Sappi will finance the purchase by an issue of shares it intends placing with European and SA institutions.

Sappi itself will not transfer any funds overseas, says Mr van As.

As a result of the share issue, Sappi intends applying for a listing on the London, Frankfurt and Paris exchanges.



Eugene van As . . . listing Sappi overseas.

A major European shareholder of Sappi shares will be Commerzbank AG, Germany's fourth-largest bank, which is exchanging its 10 percent holding in Hannover Papier for Sappi shares.

Sappi's purchase of 80 percent of Hannover's shares from Ncb Aktiebolag of Sweden brings its holding to 90 percent. The balance is held by the public.

The opportunity to buy Hannover arose when Ncb ran into financial difficulties last September.

A number of companies were asked to make a presentation on

how they would handle the company and state what they were prepared to pay for it.

It turned out that this was done mainly to enable Hannover's top management to gauge the nature of the buyer. This was followed by a controlled auction.

Mr van As believes Sappi was the management's choice.

"We're delighted with the transaction: we are buying excellent plant with the latest technology at an estimated 40 percent discount to the replacement value of these assets."

Hannover is running in a new paper mill, which will increase its capacity by 70 percent.

Hannover stands to gain a double benefit in the coming months as the new mill moves into profit and German and European demand for specialist papers starts picking up.

Mr van As says the acquisition will result in Sappi's profits over the next three years accelerating less than they would have done.

But thereafter they should accelerate rapidly.

He believes the recession overseas has bottomed. Foreign pulp prices have risen by \$100 to \$520 a ton since last November, and he expects them to rise to \$600 a ton by the end of the year.

While Sappi is looking overseas, it does not intend neglecting its operations in SA. It is planning to invest R800 million on new equipment over the next two years and R4 billion over the next four years.

The acquisition of Hannover will result in one-third of Sappi's earnings coming from its European operations, one-third from exports from SA, and one-third from sales in SA.

COMPANIES

Sappi's acquisition tests foreign confidence in SA

BID day 715792 *746*

LONDON — Sappi's DM400m takeover of Hannover Papier of Germany is being regarded here as both a coup and a test of foreign investor confidence in SA.

"The fact that European institutions are prepared to take Sappi shares, ultimately, is extremely positive for SA Ltd," said John Taylor, analyst at brokers James Capel.

"Whether it will be as good for Sappi remains to be seen but paper-making is being seen as a recovery sector worldwide.

"And now that Sappi is in the major international league it is going to be regarded more as a sector investment than just an SA stock."

Until yesterday's surge to R48, Sappi had lagged the big European paper shares. At R42 Sappi was 45% up from its 1991 low and at \$12,35 (via the finrand) it was rated on an earnings multiple of 11,3 and a dividend yield of 5,7% to foreign investors.

By comparison the UK Bowater group's share price has risen 91% from its 1991 low point, commands a price-earnings ratio of 18,5 and yields only 3,6%. This year Bowater, cap-

JOHN CAVILL

italised at £1,7bn, has climbed 32%.

Yesterday's jump by Sappi closed the gap, making its 1992 gain 29% and driving the yield down to 5% while the historic p:e went up to 12,8 — before any dilution following conversion of the debentures into about 20-million new shares. At current prices the enlarged group will have a market value of \$1,7bn.

The question about Sappi is whether shares issued for Hannover will remain in European hands after the group is listed on the London, Frankfurt and Paris stock exchanges.

The last big SA issue, of 12-million Liberty Life shares to raise £80m, was fully underwritten in Europe but most of them have now returned home as SA institutions bid the price up and foreign subscribers took a profit. "If you want to buy Liberty in any quantity you have to get the stock from Johannesburg," said one dealer.

Barlow Rand had the same experience in 1984 with the 12-million shares placed in the UK when it bid £280m for J Bibby.

One analyst, who wished to remain

anonymous, said: "A lot will depend on where the Sappi convertible is placed and the timing of conversion to equity. There is good support from the Germans but the Liberty issue showed there was not yet much appetite for SA paper. The homes which were found for the shares turned out to be overnight car parks.

"We don't really know if the market is ready to accept around £135m of SA shares, especially as Sappi's attraction as a rand hedge has been redoubled. If the SA funds really go for it there is no doubt we'll see a lot of stock being returned."

Other analysts were more optimistic. At Smith New Court corporate finance, Tim Read, who recently led a team of 14 international fund managers on a tour of SA, said: "Of all the companies we visited, Sappi was rated as one of the best run."

At Kleinwort Benson, David McCrosland commented: "There is every reason why Sappi could be seen as attractive to European funds. The sector is generally viewed as one for recovery and most of the companies in it command ratings similar to that of Bowater."

NEWS FOCUS

Sappi's foreign foray gears it for the big time

74B
BIDday 8/5/92.

CHERILYN IRETON

SAPPI has a huge acquisition to digest before it is able to truly say it has joined the top league of international paper and pulp producers.

But there can be little doubt that its latest foray into Europe, with the DM800m acquisition of Hannover Papier, has placed it in an enviable position in the lucrative market for speciality papers. The price Sappi is paying includes a DM400m share swap for 80% of Hannover Papier's shares and DM370m of debt Sappi has taken over.

Hannover Papier is Germany's largest producer of coated woodfree paper and the fourth largest coated paper producer in Europe.

This gives Sappi an important outlet for its pulp and paper products, a factor which should reduce some of the cyclicality of Sappi's business, eventually promoting better operating efficiencies.

World paper prices are now signalling an upturn and if management's targets are accurate, Sappi shareholders will start to enjoy stronger earnings growth within four years.

That sounds like a long wait, particularly since Sappi will have to issue around 15% more shares to settle its bill. In addition, executive chairman Eugene van As says a refinancing of Hannover's debt will be undertaken in order to strengthen its balance sheet.

But the quality of the management and the assets that Sappi is acquiring — at a discount of about 45% to replacement value — and the eventual benefits of having an in-house outlet for its pulp and paper products could well overshadow any short-term concerns. Sappi secured Hannover Papier after a protracted auction of the 80% shareholding of Sweden's

troubled Ncb Aktiebolage.

At present more than 92% of Sappi's shares are held by SA institutions which will probably be more than happy to sit on their investment until Hannover Papier's earnings growth matches that of Sappi's.

This will depend largely on how quickly world paper and pulp markets recover. Although Hannover Papier will start contributing to Sappi's earnings immediately, management has told investment analysts to knock 15% off their Sappi growth forecasts in the first year — because of the dilution factor resulting from the issue of new shares — and 7.5% in the second.

Dilution is expected to be completed in the fourth year of Sappi control.

But once the acquisition has been absorbed under the umbrella of Sappi Europe, the offshore arm is expected to account for a third of Sappi's profits. One third should come from SA exports and the remaining third from the domestic market, says Van As.

Part of the attraction of the deal is that the revenue earned from Hannover Papier will be in hard currency and will be fully taxed — an important factor since Sappi will lose most of its SA tax shield in two years time when the benefits of past capital expenditure start dissipating.

The payment plan for Hannover Papier is complicated and includes a Euro equity issue which will see the placing of about 19-million new shares by a consortium of European and SA banks and brokers, with foreign investors.

Existing SA institutional investors will also be able to bid for the new

scrip. This includes parent Gencor whose holding will be effectively diluted from 49.9%.

Van As says Gencor is not concerned about a limited dilution in its stake, as long as the absolute value of its investment grows.

"You don't need 50% for control," he says.

However a couple of stock market analysts believe that Gencor may not be in too much of a hurry to buy new Sappi stock and could well let its holdings drop to between 40% and 43% of the shares in issue. This strategy, they believe, could be extended to other subsidiaries, particularly Engen, which is considering acquisitions in Africa.

While not quite the unbundling of Gencor first mooted by Derek Keys in 1990, this, they maintain, would represent a determined effort by Gencor — or at least ultimate parent Sanlam — to loosen its grip on its industrial subsidiaries.

Gencor sees the Sappi scenario differently.

Gencor's investment adviser and Genbel MD Anton Botha says at worst Gencor's holding will be diluted to about 45%.

"The group has indicated that it is keen to take up its entitlement to at least half of any new shares on offer to SA institutions.

"Since it is a foreign acquisition we are keen to attract foreign money and to do so are prepared to dilute our holdings. But it is not necessary to dilute our investment in favour of SA players," he says.

If Sappi had acquired an SA operation, Gencor and Genbel, who hold a combined 55% of Sappi, would have been happy to provide their share of the funds in order to maintain their investment in Sappi, Botha says.

Brushings with the Mafia in mid-Africa

AKG 9/5/92

743

BARNEY MTHOMBOTHI
Business Staff

BUSINESSMEN in South Africa anxious to take advantage of new opportunities opening up in Africa could become easy prey to sophisticated syndicates of Nigerian connen who have already defrauded businessmen in the West out of millions of dollars.

South African businessmen have lost thousands of dollars to these tricksters, but some are too embarrassed to talk about their experiences.

A typical ploy starts with a gang based in Nigeria writing to foreign firms or individuals — names gleaned from trade journals, trade shows, directories and newspapers — and offering lucrative but bogus business deals.

A businessman is enticed to visit Nigeria, where he is told to pay tens of thousands of dollars to help push through a deal with officials. Once paid, the connen disappear.

A senior official at the South African Foreign Trade Organisation (Safro) has warned that these scams could "earnish" progress already made in relations between the two countries.

"It's going to blacken Nigeria's name, but there is nothing we as South Africans can do about it," said Mr Charles Kuzmanish, of Safro's Africa division.

The Nigerian High Commissioner to Botswana, Professor Alaba Ogunsanwo, said his government had already placed advertisements in reputable publications in Britain and America warning businessmen against these scams and might do the same in South Africa.

He said businessmen ought to be suspicious if offered deals which seemed to be too good to be true.

"You cannot expect to be paid for services not rendered. If you're honest, you won't fall for it," Professor Ogunsanwo said.

"Unfortunately people talk about these things only after they've had their fingers burnt."

It is believed that there are more than 60 of these gangs in Nigeria who so far have sucked in tens of millions of dollars through a variety of frauds from businessmen in America, Europe and the Far East, especially Japan.

They are schooled in the intricacies of high finance and international trade and are said to have the services of slick lawyers.

They can also be brutal. According to the London Daily Mail, a British businessman, a friend of British Cabinet minister Mr William Waldegrave, was found shot dead in his hotel in Lagos last year after he had gone there to secure the return of \$2 million (R10 million) that had been conned out of a fellow-businessman.

The recent visit to Nigeria by President De Klerk and the prospect of more trade between the two countries have seemingly opened up new avenues for these syndicates. South African businessmen have received a flood of letters offering lucrative business deals and partnerships. Some already have lost thousands of dollars.

The matter first came to light after the arrest in Botswana of a Boksburg businessman, Mr Christoffel van der Merwe, who allegedly tried to cash a forged Nigerian Central Bank draft for \$20,5 million (about R59 million) at a Gaborone bank.

Mr Van der Merwe, penniless after losing \$134 000 (R375 000) to his Nigerian "partners", is in custody in Botswana and is facing charges of uttering a false document.

Since the publication of Mr Van der Merwe's story several South African businessmen have come forward to tell of their brush with the Nigerian "Mafia".

Mr Tony Lyster, of Atlasville, Boksburg, said he and some business associates were wooed to Lagos by a smooth-talking Nigerian who had made contact with them via Harare almost two years ago.

A company was registered in Germany and a bank account opened there where a Nigerian bank draft for a huge sum was to be deposited.

Mr Lyster said he became suspicious and abruptly terminated the discussions and flew back to South Africa with his associates.

"We were having these meetings at night, no meetings during the day, and we were being picked up from our hotel in all these beautiful luxury German cars. It just started to smell."

But Mr Lyster said the crunch came when they were told that they would have to pay two percent of the value of the draft they were to take out of Nigeria.

That meant \$250 000 (R700 000) to be given to their Nigerian "partners".

By the time he and his associates left Nigeria they had lost \$25 000 (R70 000) to the tricksters.

An Alberton businessman, Mr Jannie Viviers, said he and a friend, Mr Robert Gallo, considered going to Nigeria in response to a letter Mr Gallo received in January from a Mr Odo Chukwuemeka Chris, who identified himself as the deputy director-general in the Nigerian Ministry of Aviation.

Mr Chris sought help in transferring out of Nigeria \$27 million (R75,6 million) remaining from an over-voiced government contract. He offered Mr Gallo 35 percent of the money if it could be transferred to his business's bank account.

Mr Gallo was asked to give details of the account, with blank, signed copies of his company's letterheads.

Mr Viviers said he and Mr Gallo responded to the letter and after an exchange of correspondence Mr Chris sent them documents purporting to be Nigerian Finance Ministry approval for the transfer of \$27 million (R75,6 million) out of the country.

Mr Chris asked them to bring to Abidjan \$16 000 (R44 800) in cash and souvenirs for four high-placed government officials "who are not part of this transaction, but do have a very vital role to play".

"Personally, I would suggest three watches by Raymond Weil of Geneva. Features: — Flat, 18ct gold styling, sapphire crystal glass and water resistant (gentlemen — 2 pieces, ladies — 1)."

He also wanted a cordless telephone set "that can cover over eight kilometres from base".

Mr Viviers said he and Mr Gallo discontinued the negotiations on the advice of their banker.

"We haven't lost anything in this, except the cost of four express delivery envelopes," he said.

Safro's Mr Kuzmanish said Africa was a good market, but businessmen would have to be extremely careful how they tackled it.

"My advice to them is go in there with somebody who knows what he's doing," he said.

"But most of these letters are so ludicrous that any rational businessman is not going to be taken in by them."

Safro, he said, had packages advising members how to enter the African market.

African bank conference to focus on SA

ABIDJAN — SA's membership of the African Development Bank (AfDB) will be one of the main issues discussed at the bank's annual meeting which opens in Dakar, Senegal, today. *BIDcom 11/5792*

Apart from the main four-day meeting, the AfDB is hosting a special conference on SA in transition which is set to attract keen attention.

"SA will be a major, major thing," one AfDB source said.

"Pretoria can't formally be a part of the meeting because it's not a member yet, but that is clearly the way the bank sees its future going." *(1005)*

SA is sending Foreign Ministry officials and Southern African Development Bank acting CE André la Grange to promote contacts. *(74B)*

AfDB sources say they also expect SA Deputy Finance Minister Theo Alant and political groups. — Sapa-Reuter.

Hambros is willing to invest in conservation, says director

81 Day 13/5/92

748

PETER GALLI

UK-BASED Hambros Bank's recent investment in the Conservation Corporation and the Phinda Reserve reflected its willingness to invest in projects involving conservation and local communities, the bank's director, Jonathan Klein, said in an interview.

"Prospective investors were looking for an ethical investment and the fact that the Phinda project provided employment for the local community and was directed at environmental enhancement made it both credible and appealing," he said.

However, there had been some problems with marketing the project as it was one of the first inward investments of capital into a non-listed SA development while the ANC was still touting sanctions.

The placing of the R63m in debentures had taken longer than expected for several reasons — the demand for sanctions to remain and President F W de Klerk's decision to hold

the referendum.

"Also, our association with Masterbond seriously damaged our efforts to place the debentures locally," Klein said.

Questioned about his knowledge of Masterbond's financial problems, Klein said that once the prospectus had been drawn up and distributed it became clear that Masterbond was in trouble.

"We decided not to proceed unless working capital finance to cover the Masterbond investment was put in place. About R10m was made available and was used to provide funding until the end of the marketing campaign," he said.

Despite the R63m raised, 88% of the revenues for the reserve were hard currency based and, as most visitors were based offshore, any depreciation in the rand would see these currencies appreciate.

Any investor wanted a good return

on investments, and the projected returns on this investment were compatible with development capital projects elsewhere, Klein said.

Projections for the reserve were made in July and were ahead of predictions.

"Hambros Bank has been involved in SA for some years and with the advent of the reforms initiated by President F W de Klerk we needed the right project to start reinvesting in the country," he said.

"We advised, structured and marketed worldwide this project in addition to the £1,5m we invested, which we intend to retain. There is still a lot of caution about investing in SA and we felt this was an investment for the shepherd rather than for the sheep," he said.

The Conservation Corporation recently announced that all Masterbond investors who held debentures in Phinda would be given an offer to have their debentures repaid in full and with interest.

Guinness targets SA market share

BRITAIN's Guinness Brewing World-wide Ltd would use its new base in SA to break into one of the world's largest beer markets and expand into the region, Africa director David Hampshire said.

Hampshire said that the regional market, including SA, was tough to break into, and Guinness had formed a partnership with SA Breweries rather than "taking them head on".

"We hope to capture a significant share of the large SA beer market despite the monopoly held by SAB ... and develop markets in the region further," he said.

British-based Guinness announced last week that it had formed a subsidiary, Guinness SA (Pty) Ltd, and that SAB would manufacture, distribute and sell its premium stout beer brand throughout the country. Guinness would control its marketing, Hampshire said.

Guinness, which operates in 20 African countries and is particularly strong in west Africa, researched the SA market for three years before making a move.

Guinness is one of a growing list of international companies investing in SA since President F.W. de Klerk began dismantling apartheid two years ago. But foreign investors have adopted a wait-and-see attitude due to economic and political uncertainty amid the country's worst recession since the Second World War.

Hampshire said SA was the 12th largest

beer market in the world in terms of consumption, and would grow at above average rates in the long term compared with other beer markets. SAB's core beer division last week reported a marginal increase in sales volumes in 1992, which stood at 22,7-million hectolitres in 1991.

He said Guinness's basic strategy was one of working in partnerships.

"Although we have the resources and expertise to take SAB head on, it would require a lot of money, and considerable commitment and expertise, to break into this market," he said.

He believed Guinness was one of only three international brewers which could possibly break into the southern African market on its own. Heineken, already selling in SA under licence to SAB, was one, and Carlsberg was the other, he said.

Hampshire said Guinness was investing heavily in the joint venture, but he declined to disclose financial details or to give specific growth forecasts.

He said there was little in the way of price differences between the local market's lagers and specialised beers.

"We plan to pitch the price of our beer at about 50% higher than that of local lagers, and the question is whether we can break that mould," he said. "It's going to be a difficult one to crack, but we're giving it our all."

Guinness beer would be launched at about the end of September. — Sapa-Reuter

PRIVATE sector 'will drive economy'

Mandela bids for foreign investment

bloay
20/5/92
74B

ANC president Nelson Mandela yesterday edged further away from nationalisation, launching an all-out effort to encourage investment and promising a rosy economic future for SA.

In a speech at an investment seminar in Oslo, Mandela said the ANC envisaged a private sector-driven economy. He urged business leaders to investigate investment opportunities immediately.

Focusing on SA's potential, rather than its current problems, Mandela said: "We have no hesitation to say, with all humility, that our country offers tremendous business and investment opportunities.

"We are determined to create the necessary climate which foreign investors would find attractive. We are also determined that trade and investment sanctions should be lifted as soon as possible, namely once an interim government of national unity is in place."

Mandela stressed the highly uneven levels of wealth in SA, but emphasised that there were no quick fixes, and said the ANC was not bound to any doctrinaire ideological positions.

He invited Norwegian business leaders to explore investment opportunities in SA immediately, "so that you are ready to invest as the opportunity arises in the near future".

SA could prosper under democracy with a dynamic blend of public and private enterprise, in keeping with what the World Bank, in its development report of 1991, saw as "the interaction between governments and markets", he said.

The ANC was seeking a mixed economy

TIM COHEN

which, led by the private sector, would play a central role in ensuring the creation of wealth and jobs.

It envisaged a public sector similar to that of countries in western Europe where the state played an important role in areas such as education, health and welfare and the provision of infrastructure, he said.

A new democratic government would have to initiate detailed discussions to determine whether any of the public assets should be privatised, commercialised, left as they were or whether there should be increased public sector ownership.

"Our decisions will be influenced not by any ideological commitments but by policies that are aimed at growth and equity, and taking into account that we are addressing problems of a society ravaged by war over decades.

"We are acutely conscious of the fact that the rates of economic growth we seek to enable us to achieve our objectives cannot be reached without a significant inflow of foreign capital."

Noting that at least 75% of the shares quoted on the JSE were controlled by four white-owned and white-managed conglomerates, Mandela said this would have to be addressed as part of the process of creating a new SA.

The ANC considered a redistribution of wealth necessary but was convinced that the private sector should and would play the central and decisive role.

SA, endowed with enormous natural re-

□ To Page 2

Engen pulls off deal in Botswana

EB EDWARD WEST *EB*

IN A reverse takeover, Engen is injecting its Botswana business Oil Botswana into BGI and will emerge with 70% of an enlarged company, Engen Botswana. *EB* *74B*

BGI is a Botswana fuel distributor and retailer listed on the Botswana stock exchange. For the transaction, Oil Botswana was valued at 14-million pula, Engen said in a cautionary announcement today.

Engen CE Rob Angel said in a statement yesterday that a substantial portion of BGI's business lay in fuel distribution and retailing. The acquisition was part of a drive to enhance Engen's share of the Botswana fuel supply market.

Angel said Engen currently operated through Oil Botswana under the Mobil trade name.

The acquisition of control of BGI would provide it with the opportunity to manage and develop business in Botswana more aggressively.

He said it was Engen's intention to rationalise BGI's businesses.

"Shareholders of BGI will benefit from being invested in a larger operation, which is expected to benefit considerably from more focused management and access to expanded markets." *Business Day 20/5/92*

BGI's name would change to Engen Botswana, and the company would remain on the Botswanan stock exchange.

Because Engen was not issuing any shares, the transaction would have no material effect on its earnings and dividends, nor on the net asset value per Engen share.

Pep Botswana's listing expected to be a hit

PEP Botswana will be the first retailing company listed on the Botswana Share Market (BSM). *bidan 21/5/92*

A spokesman for Stockbrokers Botswana said yesterday that the listing on June 15 was expected to be one of the most successful since the BSM's inception in 1989. The BSM had been dominated by financial institutions.

Analysts expected the offer of 8-million shares to be oversubscribed. At the public offer price of 2,35 pula, the p:e was 7,6 times and the dividend yield was 5,9%. The first dividend would be an interim of five

74B MARCIA KLEIN *(EP)*

thebe in November, the spokesman said.

Stockbrokers Botswana CE Bill Picken said Pep's performance was expected to mirror Botswana's economic growth as it was "ideally placed to benefit from a growing population which is enjoying greater spending power".

Picken said the company would probably qualify for a reduced 35% income tax rate in its 1993/4 tax year. Shareholders would be exempt from capital gains tax once Pep Botswana qualified.

Stals's independent stand lays

Ground for foreign investments

By Neil Behrmann

LONDON — International bankers are impressed that the South African Reserve Bank is maintaining a relatively independent stance, is intent on reducing inflation and is against rand devaluation.

They say that by avoiding the temptation to devalue the currency to improve the revenue of mines, the Reserve Bank's governor Dr Chris Stals is laying the foundation for future foreign investment.

An independent central bank on the lines of Germany's Bundesbank would instill international business confidence in South Africa, particularly during the transition period.

The Bundesbank is intent on preserving the value of the mark, despite the enormous costs of unification.

Politicians who have tried to influence the Bundesbank governors have walked away frustrated.

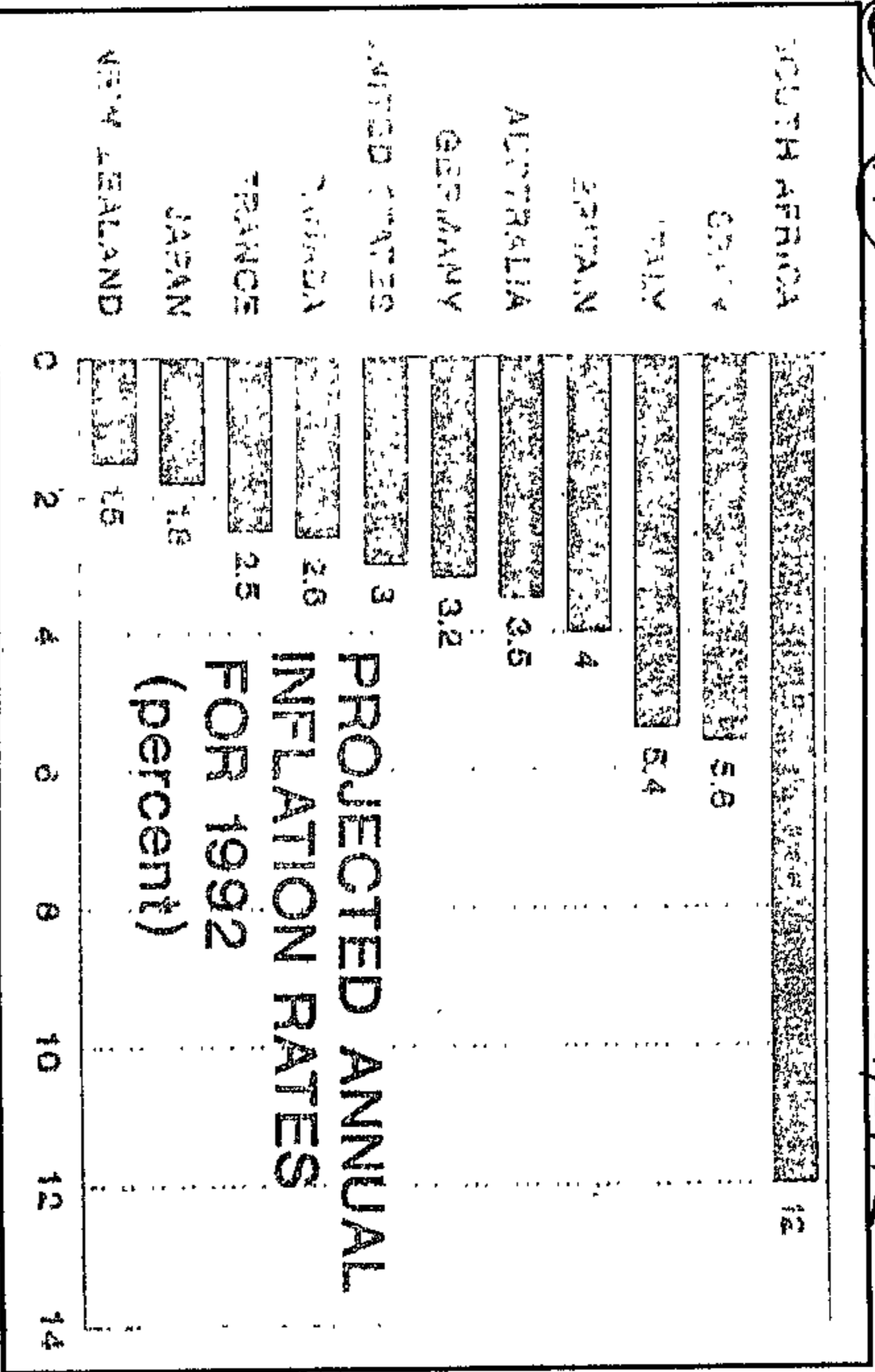
Reserve Bank independence could lead to an end to exchange control in South Africa, bankers say.

Competition

Once exchange controls are lifted and international corporations are confident that monetary and foreign exchange policy are not influenced by the politicians, they will be encouraged to invest in South Africa.

That investment will increase competition in the domestic economy and help reduce inflation.

Britain and Australia, countries which both had exchange controls, are case studies of what can happen. Once ex-



An optimistic forecast puts South Africa's inflation rate for 1992 at 12 percent, compared with its present level of 15.7 percent. But that compares poorly with American Express Bank's projected 1992 inflation for other countries, including SA's main trading partners.

change controls were abandoned their economies attracted more foreign investment and competition.

Their currencies, subject to the normal cyclical fluctuations, were firm and inflation decelerated.

International companies will be reluctant to invest in South Africa if they fear that the capital value of their South African projects will depreciate in terms of their own currencies.

Exchange controls are also a major disincentive.

European countries in particular are intent on maintaining stable exchange rates and reducing inflation. Economic convergence and open economies

are the buzz words.

UK, German and other European businessmen are thus not only examining the potential of projects in foreign countries, but are also concerned about the long-term potential of the currency.

A project may well turn out to be profitable in South Africa, but a falling rand may offset any earnings or capital benefits for the investor.

Investors have been burnt badly in South Africa and other weak currency countries.

Multi-national corporations in Japan, the US and Asia take a similar view, although the rand has not fared as badly against their own currencies.

So excessive demand is unlikely to spur prices, says American Express.

"Moreover, international competition continues to intensify and is restraining inflationary pressures."

The prospects are that developed country inflation in the coming economic upswing will average less than the 3.6 percent rate seen in the 1960s.

Central banks, including commodity producers such as New Zealand and Canada, believe inflation should be pushed down to levels of one to two percent.

South Africa would be left way behind and the economy would continue to be caught in a vicious circle of devaluation, high inflation and low investment.

But in the 1950s and '60s, when the gold price was fixed at \$35 an ounce, the mining industry was healthy and inflation was at single digits.

So single-digit inflation is not an impossibility. The key to the success is the breakdown in inflationary expectations of both local businessmen and consumers.

Moreover, American Express Bank and most other institutions believe that only a strong economic recovery could prevent further declines in the next two years.

Large-scale international debt, weakened banking systems, low confidence and extensive government borrowing indicate that world economic boom is improbable.

Spur prices

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So single-digit inflation is not an impossibility. The key to the success is the breakdown in inflationary expectations of both local businessmen and consumers.

It took time in the UK, where inflation was 22 percent in 1979. But the British public is now so price conscious that they expect discounts.

Sanctions brigade clings on

STAR 2/15/92



FIRST the rumours began, then the first tendrils to suggest that there might just be something to them, and now has come what seems like confirmation that as the impetus for sanctions against South Africa wanes it is being replaced by something potentially as troublesome.

Instead of abandoning their crusade, the panoply of organisations and individuals who fought the battle to get sanctions into place in towns, cities and states across America have diverted their efforts towards seeking to control and filter whatever trade and investment might flow when local sanctions end.

When the rumours started, the gist of them was that the anti-apartheid establishment, alarmed by the ease with which President Bush was able to lift federal sanctions last year and recognising the peril of being sidelined in this process, got together and worked out a response.

Reportedly it had two parts — a short-term strategy, which was largely a holding manoeuvre to retain the very considerable local sanctions still in place, and a long-

term programme based on the acceptance that all sanctions soon would have to go, and that if those supporting punitive measures wished to remain involved in the broad issue of South Africa, a substitute for sanctions would have to be devised.

Some organisations have very pressing needs to retain their involvement with South Africa. They depend for much of their national standing, and financial support, on their South African connection. In the case of many of them, the only media attention they have had in recent months has been based on developments in South Africa.

For the rest, they have been largely ignored as public interest in Africa as a whole has dwindled sharply. Being out of sight in the US all too often translates not only into being out of mind, but in the case of public pressure groups also being out of pocket.

Last week the rumours and speculation were given credence when the new strategy was spelt out in a statement by a consortium of anti-apartheid groups, among them such prominent advocates of sanctions as The Africa

Fund, TransAfrica, the Washington Office on Africa and the Interfaith Centre for Corporate Responsibility.

"Sanctions must be maintained until an interim government is in place in South Africa and a clear signal is given by Nelson Mandela and the democratic movement that it is time to end them. We will then be working with local governments, churches, civil rights organisations and trade union groups to implement a code of principles for investors, to take effect when sanctions are lifted," their statement said.

The code, termed "Freedom principles", is based on a code drawn up by Cosatu for multinational corporations, and the US organisations have pledged to support it and to press for its acceptance throughout the country.

A little burrowing has shown, indeed, that informal discussions have taken place with individual state legislators, and city and town councillors, on the possibility of setting into legislative concrete a series of conditions which would have to be met by companies investing in South Africa if they wanted to continue doing business

with local authorities in the US. So far no firm decisions have been forthcoming, but in some areas the proposal has been put forward to merely amend existing sanctions laws to permit trade and investment — on condition that the "freedom principles" are adhered to.

There are other elements also pressing for a more proprietary grip on the emerging US-South African relationship, among them black businessmen who see potential fresh pastures in the new South Africa and who recognise the advantage of having leverage at home on how those pastures might be seeded and cultivated.

Among them are some emissaries sent to South Africa by New York Mayor David Dinkins, men whose acquisitive instincts far outweigh their reputations for philanthropy but whose advice on the city's sanctions policy is eagerly sought. There is nothing wrong with anti-apartheid groups working out strategies for their own survival, or promoting whatever foreign cause they choose. And there is nothing wrong with attempts to promote the upliftment of black South Africans.

A move in Congress, for instance, to set aside an amount to promote business undertakings by those who have been denied access to capital is a commendable idea, even if it appears to be a non-starter at this stage.

But there is something very disturbing indeed about groups and individuals, Cosatu included, dictating terms to investors and traders from positions of notorious ignorance when it comes to the free enterprise system.

And there is something deeply suspicious when the constraints which a free society places on business — the ceaseless probing of the media, the meticulous scrutiny of Congress, the pressure of public opinion and the sentiments of shareholders — apparently are regarded as inadequate in the case of involvement in South Africa.

If investment and trade could be turned on or off on demand, or directed according to political whim or social agenda, South Africa would have no problems. But the reverse is true. Everyone with knowledge of the subject has warned that foreign investment is scarce and will become scarcer —

for all countries. Yet in this climate, there are people who would subject potential US investors to special conditions, all dogmatically conceived and who would seek to condense South Africa's economic orches when not one among them is known to read sheet music. Victimising an investor cause, in the opinion of the Africa lobby in the US, or Cosatu in South Africa, his involvement does directly redress the injustices of the past, is an almost embarrassingly simplistic policy. All investment ultimately contributes to creating jobs, building wealth and accumulating capital for social programmes, and it is hard to believe that so basic a fact has eluded the US Africa lobby. Most of them are well-intentioned and they have been stationed allies in the long march against apartheid. But their plan to perpetuate the march is ill-conceived and deserves an urgent review — if not by themselves, then by their South African allies who should avoid the familiar mistake of assuming that all Americans are born with financial acuity and corporate wisdom. □

NISWA Fw 22/5/92

Namibian first

The first Namibian company to be listed on the JSE since that country became independent, Niswa — a general dealer with two stores in the Gobabis region of central Namibia — has joined the DCM after a private placing. With an initial market capitalisation of R4,5m, it also owns a service station a liquor store and 4% of Ambeef, a privately owned cattle trading operation.

Founded in 1983 by Namibian Nico Swart, Niswa operates a store, service station and liquor outlet on the family farm, 100 km north of Gobabis. A second store was opened in Gobabis in March to cater to construction crews and passing traffic for a major highway being built from Windhoek through Gobabis and Botswana to Johannesburg, says financial director Andrew Fraser.

This explains the surge in turnover forecast in the prospectus to over R7m for the 1993 year from an average of a little under R4m a year over the past four years. Though this may seem optimistic, Fraser says trading in the first month was on budget.

The listing provides a mechanism to generate funds to exploit opportunities in Namibia and SA, says Fraser. The group is looking at food-related opportunities in SA.

Namibia does not have a stock exchange. Fraser says the company will probably transfer its listing to Namibia should this change — as has been mooted.

In the year to February, turnover of R4m converted to earnings a share of 1,86c. Turnover of over R7m this year is expected to generate earnings a share of 4,15c — on which a dividend of 2,08c a share is forecast.

Though the shares were placed privately at 37,5c, in the first day's trade 5 000 shares changed hands at 55c, in line with the end-February NAV and giving a forward p/e of 13 and dividend yield of 3,8%. Swart retains a 28% holding and is staying on as MD.

William Gilfillan



RICHARD BLAMEY: SA charges too low Picture: CATHERINE ROSS

Newcomer ^{74B} to lift tariffs

By DON ROBERTSON

INTER-CONTINENTAL Hotels (ICH) plans a hotel in the Johannesburg CBD in the next 18 months to two years.

A nine-man team from cities in Africa visited SA this week to mark the appointment of Skyfly as the group's general sales agent.

Richard Blamey, ICH vice-president, marketing and sales, Middle East and Africa, headed the delegation. He says his company is looking for a management opportunity in SA.

"We are positive about it and we are negotiating with potential customers in SA. Because it would be a new property, it could take 18 months to two years to develop."

The ICH visit follows similar safaris this year by ITT Sheraton and Hilton International, which also opened an office in Johannesburg. Both groups expressed an interest in expanding in SA.

All three groups have warned that if they did establish a presence in SA, hotel tariffs would be increased.

Mr Blamey says: "Hotel tariffs are much lower here than elsewhere and we would certainly look at increasing rates."

A study by ICH in the past 12 months of which cities the company should look at identified Johannesburg as one which could offer a gateway for political and economic expansion of sub-Saharan Africa.

List
SI Times (8455) 24/5/79

"From an investigation of 30 cities, a short list of two was established, Johannesburg being one," says Mr Blamey.

If successful in its negotiations, ICH would expect an equity interest from SA sources. The company would expect a return similar to that received elsewhere. Of more than 100 hotels its operates internationally, it owns only about 20.

Scandinavians in a rush to catch the African boat



S/Times (B4S) 74B

THE apparent desire of Scandinavian countries not to miss the post-sanctions boat back to South Africa poses the question: what are they so afraid of missing?

Norway and Sweden claimed this week that there were few reasons to maintain economic sanctions.

Arne Bennborn, Swedish executive vice-president of Swiss group ABB Asea Brown Boveri, cast some light on the puzzle this week when SA group Powertech and ABB announced a re-structure.

relationship with Swiss Brown Boveri. Conveniently, Brown Boveri merged with Asea to become the world's largest electrical group, ABB.

ABB Powertech — formerly BBT — will operate almost exclusively in power transmission and generation. Another company, to be wholly owned by ABB South Africa, is ABB Industry. The juiciest bait lies in projects such as Columbus and Alusat, to which ABB will have direct access. Until now, BBT handled such projects on a

By JULIE WALKER

Powertech holding company Altron sought a link with Asea in 1979, but lost out to Anglo American Industrial Corporation. Seven years later it had a second bite at the Asea cherry when Amic accepted Ventron and Altron scrip for its holding.

Pressure on Swedes to disinvest five years ago meant Asea and Powertech had to interrupt their links. Powertech established a technical



ARNE BENNBORN: SA in top 20

marginal commission basis. ABB Powertech and ABB Industry should achieve sales of R300-million and R130-million respectively in the first financial year.

Mr Bennborn says SA should be counted among the top 40 countries in the world, which account for 95% of the world's economic activity. The spice of sub-Saharan Africa lies in its potential as a relatively undeveloped area.

He has a graph showing electrical generating capacity per capita in each country against gross national product.

Obviously, wealthier countries have more power, but Mr Bennborn will not concede that anyone predicted the rapid climb of many of the newly industrialised nations in the past 20 years. The theory is that SA and Southern Africa are next for the boom.

People

Soft loans to poor countries in the region are likely to be the only means they have of paying for infrastructural development initially. But electrification will be among the priorities. It is hoped that Scandinavian donors will be at the fore.

Powertech executive chairman Peter Watt says his company has the skills and the capacity to manufacture the requirements for electrification. ABB has established the marketing channels.

Mr Bennborn says capital and resources are easily transferred, but people make ventures work. SA has the best level of education in the region and will help to bring about a power grid.

● Denmark is also keen to return to SA — its Lego group is being relaunched next week. Finnish mining equipment companies are also opening their doors in SA — see page 5.



PETER WATT: We can make it

Africa's troubles slow Premier down

Monday 27/5/92
74B
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THE Premier Group, which is seeking to expand into black Africa, is finding that political unrest there is obstructing trade and slowing development.

Premier says an expected business boom after the lifting of economic sanctions against SA is being delayed as protests shake dictatorial rulers and governments battle guerrilla rivals.

The food and pharmaceuticals group questions predictions that it and similar SA conglomerates will soon become the region's engine of economic growth.

Payment and transport problems, corruption and a lack of investment have been worsened by civil disturbances, deputy chief executive Gordon Utian said.

"The politics is causing huge problems," he said.

"The whole industrial cycle in Africa is not working. One's got to be very, very careful about us being the engine of Africa. Africa needs investment more than trade."

The company, politically liberal with a history of contact with the ANC during its exile years, has seen its Africa trade take some hard knocks.

In Malawi, 15 wholesale outlets were looted and R1,5m in goods stolen in unrest earlier this month.

In Zaire, rioters looted and destroyed a subsidiary's wholesale cash-and-carry business in Kinshasa and Premier's retail network in Lubumbashi last year.

The rioting also put paid to a plan to take over milling operations run by Gecamines Development, the food arm of Zaire's state-owned copper group, Gecamines Exploitation.

"Where we were poised to go into Zaire, we've now had to withdraw," Utian said.

He said a reshuffle of Mozambican government officials in December "put us out of business" as preferential tariffs negoti-

ated with their predecessors were scrapped.

Referring to problems in Angola, he said: "This lack of infrastructure, lack of an ability to get something done, people on the ground, systems and operations that work — it's just not there."

"In addition, as sanctions crumbled, individual SA traders were entering the scene, opportunists who climb into a situation to make a quick buck.

"There is an enormous amount of bribery," Utian said, adding that despotic African leaders still sought control of their economies and paid only lip service to capitalism.

Last year Premier split its Africa trade arm, Premier International — a small part of its total business — into trading and investment operations. The company's Metro trade arm now has 200 wholesale outlets in southern Africa.

Company results do not isolate International's performance from other group activities but Utian said International probably had not traded profitably over the past two years despite a rise in SA trade with Africa generally.

SA trade with the continent, mainly with southern Africa, rose by a hefty 150% to R5,92bn in 1991 from R2,37bn in 1987, Safto said. But exports to Africa are less than one-tenth of SA's total exports.

Utian said any rise depended on stability in black Africa and the lifting of sanctions against Pretoria to allow aid to be conducted through SA.

"What I'm hoping for is that when sanctions are taken off SA and you get donor countries and World Bank money coming back here, we will be able to start an investment chain up into Africa.

"We are going to have to start investing in Africa if Africa is going to return to normality," he said. — Reuter.

SA 'has to win world confidence'

Bl (Dew) 2715792

THE need to attract foreign investment was vital for economic growth in SA and this made it imperative for the country to generate foreign confidence, Shell SA executive chairman John Kilroe said in the company's annual report yesterday.

Kilroe said violence and the refusal by some political groups to participate in Codesa was cause for "considerable concern".

"It is quite clear that those leaders on both the left and the right who are co-ordinating terror or threatening violence have scant concern for either this country or its people."

He warned that potential investors looking at SA were seeing what they considered a massive gulf between the major arbiters of future economic policy in the country.

Some policymakers advocated the free market system, but others persisted in talking of nationalisation.

"We have no choice as a country but to get the economic fundamentals right, and we must demonstrate our commitment to an economic system which works and is sustainable over the long term."

Kilroe said while talk of nationalisation and the threat to renege on foreign loans undermined local and foreign business confidence, SA



should not lose sight of the immense demands being made to eradicate costly socio-economic backlogs.

Kilroe saw education as one of the most pressing social needs, but cautioned that even under a new government, township schools with all their shortcomings would remain a "harsh reality".

It was necessary to establish a culture of learning among adults and children. This should be preceded by the rapid eradication of obstacles to successful education, such as textbook shortages, underqualified teachers and overcrowding. All schools should be opened to all children.

The report said Shell had spent more than R50m on community programmes over the past five years, with about R11,3m spent last year.

The group had also adopted a strategy to achieve a staff profile which better reflected SA society. It said the number of blacks in management positions had significantly improved as a result. Blacks in managerial jobs had increased from 4,9% in 1986 to 16,2% in 1991 while blacks in supervisory positions and above rose from 7% in 1980 to 30% last year.

● See Page 10

M&R school is opened despite death threat

BIDAM
24/5/92 (74B)
Own Correspondent

DESPITE a death threat on his life from a mysterious caller, Murray & Roberts CE David Brink yesterday opened a school that his company financed in Cabinda province, Angola.

A military attaché from the SA representative office in Luanda, who declined to be named, said yesterday his office had received a call from the SA Foreign Affairs Department and been informed of the death threat.

"We were told that someone had called the head office of Murray & Roberts in SA and said that if Mr Brink did not return immediately, something would happen to him here in Angola," he said.

Journalist Callie Long is reported by Sapa as saying the death threat was received by Brink and his wife Merle "in their Luanda office". Long is reported to have said the caller was unhappy with the high profile of the visit.

The military attaché said the caller had said he was an ANC member.

The caller expressed unhappiness at M & R developing ties with Angola. He also said he knew Sanlam and M & R were closely associated.

Brink went to Angola with his wife, some associates and an SABC-TV crew in two corporate jets. Their task was to open a prefabricated community school, the first of nine in the M & R project there.

Brink decided to go ahead with the opening after the Angolan authorities gave him assurances regarding the safety of his party.

M & R announced earlier this year that it would assist Angola's oil-rich Cabinda province in a number of infrastructural projects.

The company is providing prefabricated houses, schools and hotels as a priority. It will also be involved in the training of engineering and construction personnel, production of concrete bricks and blocks, harbour and road works and mining exploration.

STAR 29/5/92 746

Scenery doesn't pull in foreign investors

Much is always made of the flood of foreign investors waiting to pour money into this beautiful country with its golden beaches, sunshine and wide open spaces.

Just reduce the violence, and the foreign investment will come flooding in, it is always said.

But a recent trip to Treviso, near Venice, as a guest of the Italian Chambers of Commerce brought home to me just how little we have to offer foreign investors.

Off course, the Italians love SA and have settled here in relatively large numbers. About 80 000 live here, mostly in and around Johannesburg.

But don't expect some hard-nosed entrepreneur living in Italy to make an important decision such as investing money in SA on the strength of rugby, braaiivleis, sunny skies and Fiat Unos. No chance.

What they want are investment incentives that will make them money. And anyone knows that return on investment always correlates with the amount of risk someone is prepared to take.

In South Africa's case the return is still too low when the risk is considered.

Despite a definite softening by the ANC on nationalisation and the repatriation of dividends, investors are still worried about their investments in a future South Africa. Will they get their money back and will their always be a free repatriation of dividends, the ask. No such guarantees have been forthcoming.

In the absence of such guarantees, foreigners would like re-

By Magnus Heystek



turns of 40 percent and upwards on any investments they make. In the curret economic situation this is unlikely.

On the same note, I took with me the promotional video made by the Johannesburg City Council to promote Johannesburg as a regional commercial hub for Southern Africa and played it to Italian businessmen.

The video was long on imagery and very short on information. There were beautiful shots of Jo'burg from different angles accompanied by a craftily worded commentary. Is this what a cynical businessman wants to see?

They want to know about tax incentives, rail links to other major cities and the rest of Africa, about airports and conference centres, about banks with foreign links, office space and prices.

Sadly, this information was not in the video. Once again the thinking was that foreigners would invest here because "our country is so beautiful".

ANC
**plan for
curbs**

on ^{S Times}
3/15/92

**foreign
firms**

By EDYTH BULBRING
and BRIAN POTTINGER

THE ANC has proposed that a range of restrictions and conditions be imposed on foreign investments in South Africa under a future government.

An investment code accepted at the organisation's national policy conference yesterday puts affirmative action for both women and blacks high on the agenda when approving foreign investment.

Foreign investors may also be blocked from investing in certain "strategic" areas - land and natural resources, for example - and companies controlled by non-residents could have limits placed on their ability to borrow money locally.

Help

In its economic policy document, the ANC proposes the expansion of the public sector in certain key areas and suggests curbs on monopolies and mergers.

It also says that financial institutions must help oppressed communities to break the cycle of dependency.

A "democratic" government, said the document, would introduce mechanisms to end discrimination in lending against blacks, women and informal producers.

The two documents - the investment code and the broader economic policy guidelines - are the results of many months of discussions within the organisation, partly spurred by recent controversy in the ANC over the question of nationalisation.

Safeguards

ANC economics spokesman Tito Mboweni told a press conference yesterday nationalisation was still considered an option by the organisation.

The investment code, however, guarantees that, in the event of nationalisation, there would be fair compensation in accordance with principles of international law.

The code welcomes foreign investment that contributes to the growth and socio-economic development of the economy, but suggests certain safeguards for the economy would have to be built into the overall policy framework.

The ANC assures foreign investors that, subject to Reserve Bank regulations, foreign investors

□ To Page 2

FOREIGN CASH CURBS

□ From Page 1

tors will have access to foreign exchange for repatriating after-tax profits, repaying interest, buying inputs and remitting the proceeds of the sale of assets.

It also guarantees

foreign investors would enjoy the same treatment as domestic investors, but important exceptions could be made. Special advantages and investments offered to "previously disadvantaged groups" may not be

extended to foreign investors.

The document makes it clear the factors which would be relevant in approving foreign investment include the extent to which the investment would increase employment, provide for training of South Africans beyond minimum training obligations required by law and promote the spread of high-level technical skills.

Other factors would be the extent to which the investment advanced people who had been "socially, economically or educationally" disadvantaged by past discriminatory laws and made provision for equal opportunities for women.

The impact of the investment on the environment would be also be considered. ^{S Times}

Needs

The document on a growth and development path for a democratic South Africa proposes a national economic strategy based on two components - redistribution programmes to meet the basic needs of South Africans and the restructuring of the economy on the basis of new, comprehensive and sustainable growth and development strategies.

Economists call new investment code 'the kiss of death' for SA

THE ANC intends protecting property rights and says if any land is appropriated by the state, "just" compensation will have to be paid. *8/16/92*

This was one of the key stances adopted at the ANC's policy conference which ended in Johannesburg yesterday.

The ANC also rejected special treatment for foreign investors, saying such investors might also be blocked from investing in strategic areas and have limits placed on their local borrowing facilities. The proposed investment code ran into immediate opposition from several economists and business leaders. One described

it as a "kiss of death".

The conference formally adopted a general economic policy which opted for the principle of "national treatment" of foreign investors.

In terms of the principle, foreign investors would be treated the same as domestic investors, except for certain exceptions.

The property rights policy was accepted despite some ANC regions proposing that nationalisation of land and companies should should take place without compensation.

The adopted policy document states that "just" compensation will consist of estab-

TIM COHEN and THEO RAWANA

lishing a balance between the public interest and the interest of those affected.

This will not be based solely on the market value of the property, but there will be recourse to a special independent tribunal with an appeal to the courts.

ANC representatives endorsed the "balance of evidence" approach to determine when there should be nationalisation and accepted that nationalised companies would be compensated at a just rate. Also endorsed was the concept of "mixed

economy" which would foster a new and constructive relationship between the state, the trade union movement, the private sector and the market.

The ANC has pledged to introduce anti-monopoly and anti-trust policies "to curb the continued domination of the economy by a minority within the white minority and promote greater efficiency in the private sector".

A progressive tax system was endorsed, and the ANC pledged to end indirect taxation on basic foodstuffs, health care and basic household services. Financial institutions were particularly

targeted, with the ANC pledging to ensure that they channelled resources into productive investment and ended discrimination in lending against blacks, women and the informal-sector or small-scale producers.

A new mining strategy which would involve the introduction of a new system of taxation, financing, mineral rights and leasing was also adopted.

The ANC said it would adopt and implement International Labour Organisation conventions. Yesterday economists attacked the pro-

To Page 2

Investment code

posed conditions for foreign investment as "a kiss of death" and said they were "going in the wrong direction".

Nedcor chief economist Edward Osborne said the requirements would restrict foreign investment which should be completely unhindered.

"Foreign investment is being made to jump through too many hoops. What (the ANC) is saying is that the whole investment should be overseen by an investment committee such as has been seen in Zimbabwe, which resulted in bureaucratic stalling and all sorts of problems," he said.

Sacob chief economist Ben van Rensburg said the policy showed a gross unawareness of the forces "which today drive decisions to invest offshore".

Van Rensburg added: "These forces are: potential returns on investment, certainty

From Page 1

in both the political and economic environment, a proven history of macro-economic policies aimed at preserving the value of the currency and the ability of government to follow economic policies which foster sustained economic growth.

"On top of these the developing countries of the world are also expected to offer attractive incentive packages and investor guarantees.

"Curbs of any nature obviously do not fit into such policy packages."

"Competition for foreign capital is fierce today and SA is starved for foreign capital and imported technology," said Van Rensburg.

"The ANC's policy has to be seen as a step in the wrong direction. It will serve to weaken, rather than strengthen, the interest of foreign investors in SA."

Jitters, but no big sell-off on ANC stance

NERVOUSNESS in the capital market continued yesterday following the tough line on foreign investment adopted by the ANC this week — but there were no major overseas sell

SHERIDAN CONNOLLY

orders, analysts said.

They said the ANC's rejection of investment incentives or special treatment for foreign investors would not encourage much needed inflows of foreign capital in the short term. In the meantime, foreigners would still benefit from buying SA gilts at a discount via the financial rand while earning interest at the commercial rand exchange rate.

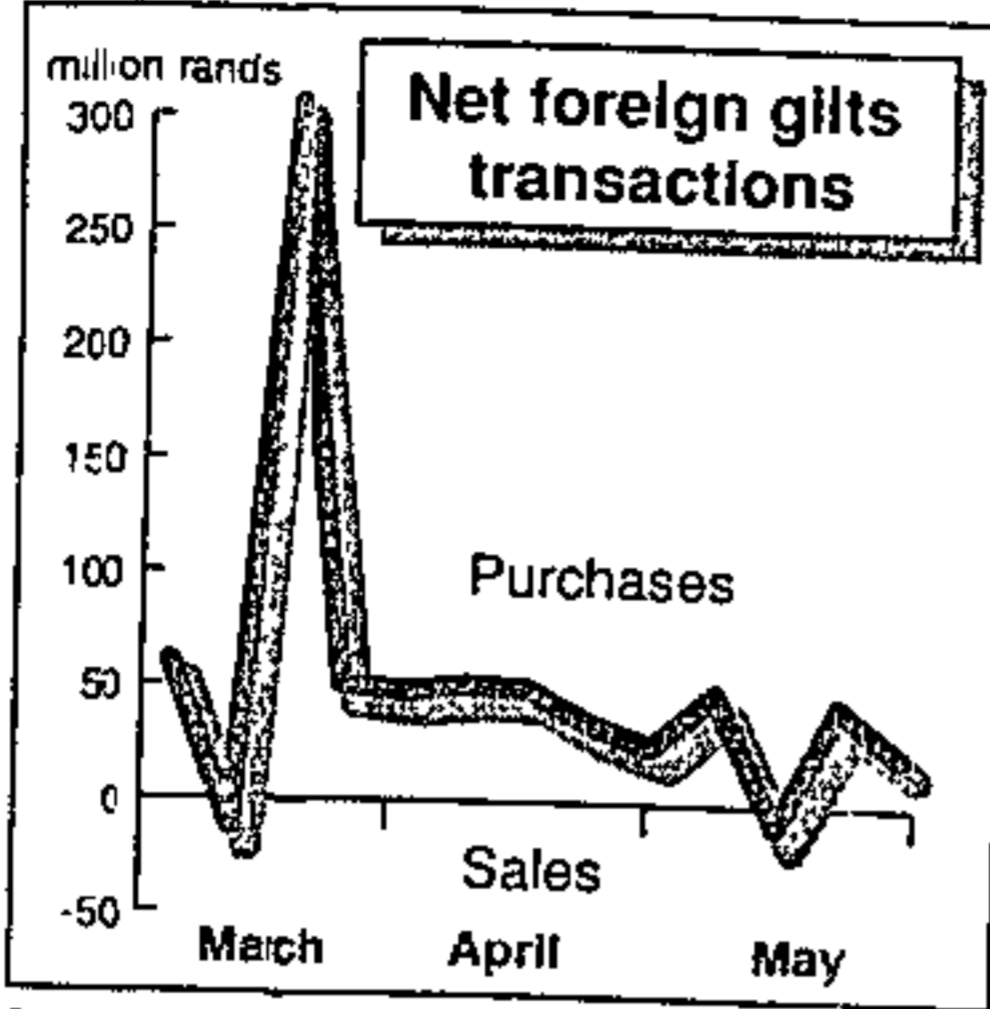
The ANC's foreign investment stance had promoted bearish sentiment in the market and rates were expected to be steady in the next week or so, they added. The yield on the benchmark Eskom 168 climbed another ten points yesterday to finish at 15,92% from its previous level of

15,82% and the RSA 150 closed at 16,15% from 16,02%.

Analysts said although capital market rates were sensitive to foreign sentiment, overseas investors had not reacted as strongly as expected to the ANC's policy announcement.

In a future market environment, the abolition of the financial rand would remove the present investment incentive for foreigners. But, a lower value of a unitary rand might still be cheap enough to attract foreigners to purchase SA gilts, analysts said.

The financial rand at first reacted negatively to the ANC's policy moves. It recovered slightly yesterday and firmed to R3,48 per dollar after dropping to R3,50 on Monday.



Graphics RUBY-GY MARTIN Source JSE

11% earnings rise for Specialty

MARCIA KLEIN

RETAIL group Specialty Stores aimed to improve earnings for the eighth consecutive year in financial 1993, joint MDs Stewart Cohen and Laurie Chiappini said in their annual review.

While traditional department stores worldwide had declined, they said international specialty store chains had shown superior growth.

They had the benefit of narrow and deep assortments — which yielded lower purchase costs, shorter lead times, higher sales densities and lower markdowns.

These factors gave management confidence and confirmed that Specialty had strategically positioned itself in "the fastest growing and most profitable sector of retailing internationally," the directors said.

They said the group had an advantage as it could respond quickly to changes in consumer lifestyles.

Specialty, which owns Milady's, The Hub, Mr Price and Footgear, had an 11% earnings rise to 83,5c (75,1c) a share in the

year to end-February on a 19% turnover rise to R293,6m.

Cohen and Chiappini said Specialty would continue to focus on maintaining financial strength and improvements in asset management. They said it was comfortable with its 56% gearing as the proportion of cash sales continued to rise and should exceed 30% in the coming year. Margins were also expected to increase.

Milady's had performed exceptionally well after an average first half.

The Hub's sales were lower than budget, but it showed a 17% increase in its profit contribution.

Seven new Mr Price cash stores had opened, but the chain's rapid growth had stretched management and it had showed a profit decline.

The 11-store cash chain Footgear had made "a meaningful increase in its contribution to group profits".

New plan for sale of Qantas

CANBERRA — The Australian government yesterday announced plans for its international airline Qantas to acquire the state-owned domestic carrier Australian Airlines for A\$400m and for 100% of the merged company to be sold to investors and other international airlines.

Last weekend Prime Minister Paul Keating proposed a merger of Qantas and Australian Airlines and the sale of a 70% stake in the merged company.

Since then, the government has decided to sell 100% of the merged airline, provided it retains a share that allows it to protect the national interest in the airline. — AP-DJ.

DP warning on economic forum

Tax break for foreign investment

B10am 4/6/92

74B

CAPE TOWN — Finance Minister Derek Keys yesterday provided a major boost for foreign investor confidence, announcing government was exempting from tax all interest on foreign investment.

Opening his first debate as Finance Minister, Keys said SA had to compete for foreign investment in an increasingly competitive international environment and it was essential not to discourage foreign investors from making funds available.

"In order to introduce certainty into the area of foreign investment and to remove whatever disincentive remains in the form of taxation, it has been decided ... to exempt from tax all interest which from today accrues to a person who is not ordinarily resident in the Republic or to a company which is not managed or controlled in the Republic," he said.

The exemption would also apply to emigrants, subject to the further condition that they do not carry on business in SA.

He said the move had the unanimous support of the Tax Advisory Committee.

Interest earned in SA by non-residents was already exempt from tax in certain circumstances and this latest exemption was pulling all the remaining areas into the same net.

Keys said little revenue was being forgone by introducing this exemption, particularly in view of the problems in obtaining returns and raising assessments on foreign lenders.

"Furthermore, there is a move in the European Community towards taxing interest income only in the country where the recipient of the interest is resident."

BILLY PADDOCK

SHERIDAN CONNOLLY reports that foreign investors took fright in February when the then Finance Minister, Barend du Plessis, announced that Inland Revenue officials were reviewing the taxability of non-residents' earnings.

Reports then arose that non-residents would be taxed on interest earned from deposits in SA banks.

This resulted in a sharp deterioration in foreign investment sentiment as anxious foreign investors dumped finrands.

In Parliament yesterday the DP launched a two-pronged attack on previous management of the Finance portfolio and suggested areas Keys should concentrate urgent attention.

Finance spokesman Ken Andrew welcomed negotiations on an economic forum but warned that this should not become a cartel of economic elites.

It was essential that organised business, labour and government were in the forum but other stakeholders such as consumers, women, environmentalists, the unemployed and the rural poor needed to also have their voices heard "specifically and directly in any economic forum", he said.

He also called on Keys to eliminate the anomaly of retirement annuities suffering severe taxation penalties, and to allow people access to more than the current third of their annuities in a lump sum.

DP deputy finance spokesman Jasper Walsh said Keys had to attack with vigour government's overspending. He said the lack of control over spending had caused the private sector to be crowded out, thereby restricting job creation.

INVESTEC GOES DUTCH

FM 516192

Integro, Amsterdam-based associate of the Investec Group, has bought a Dutch stockbroking firm, Th Wouters & Zoon BV. The price has not been disclosed but is believed to be about R4m-R4,5m.

Wouters is Integro's second broking acquisition in the Netherlands. In 1989 it bought Heerze Effecten BV. The firms will maintain separate identities for the time being, with plans to merge the operations next year. (78) (79) (80)

Integro director Peter Sieradzki says there will be no direct financial benefit for Investec, which has a 30% interest in Integro, but it could channel new gilts business to the SA group. He says there is growing Dutch investor interest in corporates like Eskom now that SA is starting to return to the international community. (74B)

745

Paraguay offers perks

B/Dary 5/6/72

PARAGUAY offered SA investors a potential 200-million consumers for anything from beer to motor vehicles, Gustavo Leite Gusinsky, director-general of its first trade mission to SA, said yesterday. The country offered a five-year tax holiday, free flow of capital and no personal tax. Corporate tax was only 30%, he added.

MB

BUSINESS

No strangers in ANC paradise

w/mar 5/6-11/6/92

The ANC's recent economic policy document has drawn fire for its proposals on foreign investment.

By **MONDLI MAKHANYA**

AFRICAN National Congress planners would be forgiven for shaking their heads and proclaiming: "You can never win." Although the organisation's latest economic document has significantly toned down on the nationalisation bogeyman, there was widespread criticism — this time of its "dismissive treatment" of foreign investors.

The document the business community and potential foreign investors had been waiting for does not go out of its way to entice foreign investment. In fact it puts restrictions on which sectors foreigners may operate in and also on certain activities they may undertake.

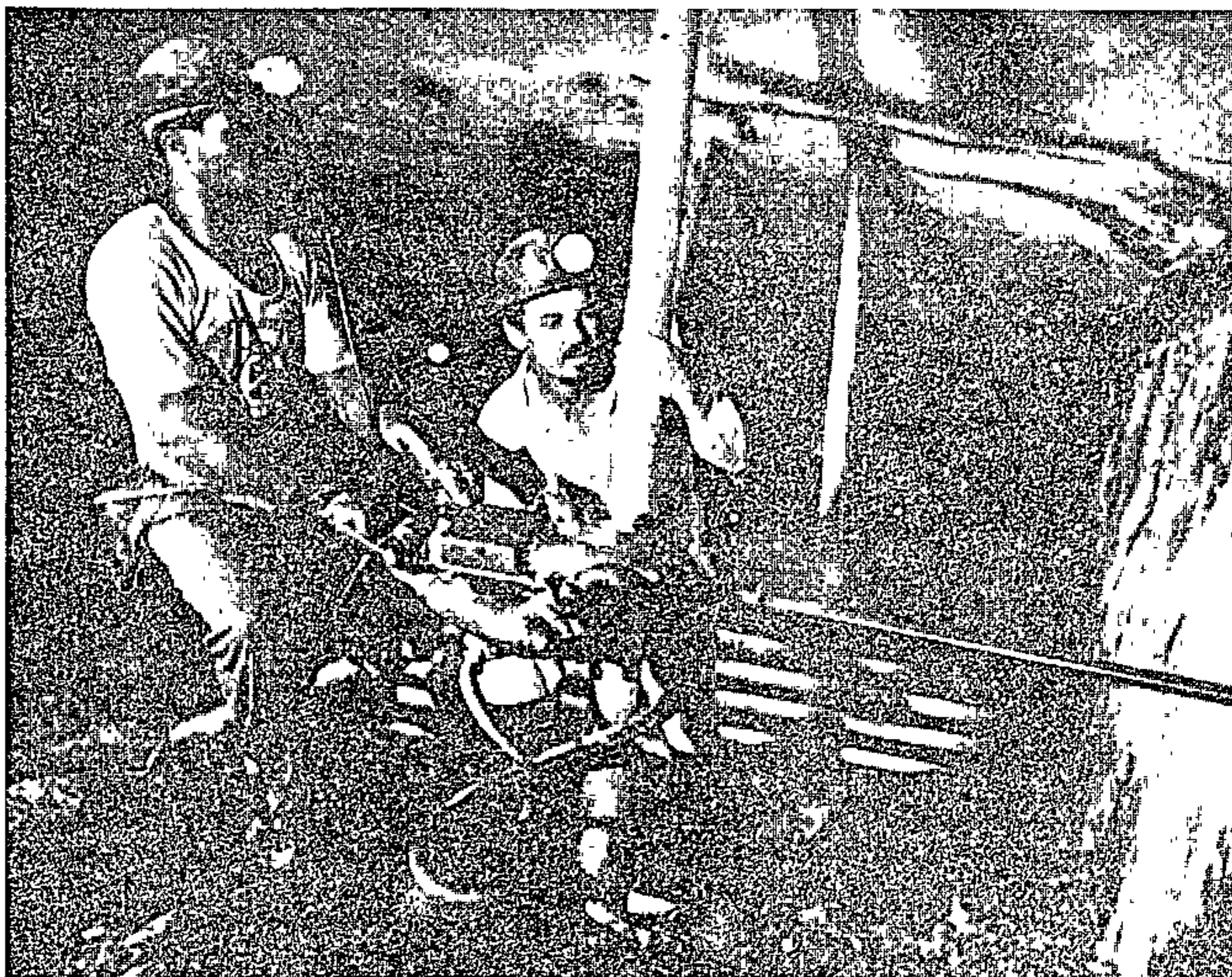
While noting that foreign investment will be welcome in a democratic South Africa and that it will be encouraged through political stability, economic growth and the adoption of transparent, consistent economic policies — it qualifies this by saying it "should be in accordance with our objectives for growth and development".

It says foreign investors will be treated in the same manner as local investors but will be barred from borrowing internally and from operating in "strategic areas" such as land and natural resources. Special treatment will only be given to investors who "meet defined objectives".

Foreign firms' access to foreign exchange for the purpose of repatriating after-tax profits will be subject to regulations administered by the Reserve Bank. The ANC also seeks to halt capital flight by local organisations seeking to invest abroad — hinting at some form of exchange controls.

The first salvo of criticism came from the South African Chamber of Business (Sacob) which called for greater consultation between the business community and political organisations about economic policy.

Says Sacob chief economist Ben van Rensburg: "The first thing foreigners ask when they come to seek out investment opportunities is what our incentives are. Everybody in the world is offering



Local resources ... Foreign companies may not be allowed into mining

enormous incentives. That is how the newly industrialised countries achieved their growth."

But the ANC is adamant that the document's assertion that special incentives will be offered to investors who meet defined national growth and development objectives is adequate. There is a feeling that the country should not seek fly-by-night investors.

Remarks ANC economic adviser Alan Hirsch: "We will give special treatment to people who meet certain needs: if they earn the country foreign exchange, transfer of technology and the creation of jobs. Otherwise they are just the same as domestic investors and will be treated the same."

But reality may not be all that friendly. The collapse of socialist regimes in eastern Europe, the break-up of the Soviet Union and the reconstruction happening in Africa has ensured there is

strong competition among developing nations for investment. And in the process standards have been drastically lowered.

Ben Turok, who sits on the ANC's economic commission, notes: "The kind of investors we want are experienced investors who won't just be taken by any investment incentive. The serious investor looks beyond that. We want people who will comply with our labour laws and who will respect our environment."

And, as Econometrix director Azzar Jammine points out, the "strategic areas" from which the ANC seeks to bar foreigners are just those in which foreign investors would be interested.

"Natural resources and the land are two of the few fields where we actually have competitive advantage, and obviously where foreigners would most likely want to get involved," he says.

●See PAGE 25

INVESTEC GOES DUTCH

FM 5/6/92

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748

South Africa interests ready to bear fruit

Conradson (W) (in W/Mail) 5/6-11/6/92

74B

THE South African dilemma facing liberal shoppers in Sainsbury's may soon come to hard-nosed brokers in the City. Anglo American Corporation, the mining group whose interests encompass most of the South African economy, is preparing to embark on a European roadshow to sell its (and hence its country's) potential attractions to investors. Few of those investors are likely to share shoppers' angst over whether it is yet acceptable to buy South African apples and oranges. Their main concern is likely to be whether the risk of a breakdown in South Africa is balanced by the potential financial return if there is not.

But the ethical investment service, Eiris, reports its subscribers

are still concerned about companies with South African interests — one of the earliest ethical criteria for investors. And despite the haste with which Britain and some other countries have abandoned

By Roger Cowe

sanctions, the stance of international agencies from the Untied Nations downwards is that sanctions should remain until the successful completion of negotiations between the government and the African National Congress.

Anglo American has long been a prime mover in the internal business campaign to end apartheid, but opposed sanctions, bolstering

criticism that the company's commitment to equality and democracy was barely skin-deep.

There was a time when the group's commitment to South Africa was questioned. The 1989 bid from an Anglo satellite Minorco, for Consolidated Gold Fields was seen in some quarters as an attempt to lessen the group's dependence on its home country. Anglo strenuously denied this, but in any event the bid failed.

Now there is no doubting Anglo's patriotism. "We are still basically optimistic about South Africa," a spokesperson said. And it believes now is the time to promote itself in Europe as the ideal vehicle to invest in the country.

Baiting the hook to get foreign investors to bite

SOY TH

6/6/1-10/6/92

746

RADICALLY increased local and foreign investment is widely seen as being vital to resumed economic growth and job creation in the new South Africa.

"We have to get the level of investment up before we can get a decent growth rate," the new Minister of Finance, Mr Derek Keys, said soon after his appointment.

But how does a government encourage investment?

Keys said it would be vital to cut the level of consumption by both the public and private sectors.

This implies lower government spending on items such as the salaries of civil servants — including teachers, nurses and even policemen. Ordinary South Africans, meanwhile, are encouraged to save rather than buy consumer goodies.

But that alone will not bring in the money. Investors need incentives — clear financial reasons as to why they should put their money into new projects. And in a new South Africa, they will need hard and fast guarantees that they will make a profit and get their money back when they need it.

The ANC guidelines make a commitment to encouraging investment.

This will be done, among other things, through guarantees on the

repatriation of after-tax profits, the purchase of inputs, the sale of domestic assets, the maintenance of macro-economic balances by the state, transparency and consistency of overall economic policy and a climate of peace and stability.

In addition, the ANC promises that foreign firms will not be nationalised without adequate and fair compensation.

But foreign investors will be required to comply with domestic regulations, including those covering the environment, labour market, education and training of workers and affirmative action.

Foreign investors in natural resource-based industries may be subject to additional regulations.

An ANC trade and foreign investment advisor and UCT lecturer, Mr Alan Hirsch, said the ANC accepted the importance of foreign investment for balance of payments reasons.

"Economic growth can be a drain on foreign exchange reserves because of the capital investment needed to support that growth. That can be eased by direct or indirect foreign investment."

In conjunction with some of its allies, the ANC is discussing how it can evolve an investment policy using the experience of other coun-

tries.

It is also consulting organisations such as the United Nations Centre for Transnational Corporations and individuals.

In general, the ANC is in favour of an open policy to foreign investors which would make it as easy as possible for them to enter.

But there will be some areas, such as the exploitation of natural resources, where they will not be given carte blanche.

In all cases, the aim is to provide the kind of assurance foreign investors need. These include assurances that they can repatriate their profits, get foreign exchange for inputs and, if they sell up, repatriate their profits.

Companies have also been assured that they will not be nationalised without fair compensation. Hirsch admitted that this was not meaningful if you did not say who would decide what was fair.

"Foreign investors want international arbitration. There is no firm commitment to that yet and it is being explored," he said.

Some might ask why we should bother about foreign investment at all if it wants all these reassurances. But there are undoubted advantages to foreign, as opposed to local, investment.

These include the inflow of foreign exchange, job creation and technology transfer to help make up for the years of neglect in the development of new technology in some areas because of the weak economy since the 1970s and sanctions.

Foreign investment can also help provide access to foreign markets as a great deal of trade takes place through the subsidiaries of parent companies.

Hirsch said the ANC would encourage joint ventures between new or existing foreign investors and black South Africans who had previously not had access to such investments. These would be in new areas or areas dominated by monopolies.

He believed that many investors would be interested in such joint ventures, possibly in the mistaken belief that it would also give them political clout in the new South Africa.

Foreign investment is usually capital intensive, but the ANC wants not only to look to investment by the multinationals, but also by the smaller companies in other developing countries.

This covers the whole area of exchange with, for example, the Malaysians, who have developed appropriate technology.

Ultra-bulls too eager to be realistic on investment

Star 6/6/92

743

DESPITE a multitude of negative factors in our market, there are still optimists who are hailing the coming of a new, better and more prosperous South Africa.

While such prophecies may be accurate in the longer term, their contention that this will occur by year-end is far too eager to be realistic.

These ultra-bulls are, effectively, asking existing and prospective investors to overlook that the country is in a disastrous financial state and to go ahead and buy shares.

Despite a host of adverse factors, they highlight a number of issues they believe will push our economy into an upswing.

The stock exchange has had excellent growth since the start of the year and — being a 12-month leading indicator — reveals that the upswing will start at the end of the year.

The bulls point to the industrial index's recent all-time high levels as confirmation that investor sentiment is strong. This, they say, should filter through to the economy.

Another positive factor is the introduction of a trade union unit trust, which is probably the most promising new indicator — for the stock market — to be announced in recent years.

Rumours also persist that interest rates will be cut by two percentage points. The speculation centres on the appointment of Derek Keys as Minister of Finance.

A Cape-based research analyst says: "While the consumer price index is proving stubborn, other indicators are well within the Reserve Bank's targets." This includes the producer price index, bank credit and money supply.

Some analysts believe the US elections in November could force the Bush administration to reduce interest rates, which should be stimulatory for the economy and should

have a domino effect on trading partners.

There is a solitary problem with the logic displayed above. While these indicators are positive, ultra-bulls do not analyse the extent to which these indicators will influence the economy.

For instance, there is no doubt that the JSE is a leading indicator, but the current high indices are due to a shortage of scrip (caused by institutional buying) rather than general bullish sentiment.

Therefore, the introduction of a new unit trust will cause greater shortage of blue chips, thus unrealistically maintaining the JSE at high levels.

Economic variables are also being misused. A cut in interest rates and a reduction in the CPI would not lift the country out of a recession — not until these rates became far less prohibitive.

Even a recovery in the US would have little effect on South Africa, as it is no longer our main trading partner.

Standard gets UK banking licence

STANDARD Bank received a UK banking licence from the Bank of England at the weekend, the first given to an SA bank since the 1985 debt moratorium.

Standard London, a wholly owned subsidiary of Standard Bank Investment Corporation (SBIC), also will handle the business of its UK representative office.

It will provide support services, including trade finance, loan finance in SA and abroad and investment and financial advice. The London branch also deals in SA equities, rand-related currency and treasury products, gilts and derivatives.

A Standard Bank spokesman said at the weekend: "The UK banking licence will permit Standard Bank London to assume a central role in the group's international network. As a key element in the group's long-term strategy of supporting its customers' global business, it will greatly

7413
SHARON WOOD

facilitate trade and capital flows between southern Africa and the rest of the world."

Until now Standard Bank and First National Bank were the only two major banks that did not have UK licences and had to operate subsidiaries.

Nedcor Bank and Volkskas received licences before the debt standstill and operated London branches.

The news of the banking licence follows not on the heels of the group's intended acquisition of British merchant bank Brown Shipley.

This is still subject to the approval of the UK authorities.

"On the assumption that Standard receives approval, Brown Shipley will report to Johannesburg and will not operate out of London," Standard Bank spokesman John Gaunt said.

Talks failure means 'three-month delay'

CODESA II's failure to deliver a package of agreements would delay the negotiations process by three months, DP Codesa representative Ken Andrew said at the weekend. *B/Dany 8/6/92*

The ANC's resort to mass action to support demands for an interim government and a democratic constituent assembly, as well as ANC-government mudslinging, would keep public tensions between the two main parties at a high level, said Andrew.

"The behaviour of the ANC and government in the days leading up to Codesa II and afterwards has set us back about three months," he said.

Codesa II mandated Codesa's management committee, made up of representatives of the 19 participating organisations, to resolve the deadlock that arose

PKB PATRICK BULGER *SCM*

around decision-making percentages in a constitution-making body.

Once the deadlock is broken, agreements already reached on levelling the political playing field, interim arrangements and the reincorporation of the TBVC states will be ratified.

Codesa II asked the management committee to break the deadlock in time for a planned third Codesa plenary at the end of this month — by which time Parliament would have introduced legislation to facilitate interim arrangements. The deadline is unlikely to be met.

One ANC source admitted last week that emphasis on the office bugging issue was a "delaying tactic" intended to stall proceedings until the ANC had "consulted" its constituency through mass action.

Investment in Jo'burg expected from Far East

PKB *B/Dany 8/6/92* *74B*
ADRIAN HADLAND

SUBSTANTIAL capital investment in SA's manufacturing and property industries could be expected from the Far East soon, Johannesburg city council commerce and industry director Collin Wright said at the weekend.

Trade delegations from Singapore, China and Hong Kong would visit Johannesburg this year to investigate investment opportunities, Wright said on his return from the Far East. Japanese and Korean companies had also expressed interest in extending trading ties with SA.

Singapore's Trade Development Board and the Singapore Manufacturers' Association would send delegations to the city in July, and a Singaporean computer manufacturer had confirmed his intention to open a factory there.

A ministerial delegation from China had also announced it would be visiting Johannesburg during July.

Wright addressed more than 120 Hong Kong businessmen during his trip and discussed immigration and investment opportunities with several major corporations. A group of property owners was expected to arrive in Johannesburg soon to discuss city property development.

The Import-Export Bank of Taiwan was offering low interest rates with special repayment conditions to Taiwanese corporations investing in trade and manufacturing facilities in SA. Several South Korean firms had committed themselves to opening Johannesburg offices.

On a Hong Kong radio station last week, Wright pointed out that SA's infrastructure was better placed to take advantage of a global economic upswing than others such as eastern Europe.

Tribute paid to Marina Maponya

PKB *B/Dany 8/6/92*
Business Day Reporter

MARINA Maponya, a former SA businesswoman of the year and wife of millionaire Richard Maponya, died at her Johannesburg home on Friday after a long illness. *B/Dany*

Maponya was deputy chairman of the Maponya group of companies, which was built up after she and her husband went into business in Soweto during the '50s. *8/6/92*

Maponya initially trained and worked in social welfare.

She became a director of several companies.

They included Volkswagen SA, African Life, the Development Bank of SA, the SABC — she was appointed the corporation's first black board member in 1990 — and the Post Office.

Sapa reports that Post Office board of directors chairman Donald Masson paid tribute to Maponya, saying her valuable contribution as a board member would be missed. He expressed his condolences to her husband, eight children and 15 grandchildren.



ROLEX

Hambros-led

consortium looking at SA

By Garner Thomson

LONDON — A British-led consortium, headed by merchant bank Hambros, is about to embark on an investment programme in South Africa, which financial commentators believe could set the tone for others to follow.

Hambros, which has South African ties stretching back over more 50 years, has targeted the tourist trade as its point of entry.

It has raised £12 million (R60 million), which it plans to invest in environmentally friendly tourism.

About £5 million of the capital has come from Scottish and American trusts and funds and South African institutional investors have found the balance.

Much of the cash will find its way, through the Conservation Corporation, to Phinda game reserve in northern Natal, where luxury game lodges and extensive animal re-stocking are planned. JAN 28/6/92

Hambros executive Jonathan Klein, who spearheaded the fund-raising campaign, was hampered by investors' continuing reluctance to start investing in an uncertain South Africa and by the high-profile collapse of Masterbond, the property finance company which originally funded Phinda.

According to one financial source in London, the ANC appears to have given the Phinda project the go-ahead on the grounds that it will create jobs among the black community and return resources to the land.

Other observers say Hambros could be blazing a trail for a substantial upturn in investment — although a drop in tourism could effectively damage its plans.

Lower air fares are expected to boost tourism, but political uncertainties are still giving many investors and travellers cause for careful consideration.

R59m raised to salvage Phinda

SHARON WOOD

THE UK-based Hambros Bank yesterday formally announced R59m had been raised by SA and offshore investors for the Conservation Corporation. *BD cur*

The announcement is the final step in salvaging the Conservation Corporation subsidiary, Phinda Game Reserve. The Corporation owed Phinda debenture holders R43m, raised by Masterbond prior to its collapse. *916192*

At a meeting on May 22, Phinda debenture holders approved the release of R43m to Masterbond curators for distribution to debenture holders. *745*

Of the R59m raised, foreign organisations had invested 40% and local investors 60%.

Foreign investors were Scottish fund management company Martin Currie, the Getty family and Hambros Bank, while local investors were the AECI Pension Fund, Anglo American, Fedlife, Southern Life, Metropolitan Life, De Beers, Investec and Harry Oppenheimer.

The funds raised offshore had been used to buy a tranche of SA Reserve Bank debt, Hambros Bank director Jonathan Klein said.

An investment company on the Isle of Man — Conservation Corporation International — had bought the Reserve Bank debt and lent it to the Corporation.

ANC explains Heinz decision

INTERNATIONAL food corporation Heinz decided against investing in SA because insufficient progress was made at Codesa II, and not because of ANC economic policies. ANC international affairs chief Thabo Mbeki said yesterday. *Biomy 10/6/92*

Mbeki told an international trade and investment conference in Johannesburg the ANC and Heinz had been in regular contact for some months.

Sapa reports Mbeki was responding to weekend news reports that Heinz had called off a "multimillion-rand deal" because of the ANC's new economic policy. Mbeki said when Codesa II failed to reach agreement, Heinz decided not to move into the market because of the sensitivity of US opinion over economic sanctions.

"We do not want to drive away foreign investors," he said. The speed of political change, however, would affect the transformation of the country's economic relations, as was the case with Heinz.

The reason for the Heinz decision had been Codesa II's failure to agree on an interim government. Mbeki reaffirmed ANC policy that foreign companies should

AD **ADRIAN HADLAND** *74B*

not reinvest in SA until an interim government had been installed.

He told the conference the ANC did not envisage selling off the assets of private companies to redistribute wealth.

State expenditure on the underprivileged would have to be increased to improve social equity in a new SA. The proportion of SA's GDP devoted to social expenditure would have to be increased from 12% to 15%. This would be achieved by streamlining the public service, and a redirection of resources.

"You cannot sustain political transformation if you do not address the question of inequality," he said.

Mbeki suggested redistribution would cause a further expansion of the domestic market ensuring an accelerated rate of new capital formation. "Redistribution can take place without any negative effects on the private sector," he said.

The private sector would continue to have a central role in the economy, but had a responsibility to train black management and support affirmative action.

DEPARTEMENT VAN FINANSIES

No. 1601

12 Junie 1992

13 PERSENT BINNELANDSE GEREGISTREERDE EFFEKTE, 2009/10/11: SERTIFIKAAT No. 8336 VIR R84 500 UITGEREIK TEN GUNSTE VAN MEV. RACHEL ANN BECKER

Aangesien daar by die Departement van Finansies aansoek gedoen is om 'n duplikaat van bovermelde sertifikaat wat verloor of verlê is, word hierby bekendgemaak dat tensy die oorspronklike sertifikaat binne vier weke na die datum van publikasie van hierdie kennisgewing by die Departement van Finansies, Privaatsak X115, Pretoria, ingelewer word, die verlangde duplikaat uitgereik sal word.

No. 1639

12 Junie 1992

VERKLARING DEUR: MNR. DEREK KEYS, MINISTER VAN FINANSIES EN VAN HANDEL EN NYWERHEID: 3 JUNIE 1992

MET BETREKKING TOT RENTE WAT DEUR BUITELANDERS IN SUID-AFRIKA VERDIEN WORD

Suid-Afrika bevind homself vandag in die posisie dat hy in 'n al hoe meer mededingende internasionale omgewing vir buitelandse beleggings moet meeding, en dit is noodsaaklik dat buitelandse beleggers nie ontmoedig word om beleggingsfondse beskikbaar te stel nie.

Rente wat deur buitelanders in Suid-Afrika verdien word, is alreeds in die volgende omstandighede van belasting vrygestel:

- * Alle rente verdien op fondse wat binne die skuldstand geblokkeer is.
- * Rente verdien op effekte uitgereik deur die Staat, plaaslike owerhede en sekere ander instansies soos Eskom en Transnet. Hierdie bepaling word vrylik deur emigrante gebruik vir die belegging van hul gebrokkeerde fondse.
- * Rente verdien op kapitaal wat buite Suid-Afrika aan die lener beskikbaar gestel is en wat derhalwe ingevolge bestaande inkomstebelastingwetgewing nie uit 'n bron binne Suid-Afrika verkry word nie.

Ander rente wat uit 'n bron binne Suid-Afrika verdien word, is tegnies steeds aan belasting onderhewig. Baie min belasting sou egter op hierdie wyse beskikbaar wees, veral in die lig van die probleme wat ondervind word met die verkryging van opgawes en die hef van aanslae op buitelandse leners. Daarbenewens is daar 'n beweging onder die Europese Gemeenskaplande om rente slegs te belas in die land waarin die ontvanger woonagtig is.

Ten einde sekerheid op die gebied van buitelandse belegging te verkry en om enige oorblywende ontmoedigings in die vorm van belasting te verwyder, is daar met die eenparige goedkeuring van die Belastingadvieskomitee besluit om alle rente van belasting vry te stel wat van vandag of toeval aan iemand wat nie gewoonlik in die Republiek woonagtig is nie, of aan 'n maatskappy wat nie in die Republiek bestuur of beheer word nie. Die vrystelling sal ook op emigrante van toepassing wees, onderworpe aan die verdere voorwaardes dat hulle nie in die Republiek besigheid dryf nie.

Navrae: Lesley Lambert.
Telefoon: (021) 45-3796/8.

DEPARTMENT OF FINANCE

No. 1601

12 June 1992

13 PER CENT INTERNAL REGISTERED STOCK, 2009/10/11: CERTIFICATE No. 8336 FOR R84 500 ISSUED IN FAVOUR OF MRS RACHEL ANN BECKER

Application having been made to the Department of Finance for a duplicate of the above-mentioned certificate, the original having been lost or mislaid, notice is hereby given that unless the original certificate is produced at the Department of Finance, Private Bag X115, Pretoria, within four weeks from the date of publication of this notice, a duplicate as applied for, will be issued.

No. 1639

12 June 1992

STATEMENT BY: MR DEREK KEYS, MINISTER OF FINANCE AND OF TRADE AND INDUSTRY: 3 JUNE 1992

REGARDING INTEREST EARNED IN SOUTH AFRICA BY NON-RESIDENTS

South Africa has to compete for foreign investment in an increasingly competitive international environment and it is essential that foreign investors are not discouraged from making investment funds available.

Interest earned in South Africa by non-residents is already exempt from tax in the following circumstances:

- * All interest earned on funds which are blocked in terms of the debt standstill.
- * Interest earned on stocks and securities issued by the Government, local authorities and certain other bodies such as Eskom and Transnet. This provision is widely used by emigrants as an avenue for investment of their blocked assets.
- * Interest earned on capital which was made available to the borrower outside South Africa and which is therefore, in terms of existing income tax law, not derived from a source within South Africa.

Technically, other interest which is derived from a source within South Africa remains subject to tax. Very little tax would however be available in this way, particularly in view of the problems obtaining returns and raising assessments on foreign lenders. Furthermore, there is a move in the European Community countries towards taxing interest income only in the country where the recipient of the interest is resident.

In order to introduce certainty into the area of foreign investment and to remove whatever disincentive remains in the form of taxation, it has been decided, with the unanimous approval of the Tax Advisory Committee, to exempt from tax all interest which from today accrues to a person who is not ordinarily resident in the Republic or to a company which is not managed or controlled in the Republic. This exemption will also apply to emigrants, subject to the further condition that they do not carry on business in the Republic.

Enquiries: Lesley Lambert.
Telephone: (021) 45-3796/8.

Sappi's foreign issue draws full subscription

STAR 15/6/92

By Neil Behrmann

LONDON — Efforts by Eugene van As, Sappi's chief executive, to turn the South African paper producer into one of the world's "big five" are well on course in the wake of the over-subscription of the company's \$250 million European share issue.

The shares were issued at \$12.45, Oliver Baring of Warburg Securities, the "global bookrunner" of the Euro-equity issue, said at the weekend.

"It was a trail-blazing deal because it was the first Euro-equity issue to be placed on the international and South African markets," he said.

Although the issue was over-subscribed, Mr Baring was slightly disappointed with foreign demand.

International investors were concerned about the state of Codesa negotiations, he said. "They want an interim government."



Eugene van As . . . efforts bearing fruit

Mr Baring said that South African, UK, German, French and German institutions had subscribed, but he would not disclose how the allocation was

made.

Other international members of the underwriting syndicate were Robert Fleming, Union Bank of Switzerland, Commerzbank and Banque Indosuez. Stockbroker Martin and Co and FirstCorp raised the funds in South Africa.

The main aim of the issue was to finance the acquisition of Germany's Hannoversche Papierfabriken Alfred-Gronau Aktiengesellschaft (Hannover Papier).

Sappi is now well placed to take advantage of the European, North American and Far Eastern markets, said Kim Jokipii, managing director of Sappi Europe.

In the short run, the acquisition would not generate growth for Sappi because of start-up costs of a new paper mill and the depressed paper and pulp market, said Mr Jokipii in a recent interview.

But it would not take long for surplus capacity to be absorbed in a reviving market, he said.

The Hannover Papier deal would allow Sappi to generate

two-thirds of its profit from exports and foreign subsidiaries, he said.

The takeover places Sappi among the top fifteen paper companies worldwide.

Hannover's strong market position in Germany and France would complement Sappi's exports to the US and Asia, said Mr Jokipii.

Sappi will be listed in London, Frankfurt and Paris.

● It has emerged that Johnson Matthey, the UK precious metals refiner and distributor and agent of Rustenburg Platinum, is considering a listing on the Johannesburg Stock Exchange.

Johnson Matthey chairman David Davies said at the company's result presentation last week that the Johannesburg business community had been interested in the company's progress for some time.

Charter Consolidated, which owns 39 percent, of Johnson Matthey, also has investments in South Africa.

Minorco holds 36 percent of Charter.

Joy at success of Sappi share deal

748 JOHN CAVILL

LONDON — Sappi's historic \$240m share issue to fund the DM400m takeover of Germany's Hannover Papier was "well oversubscribed", said Oliver Baring, director of UK investment bank Warburg Securities.

"We are delighted with it," he said. "It was a trail blazer — the first SA Euro-equity offer to be priced at the market level. We have placed 19-million shares and they were well oversubscribed."

Baring said Gencor had scaled down its entitlement to below 55% to satisfy demand from SA institutions.

Sapa reports that Sappi said 21.5-million new Sappi ordinary shares (19-million for the Euro-equity issue and 2.5-million for Commerzbank) were placed at Thursday's market price of R44 (\$12.45).

It said Warburg Securities had allocated the maximum of an additional 15% of the issue quantity to investors due to the oversubscription. At Smith New Court, Charles Zorab said there was healthy demand from SA institutions, which was normal.

He said the fact Sappi did not have to offer a discount to the market price was a good sign. "We believe Sappi had aimed to raise \$125m from overseas investors, but we just don't know how much came in."

John Taylor of James Capel said that the firm had not been able to establish how much was taken up externally, adding, however, that the placing appeared to have gone "extremely smoothly".

Blaney

To Page 2

15/6/92

Sappi

Blaney

15/6/92

748

240 211 1974

From Page 1

"We'll have to wait and see. There has been adverse comment on the pulp and paper industry coming out of the US recently which might have caused some hesitancy," he said.

In its latest monthly investment review of SA, Capel praised Sappi's presentation to fund managers and brokers in London, which was part of its European road show.

"On a short-term view we still think the share is a little on the pricey side (sitting on a prospective earnings multiple of 10.8), but the group certainly has ambitions and the managerial infrastructure to realise them.

"Accordingly, those investors who have the luxury of being able to take a two-year

view should consider participating in the issue," it said.

Sappi Executive Chairman Eugene van As said Warburgs had called on Sappi to make available a maximum of 2.85-million additional shares in terms of the "green shoe", an overallocation option used in the Euro-equity market.

Van As said demand from Europe was less than he had hoped following the recent political pronouncements in SA, but he was satisfied with the outcome.

He would not say what percentage of the placing went to European investors and what was allocated to SA institutions, but has said before he would like half of the new shares to be placed internationally.

Policy offered for SA firms abroad

Blair 16/6/72
CREDIT Guarantee Insurance Company will insure SA-based businesses investing in foreign countries against political risk.

"Credit Guarantee will consider applications involving all countries in the world and will consider applications on their individual merits.

"The premium is usually 1% but if it is a high risk country, we will have to increase the premium," a spokesman said yesterday.

Protection would be provided against the host government's political actions, including nationalisation, loss or damage due to war, rebellion and insurrection.

In addition the investor would be protected against loss due to prevention, restriction or control for at least one year of the capital, dividends,

74B SHARON WOOD 270

interest and loan guarantees from the host countries.

Qualifying businesses would have to acquire at least a 25% share in the equity of a new or existing business and the investment would have to carry a minimum value of R100 000.

They would also have to have the approval of the host government and Reserve Bank, the investment must be made with the object of earning income for the investor and it would have to promote SA's export trade or economic development of the host country.

The spokesman said foreign companies setting up businesses in SA would also qualify outside SA.

Sisulu calls for investor boycott

BOSTON — ANC chief economist Max Sisulu told an investment meeting on Sunday it was not time to put money in SA, saying this would wrongly reward Pretoria's white leaders and stymie democracy talks.

Sisulu said sanctions had brought SA's white leaders to the negotiating table, where talks aimed at establishing a nonracial democracy had stalled. Sanctions alone would keep them there, he said. *16/6/92*

"We are therefore saying now is not the time to reward (President F W) de Klerk, now is not the time to embrace apartheid, now is not the time to invest in SA," Sisulu told a meeting of the Social Investment Forum, a private US group that encourages value-oriented investing.

He said opportunities in a post-apartheid SA were "limitless" but that the ANC did not think a free market alone could deal with "the structural imbalances and inequalities" centuries of colonial and apartheid rule had brought. *16/6/92*

The ANC was committed to the creation of a "mixed economy" with co-operation between the state, private companies, financial institutions and unions, Sisulu said.

SA would need "massive flows of foreign investment" but the ANC believed this should "complement" domestically derived investment and productivity, he said. — Sapa-Reuter.

Azapo claims govt and ANC have secret pact

AZAPO claimed yesterday to have documentary evidence that government and the ANC had come to a secret agreement ruling out majority rule for 10 years.

The organisation claimed the ANC/SACP/Cosatu alliance had misled its supporters by saying its mass action programme, starting today, was aimed at ousting government.

ANC and Cosatu officials have said the mass action programme was aimed not only at breaking the Codesa logjam but also at the transfer of power to the majority.

A senior Azapo official said yesterday his organisation had documentary evidence that the transfer of power to the black majority was not the alliance's top priority.

The official said according to documents — obtained from Azapo supporters in Europe — there was an agreement between government and the ANC, which effectively ruled out majority rule for 10 years.

ANC spokesman Saki Macozoma said yesterday Azapo would be better advised to concentrate on its campaigns aimed at ousting government.

Macozoma also rejected Azapo's proof as fabricated.

The Azapo official said judging by statements by the alliance's officials, including ANC Youth League president Peter Mokaba, it was obvious

WILSON ZWANE

the campaign was aimed at making Codesa negotiations successful.

Mokaba last week said his organisation would hold a "people's referendum" to test the scale of rejection of government's proposal of a senate, a 75% majority in a constitution-making body and on regionalism.

The Azapo official said his organisation was not opposed to mass action. "On the contrary. We are prepared to launch joint mass action campaigns with whatever organisation, provided such campaigns centred on the transfer of power to the black majority and the redistribution of wealth."

Cosatu assistant general secretary Sam Shilowa said at the weekend his union would propose discussions with Azapo, the PAC and Nactu to secure their participation.

The Azapo official said his organisation would treat today as a public holiday. But that did not suggest Azapo supported the alliance's mass action programme.

National peace committee spokesman Val Pauquet said the committee's executive had agreed to set up a system to monitor violations of the national peace accord during the mass action programme.

Sappi's Hannover deal may be last of its kind

B/Day 17/6/92

MATTHEW CURTIN

AS strategic investments go, Sappi's acquisition of Germany's Hannover Papier may rank as one of the best.

The DM440m deal and \$240m share issue has got thumbs up from the European and local investment communities. They agree Hannover fits Sappi's current European and African operations, and that the deal was timed perfectly to catch the upswing in world paper and pulp markets.

However, the intrinsic merits of the transaction overshadowed the unusual circumstances in which it was struck, and masked the insight it provided on the strategic dilemmas facing SA business. In buying Hannover, Sappi diluted dependence on the local economy and export-driven business for growth, a dependence which could straitjacket many SA companies.

Executive chairman Eugene van As says turnover is evenly split between domestic sales and exports.

The group's long-term growth depends on it being able to sell higher tonnages of paper and pulp, and it has spent millions in the past few years expanding its productive capacity and building up timber reserves. Without further increases in capacity, local consumption would slowly replace exports, restricting growth to price increases and profitability improvements at its SA operations.

Van As says: "That mix of Sappi's business would condemn the group to grow not even at the rate of the SA economy, but at half that rate if local expansion is based only on the domestic markets and exports."

It is a concern which is clearly weighing heavily with rival producer, Anglo American's Mondi. After buying a stake in Austrian paper manufacturer Neusiedler AG in 1990, Mondi announced a R550m investment in pulp-and-paper group Frantschach in March in association with Anglo, De Beers and Minorco.

Van As says Sappi needs to balance the growth in domestic demand and exports, with offshore manufacturing facilities producing high quality value-added products. The Hannover purchase has done just that.

However, products like the coated paper which Hannover supplies require a high degree of customer service. Primary forest products or newsprint can be delivered to customers on a steady long-term contract basis, but quality paper supplied to a specialist printer needs a just-in-time service.

Van As says Sappi cannot supply that from SA. Hannover, in conjunction with Sappi Europe, is ideally placed to do so.

And it is in the coated paper market where he sees the most exciting growth in the paper industry. The European market has grown 8% a year for 10 years, and 10% a year in the past five. While there is overcapacity among German producers of wood-free coated paper, German demand for the product has risen 6% in the first quarter this year. Waiting for Hannover are the burgeoning eastern European markets. Van As says consumption of coated paper in eastern Germany is one tenth of that in western Germany.

Large paper companies rarely came up for sale, especially German



□ VAN AS

ones. The Wall Street Journal noted last month that Europe's paper industry was in a process of consolidation, becoming a target for international companies like Sappi and US forestry giants, "anxious to gain a firm foothold as the EC moves to dismantle tariff barriers". The journal said Scandinavian forestry groups had "gobbled up continental targets, but hardly ever divested holdings".

Sappi made no bones about its designs on the European market. In May 1990, Van As told shareholders: "Your group continues to broaden the international scope of its activities and in the next decade aims to acquire global status in pulp and paper manufacturing and technology."

In mid-1990, Sappi bought five fine paper mills in Britain for £109m and set up Sappi Europe, while the operations of the Zurich-based Sappi Trading continued to expand in the past year. There had been long-standing rumours of potential acquisitions in Europe by Sappi and Mondi. Sappi was understood to have looked hard at a £1bn bid for British-based pro-

ducer Wiggins Teape in 1990, abandoned in favour of local expansion.

But it was events in Sweden which saw Hannover come up for grabs. The 1991 election victory by the centre-right after years of socialist government saw Sweden embark on a privatisation drive. At the same time state-owned paper producer NcB AB fell into the red and acknowledged that without financial assistance it could not remain an integrated producer of fine paper, sack paper and packaging. NcB's fine paper division was Hannover, Europe's fourth largest producer of wood-free coated papers, whose earnings had plummeted in 1991 to break-even point. Its six-year DM700m modernisation programme finished with larger-than-expected startup costs.

With no government assistance forthcoming, Hannover was put up for sale in a "controlled auction".

Sappi was interested, although Van As admitted Hannover was a larger company than the group had been looking for. And it faced stiff competition. There were four tenders including offers from International Paper via Zanders and Arjo-Wiggins-Appleton. What gave Sappi the edge was a pre-emptive condition that any tender would have to be management approved. Hannover directors, faced with the choice of being subsumed within a major European rival — with the concomitant restructuring and loss of independence — or joining forces with an overseas producer, chose Sappi.

Sappi may be set on the road to becoming a multinational conglomerate, no longer shackled to the SA economy thanks to Hannover. It is an aim Van As says is within reach by the end of the 1990s. But can other groups afford to make the same move, and will the timing ever again be as good? Not only did Hannover come up for sale in time with Sappi's strategic planning, but the group had been able to take advantage of the hiatus between the demise of the old and the emergence of the new SA.

European institutions have relished the chance of putting their toes in the water, to test the state of the SA business environment, given the country's new international respectability. However, a new government may be less willing to allow SA companies to tempt those institutions by investing millions overseas.

Business may emphasise the need for international competitive companies to sustain local business and the economy, but it may not wash with others' demands for growth and equity in SA.

Invest in SA business in

Denmark told

SHARON WOOD

SIMPSON McKie director William Yeowart has urged the Danish business community to seriously consider investing in SA.

Addressing Danish industry in Copenhagen, he said the Danish community should not let the opportunity to invest in SA pass by.

"There are always better rewards for the first rather than the last," he told the businessmen.

A factor which should appeal to foreign investors was the significant strength, resilience and skill of SA's business community.

SA business had continued to manage with relative degrees of success despite the '80s being the worst decade for economic development in SA. *6/10/92 18/6/92*

Huge spending on social infrastructure would increase demand for goods and products in the local market as well as a creation of jobs, which was critical in view of the unemployment situation.

"The huge benefit to social stability from a better housed, better educated, healthier population is, of course, a trigger to further economic growth."

Other good reasons for contemplating investment in SA were the quality of management at the highest levels in both the Finance Department and the Reserve Bank and the role SA would have to play in the rehabilitation of southern Africa.

Yeowart said: "There is much evidence that a European initiative is developing to rebuild southern Africa, so that at least a part of that ravished continent can be restored to productive capacity."

Viljoen calls on Brussels to encourage foreign aid

BRUSSELS — Pretoria's chief negotiator in talks to end apartheid, Gerrit Viljoen, appealed to the European Parliament in Brussels yesterday to encourage an immediate return of foreign aid and investment to SA.

In an address to the Euro-parliament's foreign affairs commission, he called for foreign pressure to be put on extremists on both sides in SA to join negotiations for a new constitution.

Viljoen, State Affairs Minister, said a week of mass action launched by the ANC on Tuesday risked degenerating into political intimidation and violence.

The ANC called the protest to put pressure on government to make more con-

cessions in constitutional talks deadlocked over Pretoria's insistence on safeguarding minority rights under future black majority rule. Behind-the-scenes talks were continuing.

He pleaded with foreign governments to give development aid to SA and to encourage private foreign investment without first waiting for the installation of a new, democratically-elected government.

"The sooner those governments ready to do so help us with development funding and facilitate new investment by the private sector in economically viable projects, the sooner the socio-economic climate will promote the holding of (all-race) elections," he said. — Sapa-AFP.

cial statistics indicated yesterday. Manufactured output rose by 0.2% in April, having risen by the same amount in March. Retail sales rose by 0.3% in May, after rising 0.8% in April.

This year, not next

BUSINESS Day incorrectly reported yesterday that Simpson McKie economist Graham Boyd said positive economic factors would only impact on the economy in the fourth quarter next year, when in fact he said the fourth quarter this year. Business Day regrets the error.

REPORTS Sage-AFP, Business Day Reporters

R250m Woodmead office development

ANDREW KHUMM

THE Newport Property Fund would go ahead with the R13m first phase of its R250m office park in Woodmead, Sandton, in spite of an oversupplied office market, RMS Syfrets director Mike Deacon said yesterday.

Deacon said RMS Syfrets — the development's leasing agents and project co-ordinators — were aiming at a niche market and capitalising on a trend towards low-density, environment-friendly business surroundings.

The Harrowdene development, situated near the recently upgraded Woodmead/Bucleuch interchange, would offer 55 000m² lettable space.

RMS Syfrets had already had large space inquiries at the R25/m² net rental, but no contracts had been signed.

Newport Property Fund MD John Peters said the first phase, of three buildings with 4 500m² lettable space, would cost R13m by completion in early 1993. The fund would risk developing the first phase without pre-let tenants, but subsequent development depended on leases being entered into with major tenants. An analyst it could be vacant for months if completed before an upswing.

Privatisation can attract investors

SIMON BARBER

WASHINGTON — By convincing investors that a government is committed to genuine market reform, the privatisation of state-owned industries can be a major stimulant to foreign investment, says a new World Bank study.

The study cites the experience of Mexico, whose privatisation policies have attracted \$15bn in new foreign investment over the past two years.

The study, Welfare Consequences of Selling Public Enterprises, considers three sell-offs in each of four countries, Mexico, Chile, Malaysia and Britain.

The study included airlines, telecommunications, electricity utilities, a road haulage concern, a state lottery and a container port, most of which were sold between 1984 and 1988. On average, the 12 privatisations

produced annual net gains of about 26% of the companies' turnover in the year before privatisation.

Only the airline Mexicana showed a loss, while Chile Telecom was able to double its capacity in four years and posted an annual 155% advance on turnover. Malaysia's Kelang container facility increased 53%.

The ability to raise prices to realistic levels benefited most of the firms, especially Telmex, the Mexican telephone system, British Telecom, Malaysian Airline System and the Chilean electricity supplier Enersis.

Consumers gained from four privatisations and were net losers in five. In Britain, the cost of long distance calls fell. However, British Airways, which was permitted to pur-

Bank

chase its sole domestic competitor, British Caledonian, charged higher fares than would have been permitted had its stayed in state hands.

In many cases, the companies increased productivity by cutting previously protected workforces.

Nonetheless, workers often gained. Employees of Enersis, Telmex and National Freight profited hugely from receiving company shares.

Sacked employees of Aeromexico, a second privatised Mexican airline, all received a year's redundancy pay.

In several instances, foreign investors were big winners and reaped the lion's share of the gains, 90% of them in the case of Telmex.

Such gains were more than offset by the investor confidence the privatisation policies generated in and of themselves.

Nietgedacht residents yesterday protested against the resettlement of Zeventonstein squatter families in the area. Picture ROBERT BOTHA

Bond issue criticised

HILARY GUSH

THE Public Investment Commissioners (PIC) was sharply criticised yesterday after the results of the Reserve Bank's zero-coupon bond issue.

There had been market speculation that the PIC, a government body in charge of investing public service pensions, had taken up the majority of issues.

One dealer accused the PIC of being a "dumping ground" for uncompetitive government stock issues.

"This indicates a waste of public pension fund money," PIC secretary Badie Badenhorst said the rates were favourable in current money market conditions. "If we obtained the major portion of the tender it has nothing to do with anyone else."

Of the R300m in five-year stocks on issue, the Bank received tenders of R305m and allotted R50m, while R80m of the R320m offers collected for R300m in seven-year bonds was accepted by the Bank.

Traders believed the yields were too low and the minimum prices acceptable to the Bank too high. One dealer felt the majority of tenders were at prices below the Bank's quoted minimums, hence the relatively small allotment of R130m out of the R600m in bonds.

The yield on the five-year stock was calculated by market players to be an effective 14%, while they felt the rate needed to attract investors was at least 14.7%.

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STAR 18/6/92.
**Orient takes
over safari
operation**

By Tom Hood

CAPE TOWN — Orient Express Hotels, owner of Cape Town's Mount Nelson, has boosted its investment in southern Africa to R57 million by the takeover of Gametrackers, a luxury safari operation in Botswana.

The London-based group will spend R9 million upgrading six game camps and a fleet of 12 safari vehicles.

Air Xaxaba has also been bought for an undisclosed figure and its three Cessna 206 aircraft will transport guests and luggage between the camps, says Nick Seewer, regional director of Orient Express Hotels.

Upgrading

The game camps will be upgraded to high standards with staff trained at the Mount Nelson Hotel but numbers will be restricted to between 16 and 20 guests.

Mr Seewer says: "Gametrackers is a valuable acquisition. We intend to make a contribution to the preservation of one of the world's last great wilderness areas."

Four of the camps are at the Okavango Delta in Botswana's Moremi wildlife reserve and two are further north in the Savuti channel of the Chobe National Park.

Tariffs range from R6 800 for seven days to R12 800 for 13 days.

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Where business and ANC paths diverge

Wilmad 12/16-18/6/92

Although the fuss about the ANC's investment policy was a storm in a teacup, there are several problem areas in the movement's attitude to foreign investment.
REG RUMNEY reports



Mbeki: We're not driving foreign investors away

A trade and investment conference in Johannesburg this week, African National Congress international affairs head Thabo Mbeki made a telling comment about foreign investment.

It summed up the difference between the attitude of the business community and the ANC on attracting foreign investment.

Mbeki commented at the South Africa — The Gateway conference: "We don't believe that critically we need tax holidays, etc, but an economic environment attractive to both domestic and foreign investors."

He said incentives might be correct for any country with a smaller capacity than South Africa to generate funds internally.

Mbeki stressed the need for foreign investment and acknowledged the competition for investment funds in the world.

But he said the ANC considered political stability, economic growth, and a transparent and consistent economic policy more important. He was reiterating points made in

Heinz still meanz beanz in SA

SUDDENLY this week all eyes were on the African National Congress' stance on foreign investment.

The reason was twofold. Firstly, the ANC's most recent policy formulation had come up with the idea of an investment code for foreign companies.

Secondly the assertion was made in a Sunday newspaper that giant multinational Heinz had pulled back at the eleventh hour from making an multi-million rand investment in South Africa.

Heinz' jilted partner Foodcorp CE Dirk Jacobs confirmed invest-

favoured by other countries trying to climb out of economic stagnation.

Though there is a commitment to an open investment policy, the wording of the section on foreign investment has given rise to concern: "... the ANC will welcome foreign investment, in accordance with our objectives for growth and development..."

"It's too bland," remarks Nedbank chief economist Edward Osborn of the ANC's proposed investment policy. "A much more positive approach is needed."

Osborn suggests that bureaucratically judging any foreign investment against a set of predetermined criteria will lead to complete failure to attract

ment was "temporarily suspended".

At an investment conference this week Thabo Mbeki of the African National Congress dismissed the notion that Heinz look fight at the ANC's economic policy.

Mbeki argued, rather, that the lack of movement at Codesa towards an interim government and sensitivity in the US about apartheid had been the real reason for Heinz holding back. He pointed out Heinz and the ANC had been in discussion for many months and he claimed Heinz had no problem with ANC economic policy.

new investment.

"It should be entirely up to the investor what to invest in. The only requirement is that he comply with the law, including exchange control regulations."

Osborn says numerous studies have shown that South Africa has a high cost of capital. Moreover, in relation to productivity, wages are high. Against this must be set, in certain cases, low energy costs.

Other issues which may put off foreign investors came to the fore in other papers delivered at the conference.

In examining the South African economy a common thread is the concentration of corporate ownership in a

relatively small share market with a high illiquidity.

First National Bank senior executive Alex Grant remarked that because of this concentration it is often difficult to operate under normal free-market conditions. All the major participants will have the same views, resulting in an often one-sided market.

The concentration of power surely represents an obstacle to a new business setting up in South Africa — unless it enters into a venture with a strong South African partner. This was the case with Heinz, whose business partner Foodcorp is one of the major players in the food industry.

The conference was told the Competition Board (CB), which is supposed to address such issues, had not acted with much vigour so far, but that there were signs of a harder attitude.

The CB cannot be entirely dismissed. It is investigating the tie-up between Guinness and SA Breweries. Moreover the ANC policy guidelines specifically mention beefing up anti-cartel and anti-monopoly laws.

For the moment though, the clubby atmosphere of South African big business will be a deterrent.

Ernst & Young partner Graham Royston remarked: "A small market also has brotherhood characteristics, common directorships, cross holdings — in short, everyone knows everyone else. Be warned of this when entering this market for the first time."

South Africa 19/6/92
SA firm launch in Kenya

NAIROBI - FSI Corp of South Africa is to form Kensta Ltd with a Kenyan company, according to the organiser of an exhibition of South African goods in Nairobi later this month.

Mr David Altman said Kensta would produce electronic equipment in Kenya for markets in East Africa.

Businessmen from Somalia, Ethiopia, Tanzania and Uganda have been invited to the exhibition.

Sappi's listing goes ahead

STAN 19/6/92
South Africa's pulp and paper giant Sappi has had its listing on the London Stock Exchange approved despite last minute reservations by the Johannesburg Stock Exchange.

In a statement released yesterday, Sappi said its shares would be listed in London today but wrangling over the over-allocation option (the green-shoe option in Euro-equity placing) almost threatened to hold up its increasing international participation.

As part of the exercise to raise funds to pay for its recent acquisition of Hannover Papier in Germany, Sappi held a Euro-

equity issue of Sappi shares.

The objective of the over-allocation option was to stabilise, not necessarily to maintain, the share price at the \$12,45(R44,00) level and investors should not expect the share price to be held at this or any other level, Sappi said.

74B
However, the stabilisation practice did not comply with JSE listing requirements and the practice was not expressly permitted by the LSE rules either but both agreed to exercise their discretionary powers and allow the listing to go ahead.— Sapa.

Why SA is losing out on foreign investment

STimes (Buss) 21/6/92 (74B)

FOREIGN investors are not waiting for South Africa to get its act together. They are going elsewhere — to countries which offer far more attractive packages.

Experts say SA's investment incentives are uncoordinated, complex and compare poorly with many countries.

"It is almost a case of too many opportunities chasing too little funds," says Sacob deputy director-general Ron Haywood. "High risk countries are losing out."

Industrialised countries, especially the US, Japan and EC nations, receive the lion's share of world foreign investment.

However, developing countries in South-East Asia, Eastern Europe and Latin America are increasingly attracting this investment. This is despite the slow down, over the last five years, in the growth in worldwide direct foreign investment.

Largest

These countries are scoring from a trend to move manufacturing bases of highly competitive products into regional export markets and countries with lower production costs and export processing zones.

One country that has benefited from this trend is Malaysia. Its annual foreign investment has grown from below M\$300-million in the early 70s to M\$9.5-billion in 1991.

Chile's foreign investment per capita is the largest in South America. It has grown steadily in recent years, from \$137.4-million in 1985 to about \$1.2-billion in 1990.

In addition, recent research shows that 22% of the Global 1000 companies regard Central and Eastern Europe as their top investment priority over the next five years.

Many countries are aggressively marketing their varied investment incentives, even to South African investors.

For example, Gibraltar has targeted SA as its prime market to sell its investment package to.

A recent delegation from Dubai hired a conference room at a Johannesburg hotel to outline Dubai's benefits — and then treated more than 400 guests to lunch.

But investors are coming to SA in dribs and drabs.

Foreign companies gain a foothold in the local market by establishing offices, appointing agents and looking for partners. But they are not yet committing major capital, says Webber Wentzel partner Leora Blumberg.

SA's major plus as a base

Many countries offer attractive investment incentives as competition to corner the world's limited capital heats up. But not South Africa. ZILLA EFRAT reports

WHAT OTHER COUNTRIES OFFER:

MALAYSIA: Malaysia has abundant natural resources, high economic growth and low inflation. It offers political stability, good infrastructure and inexpensive labour — \$1,75/hr on average, compared with \$4,75/hr in SA.

The corporate tax rate is 35% and there are tax incentives for investments in the manufacturing, agricultural and tourism sectors.

These include tax holidays, investment allowances, accelerated depreciation allowances and reinvestment allowances.

There are various incentives for exports, R&D and training. Export benefits include tax allowances, short-term credit at preferential interest rates and help with export credit reinsurance payments.

for investment is its use as a stepping-stone into Africa — particularly southern Africa.

Other advantages include its developed infrastructure, abundant raw materials, low energy costs and its sophisticated financial services sector.

SA's key drawbacks, however, are political instability and violence.

Other negatives are its poor economic growth, high inflation, bureaucratic red tape and a lack of perceptible investment by South Africans themselves.

Observers say SA's corporate tax is high at 48% — compared with a maximum of 40% in most industrialised countries.

SA also lacks both export processing zones and agreements with many major foreign investing countries to avoid double taxation. In addition, it offers no guarantees to potential investors.

Foreign investors can take advantage of SA's Regional Industrial Development Programme (RIDP) and various incentives offered by regional and other development corporations.

The RIDP offers grants over five years for new man-

DUBAI: Dubai has access to more than 1.2-billion consumers. Close to 70% of its imports are re-exported to more than 120 countries.

It has a highly sophisticated and efficient infrastructure to support its growing re-export business.

Dubai's Jebel Ali Free Zone offers full foreign ownership, exemption from import duties, full repatriation of capital and profits, freedom from corporate tax and a 15-year guarantee.

Companies setting up regional head offices pay no tax and are not subject to foreign exchange controls.

Dubai offers inexpensive labour, largely from the Indian sub-continent, cheap energy and is crime free.

CHILE: Chile does not have a special foreign investment package.

According to Chile's economic counsellor to SA, Roberto Aguayo, the major reason for the large growth in foreign investment is Chile's economic and political stability compared with the rest of Latin America.

Import duty is 11% across the board and the maximum corporate tax rate is 35%. There are tax breaks for reinvesting of profits.

HUNGARY: Advantages include geographic position, modest wages, high education standards and new legislation to assist investors.

Full repatriation of profits in the currency of original investment.

The government offers guarantees against nationalisation and expropriation of property.

Foreign companies effectively pay corporate

tax of around 28%. The general tax rate is 35% on an initial amount — HUF3-million — and 40% thereafter.

Ventures in specified priority areas — such as electronics, tourism and telecommunications — which have foreign participation of more than 30% enjoy a five-year 100% tax holiday. This is followed by a further five years with a 60% tax holiday.

Companies with foreign participation, and which derive more than 50% of their profits from manufacturing, enjoy 10 years' tax relief — a 60% reduction in the first two years and 40% thereafter.

There are also tax benefits for development in some regions, foreign banks and insurance companies.

In addition, companies with foreign participation may establish their own free trade zones.

added products. However, observers say these conflict with GATT principles and could change in the future.

Tax incentives exist for depreciation, lease premiums and research.

Tax experts say the recent exemption of tax on interest

accrued by foreign investor with certain exclusions, has been a positive development adding certainty to investment conditions in SA.

The use of the financial however, offers both advantages and disadvantages to foreign investors.

Dubai draws SA exporters

EXPORTERS are clamouring to take part in a South African exhibition in Dubai in October. The huge interest has prompted Safto to send its trade fair manager to Dubai with an urgent request for a second exhibition hall and more stand space.

Safto has already received confirmed applications or payments for more than half of the available stands.

The exhibition, organised with the Department of Trade and Industry, was officially launched at a Johannesburg function held by the Dubai Chamber of Commerce and Industry earlier this month. The first exhibitor signed up the and then.

Since the launch, Safto has been swamped by calls from potential exhibitors.



Give your investm

Now Visser puts Pep in the Brits

SI Times (RUS) 21/6/92

AFRICA's largest retailer Pep aims to take on the nation of shopkeepers by opening 200 stores — it has already opened 17 in Scotland — in Britain in the next few years.

Group chairman Christo Wiese says Pep is furthering its international operations within Africa beyond Namibia, Lesotho, Swaziland and Botswana, where Pep Botswana shares were listed last week.

Challenge

Taking note of the hazards of trading in Africa, Mr Wiese said Botswana had been most successful and would likely be the springboard for entry into Mozambique, Angola and Zimbabwe.

The UK chain will trade as "Your More Store" under the guidance of former Pep Stores retail MD Johan Visser, who entertained members of the Investment Analysts Society with an im-

By JULIE WALKER

promptu speech as part of a Pepkor group presentation on Thursday.

He claimed he was not in Scotland on account of his English or for the weather but to relish the challenge: "I'm a retailer and I know my business."

Having been involved in the opening of 300 stores in Pep's Southern African stable in the last four years, 200 in the UK does not daunt him.

"Many people do not understand what being poor really means, or that living on £100 a week makes you count every 20p. A third of the UK population is in the D/E income group, nine million earn less than £100 a week and three million are unemployed.

"That represents a low-income market 10 times the size of SA's working population in the same bracket."

Sought-after SA mining houses to focus on Africa

By Dan 22/6/92
MATTHEW CURTIN

IN A scramble for foreign investment, dozens of developing countries including former members of the Soviet Union are courting SA mining houses to back new and existing mining projects. The SA response is likely to be cautious and focused on sub-Saharan Africa, says Gencor new business division manager John Clemmow.

He said at the weekend that the recent Union Bank of Switzerland investment conference held in Tashkent — capital of former Soviet republic Uzbekistan and attended by Anglo American and Gencor representatives — was a sign of the high reputation resource-rich developing countries had of SA.

But, he believes some of the best mining opportunities lie in Africa. Many countries have been under-explored and existing mining operations have often not been developed to their full potential. On the political front, there is a growing willingness among African governments to change policies to encourage investment. And the sub-Saharan region has some of the world's best ore bodies," Clemmow said.

He noted that a potentially economic

Uzbek copper deposit shown to SA visitors during the recent visit to the republic had a grade of 0.4%, compared with much higher levels on the copperbelts.

He said there were perceptions among governments that SA mining groups were seen to have advantages over their overseas rivals.

First, they constituted some of the largest in the world, with Anglo/De Beers in the top three, and Gencor not far behind. They were seen as long-term investors interested in large mining projects.

Clemmow said that Gencor nevertheless had strict criteria by which it evaluated possible overseas projects, the first of which was size. There might be room for small business development schemes in the mining sector supported by the group in the longer term. Small projects requiring cash injections of only \$1m to \$2m were not large enough to justify Gencor's involvement at the moment.

Gencor would invest only in resources

which fitted the group's strategy. It is understood that SA mining houses were increasingly interested in overseas oil, gas, and base metals reserves rather than precious metals. Compared with its rich reserves of gold, platinum and coal, SA had few economically viable copper, nickel, oil and gas reserves.

Clemmow said country-risk was another key factor, with SA mining houses more willing than their rivals to investigate opportunities in Africa. Because of the political and economic problems on the continent, other mining groups which already had geographically diverse portfolios were more circumspect about putting money into African ventures.

"If we assume that SA will succeed economically, and it is an assumption we have to make, then the rest of Africa is likely to do well too, and is worthy of our attention," he said.

A final criterion was Gencor's need for a financial return on its investment, and the ability to extract profits from the country it invested in. Projects had to provide a

good rate of return and be accompanied by a suitable investment code in the country in question.

He said that SA investment on the continent would go hand-in-hand with the involvement of international financial institutions. The World Bank and its private sector arm, the International Finance Corporation (IFC), were able to set the macro-economic conditions and precedents necessary for securing syndicated foreign loans and encouraging joint ventures to develop new mines. SA had normally equity financed mining projects, but might now look for overseas loans and joint ventures.

Gencor's mining arm had forged an alliance with French state mining group Bureau de Recherches Géologiques and Minières to explore and develop mines in Africa and overseas. Gold Fields was a joint-venture partner with Belgian entrepreneurs to develop a gold mine in north-eastern Zaire. The project's go-ahead depended on political stability being returned to the country for the IFC to agree to provide and guarantee loans.

its 10 factories. ~~Several~~
About 50 brick factories had been closed over the past five years due to

brick and mortar homes to serviced sites using other materials.
Vujovic said that on a regional ba-

ed, homeland government agencies were showing much interest in purchasing bricks, Vujovic said

Bank examines incentives

THE World Bank has produced a report which cites unrestricted entry for private investors as an important tool for attracting outside capital, the latest edition of African Business reports. *Biday 22/6/92*

The Foreign Investment Advisory Service, a subsidiary of the bank, says countries should reduce the number of areas in which investment was subject to screening.

In a recent economic study the ANC said it intended to introduce measures which ensured foreign private investment fitted in with the national development strategy.

Report co-author Guy Pfeffermann said countries should have a short negative list rather than a longer positive list.

GAVIN DU VENAGE

The negatives could relate to highly sensitive industries such as defence. The list should avoid vague and open-ended criteria like activities of strategic importance or small businesses. *74B*

All industries not on the list should be open for investment without being subject to approval.

Pfeffermann suggested countries defined clearly what investment incentives were available and granted these automatically, as incentives lost their attractiveness if investors had to bargain for them.

Haggling for incentives wasted time, eroded confidence and led to corruption, he said.

Black accountants

GAVIN DU VENAGE

COMPANIES remained reluctant to employ black accountants, Black Accountants of Southern Africa (Basa) president Juncas Lekgetha said last week. *Biday 22/6/92*

He called on the private sector and professional bodies to facilitate the training of more black accountants, 52 of whom had qualified this year.

Reluctance to take on blacks had resulted in many candidates not writing their fina. exams as they had not had the opportunity to complete their articles. Of the 52 who passed the Public Accountants Auditors' Board exams, 12 were African and the rest Indian and coloured, bringing the total number of African accountants to 54 from 42 last year.

SA BUSINESSMEN ARE SCARED OFF BY SHORTAGE OF FUNDING

AFRICA's lack of money is the major limit to business, says Absa International assistant divisional manager Pieter Louw.

His view is supported by every ABDG member interviewed.

Scarce funds are the most important element, deterring SA and other businessmen from grabbing a wealth of opportunities, ranging from trade in almost anything to technological and management transfer, restructuring roads, ports and banking institutions to setting up wealth-creating projects in agriculture, mining and tourism, says Louw.

One way to overcome the money problem is to use aid or development funds. SA's membership of the African Development Bank will be an important breakthrough in this regard and Louw is optimistic it will happen soon, provided SA's political process keeps going.

But relying on aid money is essentially a short-

term, project-based approach rather than a solution for ongoing business in Africa, he says.

Louw believes the true key to doing successful business in Africa is to invest in the development of countries' resources.

SA companies need to put money into grassroots development projects which will ultimately facilitate exports, he says.

The pay off for SA businessmen is that in the longer run countries will be able to use their export proceeds to pay for SA goods and services.

Serious

"South Africans serious about long-term prospects in Africa have a major role to play by investing now," says Louw.

Unfortunately, there are too few SA companies which are committed enough to exports and a long-term presence in Africa, he says.

SA's banking sector has an opportunity to help establish financial interme-

diaries in most countries to the north.

Credible financial institutions, supported by sound government economic policies, are a precondition to trade.

Reliable financial institutions would also encourage the wealthy sectors in these countries to put their money into the formal economy rather than operate in the informal parallel markets which thrive almost everywhere in Africa, he says.

SA's banking system can not be imposed anywhere but local banks can provide manpower and technical support.

Absa International helps establish payment mechanisms for companies trading in Africa.

Louw believes that political issues in Africa are important, but that they are short-term obstacles.

Countries' current political structures should be evaluated and weighed up against resources and political and economic policies.

Scrapping controls 'is risky'

THE events of the past week had highlighted the risk of scrapping exchange controls, Japie Jacobs, special economic adviser to the Finance Minister, said yesterday.

Speaking at an Islamic Bank function in Johannesburg, Jacobs said: "We would have seen a large increase in the outflow of capital that would have made great inroads into our scarce foreign exchange resources, and would have imposed even a harsher limit on the growth performance of our economy."

He warned that using the economy as a battlefield for settling political differences could only serve to deepen people's misery.

He said the ANC favoured even more restrictive exchange controls and was suspicious that SA companies were disinvesting in order to acquire foreign assets.

"They (the ANC) castigate so-called SA monopolies, threaten them with dismem-

berment and possible nationalisation, yet begrudge them the right to invest outside the country."

SA corporations could not invest overseas without the approval of Exchange Control. "It is clear that the critics of such investment do not grasp the essential elements of the rand financial system."

On the broader policy side, he said SA did not have much scope in policy options to reinvigorate economic growth.

Populist policies, such as those followed in the past, would be unable to lift economic growth beyond about 1% a year.

Jacobs said a rate of growth of 4% a year would be achievable only if SA restricted the rise in the public sector's consumption expenditure, arrested the out-

□ To Page 2

SHARON WOOD

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Controls

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□ From Page 1

flow of capital, attracted direct foreign investment and increased capital and labour productivity

"We must realise that a country cannot successfully embark on a road of growth if the population has neither the desire to follow nor the notion that such a road exists"

This could be addressed only during consultation which could eventually culminate in an economic forum, he added

"An exercise of this nature can only be productive if the parties involved realise that as a Third World country, SA's economic options are restricted, that we will have to lower our expectations to the limits of affordability and not in terms of

needs, that our policies must be soundly based and aimed at promoting sustainable economic growth and that we need to compromise in the national interest"

However, budgets did provide scope for a distribution of income and a reduction in socio-economic backlogs "But an expanding instead of a contracting economy will considerably facilitate this process"

Government appreciated the need to re-establish fiscal or budgetary discipline and this would be pursued vigorously

"The final answer to our economic malaise is, however, in the hands of various political players and the way they guide their constituencies"



SA companies move in

By TERRY BETTY

MURRAY & Roberts is countering South Africa's construction recession by tendering for contracts in thriving South-East Asia.

M&R tendered to provide expertise to build a 2km pier in Thailand. "It was the lowest tender," says M&R Suppliers & Services chief executive Andre van der Colff. M&R has operated in Hong Kong for about 10 years. But Mr Van der Colff says Singapore is now the key area. M&R is one of many SA companies taking advantage of the boom in South-East Asia since sanctions were re-

on SE Asia trade

Services chief executive Andre van der Colff. M&R has operated in Hong Kong for about 10 years. But Mr Van der Colff says Singapore is now the key area. M&R is one of many SA companies taking advantage of the boom in South-East Asia since sanctions were re-

laxed. Carobrik is exporting bricks to Singapore and Saso is gearing up for petroleum trade in the Pacific. Sasolchem division manager Kari Pretorius says his operation exports more than 200 000 tons of petrochemicals a year, more than half of which goes to the Far East.

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SUNDAY TIMES

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7/19711

MBSA, Samcor head for clash

By DON ROBERTSON

A DISPUTE is possible between Mercedes-Benz SA (MBSA) and Samcor, both of which could soon be producing Mitsubishi vehicles in South Africa.

Since 1985, when Sigma merged with Ford, Samcor has made Mitsubishi commercial vehicles. Production of passenger vehicles stopped shortly after Samcor's formation.

Samcor still builds the Mitsubishi Canter nine-ton truck, the Star Wagon and Express minibuses as well as a light commercial vehicle.

It is believed that MBSA is now eager to make a one-ton Mitsubishi pick-up at its East London factory.

MBSA chairman Christoph Kope recently returned from Japan where it is believed he had discussions with Mitsubishi Corporation about a one-ton truck for SA production.

Merit

Singapore and Thailand have dropped all sanctions against SA.

Malaysia has kept trade sanctions. But Mr Lamerick says SA delegations have still had a superb reception from the Malaysians because they want to start trading as soon as an interim government is in place in SA.

Having lost its Russian ally, Vietnam is forced to trade with the West and is willing to do business with SA.

The Philippines has dropped people-to-people trade offers on merit.

Indonesia, the largest potential market with a population of 180-million, remains still better than in SA.

Miss Blumberg says that

"In 1991 while the rest of the world was battling with a recession, Thailand's growth rate in gross domestic product was 10%. Singapore's GDP grew an average 8%, Malaysia 6.8%, Indonesia 6.4% and the Philippines 4.5%."

The region's average is twice that of the European Community and far higher than SA's -0.6% for 1991.

Mr Lamerick says the region has maintained this pace for 10 to 15 years. It has been even higher, but was dented by world recession.

The standard of living in most of these countries is still better than in SA.

Miss Blumberg says that

Construction lifeline

CIVIL engineering group CA Brand has won contracts worth more than R45-million in the past month in spite of the depressed construction industry.

CA Brand chairman Peter Bayly says the company is lucky in obtaining these contracts and warns that unless there is a dramatic improvement soon, many construction companies will go to the wall.

Largest contract is for the construction of a 160-room City Lodge in Montaguville. In the heart of Pretoria the company will rehabilitate and widen Skinner Road between Princess Park Drive and Audries Street at a cost of R14-million.

Prospects of mediation in metal pay talks slim

By ADRIAN HERSCH

SEITSA proposes that each worker pay five a month - to be matched by the employer - into a fund for training retrenched employees.

Mr Angus says this would realise about R330 000 a month, a large amount for a small contribution.

Mr Kettlebas says Numsa rejects the plan because it deals with a problem after jobs have been lost instead of saving existing ones.

Seitza's 8% pay offer would bring rates to R5,08 and R11,28 an hour for labourers and artisans respectively.

Mr Angus says conditions are so tough in the industry that prospects of using mediation to resolve the dispute are minimal.

"Employers don't have the same leeway for flexibility as they had last year."

Metal employers are likely to vote in favour of a lock-out. Should Numsa hold a strike ballot it is expected to get a yes response, given the high level of worker militancy.

Whether a strike will occur is difficult to predict because job security is an important factor and the possibility of a lock-out will be looming.

During the outlook is the political climate.

Highest

But no lawful strike can occur in the motor industry - affecting 180 000 workers mostly at garages and in motor retail - until September because the agreement expires at the end of August.

Even if a strike ballot is held in the tyre industry, action appears unlikely because the retrenchment moratorium is to be extended for another year and the pay offer is 12% - the highest of all the sectors in which Numsa is involved.

The demand for a 12-month retrenchment moratorium is a major stumbling block in the metal and auto-assembly industries. The parties are also far apart on wages.

The metal talks affect about 330 000 workers and the auto-assembly negotiations about 35 000.

Seitza executive director Brian Angus says retrenchment moratorium will have the opposite effect to what is intended.

Mr Angus says "The industry companies about 9 000 small. Where there is no op-

Sense

Mr Kope refuses to comment on whether negotiations look place.

First indications of a possible link between MBSA and Mitsubishi were announced by Business Times in January.

Samcor managing director Robert Herberson says he has been "appraised" of this possibility, but it is not a "make-or-buy situation".

Mr Herberson says that if MBSA planned to introduce a one-ton pick-up to SA, it would have to compete against the Mazda B series and Ford Courier bakkies produced by Samcor.

"It would not make sense for them to allocate funds to compete against these two vehicles."

The introduction of a one-ton pick-up would make sense for MBSA.

COMPANY ROUND-UP

PRELIMS	Turnover (Rm)	% change	Profit before tax (Rm)	% change	Earnings (c)	% change	Dividend (c)	% change
Toco	133.6	+17	18.0	+27	19.4	+3	7.75	+3
LTA	1876.0	0	54.5	+31	114.0	+30	32.5	+30
Pitso Glass	1981.3	-14	216.5	-20	308.6	-25	150.0	-32
CMISA	44.6	N/A	3.9	N/A	7.3	N/A	3.0	N/A
Angus	2011.5	+85	187.5	+15	213.0	+20	55.0	+10
GDM	167.1	-3	11.5	-4	38.0	-9	15.5	+15
Chubb	9.7	-	9.7	-16	124.9	+3	25.0	-
Richemont (E)	N/A	-	820.1	+4	£343.60	+11	£55.25	+11
ODM	N/A	-	19.3	+10	-0.1	N/A	0	-
Gysemam #	N/A	-	19.3	+10	120.5	-8	45.0	+125

▲ 13 months. (c) Sterling earnings/cunt # 9 months

VW cuts prices

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During the outlook is the political climate.

Sunday Times

SPECIAL FEATURE

A FAIR DEAL

THE NEWLY-PUBLISHED

CONSIDERED ONE OF THE BEST

Foreign governments queue up for Pretoria

8/10/92 29/6/92
SANLAM Properties has recently signed lease agreements for office space with Japan, Denmark and Brazil following the opening of representative offices by many foreign countries, particularly in Pretoria and Cape Town.

Dramatic political changes over the past few years has seen the Danish government move to Sanlamsentrum Middestad in Pretoria, where it now occupies about 330m².

"However, it is Pretoria's eastern suburbs of Arcadia and Hatfield that have become increasingly popular for the location of foreign governments. The Japanese government moved its offices to the Sanlam Building in Hatfield last year," says Sanlam Properties regional manager Frikkie Botha.

The Hatfield Sanlam Building was completed at a cost of R13m last April and is popular with foreign

missions because it is close to the Union Buildings and the Pretoria city centre.

"Another foreign office, the Brazilian Embassy, will also be located there within the next month."

Attracted

Sancardia, Sanlam's recently completed shopping and office complex in Arcadia, has attracted the US Agency for International Development, which is renting 2 322m² despite its new embassy currently under construction and due for completion next year being a few kilometres away.

"Arcadia and Hatfield's close proximity to the Pretoria CBD and the Union Buildings, as well as its easy access to all major routes to and from Johannesburg, make it a sought after area for foreign governments," Botha says.

748
More than eight countries, including Israel, Rwanda and the Russian Federation have already secured office space in surrounding areas.

As was the case with Namibia shortly after independence, countries are exploring all available premises for accommodation that will meet their requirements.

The Sanlam Centre in Windhoek was swamped with applications from foreign missions and was virtually fully let on completion.

Today tenants include the embassies of Germany, Denmark, Sweden, Norway and Finland. "It seems only reasonable to expect that as the political situation in the country improves, more and more international trade opportunities will arise and more countries and foreign companies will want office space in Pretoria," Botha says.

Foreign investors waiting for an end to violence

B1D am 29/6/92 74B

INQUIRIES from offshore companies for space in the local market are on the increase, but the number of deals concluded is relatively small, dealers say.

Leadenhall MD Philip Vermeulen says that while there is some offshore interest and small investments have been made, most potential foreign investors are adopting a "wait-and-see" attitude.

"Until the continued violence is sorted out and something definite regarding an interim government materialises, there will be little concrete offshore investment locally," he says.

The local market is cheap relative to foreign markets and offers a sound alternative investment. When investment activity takes place, much of this will be directed towards the industrial market, as this is where manufacturing growth begins.

Logaro CE Gary Perlman says good foreign demand for space in the early '80s was killed off by then President P W Botha's Ru-

bicon speech and has not been repeated, despite the lifting of most sanctions.

"Foreign investors are reluctant to invest in what could become a Third World cesspool. We have run advertisements in foreign papers to see investor response to our market.

Proactive

"They are guarded and will not make a large investment until they see what economic policy a future government introduces. We need to be more proactive regarding our investment structures and tax benefits," he says.

Anglo American Property Services (Ampros) national leasing director Grahame Lindop says offshore activity seems to be concentrated around the opening of representative offices.

In '91, about 30 foreign missions opened offices in SA. The average mission took about 300m² of space, which accounted for about 9 000m² in total.

"This is not a huge amount of space and is equivalent to about five floors of the Carlton Centre or 8% of the total annual take-up of space as determined over a 10-year period," he says.

If this doubled this year, it would still only reflect about 18 000m² of space taken up or 16% of total annual take-up.

Economists have said it is unlikely foreign investment will flow through to SA's market until certain conditions are met.

These include the effective and protracted control of the escalating violence and the improvement of political negotiations.

A future government's economic policy and the way it is implemented is of vital importance for any foreign investor, an economist says.

An interim government would be a step in the right direction. But violence also needs to be controlled and alleviated as the return on the investment and the investment itself has to be sound, he adds.

ANC economist spells out policy on foreign investment

South Africa needs to adopt policies to attract foreign economic investment and to reduce the control of bureaucrats over that investment, says ANC economist Tito Mboweni.

He told 300 business representatives in Toronto, Canada, at the Goodman Forum, that the ANC believed a future democratic society in SA would require substantial international investment.

The ANC had adopted two preliminary approaches to handling foreign investment.

Firstly, an open-policy approach with safeguards "so that all international investment will be treated the same as South African companies.

"This investment will be regulated by the laws of the land, including policies regarding training and so on.

"We will also implement safeguards to limit domestic borrowing and the purchase of strategic resources, such as land," Mr Mboweni said.

Secondly, a contractual policy which would depart from the open approach in specific instances to give some investment special treatment.

The trickle-down effect of sub-



Pieter Haasbroek . . . trickle-down process will not be enough

stantial economic growth in South Africa would not be sufficient to address the country's past economic imbalances, according to two other speakers from South Africa.

Barlow-Rand chief economist Dr Pieter Haasbroek said: "The trickle-down theories will not be enough to redistribute resources and it is necessary to steer the

process of growth to this (development) end."

Former leader of the now defunct United Party, Sir De Villiers Graaff, said the Government was looking for economic growth of six percent, but its effects would be too slow in reaching the disadvantaged sectors.

"You cannot expect the impoverished to show patience, so South Africa must look at social spending as a means of counteracting enormous differences," he said.

Dr Haasbroek said economic development was needed to redress the balance of wealth but this was being hindered by the instability in South Africa's transition process and the rising violence.

Both speakers emphasised foreign investment was necessary for South Africa's economic health.

Sir De Villiers said it would not be a plea for "handouts" but for help in accessing markets, capital and technology.

Dr Haasbroek said foreign investment would help to develop critical human resources, to create opportunities for disadvantaged people and to achieve labour absorption.— Sapa.

Expansion 'promotes cash flow'

8/10/92
2/1/92
SHARON WOOD 743

STANDARD Bank's recent international expansion into the UK will support clients' regional and international business needs and promote money flows between SA and the world economy, Stanbic group MD Eddie Theron says, in the bank's latest in-house journal.

"We need a significant international presence if we are to remain competitive, especially now that SA's trading relationships are normalising," he adds.

The bank recently acquired UK merchant bank Brown Shipley and was granted a banking licence for Standard Bank London.

With a banking licence, says Theron, Standard Bank London can offer a far wider range of services to clients than a representative office can.

The treasury operations of the London branch are being expanded and primary trading operations will be foreign exchange, equity and capital markets, derivatives and emerging markets, he adds.

The previous staff complement of 18 is expected to increase to more than 70 by July. Most will be recruited in the UK, but will have SA experience.

The acquisition of Brown Shipley will enable Stanbic to deploy expertise in all major areas of foreign asset management, he says.

The Jersey and Isle of Man operations will complement the group's facilities in Britain, Europe and the Far East.

"The group decided to buy Brown Shipley interests rather than start a new bank as they were already well established in the areas the group wished to enter," Theron says.

Tax changes to woo investors

STAR 4/11/92

FINANCE STAFF

WHITE South Africans, particularly those with marketable skills, have already left the country in large numbers to escape the uncertainty created by recent political developments.

With political negotiations deadlocked and many whites highly critical of the ANC's proposed economic policies, emigration is an option which more people are likely to take.

Implications

The latest income tax amendments passed in Parliament relating to interest paid by non-residents have important implications for emigrants who do not carry on business in South Africa and for companies not managed and controlled in South Africa or the neighbouring states.

The amendments bring South Africa in line with tax policies in the European Community, exempting non-resident individ-

uals and companies from paying tax on local investments.

Previously, any interest on Eskom stock in the capital market and similar investments was exempt from tax.

However, the amendment extends the exemption much further, says Kessel Feinstein tax partner Beric Croome.

One of the main purposes of the concession is to encourage foreigners to invest in South Africa.

The South African tax system was based on source, whereas many of South Africa's trading partners taxed on the basis of a person's residence only — the principle that will apply now in SA.

Croome says it is clear from the Bill that any company managed and controlled outside South Africa may derive interest from South Africa free of tax.

There is no withholding tax on interest, creating a major

incentive to non-residents to invest or maintain funds in South Africa through a loan account as opposed to equity, where the dividends are subject to a 15 percent non-resident shareholders' tax in most cases, he says.

A non-resident individual who has never resided in South Africa is able to invest in interest-bearing investments (including bank deposits) in South Africa and receive the interest derived from them free of tax in terms of this new concession.

Where the individual is an emigrant, there is a further requirement that he is not ordinarily resident in South Africa.

If the individual has acquired a home in another country, lives with his family there and works there, it is more than likely that it will be accepted that he is not ordinarily resident in South Africa.

Before he can enjoy the concession it must also be shown that he does not carry on business in South Africa — this means carrying on his own

business.

The restriction does not apply if his company carries on business.

If he holds interest-bearing investments and shares in companies, it is unlikely that it can be said that he carries on business in South Africa and he will therefore enjoy the concession.

Incentive

If, however, he owns properties, derives rentals from them and is much involved in all of the activities mentioned above, it is more than likely that the Receiver will regard his activities as carrying on business in South Africa.

The individual in such a case will not be able to enjoy the exemption on the interest received by him, says Croome.

The removal of tax on interest derived by the categories of people discussed above should act as an incentive to foreigners to invest in South Africa, he adds.

A Business Times Feature

Lively band of bankers spurs trade

THE arrival of two French banks in SA in the last 18 months, Parisbas and Societe Generale, signifies a growing trade interest among French corporations in the region.

Several other French banks have long been in SA. Credit Commercial de France has been here since the 1960s, French Bank since 1949, Credit Lyonnais since 1972, and Banque Francaise du Commerce Extérieur (BFCE) since 1970.

Two of the largest foreign-owned banks in SA are Societe Generale and French Bank of Southern Africa, with combined assets of more than R2-billion.

Parisbas is the largest privately owned banking group in France.

Gradually

Societe Generale acquired 100% of International Bank of Johannesburg in 1991. The bank has two branches — in Cape Town and Johannesburg — and assets of about R700-million.

Managing director Peter Gray says the bank plans to "grow gradually" without concentrating on asset growth.

The bank is represented in 64 countries.

"The corporate bank will take advantage of its group strength, capitalising on French-SA trade," says Mr Gray.

"We will continue to develop business with the corporate sector in SA, particularly in international markets and foreign trade.

"We also have considerable expertise in treasury department activities."

Societe Generale group chairman Marc Vienot visited SA in February, calling on government officials and businessmen to strengthen ties in SA.

The bank has representations in 11 African countries. It is well positioned to challenge other SA banks in developing business contacts with the rest of the continent, says Mr Gray.

French Bank is a subsidiary of Banque Indosuez, part of the Compagnie de Suez group, one of the largest investment holding companies in France.

The bank's SA shareholders include NBS (39%) and Barlow Rand (10%). It is the largest foreign-owned bank in SA, counting among its clients some of the largest corporations.

"Trade will grow between SA and the rest of the world and French Bank will take part in financing that growth," says managing director Francis Klein.

"As foreign investment increases and SA investment grows abroad we are well placed thanks to our FBSA project finance subsidiary."

Credit Commercial de France maintains a representative office in SA. It does not carry out any banking transactions in SA.

Advice

"Our activities consist of arranging, through the Paris head office, short- and medium-term offshore loans in various currencies."

Societe Generale was chosen by Havas and Compagnie Generale de Electricite to advise on the privatisation of these two companies in France.

It is the fourth-largest banking group in France with more than 300 000 corporate clients, including most of the blue chips, in which it also has sizeable shareholdings.

They include Accor, CGE, Canal Plus, Generale des Eaux, Havas, Perrier, Peugeot, Printemps and Rhone Poulenc.

Liberty grows in Europe

SOUTH African life insurer Liberty Life is expanding its presence in Europe.

In September last year it teamed up with Union des Assurances des Paris (UAP) to take joint control of UK-based Sun Life after almost 10 years in the trying. UAP is 65% owned by the French Government and is the second-largest life insurer in Europe.

But its relationship with Liberty has not always been cordial. In 1988 UAP tried a merger with Sun Life in which Liberty's UK subsidiary, TransAtlantic, had a stake of 29,8%. The merger was blocked by TransAtlantic.

Had it failed to block the merger, the result would have been to eliminate TransAtlantic's influence in Sun Life. Once the merger had been blocked, TransAtlantic won two seats on the board of Sun Life, held by Michael Rapp (formerly of Rapp & Maister, the Liberty subsidiary) and the Marquess of Duoro. *S Times (Buss)*

The relationship between TransAtlantic and UAP improved thereafter and agreements were entered into whereby both sides equalised their holdings in Sun Life and decided to take joint control of it.

UAP acquired 16,8% of TransAtlantic and Liberty's stake dropped to 59%.

UAP, Liberty and TransAtlantic plan to develop their interests in the UK and elsewhere in the English-speaking world through Sun Life. UAP's strong foothold in Europe presents Liberty with its best opportunity yet to penetrate the Continental market.

Sun Life was delisted after the takeover to pave the way for TransAtlantic's listing on the London Stock Exchange.

Foothold (748)

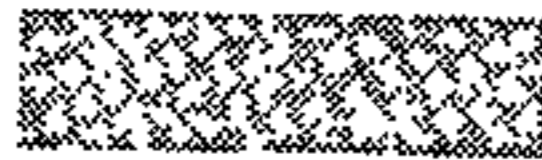
ALL those JSE-quoted companies enjoying prominence in Nairobi last week should heed the sad tale of a Johannesburg businessman's aborted venture in Kenya.

The man, who prefers not to disclose his name because he still has to return to Kenya to sort out the mess, went to set up a factory in Nairobi two months ago after being wooed by officials.

Members of Kenya's export-processing authority (EPA) visited SA this year. They were promoting a series of export-processing zones (EPZs), the first of which is Sameer Industrial Park in Nairobi.

The businessman was told he would enjoy the benefits of belonging to the preferential trade association of 18 Central African countries as well as an import tariff reduction from the normal 35% to 20% and a tax-free holiday for 10 years.

He was also told that investment and trade would be in US dollars and all EPZ customers would be granted import licences.



"We tied up with a British company and opened a factory in Sameer Industrial Park. My South African company was to provide the equipment and the management. Selling the plant for dollars earned valuable hard currency for SA."

But when he got there, he found two fundamental problems. Government departments had no understanding of, nor had they been instructed about the operation of an EPZ or the promises made by the delegation that visited Johannesburg.

Second, most officials thought that the EPZ was for multinationals to add value to imported goods for re-export to European markets.

"Anyone who believes that goods can be taken into Nairobi, 500km from the coast,

The dog sits in Nairobi

S Times (BUS) 12/7/92

DIAGONAL STREET

by JULIE
WALKER



wharfage, rillage, clearance and tariffs paid, bonds provided, value added and goods shipped out to the world at a competitive price needs his head read," says the SA entrepreneur.

He and five other foreign firms went there to make goods for sale in the 18 nations.

But to operate, a Kenyan partner was needed — and found — to provide expertise. The next hitch was foreign currency. When the Kenyan partner applied for dollars (not for money, only for the hard currency) to buy its share of the business, it was told it had repay the same number of dollars over four years. The plant had to be pledged as security even though the Kenyan investor held only 51% of the company.

The factory was opened and began work.

"The customers in Kenya alone were queuing up to buy, but they had to pay in dollars. When they applied for foreign

currency, they were turned down and we could not make any sales. It was stalemate."

Peripheral problems include half-day electricity outside the EPZ because the hydroelectric power stations on the Tana River are silting up and there is a drought, unreliable telephones and appalling roads.

So with no tariff protection, no benefits of Kenyan trading and no customers with the money to pay, the venture died and the man is back in Johannesburg.

His dog is in Nairobi kennels, his furniture in storage in Johannesburg and he and his family live in a furnished flat where the employees are on strike.

"After all the publicity about doing business in Kenya last week I want to warn others who believe they can do business there. There will be a shortage of foreign currency until there are free elections because all aid has been cut off. Until then, forget it."

French business is moving south

STEWART BASS 12/11/72

THE French are moving in. Many companies are quitting their traditional markets in West Africa after several years of sluggish growth to focus on Southern Africa.

Jean-Claude Bouchet, trade counsellor attached to the French Embassy in Pretoria, says: "We are encouraging them to start business in SA because we believe this is the best growth market in Africa."

"SA companies interested in penetrating the West African market will find it a lot easier if they form joint ventures with established French firms there."

Several French companies have opened branches in SA in recent months.

Some of the more notable arrivals are:

● **Boll** Groupe, Europe's largest computer company, which acquired a majority stake in Mohawk Computers last month and will challenge IBM and Olivetti.

● **Societe Commerciale Oust-Atrique** (Soca), the trading house with a strong presence in West Africa.

● **Societe Generale** bought the International Bank of Johannesburg last year. Paris, the largest private banking group in France, has opened an office in Johannesburg.

● **Bouygues**, the civil engineering and construction firm which is involved in the construction of the Katsie Dam in Lesotho, has an office in Sandton and is reported to be looking for acquisitions.

● **Aerospatiale** will compete with British Aerospace among others.

● **Formule 1**, owned by hotel conglomerate Accor, opened its first do-frills hotel near

EVERY year July 14, Bastille Day, focuses the world's attention on France and the French. For us in South Africa it is no exception. CIARAN RYAN looks at South African-French relations.

Jan Smuts Airport last year and plans to open nine more before 1994. The SA company is jointly owned by Southern Sun and Accor.

Investments by French companies already in SA include:

● **Total SA** invested R480-million in the Arthur Taylor open-cast coal mine which opened on the East Rand. Total exported 4-million tons of coal last year. It is SA's fifth-largest coal exporter and the largest French company in SA.

● **Fair Liquide**, the medical and industrial gas group, plans to spend R100-million on expanding the activities of subsidiary Liquid Air.

● **Tunnelierie Radoux** invested R6.3-million in extending its cooperation in Stellenbosch in partnership with Stellenbosch Farmers' Winery and Distillers Corporation.

● **A R20-million joint venture** was signed in April between Pretoria Portland Cement and Cedeat of France to make precast concrete products.

● **Andalusite producer Darnrec** bought two SA mines, Amesley, a subsidiary of Zaalplaat, and Purry Metals subsidiary Andatex, both in 1991.

Several co-operation agreements have been signed between SA and France.

● **Several pacts in May** are aimed at promoting industrial co-operation and French investment. Another between the Industrial Development Corporation (IDC) and France seeks to encourage industrial development.

● **A treaty** was initiated to do away with double taxation of French companies in SA.

● **In February**, French utility Electricite de France entered an agreement with Eskom to help with electricity project and an extension of the power grid throughout Southern Africa.

● **Bureau de Recherches Geologiques et Minières (BRGM)** and German will co-operate in mining projects around the world.

● **The French Government** guarantees all investments in SA against nationalisation and loss as a result of political actions.

● **An insurance policy** offered by Assurance Prospection compensates French companies for losses incurred while establishing markets in SA.

Rolling

France's contribution to SA's technological development has been significant, even though the French community in SA numbers only about 5 000.

At Ashom, the French part of UK-French consortium GEC Ashom, was instrumental in setting up Koeberg nuclear power station on behalf of Eskom and provided generators for Malla, Letlhabo, Matimba and Hwangwe power stations.

Most of Spoornet's locomotives and suburban rolling stock were provided by GEC Ashom.

France supplied the SA Air Force with Mirage jets and the navy with submarines.

Many French companies have been in SA for years. Names such as Lancome, Elieulle (a market leader in SA's cosmetics industry), L'Oréal, French Bank, Credit Lyonnais, Liquid Air, Michelin, UTA, Merin Germ, Telemeccanique, Rousset Labora-

tores, Rhone Poulenc, Spie Bagnolles and Total are well known here.

The lifting of European Economic Community sanctions earlier this year and prospects for a political settlement resulted in a flood of trade inquiries at the French Chamber of Commerce in Johannesburg.

Rapidly

France is SA's seventh-largest trading partner with total trade of R4.3-billion last year.

The balance of trade is generally in SA's favour, although the inclusion of three Airbus 320s in last year's figures swung the balance in France's favour. Although France is only a one-third partner in the Airbus consortium, the full value of the aircraft is reflected in its trade figures because assembly was completed in France.

France exported goods worth R2.5-billion to SA last year and imports were valued at R1.8-billion.

Mr Bouchet says trade should start to pick up rapidly now that sanctions have been removed.

France has already bought about a million tons of coal from SA at a price of about \$27 a ton. SA fruit and vegetable products are in demand in France.

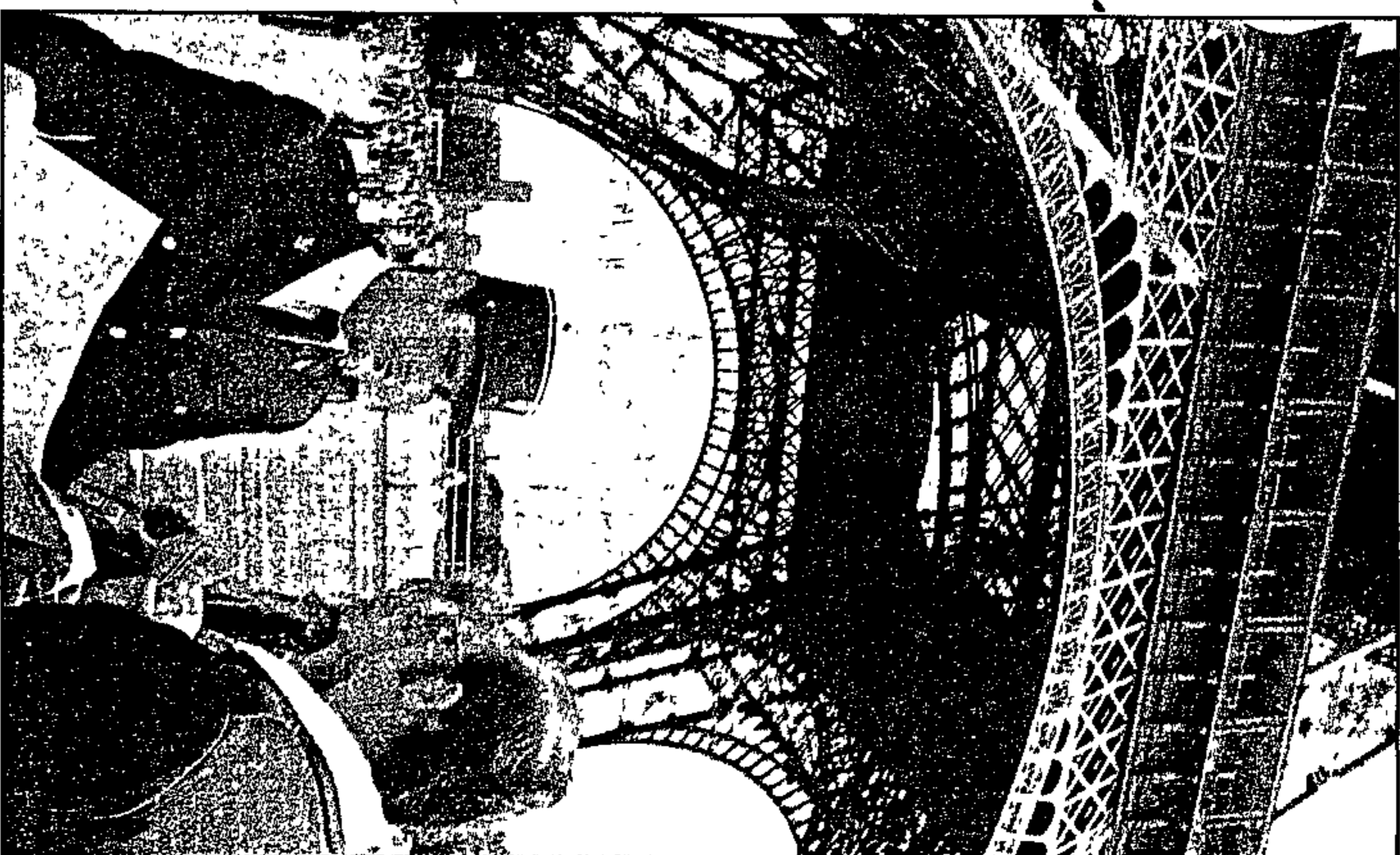
Because of drought this summer, France is resorting to coal-fired electricity generation. France depends heavily on nuclear power, which requires large volumes of water.

An important step in forging closer trade ties is the establishment by the French Embassy's trade desk of a working group to promote joint activities between French and SA companies in Africa.

"This will be an important

step for SA involvement in West Africa," says Mr Bouchet.

"French companies have been in West Africa for many years and it is not always easy for English-speaking countries to establish a presence. The currency, the lan-



BENEATH A LANDMARK: Tourists receive directions at the foot of the famed Eiffel tower for SA involvement in West Africa, says Mr Bouchet.

guage and the design standards are French. It will be much easier for SA companies to enter this market together with French firms."

An example of French-SA co-operation is IMS subsidiary Aquazar's partnership with Degremont, a world leader in water treatment. Both companies are active in several African countries.

Mr Bouchet says many trade delegations have expressed interest in visiting SA, but large-scale investment will be slow in coming.

US investment in SA poised to return ⁽⁷⁴⁸⁾ ~~62~~

By David Canning ^{STAR} 30/7/97

DURBAN — US investment has fallen to its lowest level since 1982 — yet there are substantial sums awaiting even the hint of an interim government, says Michelle Cohen, executive director of the American Chamber of Commerce in Southern Africa (Amcham).

Interviewed in Durban, which she visited yesterday to speak to local Amcham members, Ms Cohen said the past 10 months

had seen the US move up from fourth to second most important trading partner for South Africa.

Enormous potential existed for rebuilding trade, but greater investment hinged on resolution of violence and political problems.

She said many aid organisations were very positive about steering large sums into SA once political progress was made.

The self-funding Overseas

Private Investor Corporation was just one of the organisations keenly interested in South African projects.

The World Bank had 60 experts on South Africa and was ready to launch projects once this was feasible.

Unfortunately, however, the current wave of violence and political uncertainty had cut investment levels.

Amcham, which has more than 180 members, plans to hold a major fund-raising drive to

support the national peace accord.

As a second step, the chamber is planning to host a conference in Johannesburg on August 7 entitled "Violence in South Africa — its Causes and Effects."

It also will take a top-level delegation of SA businessmen to the US in September.

Ms Cohen said there were still 152 state and local prohibitions in place against South Africa.

Big cash injection

■ International finance company is very optimistic about the prospects of a future South Africa:

(746) (18/12) (18/12)

By Joshua Raboroko

Sowetan 30/7/92

THE International Finance Corporation would provide about R450 million in investment and loans to business in South Africa over the next three to four years.

An executive of the IFC, Mr Richard Parry, said the corporation would open offices in the country and assistance would be directed particularly at black and minority group owned business.

In the long term the IFC looked forward to expanding its assistance to larger South African companies in their expansion plans in the rest of Southern Africa.

The IFC had invested R18 billion worldwide with loans and investments to about R2 400 million in Africa.

Boart makes another European acquisition

STAR 3117192
Finance Staff

Group public relations

Boart International, which is 100 percent controlled by Amic, has expanded further into Eastern Europe through the acquisition of a former East German industrial ceramic producer.

manager Viv de Chafain says that in line with Treuhand regulations, the purchase price cannot be disclosed.

But it represents an important asset for the group, he says.

In line with the privatisation programme of former East German companies, a campaign which is run by the Treuhand group, Boart International will acquire the land, buildings and machinery of Aumaer Oxidkeramik with immediate effect.

Boart has guaranteed the continued employment of most staff members, although other forms of rationalisation are being considered.

Boart International has already established operations and trade links in Russia, Ukraine, Czechoslovakia, Poland and Kazakhstan.

Foreign investors are sitting on the sidelines

BIDAY 14/8/92. (74B)

MANY overseas countries were looking to SA as a springboard for investment into Africa, particularly southern Africa, before the political setbacks of Codesa's deadlock, Boipatong and the continuing politically motivated violence.

Ernst & Young Corporate Advisory Services specialist Raoul Kaplan says there can be little doubt that once the negotiations for a political settlement are back on track, investor interest will be renewed.

Advantages

Among the numerous advantages of using SA as a base for investment into southern Africa are:

- The developed infrastructure, both within SA and across the country's borders into Africa;
- Sophisticated communications systems;
- Developed legal and financial systems;
- Availability of skilled staff;
- Favourable taxation system for routing profits through SA to the investor country; and
- Existence of tax treaties with many southern African countries.

However, the unwary investor must be careful to ensure that he has considered the many pitfalls associated with investment in Third World countries.

There are several areas which require careful consideration:

- Exchange controls — It is necessary to ensure that the existence of exchange controls are not a hindrance to investment and allow for the repatriation of profits and the original capital investment.

A critical consideration

in this regard is the availability of foreign currency to enable the investor to repatriate earnings and the original investment.

In addition, the foreign investor should ensure that local borrowing restrictions do not lead to any short-term cashflow crises.

Investment code — A number of developing countries have an investment code to encourage foreign investment. In most instances, the code would guarantee compensation in the event of expropriation of local assets and, in addition, would guarantee the repatriation of earnings and capital.

New investors should therefore ensure that they have obtained prior approval under the code in order to benefit from these guarantees.

In addition, investment codes in a number of countries provide highly attractive fiscal benefits for the foreign investor.

Favourable

Negotiating with local authorities — In many developing countries, local authorities are very often prepared to negotiate favourable treatment in the areas of taxation, exchange controls and customs duties to encourage foreign investment.

The terms which may be negotiated are often flexible and depend on the negotiating skills of the investor. In this regard, it is usually advantageous to have well-placed local advisors to negotiate on an investor's behalf.

Local participation — While it may not always be a requirement for a foreign investor to have local par-

ticipation, it is certainly advisable, particularly if the work to be undertaken is done for government or quasi-government organisations.

In many countries it is also a requirement that only locally registered entities be allowed to tender for contracts. In other words, depending on the type of industry in which the investor is involved, it may be necessary to not only form a local company, but also to have a local investor as a shareholder in that company.

Expensive

Customs duties — The customs duty payable on imports may prove to be prohibitively expensive in many countries, particularly on hi-tech products.

However, importers should bear in mind that duty refunds and reduced tariffs apply under certain circumstances.

Work permits — It is often difficult to obtain work permits in certain areas and foreign investors wishing to use expatriate employees need to be aware of this potential problem.

Kaplan says investments can be planned in such a way that they do not fail: "In fact, with careful planning, what are potential problem areas can be turned into incentives and guarantees."



RAOUL KAPLAN

TELEPHONE call from

A public affairs vice-president of a Fortune 500 company to arrange a meeting for his CEO and vice-president, international affairs, is followed by a high-powered meeting often with attorneys and financial executives. The agenda is well prepared, the questions skilfully targeted.

The topic is investment or re-investment in SA. Is it worthwhile? What are the comparative merits with other countries seeking investments? Safety of investment, both from the actions of a future government and stability or lack of it in the country, are major topics. Profitability and markets — they will themselves determine.

Mostly the discussions end on an identical note, the purpose of the meeting was really to decide whether it is worthwhile sending a fact-finding team to SA. If they decide to go, one offers help in arranging meetings, but mostly major companies have their own connections and just need introductions to some political leaders.

There are also many inquiries from smaller businesses, interestingly, quite a number from African-Americans, some of whom feel opportunity exists for them particularly if they will be able to link up with black South Africans. But while many claim expertise, most have little capital.

There is no shortage of inquiries, but the visits from the US are mostly the so-called notebook and not chequebook visits. Americans who return from visits to SA are enthusiastic about the country, its natural beauty and its climate. Some cynics may regard this as irrelevant to investment decisions, but it helps to create a favourable atmosphere. There is also appreciation for the financial structure, the degree of sophistication of SA's businessmen and, generally, a view that SA is a country of great investment opportunity, but only "if". The "if" is a big factor.

Incentives, not conditions, will lure foreign investors

81 DAY 18/8/92

HARRY SCHWARZ



If South Africans will solve the political question, if stability can be assured, if there is no danger of expropriation without proper compensation, if profits can be remitted, if the taxation system is not punitive.

In former times, some would accuse a white politician speaking in an election campaign to white voters in a country town of forgetting that his words were not only heard by his small, often right-wing, audience, but were read by black South Africans, who were hurt and humiliated by some of the utterings.

So it is today with some of the members of the trade union and extra-parliamentary groupings. Their words are perhaps designed to satisfy existing and potential supporters, but are also carried across the oceans to the foreign investors whom most South Africans wish to attract, and some believe will flock to SA once a new government representing all the people is established.

A preamble to a trade union document indicating the aim is to establish a socialist SA is shown to me by a US businessman contemplating investment, asking me to explain whether the events of the former Soviet Union and eastern Europe are being ignored in my country. I try to explain that it is rhetoric and must be understood in the light of wealth, income, skills and opportunity gaps.

It is difficult to gauge if he is convinced, as he has it in print in his possession.

The call for an investment code by trade union and extra-parliamentary groups has caused something of a stir, among not only potential investors, but even some who have remained in SA. So has the support for this concept by the American allies of those groups, who are campaigning to have such codes enacted in state legislatures, and made applicable only to SA when sanctions are lifted.

The investors have no problem with a country having laws which deal with investments, whether labour laws, matters affecting working conditions, taxation and the like. All countries have them and they are taken into account in deciding whether to invest.

They even do not object to SA having an investment code, even though they might prefer not to have some of the conditions in the drafts applied.

But they do not understand why SA organisations should attempt to persuade their friends in the US to have such matters enacted in US law, and

only in respect of SA, and this to apply after apartheid is gone and democracy established in SA.

Why ask a US legislature to enact laws for a free democratic sovereign SA and not for Bangladesh, Lithuania, Armenia, Serbia, Korea or any other country?

It must be remembered that there are many factors affecting the spending of the US investment dollar.

Firstly, with the end of the Cold War, there has been a reaction in some quarters in the US against foreign aid and the creation of jobs in foreign countries as opposed to the US. This has been accentuated not only by the presidential and congressional elections campaigns and a flagging economy, but also by the aftermath of the Los Angeles unrest.

Secondly, there are many countries competing for investment. The former Soviet Union is anxious to attract US capital and expertise. Poland, Lithuania, Hungary, Romania and the rest of eastern Europe are all in line. In some cases the executives of major corporations have roots in these countries.

Thirdly, the Asian continent is a magnet for some investors, particularly in those countries with cheap labour.

Fourthly, every Third World country wants investments, and in many

cases offer incentives — not demands for obedience to codes. Fifthly, there are the adjacent territories of Canada and Mexico, particularly the latter, and the concepts of free trade zones.

Sixthly, there are attractions in South America, where market-oriented economic systems are being introduced in some countries and where privatisation has taken place. Lastly, there are the traditional attractions to the western European countries where the US investor feels at home and has experience.

SA can be attractive for US investors. I have made many speeches listing the reasons and why in relative terms we are attractive, but then come the questions on political uncertainty, instability, future fiscal and other economic policies.

What we South Africans need to realise is that we need foreign investments, and that, to attract them in a competitive world, we need incentives and not unusual conditions. The investors are interested in profits and the safety of their investments and do not, with some exceptions, invest for charitable or social objectives.

Would like investments to be socially beneficial and help address our problems. But we live in the real competitive world, and the mere creation of jobs is a socially desirable objective. Our house needs to be orderly and attractive for foreigners to wish to invest money in it.

The judgment may be tough. But we must not base our future plans on misconceptions and wishful thinking, nor must we believe that all we need is political change and all our economic woes will disappear.

We need political change, we need an interim or transitional government urgently and a new democratic constitution. But we also need to put our economy right, or our new democracy will be in peril shortly after it is established if at least some reasonable expectations are not met.

Schwarz is SA ambassador to the US.
 Simon Barber is on leave. His column will resume on September 8.

~~143~~ (143)
~~285~~
Southern Sun
plans move
into Africa
STAR 18/8/92

By Roy Cokayne

The Southern Sun hotel group is planning to move into Africa.

Group managing director Ron Stringfellow says although the group is concentrating on its South African portfolio at present, it will be looking for management contracts in Africa in the future.

He does not foresee the group expanding into Europe or the United States but becoming an Africa-based chain of hotels.

Southern Sun already has a portfolio of three hotels in the Seychelles, which has operated under cover — under the Paradise Resort banner — because of the political situation in South Africa.

Its Seychelles portfolio comprises the Auberge Club des Seychelles and the Equator Hotel on Mahe and the Paradise Hotel on the Cote d'Or beach of Pralin.

A major refurbishment of the Paradise Hotel is due to be completed by June next year and the Seychelles portfolio will then become part of Southern Sun Resorts.

"By April next year we will be putting up the Southern Sun flags," he says.

The group now comprises five brands: Southern Sun hotels, Southern Sun Resorts, Holiday Inn core brand, Holiday Inn Garden Court and Formula 1.

"We want to be the leading hotel in each sector of the hotel industry."

waning interest. ~~743~~ 743 ~~743~~

Trade-group members do ask about the violence and the negotiations, but they're more concerned about mundane matters such as how promptly will goods be delivered and when they will be paid for products exported here. FM 21/8/92

The SA Chamber of Business's Ron Haywood says international traders are pragmatic about the situation. They know that, in spite of the media coverage, the country is not going up in flames and they recognise it as a key player in Africa, he says.

He adds that well-organised missions take a long time to put together and a decision to cancel one is not taken lightly. He also stresses that the visits are important because they allow businesses with mutual interests to meet face to face. "It is, of course, another matter with foreign investment. Would-be investors are more cautious than people looking for a product market or source."

Reserve Bank Governor Chris Stals agrees. "Uncertainties about the future, what kind of government we'll have, and what economic policies it will follow make it extremely difficult for businessmen here and abroad to commit themselves to long-term development projects," he said in a speech in Durban last month.

Though foreign investment might represent the gold medal, stronger trade would qualify for the silver. Indeed, some trade missions pave the way for a larger commitment. Last month, Russia opened a permanent mission in the Chamber of Business building in Johannesburg. South Korea will do the same. By expanding ties, trading partners eventually spot investment opportunities. And sometimes the trading volumes become so great that it makes sense to invest in a plant abroad instead of exporting. ■

TRADE MISSIONS ~~743~~ 743 ~~743~~
Still ready to deal

Businesses know that few foreigners intend investing here now. With political unrest, and a big question mark over future economic policies, putting money into SA is far too risky. Trade is another thing. So, with sanctions largely lifted, trade missions continue to land at Jan Smuts, as well as Louis Botha and D F Malan airports. FM 21/8/92

"The number of missions that have arrived in Johannesburg since the beginning of the year is in the mid-30s, compared with 44 in all of last year," says Marius de Jager, CE of the Johannesburg Chamber of Commerce & Industry. "They've come from places ranging from the US to China. This month a group of trade officials and business people from Czechoslovakia exhibited at Nasrec."

But political uncertainty has affected at least one mission. The Western Sweden Chamber of Commerce, which planned to send a delegation next month, has told the Johannesburg chamber that it was postponing its visit "owing to recent events culminating in the strike."

De Jager says: "Clearly, political events are having a dampening impact. Nevertheless, I doubt that many missions will be cancelled." He adds that the number dropped slightly in July and this month but attributes this to seasonal fluctuations — the European summer holiday — rather than

Billions wait for settlement

S/ Times (BUS)

23/8/92

(748)

By CIARAN RYAN

FOREIGN investment worth billions of rands will flow into South Africa once an interim government is in place and violence ends.

The proposed Capricorn techno-park in the Western Cape is estimated to be worth R1-billion. The British backers are waiting for the political climate to improve before construction can begin.

Several hotel groups are poised to enter SA once the international tourist market takes off. Sheraton, Hyatt, Best Westin, Intercontinental and Hilton have expressed interest in greenfields developments, partnerships or management contracts.

Building an extra 1 000 hotel rooms will cost more than R1-billion, some of which will come from abroad.

Wesgro, the Western Cape development organisation, says projects worth another R200-million to R300-million in the Cape area await a stable political climate. An Italian shipbuilding company plans to expand its existing facilities in the Cape.

Food

Wesgro investment advisory manager Roland Willis says: "We have many proposals waiting for a resolution of the political situation."

US food conglomerate Heinz shelved plans to invest in SA pending a political settlement. Hopes of a deal with Malbak subsidiary Fed-food strengthened after the Government's referendum victory in March.

Malbak executive director Grant Thomas says discussions with several foreign investors are being impeded by the political impasse.

Anglo American deputy chairman Leslie Boyd is confident an interim government will be formed soon, enabling Anglo to tie up several projects with foreign partners.

Most investors are waiting for the interim government to define its trade and investment policy.

Businessmen also blame violence, instability and the lack of incentives for SA's poor foreign investment record of late.

Dorbyl chief executive Dawid Mostert says: "Boipatong and the recent mass action are negative factors. We haven't lost any deals, but some have been jeopardised."

The financial rand is given by some foreign businessmen as a cause for concern.

Leopold-Theodor Heldman, economic counsellor at the German Embassy, says: "One never knows when the discount to the commercial rand will widen, or whether the

financial rand will disappear in future."

The absence of investment incentives deters some foreign investors, but not all. Mobile capital in search of cheap labour and tax holidays will avoid SA until the Government allows export processing zones — allowing duty-free imports and tax breaks — or similar incentives.

Those investors attracted by the growing markets of Southern Africa are waiting for a positive political signal and a defined investment code, particularly because of ambiguous statements on economic policy by ANC spokesmen.

Matthias Boddenberg, of the SA-German Chamber of Commerce, says: "Visitors from Germany ask why they should invest in SA when the political situation is unstable and returns in Eastern Europe are better. SA's productivity is low and labour costs are high."

Relatively few investments have been made by German companies compared with last year when transfers from Germany to SA amounted to DM124-million (R234-million).

Mercedes says its capital expenditure programme has been deferred.

Dominique Brunin, general manager of the French Chamber of Commerce and Industries of SA, says French investors, inured to political turmoil after decades in West Africa, are less concerned about the need for an interim government.

Keen

"In France, small and medium companies are more concerned about the economic situation and market conditions than politics."

Several French companies have invested in SA in recent months. Bull Groupe, Europe's largest computer group, bought Mohawk Computers. Hotel giant, Accor, formed a joint venture with Southern Sun to build Formule 1 hotels and medical and industrial gas group Liquid Air is to spend R100-million on new ventures.

Japanese investors will remain sidelined until they see an improvement in the political situation, says Hideichi Okamoto, director of the Japan External Trade Organisation (Jetro).

American firms — including many of those that left after 1985 — are taking a fresh look at SA, says Michelle Cohen, executive director of the American Chamber of Commerce.

"Some large investors are keen to get involved in SA, but violence is a particular problem for them. You cannot proscribe to investors, you must provide incentives."

SA considered risky by investors ^(74B) mayor

SHARON WOOD

B/DAY
27/8/92

SA's long-term investment opportunities looked promising, but in the short term and in the current environment it would not be easy to attract substantial new foreign investment, Lord Mayor of London Brian Jenkins said yesterday.

"The people making the decisions compute risk, and there is no doubt SA is seen as very risky because at the moment there is no clarity about the future political and economic regime," he added.

Jenkins has been visiting business, the government and other political parties in SA for the past three weeks.

He said impressions gained during his visit were that the long-term opportunities presented for investing in the country were the first-class infrastructure, the marvellous mineral resources, the tradition of effective investment and SA's strategic position. However, structural reform was necessary, economic relationships had to be opened up again and the tariff structure needed to be changed, he said.

The fact that SA could act as a springboard into the southern African region added to the potential attraction of the country because the region would be a huge net buyer of goods and services.

Asked about his perception of ANC economic policy, he said recent ANC policy statements showed a better understanding of the economic effectiveness of a modern state. "But some of the actions of the ANC are not helping the economy, such as strikes. We understand why they are doing it but some of the actions are not helpful to those wanting to invest," he said.

Speaking at a Johannesburg Consolidated Investment (JCI) lunch yesterday, he announced that the City of London was offering four bursaries to black employees of SA financial institutions. The decision to open the applications to blacks alone had been made as it seemed the most pragmatic thing to do at this stage.

Study expects \$15bn foreign funds inflow

743
8/10/92 27/8/92

THE SA economy could grow by between 3% and 4% a year between mid-1993 and 1996, economic consultant Thierry Apoteker concludes in a study produced for the French Bank of Southern Africa.

CHARLIE PRETZLIK

From its current negative annual growth rate, a post apartheid economy would be boosted by at least \$15bn in foreign funding over a three-year period.

and Industries of Southern Africa (FCCISA) GM Dominique Brunin.

Brunin said in an interview: "We have seen French interest in SA take off this year as businesses realise the reticence of British and German companies is an opportunity not to be passed over by them"

Apoteker predicts a Budget deficit which would be restricted to 3% of GDP.

He said since January the FCCI had recorded more than 50 businesses arriving in SA from France to investigate business potential, and added most departed either with contracts or with a commitment to return.

A consumer led recovery will operate alongside an increase in exports, spurred on by the suspension of sanctions and the exploitation of SA's advantageous position for trading with Asia and Europe, Apoteker says.

He explained this French optimism — at a time when other overseas businesses were "keeping their powder dry" — was borne out by the fact France was already the largest investor in sub-Saharan Africa and considered the gap left by other countries as an opportunity to move in to SA.

Although inflation would be a prominent feature on the post-apartheid economic landscape, Apoteker is confident any future government, whatever its political hue, will be forced to adopt a relatively conservative and liberal economic policy and contain public spending within limits acceptable to international funding institutions.

In recent months, contracts have been signed between French computer company Bull and Mohawk, between Alusaf and French steel giant Pechiney, and between Sun International and France's Accor hotel group.

This optimism is matched by French Chamber of Commerce

SA's technology 'lagging behind'

GERALD REILLY

PRETORIA — The rest of the world was way ahead of SA in the technological field, even more so than was realised in the "comfortable" days of sanctions and isolation. Foundation for Research and Development Council (FRD) chairman Johan van der Walt says in the organisation's annual report published yesterday.

and the private sector would have to make a far greater investment in training scientists and technologists than it was doing at present.

The report, handed to National Education Minister Piet Marias yesterday, said more than R59m was allocated to the FRD in 1991/92 for developing human resources in science and technology.

Van der Walt said government

is a ne id of

76/18/12
8/10/92 27/8/92

COMPANIES

W & A to list Zimbabwe firm

MARCIA KLEIN

THE W & A group was consolidating its Zimbabwean interests in a new company called FSI Holdings, which would list on the Zimbabwe stock exchange next month, chairman Jeff Liebesman said yesterday.

He said 32.5-million shares of 100 Zimbabwean cents each would be offered at 140c a share from September 14. This would see local institutional and other shareholders hold 57.9% of the company's shares, while W & A would hold 42.1%.

Of the Z\$45.5m raised, Z\$5m would be used "to buy the entire shareholding of the bolt and fastener manufacturer BMA". Liebesman said this company had considerable synergy with existing businesses, which included belting producer General Beltings, industrial rubber manufacturer Pigott Maskew and tool, hardware, tractor and tyre distributor EW Tarry.

Liebesman said the Zimbabwe listing "marked another advance in the group's policy of building its core businesses globally", and sub-Saharan Africa was an important region in this process. (14B)

The consolidation and expansion of the Zimbabwean interests would enable them to upgrade technology and capacity.

Gentyre would support the Zimbabwe operations with machinery and raw materials which would enhance local and export earnings. National Bolts would provide technical expertise and machinery to BMA in order to increase its product range, especially for the export market.

The new company expected attributable earnings of Z\$2m in the year to end-December, said Liebesman.

Africa: Opportunity for SA business

(74B)
CTS/9/92

By AUDREY D'ANGELO
Business Editor

AFRICA is full of opportunities opening up for South African firms, says Braam Loots, managing director of Safair — which announced this week that it had entered a joint venture with a Russian firm that will put Soviet-built cargo planes at its disposal for no more than the operating cost.

"We are welcome wherever we go, including Kenya and Nigeria, because we are seen as bringing business," he said in an interview in Cape Town yesterday.

His company has been working with TAAG, the Angolan national carrier whose planes it services, for more than a year and is also flying freight into that country for Unita and the SA Department of Foreign Affairs.

It is flying grain provided by American churches from Mombasa to Ethiopia, and is negotiating to service the planes of African national carriers and defence forces which at present have this work done in Ireland or Israel.

It is negotiating with Eskom to use Russian helicopters to erect pylons for a grid to carry electricity into other parts of Africa.

United Air set for SA

Staff Reporter

ANOTHER US airline, the giant United Airlines, has applied to operate a return passenger and freight service to South Africa.

Spokesman for SAA Mr Mike Pfeiffer said SAA welcomed the competition as it stimulated tourism.

It was reported that United had begun a battle over the potentially lucrative route after applying for the service from Dulles Airport, Washington, via New York to Johannesburg and Cape Town.

The move could mean that one or both of the two smaller airlines that

plan to fly the route — US Africa and Pegasus — will have to withdraw or seek the backing of another US airline giant.

United has the financial resources and international standing to be the strongest of the four carriers which, if all goes according to their plans, will be flying the US-SA route.

US Africa has been granted an operating certificate by the US Department of Transport to fly from all US cities to SA, Zimbabwe, Botswana and Namibia via Ilha da Sal.

Pegasus has yet to be granted preliminary authorisation.

And Loots is preparing to launch "no frills" low-cost passenger services between African destinations not linked by any scheduled service. He says the huge Russian planes intended as troop carriers are ideal for the purpose.

Safair is also flying freight from Singapore to Vietnam regularly.

But Loots regards Africa as the main market for his company. "Our people have experience of working in these conditions. They can fly into the bush to airstrips where there is no back-up and service their own planes.

"And we have the largest aircraft maintenance operation in Africa, with the exception of SA Airways."

Until recently Loots regarded Russian

company Ecotrends as a dangerous competitor in Safair's specialised market. It was using cargo planes originally intended for military use and air crews trained to operate in tough conditions.

"But they realised they lacked marketing and management expertise and experience of African conditions and invited us to come and see what they had to offer.

"I was amazed when I went to Russia and saw literally thousands of planes and helicopters which had been built as

part of their war machine to conquer the world, and are now just standing wing to wing. Planes are still being produced to provide work and incomes for the people making them.

"They told us we could have them for whatever price we were prepared to pay."

The deal includes Russian air crew and maintenance staff. But each crew will include two South Africans, and at least one of the Russian crew must speak English. Safair staff are now learning Russian.

Five Ukrainian Antonov 32 and Ilyushin 76 type cargo aircraft arrived in SA yesterday to augment SA Airways' cargo services. The three Antonovs will be used mainly on African routes and the Ilyushins on international routes.

FSI Holdings

IT WAS incorrectly stated
on Friday that W & A's
Zimbabwean company FSI
Holdings would use Z\$5m of
the Z\$45,5m raised in its
listing to buy BMA, and
that it expected attribut-
able earnings of Z\$2m for
the year. In fact it will use
Z\$25m and expects earn-
ings of Z\$22m. Business
Day regrets the errors.

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Foreign selling boost for bonds

By CHERILYN IRETON

MOST foreign investors have offloaded their South African shares, leaving only die-hard foreign holdings.

But the gradual erosion of the bond market has been a boon for the sale of equities.

Latest figures suggest that the financial rands created by the sale of equities have been used by foreigners to invest in bonds.

Eskom treasury manager Willem Kok estimates that non-residents now own more than half the R18,5-billion Eskom stock in issue. This compares with an 18% to 20% holding of Eskom bonds only four years ago.

The switch from equities to bonds was highlighted this week when small foreign selling of shares followed the Bisho killings. ^{13/9/92} Instead the market moved lower on sales by SA small investors.

Particularly hard hit were shares considered "homeland stocks" — SunBop, Kersat, Sun-Giskei and Impala. The stocks are considered risky if the ANC pursues its mass action campaign against the homelands.

About 12% of SA mining shares are now owned by foreigners, according to estimates by Manny Pohl of stockbroker Davis Borkum Hare. This compares with 13,8% at the end of 1991 and 14,1% at the end of 1990.

Nominees

In the 1990s almost a third of mining stock was held outside SA borders. De Beers still attracts the greatest outside attention, but selling after warnings of a cut in dividend has reduced the number of foreigners holding SA shares even further, says David Shapiro of stockbroker Frankel, Max & Pollak Vinderine.

JSE statistics show foreign investors have been net sellers of SA stocks since 1989. They turned net buyers in July and September — before this week's Bisho killings.

The percentage of foreign holdings of government bonds is difficult to establish because most are owned by nominee companies.

However, the Reserve Bank's Mike Lamont estimates that between 5% and 10% of the R130-billion in issue is held abroad. These investors receive a return of between 16% and 19% on SA bonds.

JSE president Roy Andersen is involved in numerous projects to revive foreign interest in SA shares.

Parsons slams 'economic battlefield'

B/Dmy 17/9/92

SHARON WOOD and
HILARY GUSH

3% to 4% economic growth rate over the long term, local financial markets would join the "global village" and rapidly adopt international trading technologies.

VIOLENCE and mass action had undermined business confidence and caused more damage than years of economic sanctions, Sacob president Raymond Parsons said yesterday. Speaking at a Johannesburg conference, he said SA could not afford to make the economy a political battleground. Business confidence could not prevail in an environment of political instability and the need to make economic progress also emphasised why the business community was often impatient with mass actions and strikes, he said.

Parsons emphasised the political and economic performance of the country were interdependent and would have to be reconciled if the

"new SA" was to be a success.

"Local investors must eventually lead the way in winning confidence overseas and in demonstrating their hope in the future," he said.

SA would have to satisfy the IMF and other international organisations that it would use bridging finance wisely. The correct policies would have to be in place to ensure sustained growth and development.

Financial Services Board deputy chairman Gad Ariovich said provided there was an "acceptable" political settlement, and SA achieved a

The international trend was towards the globalisation of financial and securities markets. He hinted the JSE, which had become increasingly outdated compared with world stock exchanges, should soon permit negotiated commissions, dual capacity and corporate memberships.

The international trend was towards multifunctional financial organisations with financial institutions acting as both broker and principal in many fields.

R1bn yearly for the new-look SA



HANS ENDERLE: Pioneer to continue expanding at the rate of two hotels a year for the next five years

Sol back on throne

ROL Kerzner is back at the helm of Sun International. In a deal concluded this week, Sun International acquired a 50% stake in Mr Kerzner's foreign operation, World Leisure Management, paving the way for his return as chairman of the hotel and leisure group. The deal reunites much of the old Kerzner management team — separated when Mr Kerzner quit to head Royale resorts in 1987. The merged management will prepare for an assault on the international tourism market, says Mr Kerzner. Discussions are under way for the acquisition of a resort in the Caribbean. Mr Kerzner says "It is a major transaction, but it is unlikely that negotiations will become final before the end of the year." Sun International will not

By CHERILYN IRETON

disclose the amount paid to Mr Kerzner for his half-share of WLM, saying it was not significant enough to warrant a formal announcement to shareholders. Mr Kerzner says "The deal is significant from a growth point of view and because of the consolidation of management. If we can put some international deals together, with the combined financial backing of the two companies, then we will become an important global player." The management reshuffle that follows the deal results in Safren chief executive Buddy Hawton becoming deputy chairman, Sun International managing director Ken Rosevear will maintain control of the group's South-

ern African operations

Peter Bacon, who was with WLM, has been appointed joint managing director and will take responsibility for Europe and the Indian Ocean operations, says a memo sent to executive staff this week. Peter Venison, long-time right-hand man of Mr Kerzner, will be deputy managing director until early next year. He will return to Europe when the R800-million Lost City is up and running. Mr Kerzner will continue to oversee the finishing touches to the project, but will focus more on international development. SunBop managing director Peter Wagner will move to Sandton and become director of public affairs. Mr Kerzner says it is non-

• To Page 3

THE African Development Bank (AfDB) is preparing to invest R1-billion annually in post-apartheid SA.

AfDB's Washington director Baelhadj Merghoub says the Abjjan-based development institution will move swiftly once a transitional government has been installed. AfDB makes loans of \$3.5-billion annually to its 51 African members. It includes 17 non-African members such as the US, UK, China and France.

AfDB charges reasonable interest rates of 0.5% above its average borrowing rate in the preceding six months (at present 8%).

The triple-A bank provides its loans from finance raised on the capital markets of the US, Europe and Japan.

Mr Merghoub says "We're extremely keen for SA to join the African family SA has a contribution to make to the continent."

AfDB membership will depend on SA's becoming a member of the Organisation of African Unity. But this can happen immediately after a transitional arrangement has been reached.

"We're terribly disappointed at the recent lack of political progress."

Mr Merghoub says AfDB can play a role in stabilising SA, including dealing with economic disparities. It can also help an ostracised country "regain openness and competitiveness."

The AfDB's envisaged programme is ambitious, but SA has the capacity and the creditworthiness for a major loan programme.

AfDB has not quantified what loans SA might need, but Mr Merghoub suggests about \$300-million to \$400-million.

Housing

Nigeria is its largest borrower with new annual loans of between \$250-million to \$300-million.

Lending will not be the AfDB's only role in SA. Mr Merghoub sees it playing an active role in policy advice and research as well.

A total of 85% of AfDB's programmes are related to agriculture. Housing and infrastructural provision would also be important projects for SA.

AfDB has completed a 1 000-page report on regional integration in Southern Africa. It will be sent to a steering committee before release.

Development Bank of Southern Africa chief executive Andre la Grange is on the committee.

AfDB makes loans of about \$500-million to \$800-million in Southern Africa.

Mr Merghoub says the report identifies the "substantial" benefits which should flow to the region from more harmonious relations after the collapse of apartheid.

Unlike some development money which is provided with painful conditions attached, AfDB's finance simply requires that a project comply with standards, such as safety and care for the environment.

AfDB also makes policy-



KEVIN DAVIE

Business Times Editor reports from Washington

based lending, but only in the context of World Bank-IMF-approved structural adjustment programmes.

Mr Merghoub says that in spite of Africa's economic problems, AfDB has a good record of payment from its members — "60% of the bank is owned by the borrowers, they have a vested interest in repaying".

AfDB has a good working relationship with the World Bank which co-finances some of its projects. The World Bank says the value of these projects more than tripled

from \$170-million in 1985 to \$525-million in 1991.

Its annual report says "The two institutions have identified several key programmes and sectors such as women in development, private-sector development and regional economic integration to which they will give particular concern."

"In addition the bank and AfDB will begin to co-ordinate their analytical and methodological approaches."

AfDB was formed in 1963 and allowed non-African members after 1982.

SEEFF TRUST PR

Financial High

- ◆ ACTUAL AVERAGE RETURN
- ◆ VACANCY FACTOR 0.9%
- ◆ SYNDICATION FUNDS UNITS
- ◆ R21 MILLION 1991 - 38
- ◆ SYNDICATE CLIENTS 454

Following the successful syndication of to report back as to the performance of

SYNDICATION PROPERTY	PERIOD ENDED
* MAYNARD CORNER	29 Feb '9
* ROELAND PARK	29 Feb '9
* OLD OAK CENTRE	29 Feb '9
CINIBAR BUILDING	30 June '9
CITY HALL CENTRE	30 June '9
** ICS BUILDING	31 Aug '9
** CENTURION CENTRE	31 Aug '9
** STRAND STREET	31 Aug '9
** BSE CENTRE	31 Aug '9

* Audited Figures

** Proj

Considering the trading conditions we properties has been extremely satisfactory. T

management and with

African countries queue for help from SA

BIDAM 21/9/92
OBTAINING computers for the Sudanese government, increasing the size of midget Comores cattle and training dagga-detecting dogs for Mozambique. These are some of the projects SA's Foreign Affairs Department has involved itself in recently.

Operating with a technical and financial aid budget of R25,4m, the department's Africa branch was involved in 116 projects in 20 countries in the past financial year, a spokesman said at the weekend.

More than half the money went to Angola, mostly for feeding schemes, with the next biggest beneficiaries all in southern

PETER DELMAR

Africa. Other aid recipients were Equatorial Guinea, Cape Verde, Togo, Sao Tome, Zaire, Gabon, Sudan, Seychelles, Mauritius, Nigeria and Madagascar.

Formerly hostile countries were queuing up for help from SA, the spokesman said. These included Rwanda, Chad, Congo and Guinea Bissau.

The perception existed, he said, that SA could supply virtually all of the continent's needs. However, as needs inside SA required priority attention, there was little

likelihood of the department's African aid budget being increased.

The spokesman said SA's carefully targeted projects mostly shared SA expertise with other African countries.

Often there were tangible benefits for SA, such as the provision of computer equipment to Sudanese government departments. This had cost just R43 000, but had played an important role in securing overflying rights for SAA.

In the Comores, government experts had helped increase the size of the island republic's undersized cattle.

IDU goes in search of foreign equity partners

LINDA ENSOR

B/DAY 21/9/92

CAPE TOWN — The newly created Investment Development Unit (IDU) set up by the life assurance industry has established contact with foreign embassies and organisations in the hopes of facilitating equity partnerships with foreign companies willing to invest in SA.

Life Offices' Association executive director Dick Geary Cooke — speaking at the annual conference of the Cape Assurance Industry Liaison Committee at the weekend — said the IDU aimed to be regarded as the pre-eminent funding agency and the first "port of call" for development agencies.

The unit was established to channel some of the R30bn in annual life office cash flow into socio-economic upliftment projects by making secure investments with an adequate return.

"It is intended that close interaction be maintained with the various business organisations such as Nafcoc and Sacob. Furthermore, contact has also been made with the foreign embassies of some of SA's traditional trading partners as well as organisations such as the Overseas Private Investment Corporation and the Confederation of British Industries.

"It is hoped that once foreign companies are prepared to invest in SA, possible equity partnerships attractive to such companies may be instituted."

Geary Cooke said a survey among life office executives had found that they believed the state should play a facilitative role by providing investment incentives via, perhaps, securitisation or tax credits. It had been found in the US that fiscal incentives were a major inducement for social investments by life and health companies.

He said the IDU would give a lot of emphasis to health and education projects and areas of investment which provided maximum leverage. He said health and education were seen as crucial in breaking the cycle of "low incomes and no incomes".

A major thrust would be investment in job creation activities through expanding commercial and industrial capacity. "In this regard, the unit, in addition to applying job creation criteria will also be more interested in projects which will stimulate exports or contribute to import replacement. When addressing housing the view is that such investments should provide sustainable employment and a kickstart (for) the economy as the chief benefit rather than the houses themselves."

Sappi listed on Paris bourse

Business Day Reporter

SA PULP giant Sappi's shares were listed on the Paris bourse yesterday. *Blom 23/9/92*

The debut follows the recent listing of Sappi's shares on the International Stock Exchange of the UK and Ireland and the Frankfurt Stock Exchange.

These listings result from the Euro-equity placing which Sappi undertook following its R825m acquisition of 90% of German paper manufacturer Hannoversche Papierfabriken.

Sappi now has 148,8-million shares which are listed on the Johannesburg, London, Paris and Frankfurt stock exchanges.

Keys points to SA as land of opportunity

By David Canning

WASHINGTON — South African markets would present attractive opportunities to foreign investors for decades to come, Finance Minister Derek Keys said here.

He told a Southern Africa in Transition seminar that investment opportunities existed in two broad avenues — growing and unsaturated markets for all kinds of products and opportunities for beneficiation of exports and downstream manufacture.

Mr Keys said his economic policies were aimed away from those which had failed in the past — a closed economy, state assumption of investment decisions and commitment to a large public sector.

Areas of natural advantage for SA would become evident when markets were freed up. He described the three major priorities to be tackled by Government as violence, establishment of a representative government and an ending of "economic civil war" in the country.

Also speaking, Trevor Manuel, director of the ANC's department of economics, said there was a crisis of expectation within South Africa which no "wishing away" would remove.

While there was a lot of agreement about the type of economic policies which were needed, the country had been left with a legacy of misdirected resources.

Social engineering had impinged on the lives of millions and the state was going to have to intervene in economic processes because the free market would be unable to address all South Africa's inequalities.

However the ANC was committed to achieving stability

and growth and supported markets.

The private sector would face major opportunities in providing the backlog of services — 1,8 million houses, electrical services, water supplies, etc.

Mr Manuel repeated the ANC's position that it would renegotiate debts being incurred by the present authorities. He said most of this capital was not going to help the disadvantaged and had been raised on sometimes onerous terms. He stressed the ANC would

not repudiate, but renegotiate, debt. Much of the violence in the country was related to lack of employment opportunities and other economic problems.

Labour absorption was so low because of the lack of economic growth.

The ANC did not have a short-term panacea for economic growth but in the medium-term there were opportunities from inward industrialisation - from tackling the economic backlogs.



Derek Keys . . . moving away from the failed policies of the past.

ANC economist grilled in New York

FOREIGN investment in SA, specifically US investment, has been in the spotlight recently.

In New York, potential investors grilled the ANC's economic planning director, Trevor Manuel, on the possibility that certain American states and local authorities would continue to try to manipulate the SA economic scene through sanctions.

Although sanctions on a federal level have been abolished, many states and local authorities have been clinging to their own boycott.

At a meeting of about 100 corporate representatives organised by the National Foreign Trade Council, Manuel was peppered with questions which, in many cases, he was unable to answer satisfactorily.

American companies have become very reluctant to invest in SA as a result of our high political profile in the US.

Apart from worries about SA's political instability, many representatives were concerned about the actions of politicians at state and municipal levels. They fear that these authorities will maintain their current disinvestment and selec-

748
American companies
27/9/92
tive purchasing regulations to enforce US companies to comply with certain codes of conduct.

Given the many opportunities of doing business relatively hassle-free elsewhere in the world, this would discourage them from investing in SA.

Manuel felt it was not for the ANC to prescribe to the US states and local authorities as to how they

should handle SA.

The real problem in SA today is not what the Americans think of us. What is far more serious is that business is literally grinding to a halt in many areas. This is reflected in rising unemployment and declining government revenue.

If only we can get our own businessmen to invest in the future of SA, others will surely follow.

SA offers 'excellent investment potential'

STAR 29/9/92

By David Canning

NEW YORK — A post-sanctions South Africa should offer global fund managers and investors with above-average potential for economic development and investment performance.

This is the view of Michael Brown, economic consultant to Frankel Max Pollak Vinderine, who spoke at a seminar of potential investors here last week.

He challenged a misconception that SA is resource-based or, even worse, a one-commodity economy.

He told a National Foreign Trade Council Foundation conference on South Africa the economy was, in fact, well diversified. Manufacturing and construction made the biggest contributions to total economic output.

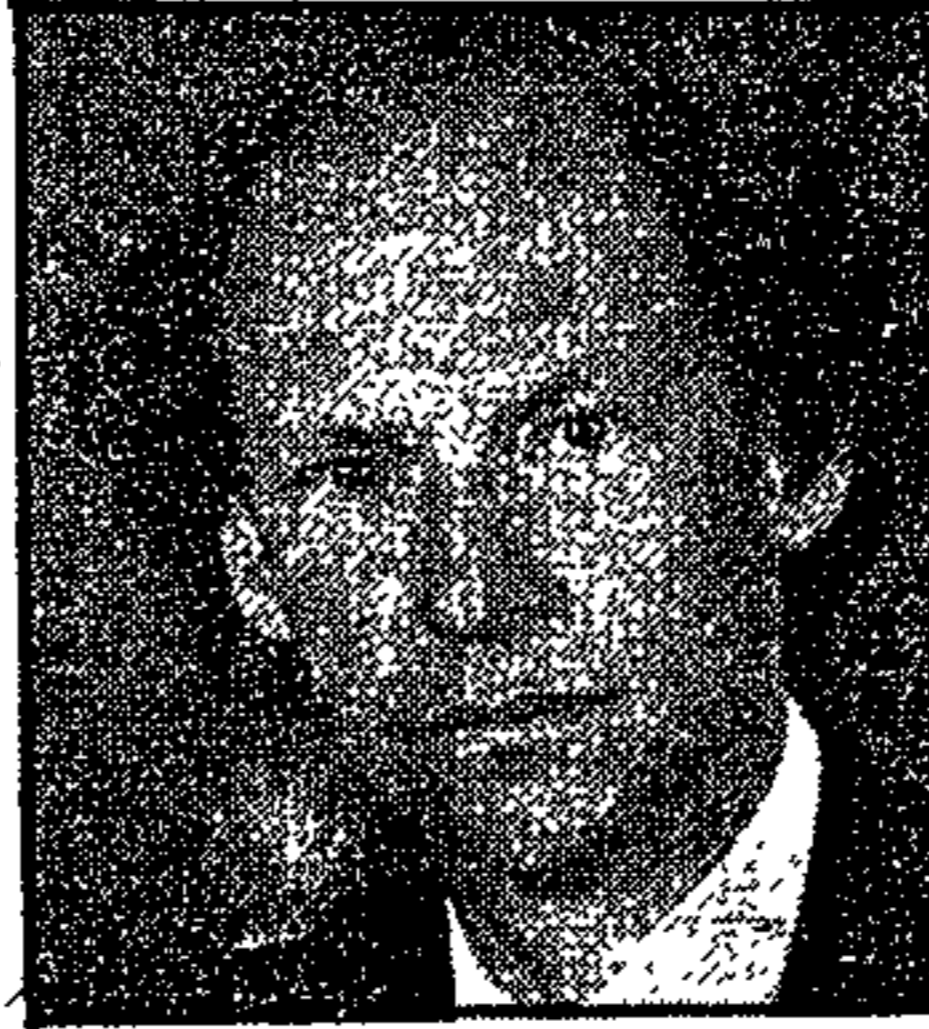
However, the level of value added was fairly low and there had been little improvement in the past decade.

He attributed this to lack of access to new markets, resulting from sanctions. Sanctions made investment in costly new processing plants too risky.

However, the post-sanctions era would appear to offer a substantial opportunity for raising the treatment rate of raw material products, with beneficial forward and backward linkage effects.

The key issue for potential investors was that higher levels of upstream processing should significantly improve the total output potential of the economy, as well as the rate of return to the providers of capital.

The growth threshold of the economy could be raised by access to international and regional markets. Despite sanctions, SA remained one of the world's 25 top trading nations. In the past few years, manufacturing export volumes had improved by an average 12 percent a year.



Credit Guarantee managing director Chris Lelsewitz.

Insurance cover for foreign investments

Local businessmen looking to acquire at least a 25 percent share in the equity of an existing or new business in a foreign country can insure their investment against political risk in terms of a new insurance policy available from Credit Guarantee Insurance Corporation.

The new policy protects a local investor against political actions by the host government, such as nationalisation or expropriation. *sim 20/9/92*

The investment must have the approval of the host government and the SA Reserve Bank and be for a minimum amount of R100 000. It must be made with the object of earning an income for the investor, and promoting SA's export trade or the economic development of the host country, or both.

Long-term loans or guarantees for such loans will also qualify for protection provided they are connected with the acquisition of a share investment. Payment for the share acquisition or loan disbursement need not necessarily be in cash, but may be in the form of goods, services or technology.

Risks insured will include loss or damage due to war, civil war, rebellion and insurrection. Cover will be provided for a minimum of five and a maximum of 15 years and the indemnified loss will be 90 percent.

Regional scheme attracts R350m

SA's new regional development programme attracted foreign investment worth almost R350m in the past 12 months, with most of it going to relatively under-developed areas.

A Board for Regional Industrial Development spokesman said 65 projects of a total 289 approved in the period were foreign funded.

The foreign investment — most of which was by Taiwanese businesses — was worth R348,3m and accounted for 10% of the R3,25bn the board calculated was involved in schemes benefiting from incentives in the past 12 months.

The spokesman said it was still too early to evaluate the success of the new incentive scheme, which was introduced in May last year and which rewarded productivity, unlike the previous system which was largely concerned with compensating investors for input costs.

For the current financial year, government had set aside R900m for decentralisation incentives. Two-thirds of this, however, was for commitments in terms of the previous system.

Natal/KwaZulu was the region with the greatest number of new projects (83), followed by the eastern

Cape (63) and the Free State (38).

The largest single number of jobs created was in the Natal/KwaZulu region — 9 100. In the eastern Cape almost 5 000 jobs were created. The 38 projects in the Free State accounted for 3 604 jobs, the board said.

New investments were in a range of industries.

Statistics supplied by the board indicate the new scheme — for which all regions qualify — has enhanced the decentralisation programme's job creation capacity.

In the past 12 months almost 24 000 jobs were created. In the previous 10 years, government claimed its decentralisation policies created 154 000 jobs at a cost of R3,2bn — about the same average annual outlay on incentives as that allocated in the current financial year to the scheme.

In terms of the new scheme, qualifying investors receive an establishment grant and a production incentive equal to 20% of operating profit. Incentive packages are to a maximum of R15m per investment.

A formal review of the incentive package was scheduled to be carried out only in about four years time.

PETER DELMAR

US INVESTMENT

FM 2/10/92 .

Keeping a low profile (62) (74B) (285)

Despite worries about the violence and future economic policies, dozens of US companies have begun doing business in SA. But, unlike their European counterparts, such as the UK's Guinness or Denmark's Lego, US firms are still reluctant to make a big splash when they emerge from the shadows because of the continuing pressure from anti-apartheid activists on the home front.

Roughly 85 US companies have taken note of President George Bush's decision to lift federal sanctions in July of last year and set up shop here. This has raised the number of US companies here to about 365, close to the largest number since the Investor Responsibility Research Center (IRRC), an independent monitoring group based in Washington, began counting 10 years ago.

In the past few weeks alone, Mars Inc agreed to let Royal Corp sell M&Ms, Snickers and its other hugely popular American brands here. Foster Grant signed a deal with a local businessman to market its upmarket sunglasses. And there are reports that Hyatt International has agreed to manage a new hotel planned for Rosebank, Johannesburg, though Hyatt, headquartered in Chicago, says it has nothing definite to announce.

"They come in methodically and quietly," says an American who deals with potential foreign investors. "It's a very delicate, sensitive thing."

Most of the American companies are small, low-profile operations that have found niche markets and do not cater for the mass consumer market. And most are taking the first step with non-equity links — distributorships, franchises and other trading arrangements. But in the past year, six companies have gone ahead with direct investments, including software giants Lotus and WordPerfect.

ANC visit

Nevertheless, many more companies are testing the waters than are taking the plunge. Rumours abound that Pepsi, McDonald's, Apple Computers and other heavyweights are eyeing the local market. US officials in SA say they receive a constant procession of visitors from *Fortune 500* companies and banks, but the massacres at Boipatong and Bisho have made them nervous about making any commitments. Ambassador Harry Schwarz, SA's representative in Washington, calls them "notebook and not chequebook visits."

Most of these companies make sure to visit the ANC offices to get the go-ahead for projects or to grease the wheels for business dealings.

When Lotus called at Shell House, the ANC offered to become the local distributor

itself, the IRRC reported. But the company, which had maintained a much-publicised policy of not doing business with SA or servicing equipment already in the country, declined the offer. It picked its own representative and opened an office in Sandton.

Despite the increased respectability of doing business in SA — for one thing, shareholder resolutions no longer urge companies to get out of SA, only to refrain from increasing investment — companies are still wary of getting a black eye. One sign of the skittishness: two companies that had invested in the past year have since pulled out — after they found themselves on the IRRC's list of SA

apartheid pressure is the sanctions that restrict local governments from doing business with companies involved in SA. At least 27 states and territories, 105 cities and 32 counties still have sanctions, according to the IRRC. Only two — the state of Oregon and Fairfax County, Virginia — have repealed their laws. But three cities — Baltimore in Maryland, Hartford in Connecticut, and Kansas City in Missouri, have gone in the opposite direction and introduced sanctions since last year.

These local laws are expected to stay in place at least until an interim government is formed and ANC president Nelson Mandela

gives the go-ahead. They will probably remain, however, for a long time after that. There are still six localities with sanctions against Namibia, almost three years after its election.

Sanctions are not the only thing scaring off US investors. Heinz, the Pittsburgh-based food giant, reportedly cancelled a deal with Foodcorp (formerly Fedfood/Kanhym) in June, soon after the ANC announced its economic policy guidelines, which don't rule out nationalisation.

"It's evident that a lot of companies still aren't ready," says Alison Cooper, an analyst with the IRRC. "The continuing high levels of violence, combined with the uncertainty about SA's future political and economic system, add up to an unacceptably high

level of risk."

On top of this, another deterrent looms on the horizon. Anti-apartheid activists have started lobbying states and cities to convert their sanctions laws into ANC- or Cosatu-approved investment codes or laws outlining codes of conduct after an interim government takes over, instead of just dropping sanctions and letting US companies invest here unimpeded.

The Cosatu code for multinationals, which the ANC-aligned trade union group adopted at its economic policy conference in March, calls for affirmative action and social responsibility programmes that the trade unions will help design. Unions would also have the right to strike without dismissal and picket on company premises, while management will have to guarantee that they won't use strike-breakers, retaliatory lock-outs or interdicts against strikers.

The ANC's economic policy guidelines, released in May, say foreign investors may find themselves faced with "limitations on domestic borrowing or on foreign ownership



investors.

The Seattle-based aircraft manufacturer Boeing put two employees in SA in January and in May agreed to support the Statement of Principles, the successor to the Sullivan Principles of conduct for US multinationals. By August, the company told the IRRC it would be pulling out.

A French subsidiary of Emerson Electric, a Missouri-based electronics corporation, opened a sales office with 12 employees in Johannesburg last year. When its name was listed by the IRRC, Emerson told the French subsidiary to dump the SA operation.

Perhaps these companies saw what happened to American Cyanamid. In January, a choir from a Catholic primary school performed outside its New Jersey headquarters as the company was inducted into the "Corporate Hall of Shame" for its dealings with SA, among other sins.

"American Cyanamid is a stellar example of how not to do business in SA," said former presidential candidate Jesse Jackson.

One of the most enduring signs of anti-

P.T.O.

Offshore investment showing an increase

STAR 5/10/92

By Leigh Hassall

74B

Calendar 1991 saw substantial reshuffling and refocusing by some major business groups, indicating a trend away from a philosophy of diversification.

This pattern emerges from an analysis of the 226 publicly announced merger transactions of 1991. From an analysis of the transactions, accountants Ernst & Young identify a number of interesting trends and statistics as reported in their booklet, "Merger and Acquisition Review."

SA's increasing political acceptability is reflected in an upsurge of overseas investments made by local companies.

Outward investment represented a significant 18 percent (R2,3 billion) of the total value of those transactions disclosing a purchase price. The largest deals were Liberty Life's R1,6 billion investment in Transatlantic Holdings and Sun Life, and Minorco's buy of Elkebies GmbH Muhl-Prettin from the German government for R292 million.

Investment in SA did not fare so well, despite a record number of inquiries from abroad.

Eleven transactions (4,4 percent) were identified where the investor was a foreign party. The total purchase consideration of the six transactions disclosing figures was a meagre R46 million.

The industrial holdings sector dominated acquisition activity, accounting for 19 percent of the total disclosed transaction value.

Ernst & Young says that only seven transactions were management buy-outs, none of them involving a foreign seller. This represents a reversal from previous years' buyouts, which were largely driven by foreign disinvestment.

On average, buyers paid a premium of 14 percent above the target company's share price as quoted on the JSE a week before the first cautionary announcement was made.

Buyers also paid substantially higher prices for their acquisitions. The average premium to the target company's net asset value was 68 percent. However, the purchase premium ranged from a whopping 530 percent in one transaction to a discount of 94 percent in another.

COMPANIES

Kersaf turnover breaks through R2bn barrier

MARCIA KLEIN

MAJOR new developments, notably the ~~East City~~ and Carusel projects, should enable leisure group Kersaf to achieve "acceptable earnings" in financial 1993, executive chairman Buddy Hawton says in the annual review.

Kersaf, whose major interests include Sun International, Interleisure and Douglas Green Bellingham, reported a 10% rise in attributable earnings to R181.4m in the year to end-June as turnover exceeded R2bn for the first time in the group's history.

Kersaf spent about R830.4m in the year, and would spend a further amount of more than R550m. Funding of capex in the year ahead would "necessitate an increase of approximately R150m in external borrowings". Hawton said these borrowings should not materially change the gearing structure of the group, and gearing should not approach the self-imposed 60% limit.

Sun International reported a 22% rise in revenues and an earnings increase of 12%. Room occupancies of 63% were 5% lower than the previous year.

Offshore division Royale Resorts, which has direct holdings in three Mauritian resorts and one offshore casino, as well as indirect investments in several offshore casino operations, showed a 42% increase in earnings off a low base.

Hawton said in line with the objective that offshore earnings should show satisfactory long-term growth, Royale had reached agreement to acquire a 50% stake in Sol Kerzner's World Leisure Group, which held management contracts for offshore casinos.

Leisure and entertainment group Interleisure's earnings declined by 6% to R38.3m. It would spend R66m in the coming year, mainly in Sker-Kinekor. Douglas Green Bellingham, in which Kersaf has a 50% stake, had a disappointing year with revenues down by 15%.

Trencor cautious in forecasts

810m

EDWARD WEST

TRENCOR would be more than satisfied if earnings were maintained in the current financial year, chairman Neil Jowell said in his latest annual review.

However, he was unable to make a meaningful forecast because of uncertain trading conditions.

Domestic trading conditions were unlikely to improve this year, and the group's container exports were also facing difficult markets which were unlikely to improve in the short term, Jowell said.

On the other hand, Trencor's overseas operations were looking toward a modest improvement in profits.

The rand/dollar exchange rate had a significant effect on both the export and overseas operations and trends over the next 12 months were difficult to predict, he said.

Trencor's overseas and export operations, which contributed 60% of

Trencor's R130m attributable income in the 1992 financial year to end-June compared with R105m in 1991, comprised the export of containers and trailers and their components built by Henred Fruehauf.

The international container market had continued to soften.

The main pressure on margins had been the creation of new manufacturing capacity in countries where exports were growing strongly.

Trencor's transport division continued to operate in depressed markets. Competition had intensified and Jowell believed many transport operators were not achieving returns that would keep them economically viable in the long term.

The express business Crosscape would take longer than projected to reach profitability, but overall, a

Murray & Roberts optimistic about Africa

617m

7110/92

74R

ENGINEERING, construction and material supplies group Murray & Roberts says it sees reasonable prospects for new business in Zambia, Kenya, Ghana, Zaire and Angola.

Group commercial director Jeremy Ratcliffe told an investment presentation Murray & Roberts was gearing up for a renewed thrust into export markets and would set up permanent operations in selected countries, which he did not name. It had completed considerable in-

moderate improvement in the division's contribution was forecast.

The group's tyre operations Tycon and Tredcor were expected to generate a good performance in the future, but structural changes in the industry would critically affect their ability to improve results this year.

Profit margins and competition in the group's trailer manufacturing markets — with volumes down to levels of 20 years ago — were such that returns were below economically sustainable levels.

The container manufacturing market had become so competitive that dollar prices had declined.

In addition, inflationary costs in SA were eroding manufacturing margins because selling prices were set in foreign currencies which were not depreciating in line with inflation rate differentials, said Jowell.

Investigative work in Zambia, Kenya, Ghana and Zaire which indicated "reasonable prospects for future business", he said. A recent school construction project in Angola's Cabinda province had gone so well that more work there was anticipated.

Ratcliffe declined to specify the projects the firm had lined up in other African countries. He reiterated that trading conditions in the current financial year to end-June 1993 would be as tough as in the past year, when

"It will be a struggle to maintain earnings over the year ahead, but we are positive about growth prospects over the next three years to enable us to maintain dividends."

Total budgeted capex for the next three years was R2bn, which would be financed comfortably from operating cash flows, he said. — Reuter.

N THE heady days that followed the announcement of plans to create the new SA, the discount between the financial and commercial rands narrowed to less than 10% and a single currency seemed in the offing. As the discount surged to almost 45% this week, a unified currency again seemed a distant dream of a wishful central banker.

A dealer, when asked this week why the currency had weakened, responded facetiously: "More sellers than buyers." But he hastened to add there was a message in the identity of the sellers, in the fact that South Africans were taking money offshore while foreign investors were not keen to commit money to the country.

Is the slump in the firmand a massive vote of no confidence in the SA economy by SA business, or do the falls in the firmand only reflect a temporary blot on the horizon of new opportunities opening up for SA internationally?

The factors conspiring to send the firmand reeling include not only the SA offshore purchases, but also large speculative positions and the Reserve Bank's statement that it might from time to time support the currency.

SA companies expanding overseas are taking more than R2bn out of the country. Royal's plans to purchase tinned food company Del Monte is estimated to be worth about R1,3bn. Anglo American's purchase of a stake in Del Monte is expected to be financed offshore, which would not involve the firmand market.

First National Bank is buying UK merchant bank Henry Ansbacher, which could add another R500m-R600m. The deal will be financed through capital raised in a rights issue.

Standard Bank will be spending an undisclosed amount on buying ANZ Grindlays' African branches. The price is anybody's guess and could depend on factors such as African government attitudes and timing.

Local disinvestment puts single currency further out of reach

EDM 7/10/92

GRETA STEYN

748

Standard has been negotiating with the Zimbabwean government on the takeover amid predictions of further devaluations in the Zimbabwean dollar. To what extent it will be able to benefit from the falling Zimbabwean currency remains to be seen.

The recent purchase by Investec of Allied Trust in London is no longer exerting pressure on the firmand market, but is another example of South Africans moving money offshore. Yet another is the recent announcement by Rand Merchant Bank that it is buying a dealing operation in Australia. Bankers say there are others waiting in the wings, hoping for Reserve Bank approval.

The Bank might be somewhat hesitant in giving the go-ahead and the companies themselves might think again at the present levels of the investment currency. In FNB's case, the price might turn out much higher than initially expected. Market talk is also that the Royal/Del Monte deal has not been signed; it could be abandoned and the firmand deals for it could be unwound.

The move offshore by local interests represents sizeable negative influences on the firmand. By contrast, foreign investors in SA equity have been conspicuously absent. In

general, there has been net selling of JSE shares by foreigners while non-listed equity investments in the past year run into only a few hundred million rands.

The main positive influence until now has been the speculative interest in the currency. Foreign holdings of SA gilts run into billions of rands with foreigners holding more than half of Eskom's total issued stock. The money market, because of its short-term nature, gained in popularity as political uncertainty became a factor. Throughout the period of Boipatong and Bisho, there was no sign of the speculators scrambling to get out of SA. The gilts bull run continued virtually without pause and money market rates continued to mark time.

The build-up of large speculative positions was supported by the Reserve Bank's statement that it would, from time to time, intervene to support the currency. The Bank has been at pains to point out that it did not commit itself to supporting the currency. But it seems the finer nuances of the statement were lost on the dealers. Speculators felt safe

coming into SA in the "knowledge" that their capital would be protected by the Bank.

The huge SA move offshore put pressure on the currency and pushed it towards levels that could trigger speculators' stop-losses. The Reserve Bank's retreat to the sidelines while the stuffing was being knocked out of the firmand sparked fears of speculators fleeing, fuelling bearish sentiment.

There were signs that stop-losses were triggered when the currency moved below \$0,24. Money market investors in the Far East cut their losses and there was some selling of gilts. A nightmare of post-Rubicon proportions no longer seemed impossible.

But the Reserve Bank made a deliberately noticeable return to the market, soothing speculators with a forceful attitude and a handful of dollars. There was to be no nightmare on Diagonal Street.

At the present lower levels, and with the Bank back in the market, there are signs of marginal investors returning. The yields are a major attraction: a discount of 40% implies an effective return of about 18% for a one-month money market investment. But these investments are

short term and unstable. Dealers, relieved that there was to be no nightmare this time round, are worried about the way in which the SA acquisitions are being done. They believe the Bank could be more open with the market about the flows, and could also exert some influence to smooth them.

But the Bank should take care not to waste precious foreign exchange reserves to drive down the discount between the commercial and financial rands. The discount is not languishing at near post-Rubicon levels without a reason, and the Bank would be wise not to take on the market.

The message the firmand market is giving us is that SA companies want to move offshore while foreigners want to make easy profits but do not want to invest long term. Why should they want to invest in SA if South Africans are themselves not investing?

Investment in the productive capacity of the SA economy has dwindled to the basic minimum needed due to normal wear and tear. The Reserve Bank commented in its quarterly Bulletin that this had "serious implications for future economic growth". Net investment after allowing for depreciation has fallen to only 1% of GDP from an average of 8% in the '80s and 14,5% in the '70s. For foreigners who want to cash in on the rapidly growing developing economies, SA will not be an option until SA starts investing in itself.

The late Reserve Bank Governor Gerhard de Kock had to see his work in scrapping the firmand undone when the debt crisis hit SA in 1985. His successor Chris Stals obviously shares the desire to do away with the dual currency system. That much was obvious from his statement on the firmand market earlier this year. One currency would restore SA's dignity and take it out of the list of "exotic" investments on offer. But as long as South Africans continue disinvesting at this rate and foreigners come in only for a quick buck, this desire will not be realised.

SPOT DESK

Zambian privatisation interests SA firms

DOZENS of SA companies were interested in buying Zambian state-owned enterprises in the first step of the country's extensive privatisation programme, Investec Merchant Bank project finance manager Andrew Smith said yesterday.

He said the response to the bank's advertisement placed yesterday, listing 17 Zambian companies for sale, had been overwhelming.

Investec was introducing SA investors to the first tranche of the Zambian privatisation programme, focusing on smaller companies. The 17 companies had a combined turnover of R26,4m, but Smith said the turnover was bigger than it suggested because of the devalued Zambian

BIDM.

SHARON WOOD

kwacha. 7/10/92
The companies for sale ranged from tyre distributors and automotive repairs to a fruit cannery and ceramics company. Three were either in a development stage or were dormant.

Smith said individuals and listed corporates crossing the spectrum of SA business had contacted Investec and were making applications. Applications had not been limited to SA companies.

He said prequalified bidders could obtain tender packages from Investec which contained international aid agency-sponsored studies on

each company.

Companies could either invest directly in the country or form joint ventures. Supply and trade-related deals were also possible, he added.

"The Zambian government would like to see new cash injected into the country and SA companies can see it as a new market to expand into," Smith said.

He added that the privatisation process would eventually expand throughout the Zambian economy and Investec's role would extend to finding ways to value and sell government property, assets and business. Currently 80% of Zambia's resources were owned by the government.

748

Bond exodus sparks capital flight fears

BIDM 8/10/92

(74B) (74B)

TIM MARSLAND

THE prospect of massive capital flight from SA loomed closer yesterday as a major London broker advised investors not to invest in the SA capital market.

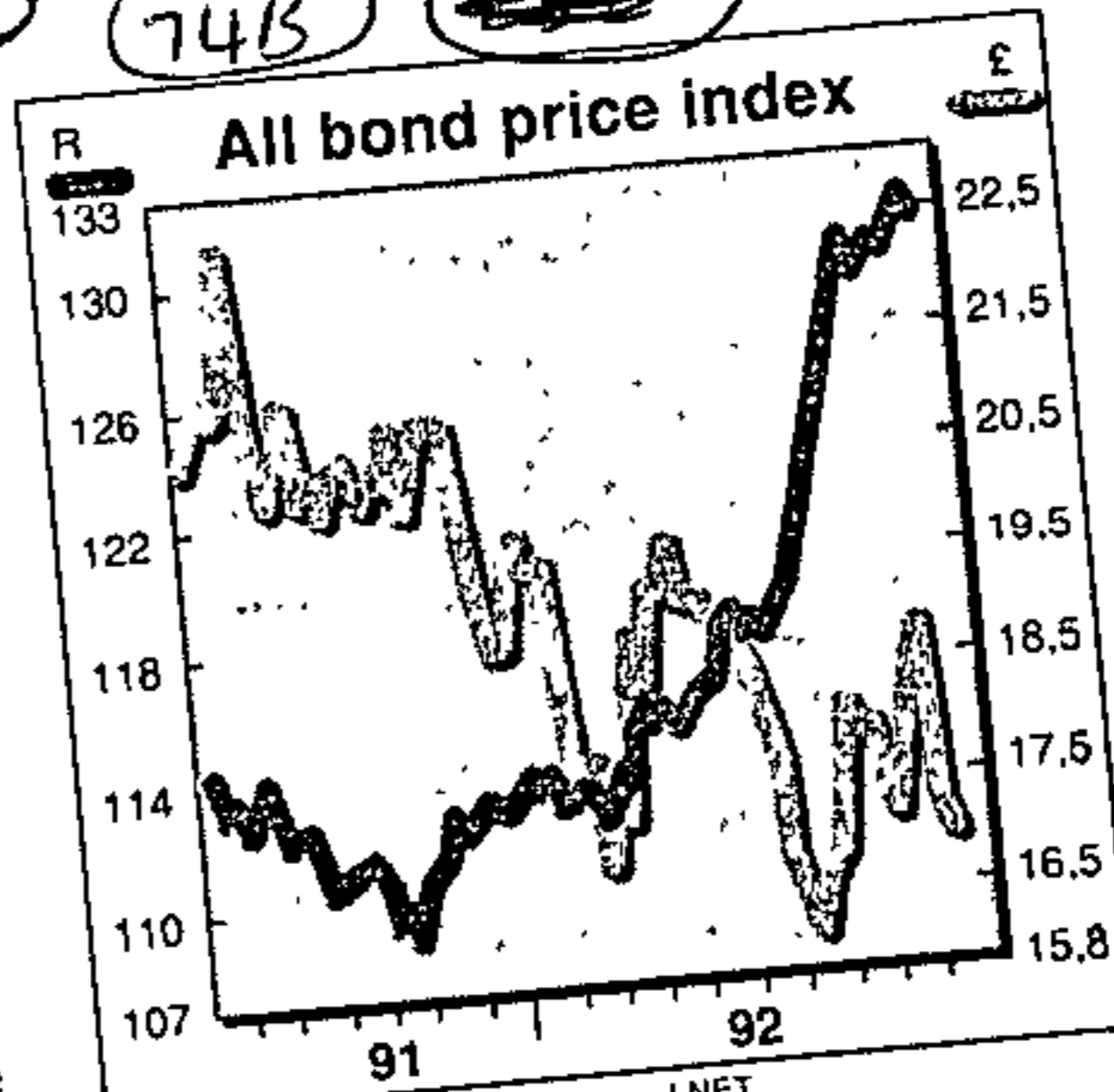
Andy McDougall, head of London stock-brokers James Capell's SA trading desk, said from London he had advised clients not to invest in SA bonds and to lighten SA bond holdings where possible.

Latest statistics from the JSE and Reserve Bank show foreign inflows into the SA capital market from April to last week Friday, which reflect only financial rand transactions through the JSE, have been R120m — compared with R1,030bn for the same period in 1991.

JSE floor trade accounts for about half of foreign trade due to the informal nature of the capital market. Latest JSE figures show R129,574m fled the capital market last week alone.

McDougall said the sharp fall in the financial rand over the past two weeks was mostly to blame for the deteriorating confidence and political uncertainty.

McDougall said selling orders in the past two weeks had been the largest he had seen for the past three years. "Large investors



Graphic RUBY-GAY MARTIN Source I-NET

are leaving SA and will not return. The confidence has been knocked out of the SA bond market by the fall in the finrand.

"There is a lack of new interest and the big players want to get out of the market," he said. However, smaller investors would stay as "they tend to ride out the storms".

Any appreciation in the financial rand would see major bond selling, he warned. The unit has depreciated about 33%

□ To Page 2

Capital flight

BIDM 8/10/92

(74B) (74B)

□ From Page 1

against sterling over the past few months. The investment unit's fall was led by SA banks' paying for acquisitions abroad.

McDougall said confidence in SA started to wane after the failure of the Codesa talks. The stop-start scenario in political talks since had unnerved investors, he said. Also, uncertainty as to how tight a future government's monetary control was going to be scared foreigners.

He said selling had occurred across the board, but government stock in particular was targeted. European players had been major sellers in the past two weeks, he said. They bought stock some time ago so had already made their profits.

By contrast, US investors entered the market only in the last year or so after the scrapping of US embargoes against SA. They had seen their capital depreciate sharply and were unable to get out of their positions. Far Eastern investors faced the same prospect, he said.

A local dealer said investing in SA bonds has traditionally been favourable for foreigners. "They are able to pay for bonds through the financial rand while interest payments are made in commercial rands."

However, he said foreigners were disenchanted with the finrand and not SA bonds as such.

"While the running yield (interest payments) is favourable, the financial rand is an unstable currency which makes it difficult to deal in."

Foreigners were able to attract yields of around 22% in dollar terms in SA bonds compared with about 8% in German bonds.

The local dealer said falling global interest rates coupled with an appreciation in the financial rand would see investors return to the market.

"The return would then outweigh the risk," he said. Foreigners' perception of the local market was "not particularly worrying", he said.



Rich Arabs keen to buy SA holiday homes

DUBAI — Wealthy Arabs are keen to buy luxury holiday homes along SA's coastline.

An exhibitor at the current SA and the Gulf show, Hivest International director Ara Manuelian, said yesterday Middle East businessmen had shown great interest in investing in commercial, retail, residential and tourist property in SA, as well as in new developments.

Other businessmen confirmed the growing interest in exclusive residential properties. Manuelian said his company would organise a number of tour packages for po-

PETER DELMAR

tential investors. Three groups had already visited SA, he said, and he was surprised by the interest shown this week. Manuelian said he was representing a leading SA company — which he declined to name — looking for Middle East investment in SA joint ventures.

Meanwhile, Deputy Trade and Industry Minister David Graaf yesterday urged Arab businessmen to join SA in forming an Indian Ocean trade bloc. Graaf told a seminar here that geo-

political shifts had left Africa and the Middle East outside the three major world trade groupings.

The development of a trade bloc encompassing SA, the African east coast, India and the Middle East should be considered a natural development which would benefit all the regions concerned. "We see Dubai as a natural window into the Middle East and I hope that you will see SA as a window into Africa," he said.

Like Dubai, SA was also at the axis of major east/west trade routes.

● See Page 3

BIOM 8/10/92

afford these costs on their vehicles. | the solutions.

cake as a means of redistribution.

Ramaphosa's restructuring plan

BIDM 9/10/92

A RESTRUCTURING programme based on stability, growth and socio-economic development is needed to ensure the success of a democratic SA, says the ANC.

ANC economist Tito Mboweni, speaking on behalf of secretary-general Cyril Ramaphosa, said: "We are well aware we need to restructure the economy . . . within the context of the maintenance of macro-economic stability."

Public sector corporations should be rationalised, restructured and subject to competition. This did not spell out privatisation, but rather managerial accountability and transparent budgetary systems.

Reducing the size of the public sector would enhance efficiency and advance affirmative action while ensuring consumer protection and workers' rights.

Restructuring of the national budget by redirecting expenditure away from unproductive current expenditure and towards socio-political development, so as to

~~HILARY GUSH~~
HILARY GUSH

bridge the racial welfare gap, was also called for.

The ANC stood firm on its policy of income redistribution, which would provide the means for mass consumption and alter the industrial sector's response to shifting demand patterns.

Redistribution of income at the low end of the scale might be an essential requirement for the growth of the labour intensive component of the manufacturing sector.

Department of Trade and Industry director-general Stef Naudé stressed the need for an export-led recovery, based on final manufactured goods.

"SA's future economic development depends largely on industrial growth, which will also have to be much more export-oriented to increase the import capacity of the economy," Naudé said.

Political deal needed for investment

~~BILLY PADDOCK~~ BILLY PADDOCK *74B*

THERE was an urgent need for a political settlement because, while it would not stop the ANC and Inkatha fighting, it would bring the stability to stimulate investment, DP leader Zach de Beer said yesterday.

Speaking at the Blueprint conference, he argued that this settlement would have to contribute to the demise of a third force. *BIDM*

Persistent violence was the single most discouraging factor for investment. It would be a negative factor even if there was political stability and the causes of the violence were fully understood.

De Beer said that if some of the violence was designed to prevent a political settlement, then the need for the settlement was more urgent.

However, there was no certainty that it would stop the fighting between the ANC and Inkatha, he said. "After all, both organisations are parties to the peace accord and to the Codesa Declaration of Intent, and that has not helped." *BIDM*

De Beer said it appeared that the leaders of these two organisations had limited control over their followers. *9/10/92*

Governments and political organisations would in the future be judged by their ability to deliver economic prosperity.

DP launches campaign for election funds

THE DP has swung into election mode despite its leader Zach de Beer's criticism that it was the electioneering of the ANC and the NP that was preventing a speedy negotiated settlement for SA. *BIDM 9/10/92*

At a media breakfast yesterday, De Beer launched a national fundraising campaign to collect R15m by the end of the year to help pay for a general election campaign.

Southern Transvaal regional fundraising co-ordinator Ronnie Napier said the party

~~BILLY PADDOCK~~ BILLY PADDOCK

hoped to raise R4m in this region alone.

Whereas the DP had previously fought elections in chosen constituencies, the upcoming general election would involve proportional representation from a national electorate, which meant it had to canvass and fight for support at grassroots community levels, said De Beer.

The DP was expecting to win 10% of the national vote in an election.

KNJ

KNJ GROUP LIMITED

(Registration number 87/02927/06)

("KNJ")

Offer and general meeting results

ARSA Merchant Bank is authorised to announce the

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57112 21/13/10/92 743 237 Holders of ASA shares get a hiding

By Derek Tommey

US investors who have been putting their faith in gold shares have been losing hand over fist in recent years.

The latest quarterly report of blue chip ASA, which was created to enable Americans to put money into SA gold mines, makes depressing reading.

Without the cushion afforded South African investors of a declining rand-dollar exchange rate and a firmer financial rand, the net asset value of ASA shares has been hard hit in the past few years.

At the end of November 1987, an ASA share had a net asset value of \$82,84. A year later this had fallen to \$54,44. Although the value recovered to \$70,01 at the end of November 1989, it had fallen to \$48,54 at the end of November 1990, to \$44,71 at the end of November 1991 and to \$36,01 last August.

Dividends have followed a similar downward trend. They amounted to \$4,50 a share in 1987, \$3,50 in 1988, 1989 and 1990, \$3 in 1991 and \$1,50 for the first nine months of the 1992 financial year.

Investors cannot blame the drop in share value and dividends on ASA's investment advisers. Money has been invested in the best gold shares available.

At August 31, its biggest investment was R240 million in Driefontein, while its second-biggest was R134,5 million in Kloof.

It has a further R80 million in Vaal Reefs and R58 million in Southvaal. Other golds in its portfolio are Western Deep, Harties, Zandpan, Winkelhaak, Beatrix and Kinross.

It has R72 million invested in Rustenburg Platinum, R67 million in De Beers/Centenary and about R30 million each in Anglo American and Amcoal.

Disinvestment over, but US firms 'still shun SA'

810114 14/10/92
THE wave of US disinvestment has practically stopped since ANC president Nelson Mandela's release from prison in February 1990, but US companies seem in no hurry to reinvest in SA, local financial analysts say.

More than 200 companies had pulled out over the past decade, and there has been no new investment since President George Bush lifted the Comprehensive Anti-Apartheid Act of 1986.

The analysts believe economics, politics and the "nationalisation" threat have kept Americans at bay.

US assets in SA have been reduced by almost two-thirds, from \$2,6bn in 1981 to \$889m. There are currently 105 US companies which maintain direct investment or employees in SA.

Foodcorp group CE Dirk Jacobs said Americans were more cautious towards SA than their European counterparts. "Europeans are more relaxed about investing, their decisions being based on pure economics, risk versus reward."

He said economics as well as emotions over the present political situation tended to influence US decision-making. Sanctions imposed by individual states had also curbed potential US investment.

However, if an interim government came into power, many states would give US companies the green light to enter the

74B
62 68 73 77
MEREDITH JENSEN

SA market. Analysts said food giant Heinz had been hoping for just that when Codesa talks collapsed and hopes for an interim government in May, as well as a signed deal with Foodcorp, were dashed.

Jacobs said the risk:reward ratio was unbalanced at the moment. "An American company which took the decision to enter SA despite moral suasion could stand to lose US market share, which would be costly and more than any benefit it would derive from its SA investment."

Market research and consultant firm World Information Network director Neil Kaufman said a lack of business confidence was a major problem for foreign investors. "International clients want to come into SA because there is a growing market and tremendous potential yet we must get our house in order first."

He said foreign investors had identified the homelands as the biggest potential growth areas as they "believe they can benefit from the more decentralised structure as well as from other financial and trade benefits".

Meanwhile, said Jacobs, "US companies are doing their homework, looking for the best partners and vehicles in SA in preparation for the go-ahead".

POTENTIAL investors need to be lured by slick promotion programmes and hard information about investment opportunities.

This is the gist of the recently released annual report of the Association for the Promotion of the Western Cape's Economic Growth (Wesgro).

Wesgro has also found that information has to be carefully targeted at potential investors.

With these findings in mind, Wesgro is gathering information about the region and plans to launch a major investment marketing programme in the middle of next year.

It hopes that by that time the political situation will be more settled. Such stability is vital if investment is to take place anywhere in South Africa.

One investment-attracting concept that Wesgro has been pushing is the establishment of export processing zones (EPZs.)

How to bait the hook to get investors to bite

South 17/10 - 21/10/92 - (743) (60)

These are areas that have been set aside, usually near a port or airport, where high-tech industries can be established to produce goods exclusively for the export market. The incentives for investment in these areas include full rebates of import duties.

EPZs have been successful in fast-growing economies such as Taiwan and Mauritius. But they have come in for some flak from the labour movement here because of the fear that they could become a low-wage, union-bashing trap.

This is disputed by Wesgro, which says EPZs should "not be confused with changes in labour legislation".

"Typically, businesses located

in EPZs pay higher wages than in other areas of the host economy. It may well be that with time, different labour relations within EPZs will evolve to suit requirements. But this must be seen as a process to be achieved through consultation with the various groups involved as and when appropriate."

The only changes in legislation that will be needed are those affecting imports, exports and tariffs, says Wesgro.

The Department of Customs and Excise has been wary about the revenue losses that could result. However, the Industrial Development Corporation recently recommended to government that EPZs should be considered in South Africa.

Negotiations on Ansbacher deal

GRETA STEYN

FNB was considering restructuring its takeover of UK merchant bank Henry Ansbacher to avoid taking a knock on the financial rand, a source close to the deal said at the weekend.

FNB senior GM Viv Bartlett was reluctant to comment, but said the bank was evaluating the position. Reserve Bank exchange control GM John Postmus said negotiations between the Bank and FNB on the financing of the deal were continuing, but the Bank could not comment further.

An exchange control source said while the Bank had approved the acquisition of Ansbacher, the financing details had not yet been approved and the deal would not take place automatically through the finrand market. *BIDM 19/10/92*

The Bank still had to investigate the nature of the deal's financing. Options under consideration were a foreign loan, the finrand, or doing the deal with a partner. FNB still had to come up with a proposal on financing the deal, which was estimated at about £60m.

Dealers speculated at the beginning of the month FNB's hasty sale of finrand was one of the reasons why the unit fell to a six-year low of R5,12 to the dollar. But Bartlett said FNB's trading had been in accordance with the Reserve Bank's requirements.

BIDAM 19/10/92.
SA chain makes good Zambian link

LUSAKA — A SA food chain has established a market in Zambia to supply a variety of foodstuffs to state institutions and wholesale outlets.

Nutritional Foods financial director Charles Akeroyd said state supermarkets in Lusaka and Ndola were some of the consumer outlets for his company's food products.

"The potential for business in Zambia is limitless."

"We have the goods that Zambians want — the business climate is very good," Akeroyd said.

Nutritional Foods is owned by JSE-listed Merhold.

It specialises in supplying soups, briedies and gravies, cold and hot drink powders, desserts and soya mince blends. — Sapa.

Engen prepares to set up Dubai office

ENGEN is to set up an office in Dubai within the next six months in an effort to source raw materials and downstream products.

Engen CEO Rob Angel said last week he was impressed with Dubai and the facilities offered by the Gulf state when he visited it earlier this year.

He said the Middle East was an area of great interest to Engen particularly

Blom 19/10/12
for acquisitions, exploration and joint ventures.

Sourcing crude oil for Engen's refineries and sourcing downstream products, which would fit in with the group's export markets to sub-Saharan Africa, would be the main aim of setting up the office in Dubai, he said.

Angel added that during his visit to Dubai he made contact with a number of

people with a view to setting up some kind of business link.

If Engen should set up in Dubai, it would require a local partner with a majority shareholding to conform to Dubai regulations, he said.

But, if it were to set up in Dubai's free trade zone, Jebel Ali, it could retain 100% ownership and enjoy total autonomy. — Sapa.

Standard concludes R160m deal

THE Standard Bank's R160m deal to acquire the African branch network of ANZ Grindlay's had already gone through the financial rand market, a bank spokesman said yesterday.

He said the financial part of the deal had been concluded before the investment currency's recent gyrations and the Standard's deal would not have any effect on the market.

The finance for the deal was being raised through a share placement. The Standard would not acquire a foreign investor as "a local resident" would put up the cash.

74B GRETA STEYN

The R160m would be raised over and above the R650m rights issue announced at the weekend.

A source said the delay in announcing the Grindlay's deal was the result of protracted negotiations with African governments and monetary authorities, each with different exchange control and other regulations.

Standard's share price hardly reacted to the announcement of the rights issue, ending the day slightly below its last traded price of 7 050c.

29/10/92
310A7

1990-91		1991-92	
(a)	(b)	(a)	(b)
INCOME GROUP	NUMBER	AMOUNT OF TAX	
0 — 12 000	576	624 339	
12 001 — 20 000	2 033	2 532 314	
20 001 — 30 000	3 523	9 518 696	
30 001 — 40 000	3 651	20 598 730	
40 001 — 50 000	6 501	60 385 670	
50 001 — 60 000	5 601	72 416 806	
60 001 — 80 000	5 983	110 667 218	
80 001 — 100 000	1 913	51 238 995	
100 000 +	1 947	119 983 841	
TOTAL	31 728	447 966 609	

The statistics furnished above accordingly relate only to taxpayers actually assessed to date, who represent 75 per cent of registered taxpayers in 1989/90 and 64 per cent in 1990/91.

Reserve Bank: communication with two persons

356. Mr K M ANDREW asked the Minister of Finance: *748*

- (1) Whether his predecessor and/or his Department communicated with the Reserve Bank in respect of (a) its (i) financial rand and (ii) other dealings with two persons, whose names have been furnished to the Minister's Department for the purpose of his reply, and (b) any business (i) owned, (ii) controlled or (iii) managed by one or both of the above-mentioned persons; if so.
- (2) (a) when, (b) why, (c) what was the nature of the communication, (d) what was the response of the Reserve Bank and (e) what are the names of (i) the two persons and (ii) each of the businesses involved?

The MINISTER OF FINANCE: B854E

- (1) (a) (i) Yes; (ii) No.
- (b) Yes.
- (2) (a) 20 October 1989 and 27 February 1990.
- (b) On both occasions the director of the companies involved approached my predecessor to expedite an application submitted to the Reserve Bank

for an investment in South Africa through the medium of Financial Rand. *748*

(c) These representations were duly submitted to the Reserve Bank with the request that they be considered. At no time was there any question of favourable treatment to be given to the applications. *748*

(d) The response of the Reserve Bank on both occasions was positive.

(e) (i) Mr S Shiplman and Mr E Rechter.

(ii) W Ungar & Sons (1989) (Pty) Ltd and its holding company, Sesom Investment Holdings (Pty) Ltd.

Reserve Bank: agreements entered into with two persons

357. Mr K M ANDREW asked the Minister of Finance

- (1) Whether the Reserve Bank has entered into any agreements with (a) two persons, whose names have been furnished to the Minister's Department for the purpose of his reply, and (b) any business owned, controlled or managed by one or both of these persons; if so, (i) what agreements, (ii) when were they entered into and (iii) what are the names of the (aa) persons and (bb) businesses concerned;
- (2) whether these agreements have been adhered to by both parties; if not, (a) to which agreements and (b) in what respects has there not been adherence.

The MINISTER OF FINANCE: B855E

- (1) (a) No; (b) No.
- (2) Falls away.

NOTE:

In response to applications submitted to the Exchange Control Department of the Reserve Bank through these persons' South African bankers, authority was granted during 1989 and 1990 for an investment totalling R48 423 184 through the medium of financial rand firstly to form a holding company (Sesom Investment Holdings (Pty) Limited) to acquire a jewellery

SCHEDULE	1989 (Pty) Limited, and subsequently for the purchase by it of additional operating assets
1 1 ALFRED DISTRICT (7 436 ha)	Conditions stipulated at the time of approval encompassed a minimum 15% value to be added to the raw material and the receipt of export proceeds of the final product within 90 days. This period was later extended to 180 days. The company has more recently had difficulty in meeting these criteria and these aspects have been addressed by the Exchange Control authorities through the bankers of the local company.

1561. Mr P C CRONJÉ asked the Minister of Regional and Land Affairs:

- (1) Whether he will furnish particulars of the land, other than land for domestic purposes such as government buildings, owned by his Department in the Natal region; if not, why not; if so, (a) (i) what is the name of each farm or piece of land so owned, (ii) in which district is it situated and (iii) what, in hectares, is the extent of each and (b) what are his Department's plans for the land in question;
- (2) whether any discussions and negotiations have taken place and/or decisions have been made in regard to transferring the ownership of any of this land to the self-governing territory of KwaZulu; if so, (a) which pieces of land are involved and (b) what steps have been taken in regard to each such piece;
- (3) in respect of what date is this information furnished?

The MINISTER OF REGIONAL AND LAND AFFAIRS: B857E

- 1 1 ALFRED DISTRICT (7 436 ha)
- Alfred Native Location No 8 No 15848
 - Alfred Native Location No 9 No 15849
 - Alfred Native Location No 10 No 15850
 - Tom Fynn's Location No 4865
 - Junction/Nortonsloop Area
 - Izingolweni 3613 (sub 3 and 4)
 - Lot AB Umbelline 6995
 - The Gorge 10302
 - Ebenezer 3784
 - Gundrift Area
- 1 2 BABANANGO DISTRICT (4 761 ha)
- Babanango West Area
- 1 3 BERGVILLE DISTRICT (4 761 ha)
- Bergville Properties
- 1 4 CAMPERDOWN DISTRICT (1 009 ha)
- Kafirdrift 906
 - Riet Valtlei 851
- 1 5 DUNDEE DISTRICT (15 784 ha)
- 1 6 ESHOWE DISTRICT (3 101 ha)
- Gingindlovu/Amatikulu Area
 - Emtumeni Mission Glebe 15837 (Sub 2)
 - Lot 62 Amatikulu 13212 (Sub 1)
 - Lot 67 Amatikulu 13213 (Sub 1)
- 1 7 ESTCOURT DISTRICT (13 209 ha)
- Estcourt Farms (12 747 ha)
 - Kwazondi 14314
 - Pumulanga 14313
 - Hating 1222
- 1 8 HLABISA DISTRICT (2 545 ha)
- Mlolo 14390 (Remander)
 - Somkele Townlands
 - Hlabisa Townlands
- 1 9 IMPENDLE DISTRICT (22 385 ha)
- Impendle Farms — Lot GR 24 (Remander)
- 1 10 INANDA DISTRICT (1 969 ha)
- Impendle Townlands
 - Groeneberg 844
 - Oakford 828
 - Piezang River 805
 - Riet Rivier 842
 - Roode Krans 828 (Sub 306/1)
- 1 11 INGWAVUMA AND UBOMBO DISTRICTS (184 963 ha)

FM 23/10/92

of Hoechst SA.

Burden says Chemetall chose to invest in SA because of "its strategic position in the southern hemisphere and its advanced industrial machine," despite the political problems and the recession. "Things must change in a few years. This country is ideally placed to export to Australia, India, South America; in fact, virtually any country in the southern hemisphere.

"Some say Australia would have been a better choice, but I believe SA is better. If one looks at just the motor manufacturing industry, the big ones are all here, Mercedes-Benz, BMW, Toyota, Nissan, MAN, Ford, Mitsubishi, Opel and Honda. Australia has only one really big one, Holden."

The two Chemetall acquisitions do not provide all the chemicals needed in the industries they serve, but the sectors they can compete in are worth R1bn/year. In metal manufacturing, for example, it's worth about R150m/year; in food, where Cremark is the major competitor, R200m/year; and also R200m/year in mining. They also serve the general engineering, transport, laundry and plastic recycling industries. ■

FOREIGN INVESTMENT (B)
FM 23/10/92 (74B)
The Germans are coming

Like their counterparts elsewhere, German multinational companies are not queuing up to invest in SA. But a steady trickle of German companies continue to ignore the local political and economic uncertainties and are deciding to take the plunge.

The trend defies the prediction of Herbert Weicke, executive manager of the SA-German Chamber of Commerce and Industry, who says German investors will probably avoid SA until it's clear which way it is going.

This week, Chemetall GmbH (a subsidiary of Dynamit Nobel AG, the chemical subsidiary of the R42bn/year Metallgesellschaft AG) acquired the entire share capital of the local, privately owned Chemical Consultants and Services.

Chemical Consultants is the SA licensee of Oaklite Inc, one of Metallgesellschaft AG's US subsidiaries, which makes specialised chemicals for the food, beverage and mining industries.

In July 1991, Chemetall bought the entire share capital of Reef Chemical Corp from Shell SA for an undisclosed amount. Reef serves, among others, the automotive, primary metal products and packaging (metal can) industries.

Reef's MD Peter Burden says millions were involved in the Chemical Consultants and Services takeover. "It won't stop here. Chemetall is looking for suitable companies."

The deal was the third major local move by a German company this month. Stahlgruber Otto Gruber GmbH announced it had acquired Rema Tip Top Industrial, its SA industrial rubber manufacturing licensee, for an undisclosed amount.

And, in a more complicated deal worth R50m, Hoechst SA, a fully owned subsidiary of German chemical giant Hoechst AG, acquired a 60% stake in the quoted Noristan Holdings, which is to be delisted. As part of the deal, Noristan Ltd, the pharmaceutical arm of Noristan Holdings, acquired Hoechst Pharmaceutical, a wholly owned subsidiary

FM 23/10/92

of Hoechst SA.

Burden says Chemetall chose to invest in SA because of "its strategic position in the southern hemisphere and its advanced industrial machine," despite the political problems and the recession. "Things must change in a few years. This country is ideally placed to export to Australia, India, South America; in fact, virtually any country in the southern hemisphere.

"Some say Australia would have been a better choice, but I believe SA is better. If one looks at just the motor manufacturing industry, the big ones are all here, Mercedes-Benz, BMW, Toyota, Nissan, MAN, Ford, Mitsubishi, Opel and Honda. Australia has only one really big one, Holden."

The two Chemetall acquisitions do not provide all the chemicals needed in the industries they serve, but the sectors they can compete in are worth R1bn/year. In metal manufacturing, for example, it's worth about R150m/year; in food, where Cremark is the major competitor, R200m/year; and also R200m/year in mining. They also serve the general engineering, transport, laundry and plastic recycling industries. ■

FOREIGN INVESTMENT

FM 23/10/92
The Germans are coming

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Spreading their wings - or fleeing SA?

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14B

THE African National Congress and many South African companies are both telling foreign firms to hold off on investing in South Africa. The warning signal sent out by businesses is unintentional. They are — for good financial reasons — falling over themselves to invest overseas while domestic investment languishes.

Finance Minister Derek Keys has hauled around the world a chart illustrating the plight of the South African economy through the headlong fall in gross domestic fixed investment. At the same time, South African firms have taken advantage of the dwindling pariah status of the country to become involved overseas. Latest example is the Royal Group purchase, with Anglo American aid, of European food giant Del Monte Foods International in a R2,4-billion deal. And in June this year Sappi acquired Germany's Hannover Papier. Numerous other companies have made investments overseas since the landmark February 2 1990 speech.

Investment should begin at home, says the ANC. But South African business is pouring its money into offshore deals.

REG RUMNEY reports

All are in pure economic terms neutral. No capital flows out of the country through these deals. Using the firmand, rather than "commercial" rands to invest outwards, is an

expensive route, costing now around 33 percent more than if there were no exchange control. This shows the determination of South African firms to get hold of foreign assets. The ANC Department of Economic Policy's Tito Mboweni says that firstly, the ANC has not called for the lifting of sanctions and so the countries where South African companies are investing should take heed.

"Secondly, our preference is now for South African companies to invest domestically, particularly in fixed assets, which would lead to a better labour absorptive capacity. It would improve the general performance of the economy."

He adds that a future democratic government cannot prevent companies expanding abroad, as long as this isn't capital flight. South African businessmen see nothing wrong with the current craze of investing overseas.

Anglo American spokesman Michael Spicer says South Africa, from the financial point of view of high inflation, high interest rates, a high cost of capital and high taxes, is not particularly attractive to invest. "The risk is high and is compounded by political uncertainty, violence and labour unrest."

Companies are investing abroad rather than here because they can't get a comparable return on their investment, he says. Besides this, South Africa is in deep recession and in many industries there is spare capacity, so why invest more money?

"In South Africa investment is talked about in moral terms rather than economic terms. The rules applicable in other countries are suspended."

Though no capital flight is involved in setting up a company overseas, an overseas presence could make it easier to export capital illegally, through hard-to-detect over-invoicing and under-invoicing.

In pure economic terms, Spicer and other businessmen are correct that business must seek the best return wherever they can.

But companies must know they operate in a world where economic considerations constantly vie with economic and ethical ones. Anglo is at least investing a sizeable sum domestically in job-creating ventures, albeit mainly in the commodity-exporting industries South Africa should be trying to wean itself away from. For instance, Anglo launched the R1,7-billion gold mining venture at Moab this week. It will create 5 000 jobs.

The Royal acquisition of Del Monte, too, says Spicer, will secure access of South African agricultural products to the essential core triad market. The resulting labour-intensive agricultural production in will create tens of thousands of jobs over the next five years, he adds.

That is commendable; but an estimated unemployment rate of 40 percent of the economically active population means more needs to be done.

Unless there is new investment, violence, unrest and hence uncertainty will continue — the familiar chicken-and-egg problem. Business owes it to the country to seek out new domestic investments.

Merchant bank strikes investment deal

LONDON-based merchant bank Chartered WestLB announced yesterday it had acquired a 15% stake in local merchant bank Durolink, with an option to increase its holdings to 50% within the next two years.

The financial terms of the deal were undisclosed, though a Durolink executive described the figure as a "significant sum".

Chartered WestLB deputy chief executive David Gemmill said the two companies would specialise in structuring deals for SA corporations looking to invest outside the country.

Gemmill said the banks also hoped to consolidate deals with European and South

MEREDITH JENSEN

American, as well as other foreign-owned, companies looking to invest in SA. "We anticipate two or three deals a year coming out of SA at an estimated \$100m apiece. Incoming deals may be smaller than the outgoing deals for the moment." (74B)

Durolink MD Mike Bolton said the company had been looking for an international partner to help develop its cross-border mergers and acquisitions business.

"We have found a partner who wants to make a positive contribution and, if down

□ To Page 2

Durolink

the road capital becomes an issue, then they will be here," Bolton said.

Gemmill said the flow of trade and dividends back into SA would be highly beneficial to the country and expressed positive sentiment about SA's future.

Gemmill said while there had been concern about the political situation the consensus was that issues would be resolved.

"As countries emerge from political change there is a need to restructure and

investment bankers have an important role to play in that restructuring."

Gemmill said it was important for Chartered WestLB to have a matrix of offices, relationships and investments in the world's financial centres.

"This region will continue to be very important for our business," he said.

Chartered WestLB is jointly owned by Standard Chartered Bank and WestLB Europa, and operates primarily in Africa, Europe and the Far East.

□ From Page 1

BPM 28/10/92

(74B) (74B) (74B)



NCE 1986 we have witnessed the capture of many global players on the SA business arena. Now multinational corporations are re-evaluating their approach to the local market.

Perry and Associates last month completed a research study to measure the plans of both regional and global players for this forthcoming era of increased competition in SA. Global players considering re-entering SA have to bear in mind two different aspects of the economy's ze.

First, the economy is Africa's largest (1,6 times the size of Algeria's, 2,7 times the size of Egypt's and more than three times the size of Nigeria's), so if Africa is a consideration for a multinational, SA cannot be overlooked.

The second is the existence of the A "Keiretsu". Just as the Japanese economy has been dominated by financial conglomerates, so has SA's. Some of the SA Keiretsu, such as Anglo American and De Beers, have grown out of our wealth of natural resources. Sanctions and exchange control have trapped this wealth within the country. Savings have been channelled to the institutions.

Return of the global players

BP 001 2/11/92

Old Mutual is 30th on the Fortune list of 50 global top insurance companies, and would rank 13th among US service companies — and Sanlam is of similar size.

Sanctions created a quest for self-sufficiency and, for example, created Sasol, a world-class chemicals producer. The First World/Third World dichotomy is also evident. The Rembrandt interests range from sugarcane to luxury cigarette brands such as Dunhill, Cartier and Mont Blanc.

The literature of business "science" says global competition is driven by the fact that no player can count on maintaining an unassailable technological edge and that there is a tendency to bloc economies (the EC, North America and the Pacific Rim).

The multinationals' approach to markets such as SA must, therefore, be aimed at achieving both instant distribution for their fast changing products and "insider" status. There

MIKE PERRY

is also the question of political risk and therefore the investment vehicle choice that global players will use to penetrate the economy.

Our research was among two groups: multinationals in the Far East, Europe and North America; and significant regional companies in a number of industries. The SA sample had assets of \$54bn and sales turnover in excess of \$26bn.

The results showed a great deal of overlap in the views of both regional and global players — and some surprising differences.

Both groups agreed that global players could not overlook SA because of its market size (relative to the rest of Africa) and the opportunities that would be generated by a new social and economic order. SA had the working infrastructure. It

was agreed that SA was the gateway to the region regardless of neighbouring economies' concerns.

From an investment point of view, the hurdle was political and economic uncertainty. Not until an investment code was in place would multinationals invest. They had to be sure that they could move their funds in and out of the country. It was emphasised that countries were competing for the attention and investment of the multinationals.

There was also agreement on the relative strengths and weaknesses of global versus regional players. Global players could employ an up-to-date product arsenal and world experience. The regional players' local knowledge, proximity to the market and management skills were a countervailing force.

Given the political and economic uncertainty, SA players saw the opportunities for joint ventures with multinationals. In the event of this being the "investment route" for

multinationals, the criteria for selecting a regional partner would be: compatible chemistry and culture; strong access to distribution channels and the local company's standing and reputation in the region.

The global and regional players are somewhat like ships passing in the night. Regional players are betting on achieving a stranglehold on distribution channels in the region. The global players would be more comfortable not with the dominant player but a significantly positioned second or third competitor — apparently they will bet on the "we try harder" principle. It was clear that the regional players had done their homework while the global players' criteria appeared more sketchy.

Only time will tell whether regional players, usually linked to the "SA-Keiretsu", who can dominate local distribution and perhaps count on more sustained financial backing, will be able to beat off global challengers with superior product arsenals and global marketing skills.

□ The author is MD of Perry and Associates. This is an edited version of an address to a Strategic Management Society conference in London last month.

REVIEWS

French business delegation visiting SA

^{3/10/47} ^{4/11/42}
PRETORIA — Most French companies had great faith in SA's economic future, in spite of political and economic uncertainties, French Employers' Union executive adviser Bernard Gruet said yesterday.

Gruet and Paris Chamber of Commerce and Industry executive director Edmond Viviani are leading a delegation of leading French businessmen to promote investment and co-operation with SA interests.

At the French embassy in Pretoria yesterday, Gruet told reporters the

(74B) (74C)
GERALD REILLY

emphasis in discussions with the Industrial Development Corporation (IDC) was on joint management development programmes.

Referring to a co-operation agreement signed earlier this year with the IDC, Gruet said an important aspect was technology transfer.

IDC MD Carel van der Merwe said a first objective of the agreement was to attract greater French investment to this country.

Far East investment should be lured

BIPAM 4/11/92

Business Day Reporter

AFRICA could attract foreign investment from Far Eastern textile and clothing companies if it offered the right incentives, Hong Kong Polytechnic academic C Chan said yesterday.

He told the productivity conference the countries of the Far East were some of the world's major sources of textile and apparel suppliers but they had to move to cheaper producing countries if they wanted to remain competitive.

Foreign direct investment by Hong Kong clothing manufacturers could

be beneficial to up and coming Third World nations, said Chan.

While it was difficult to estimate foreign direct investment from Hong Kong, one source had estimated it at about HK\$4.3bn, of which a third was textiles and clothing.

As existing textile and clothing manufacturing countries lost their comparative advantage and protectionism by industrialised countries continued to have a restraining effect, manufacturers would con-

tinue to look for replacement sources to set up their factories.

"The African continent is the one place on earth that has the potential to host the outflow of direct foreign investment on the basis that it has abundance of labour at a relatively cheaper cost," said Chan.

Africa needed to formulate an action plan to initiate foreign investment. African countries that had started up export processing zones with incentive packages would succeed depending on politics and infrastructure including government regulation and transport.

Generating jobs cheaply

Business Day Reporter

SMALL business development was a low-cost generator of employment, Small Business Development Corporation spokesman Edwin Basson told delegates.

The SBDC advised 2.5-million informal entrepreneurs, employing about 3.5-million people and generating about 15% of measured GDP. The process of entrepreneurship in generating growth and creating wealth should be allowed to mature at its own pace, without government intervention, he said.



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runs international business

Standard invests in Africa

■ Corporation acquires R165,71 million interest in Grindlays:

By Joshua Raboroko

Sowetan 5/11/92

743

STANDARD Bank Investment Corporation (SBIC) has acquired about R165,71 million African operations of ANZ Grindlays Bank with effect from November 2.

SBIC will assume equity control of ANZ Grindlays banks in Zimbabwe, Zambia, Kenya, Botswana, Uganda and Zaire.

Significant minority interests in banks in Nigeria and Ghana are also part of the acquisition.

The banks together have 25 branches and almost 1 400 staff members, all of whom will be retained.

The operation will be managed from Johannesburg as part of the Africa Banking

Group within SBIC, which presently includes banks in Botswana, Namibia and Swaziland.

At a Press conference in Johannesburg this week, SBIC's group managing director Mr Eddie Theron confirmed the deal and said it was an important step.

He said the acquisition of the operation further strengthens SBIC's capacity for helping trade flows in Africa and, taken with its newly established operations in London, Jersey and Isle of Man, enhances its capability to serve clients internationally.

As a strategic initiative, the acquisition is in line with the Group's stated intention to play a more significant part in regional development on the African continent.

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FRENCH companies are eyeing investment opportunities in South Africa, says Ernst & Young Europe chairman Antonie Bracchi.

He warns, however, that Europe will look to its own backyard — eastern Europe — before it invests in SA.

"The eastern bloc is too close not to be given primary attention. It is the European Community's biggest concern."

If eastern European countries' needs are not dealt with, the EC will face mounting problems.

Mr Bracchi says: "But SA cannot be forgotten. For a long time, SA was viewed as being outside the world community. Now it is seen as a country with potential, especially as a stepping stone to other Southern African countries."

Mr Bracchi, who is based in Paris and Brussels, says several French companies are considering investment in SA. Those he knows about are in minerals, pharmaceutical and high-speed transport. One retailer is also looking at SA.

Although eastern Europe is the EC's priority, investment in SA is being held back because of political uncertainty.

'Confidence in SA required'

LONDON — Foreign investors wanted to see SA's businesses and institutions showing confidence in their own country rather than expanding internationally, a senior investment banker said in London yesterday.

Martin Kingston, director of Morgan Grenfell, one of Europe's leading investment banks, was speaking at the Westminster conference on southern African development organised by the Association of Western European Parliamentarians Against Apartheid at the House of Lords.

Kingston said the breakdown of Codesa 2, violence and a worsening domestic economy had "removed what interest there was in the early provision of capital to SA".

Those lenders who had defied "considerable opposition" to provide the first medium-term bonds to SA for six years after financial sanctions were lifted "have now withdrawn their support".

JOHN CAVILL

Some SA parastatals and private companies did try to tap the debt markets earlier this year, but "the cost of such access is now prohibitively expensive," he said.

Kingston said there were "critical, minimum ingredients" for an environment which might attract European investment:

- Transitional political arrangements with a government representative of all SA society;
- Proof that "reliable, non-partisan" forces of law and order were under legitimate control; and
- Development of economic policy which was "socially responsible and market orientated".

But the increase in the number of SA firms seeking to invest outside the country was also a factor.

"Currently we are seeing the SA corporate community spreading its

wings by internationalising its activities, regionally, in Europe and further afield," he said.

"The establishment of a balanced geographic portfolio of assets, over time, should correct the disproportionate emphasis of activities in SA," he said, although whether the Reserve Bank could continue to support and encourage such capital outflows was questionable.

He said: "Furthermore, in order to attract foreign capital into SA, the domestic financial community... shall need to demonstrate confidence in their local environment rather than exporting resources, skills and capital."

It was an SA anomaly, he said, that the country had large investment funds but also required long-term foreign debt, and combined an internationally aspiring "vibrant local private sector" with the need for foreign capital, skills and technology.

Finrand battered in volatile trade

Keys probes rash of SA offshore deals

BIDM 25/11/92
THE wave of foreign investments by SA companies had prompted an investigation by Finance Minister Derek Keys, it was confirmed yesterday.

The confirmation came as the currency came close to touching a record low in another day of volatile trade as the market awaited a signal from economic policy-makers on possible policy changes.

Keys's investigation is expected to be followed by a statement on exchange control regulations on foreign investment within the next month. Asked whether changes to exchange control were being considered in the light of the pressure on the financial rand caused by SA companies investing overseas, a spokesman for Keys said: "We cannot do more than confirm that he is looking at the issue and is awaiting certain further inputs in December. A statement will be made after these have been received."

It is understood Keys has asked the private sector for suggestions on how the issue should be handled. This follows discussions between Reserve Bank Governor Chris Stals and Keys on exchange control. A spokesman for Stals said yesterday the matter was now in Keys's hands as exchange control was his domain.

It is understood that private sector suggestions include keeping SA foreign invest-

743 (22) 180
GRETA STEYN

ments out of the finrand market by channelling major deals through the Reserve Bank at a Bank-determined discount.

Other suggestions range from placing a ban on further investment, to imposing limits and ensuring gradual trade takes place.

Inputs by banks and brokers trading the finrand would generally be highly critical of the way in which the deals hit the market, but companies wanting to move offshore would also make their opinions felt, a source said.

This week news of an impending deal between local chemical firm Sentrachem and Australian petrochemical company Chemplex aggravated pressure on the currency.

The news came at a time when the market was still jittery because of the huge Royal purchase of Del Monte, a deal said to involve about R1,5bn in finrands.

Tentative signs of a strengthening in the currency yesterday were wiped out towards the end of trade. It was quoted as high as \$0,2035 to the rand (R4,9140 to the dollar), a dealer said, on buying from London. However, the rally was short-lived and the unit was soon pushed below the key

□ To Page 2

Offshore deals

BIDM 25/11/92
\$0,20 level. Reuter reports it traded at a low of R5,10 to the dollar, just short of its intra-day low of R5,12 reached on October 5 when the Royal/Del Monte scare started. It closed at R5,08, slightly weaker than the previous day's close of R5,07.

A dealer said the Reserve Bank was making its presence felt much more clearly this week than in the months following its statement that it would intervene in the market. She expected the Bank to try to keep the currency above its record low.

743 (22) 180 □ From Page 1

Earlier this year, the Reserve Bank started work on establishing the size of the finrand pool, and its split between money, capital and equities markets.

The idea was to determine the scope for closing the discount between the finrand and the commercial rand, a source said. The discount reached a low of 7% in 1991 but is now again about 40%, a level last seen between 1985 and 1987 when SA was in the financial cold internationally.

Kiejman to back investment

BIOM 25/11/92
FRENCH Deputy Foreign Minister Georges Kiejman left SA yesterday promising to encourage investment to boost SA's "enormous" economic potential, and expressing confidence that negotiations would resume.

Kiejman, who has been on a three-day official visit to SA, said he discerned positive undercurrents beneath the forceful political rhetoric.

He said that during his meeting with KwaZulu Chief Minister Mangosuthu Buthelezi, the Inkatha leader had said he felt he was being excluded from the heart of the negotiations process.

Kiejman felt it was natural that the negotiations process should be led

743 *(743)*
T
by the ANC and government, but it was clear the large Zulu community could not be ignored.

However, he was convinced, he said, that there would soon be reconciliation between Buthelezi and ANC president Nelson Mandela.

Kiejman said the immense poverty in black communities proved that apartheid was still very much in evidence and still had to be destroyed.

He would advise the French government to increase its level of official co-operation with SA. A French cultural institute was on the point of being set up in Johannesburg.

SA up for sale at 40% discount — no takers

STAR 26/11/92.

By Derek Tommey

Foreign investments by South African companies are being blamed for the slump in the financial rand to more than five to dollar from less than four to the dollar only eight weeks ago.

But this is only part of the cause of the finrand's decline, say analysts.

The sluggish growth of the economy and unrest must also be held responsible.

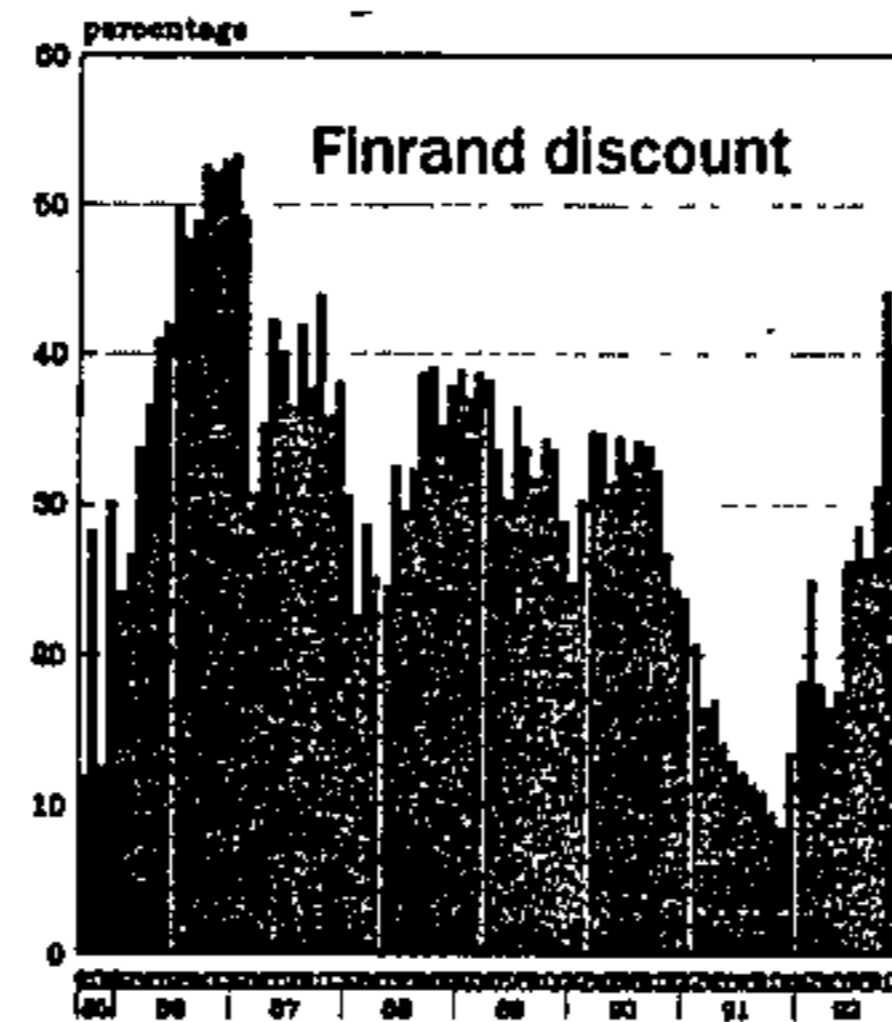
The slump in the finrand has resulted in its discount to the commercial rand growing to more than 40 percent — the biggest discount since 1986 when the country was also plagued by violence.

Portion

Analysts say this means a substantial portion of South Africa is up for sale at a 40 percent discount.

Perhaps not surprisingly, it seems there are few takers.

The fall in the finrand has led Minister of Finance Derek Keys to order an investigation into the currency and its uses, and to ask the private sector for suggestions on how the situation can be remedied.



The finrand can be used by foreign investors to buy shares in listed companies and, provided Reserve Bank consent is obtained, it can be used to make investments in non-listed companies.

Not only does the finrand allow foreigners to buy South African assets cheaply, but it also assures them of a large return.

A foreigner using finrands to buy a share yielding 5 percent gets a return of eight percent.

And if he invests in Eskom 168 stock at the current yield of 14,46 percent, the use of finrand will boost his return to 24 percent.

However, the continued high finrand discount suggests that

there are few people wanting to buy it, which is an indication that not many people want to invest in SA right now.

Analysts say that if this situation were reversed and foreigners were willing to invest in SA, the finrand would be far stronger than it is.

Analysts admit that part of the weakness in the financial rand might be the result of SA companies investing overseas.

But there is also a feeling that some of the finrand's problems can be placed at the doors of speculators.

According to Reserve Bank figures, there is something like R6 billion worth of finrands in circulation.

With no market maker to give the currency some stability, it is fairly easy to manipulate.

Suspicion

Bearing this in mind, there is more than a faint suspicion that part of the finrand's recent weakness is the result of speculators taking advantage of the uncertain outlook for SA and selling the finrand short whenever there is a report of a local company investing overseas.

At the moment they would seem to be getting away with short-selling — and making lots of money.

There is no doubt that the finrand is used for speculation.

Much of the loudest complaints about its fall are coming from Britain where many people bought the currency in the expectation that it would firm and give them useful capital gains.

● The Governor of the Reserve Bank Dr Chris Stals yesterday called on South Africa to allocate as high a priority to understanding the country's economic problems as it was giving to the political reform process.

He told journalists attending a Sanlam award ceremony that perhaps 1993 would not be the year which saw South Africa's economic problems being solved.

But it would be an extremely important year as it would see the foundations laid for economic development for the rest of the decade.

He said the authorities should not keep saying the solution to economic problems lay in the political sector.

The authorities must find the necessary economic solutions and zealously apply them, he said.

(74B) (770) (49) (180)

Integro nets two Dutch brokerages

AMSTERDAM-based Integro, an international subsidiary of Investec, announced yesterday it would take over Dutch brokerage firms Intereffekt Commissionairs BV and Intereffekt Futures BV from January 1 next year. *BIDM*

Integro would not reveal the size of the deal because the parties had agreed not to do so. *27/11/92*

The acquisition fitted into the international strategy of the group, widened the client base and enhanced the European broking activities and worldwide asset management in particular, Integro said a statement.

Intereffekt would also strengthen Integro's knowledge and experience in asset management and its activities in the Far East would complement existing activities of the group.

Intereffekt was active on the Amster-

SH SHARON WOOD *RE*
dam stock exchange and international stock markets, the European Options Exchange and Amsterdam's financial futures market, it said. *743* *RE*

The Integro head office has been in Amsterdam since 1984 and the group has branches in London, Geneva and Johannesburg. Activities of the group include stock broking, option trading, trust and administrative services and corporate finance.

Reuter reports Integro chairman Ian Kantor said at a press conference in Amsterdam yesterday that the group was expected to show a turnover of 15-million guilders this year. The Intereffekt takeover and further expansion plans would raise turnover to 20-25 million guilders in 1993 with an expected net profit of 3-million guilders.

BUSINESS BAROMETER

w/mw 27/11-3/12/92
SA investors look abroad 743

THE spotlight fell this week on South African firms' foreign investments. Finance Minister Derek Keys confirmed waves of foreign investment by local companies was being investigated.

The rush by South African firms to take advantage of greater international acceptability and invest money abroad is perfectly understandable in purely financial terms. Politically it could be a hot potato.

Moreover, the financial rand is supposed to isolate South Africa from the effects of this disinvestment. Financial rands created by disinvestors are bought by investors. Trouble is the financial rand discount is a hefty 40 percent, showing that foreign investors are not falling over themselves to put money into South Africa.

Dorbyl to tap aid funds

By CHEMILYN IRETON

STWAVE (USS) 29/11/92
DORBYL is to export its project management expertise to Africa in a bid to tap international development funds. Turkey projects are the target, says executive director Louis Taljaard.

"Institutions like the World Bank and African Development Bank are looking for experienced companies to manage projects in Africa. This opens up vast opportunities for us."

Little 748

But contracting activities provided less than 10% of the group's operating profit of R141.1-million. Their reduced contribution was one of the main reasons why the group's taxed profit shrank by 21% to R92.3-million for the year.

Alusaf and the Columbus stainless-steel project — if it comes on stream — will provide work for companies like Dorbyl, but chief executive David Mostert warns that engineering works will receive little business until 1994.

ad and is out

SA's on the road to India

Full-filt Tongaat could earn extra R70m a year

By JULIE WALKER

TONGAAT managing director of 16 months Cedric Savage has outlined two ways in which the diversified sugar company should be able to deliver real growth for shareholders.

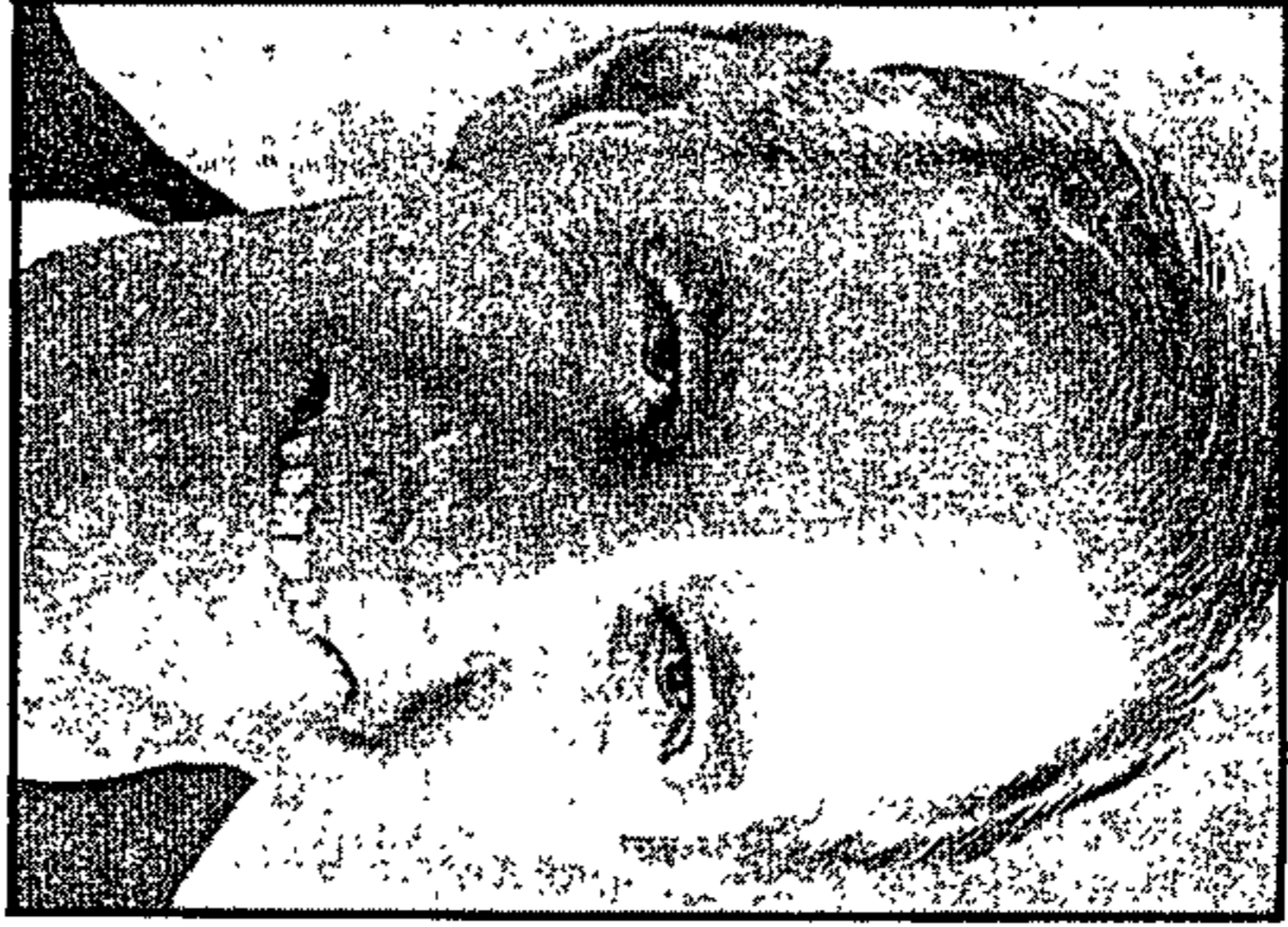
At a presentation to the Investment Analysis Society in Johannesburg this week, Mr Savage said that if all six manufacturing divisions were to operate at capacity, it could mean an extra R70-million for the bottom line.

Cities

There were smaller amounts of slack in aluminium and in starches and sweeteners.

The other major play Tongaat could make would be to unlock asset values.

Mr Savage gave examples, such as the sale to employees of company-owned houses.



CEDRIC SAVAGE Houses for sale to employees

to lower borrowings by R136-million to R551-million. At the 1992 interim, Tongaat improved its earnings on a 4% fall in turnover to R1.9-billion by being more productive and because of a 27% lower interest bill of R38.9-million.

Sugar dipped in 35% of the R142-million profit, albeit like mines in remote areas and they had to have a total infrastructure to attract people to work there.

In normal years, Tongaat's earnings are greater in the second half than in the first. But Mr Savage believed that drought, violence and recession would prevent a second half fillip in the current year.

changing the provision of export incentives and import protection. Loser Hebox denim was sold and the future profitability remained uncertain, he said.

Starches and sweetener products are used in beer and soft-drinks production, coffee and creamer products and paper manufacture among others.

Foods had a good year from maize meal and an improved performance from mushrooms. Tongaat also supplies eggs, cooking oil, animal feeds and cotton.

Singapore

Mr Savage said he was often asked whether bricks had a future in the new South Africa. In reply, he showed pictures of attractive low-cost brick terrace-houses in SA. He said they had a ready market.

He also showed applications of low-cost housing using Corobrik products in Singapore.

Tongaat's seventh division, property, is a significant contributor to cash flow. Its focus is administration of the group's significant land assets.

Mr Savage said attention had been paid to underperformers. In this weak economy, he was reluctant to make major changes through purchases of companies at unrealistic premiums or through sales at discounts.

SA's on the road to India

STWAVE (USS) 29/11/92

Multi-billion platform for growth in SA

SI Times (BUSS) 29/11/92
AN ambitious R10-billion-a-year private-sector plan to rescue the SA economy by restoring investor confidence was unveiled yesterday.

Platform for Investment (PFI), a project co-sponsored by Sanlam, Frankel Kruger, Ernst & Young and the Human Sciences Research Council (HSRC), aims to stabilise and improve perceptions of the likely investment climate in SA.

It calls for an annual R10-billion programme, financed in the main by the private sector, to provide 460 000 new jobs through promoting small and medium business and providing services such as water, sanitation, housing and electricity.

"Downstreaming 3% of GDP could develop 500 000 jobs a year among lower-income sectors in three years and push real growth rates to 5% a year," says the PFI team. These measures will be essential to combat unemployment, which PFI estimates at 30% of the active labour force.

The programme could raise SA investment spending to 21,7% of GDP from the unacceptably low level of about 16%.

The net investment rate, taking inflation into account, is 1,5% of GDP at present, "placing SA firmly in the Fourth World".

Finance Minister Derek Keys has identified the goal of dramatically increasing investment in the economy as the cornerstone of his economic model, which is due for release.

"Our prognosis is not doom and gloom," says PFI committee chairman Sydney Frankel.

Research by the team has found that a strong preference exists for political accommodation and that there is a marked convergence on economic issues.

Roadshow

The team interviewed 30 key South African decision-makers, conducted 100 technical interviews, including some with IMF and World Bank experts, and used survey data from interviews with 12 000 representative South Africans.

PFI was launched yesterday at the Lost City before an audience of several hundred businessmen. The Cabinet is expected to see the roadshow this week with briefings for the ANC, Inkatha and other interested groups to follow.

The team says the most likely scenario is a forced political marriage with either separate bedrooms (stressed power sharing) or separate beds (co-operative alliance).

Unification of parties, re-

By KEVIN DAVIE

gression to minority rule, majority domination after capitulation and fragmentation are ruled out as likely scenarios.

So are the possibilities of SA becoming a wasteland and mass action being used to ruin any political settlement.

PFI says domestic funding sources will have to be largely used for the reconstruction process, although it estimates that up to R3-billion a year will be available from the World Bank, African Development Bank, International Finance Corporation and other official agencies.

The Government would commit financial suicide by taking on additional burdens, says PFI.

"Future governments should explore the more attractive option of leaving such developments to the broader and more efficient canvas of the private sector." SA should not rely on foreign capital for its salvation.

"A realistic target in due course would be to look for a combined total (official plus private) of R6-billion. This would amount to 2% of GDP."

Frankel Kruger economist Mike Brown says that this year the domestic capital market has shown itself capable of financing a central Government deficit of between R25-billion and R28-billion.

Funds flowing to the life offices, pension funds and de-

Investment spending set for 21,7% of GDP

posit-taking institutions amounted to R68-billion in 1991.

"Allocating a small proportion to development projects would contribute substantially," says Mr Brown.

PFI suggests that between 5% and 10% of savings under control of the life offices be made available voluntarily for development spending.

It calls for the creation of two statutory bodies, a national housing fund and a business development fund.

They would issue marketable stock, attract grants from governments, raise international loans, run lotteries and enjoy an income stream from their loans and investments.

PFI supports megaprojects

such as Alusaf and Columbus which are set to benefit from the 37E tax breaks. It says the envisaged job creation programme will increase imports, putting a strain on the balance of payments.

PFI says current expenditure of about R800-million on small-business development is inadequate and should increase to R4-billion to provide 200 000 jobs a year.

This will need to be backed by spending of R6-billion on housing, electrification and water provision, providing another 260 000 jobs, or 460 000 in total, each year.

Team members include Mr Brown, the HSRC's Lawrence Schlemmer, Sanlam's Ronnie Masson and Andries du Toit and Ernst & Young's Ian MacKenzie.

New rules for offshore funding

FINANCE Minister Derek Keys has moved to plug the disinvestment of funds by South African firms.

His new ground rules for offshore investment could jeopardise several planned multi-million rand acquisitions which are still in the pipeline unless the buyers can settle the deals by loans raised abroad.

Keys says firms will be encouraged to borrow offshore and the repayments of these loans will have to be met by income generated by the new investment.

Only companies which can prove that their offshore acquisitions are of immediate short-term benefit to SA will receive approval to take funds out of the country.

Deals whose benefits will only flow

By **CHERYLYN IRETON**

through in the longer-term will be stalled.

Companies that have already received approval for offshore investments have been asked to make use of foreign funding to pay for their acquisitions.

In an apparent reference to Royal's planned £360-million purchase of Del Monte, Keys says the repayments of the foreign funding will be staggered over a period of time.

Future requests for foreign investments will be handled with the utmost care and circumspection, he warns.

A rash of offshore acquisitions

have been announced over the past few months.

They include Royal's bid to purchase Del Monte, First National Bank's purchase of London bank Ansbacher for \$60-million, Rand Merchant Bank's R17-million purchase of Australian Gilt Holdings and Standard Bank's acquisition of the African operations of ANZ Grindlays for R165,7-million.

Earlier this week, Sentrachem jumped on the bandwagon by announcing that it is looking to buy Kerry Packer's Australian petrochemical company Chemplex.

Sentrachem gave no hint of the purchase price being asked for Chemplex, but CE John Job indicated that less than half the purchase price would be settled in finrands. The rest

would be financed by loans.

This sparked further uncertainty in the financial rand market as prompted Keys to investigate foreign investments.

Earlier, brokers warned that instability in the financial rand market was driving away potential investors.

Despite the effective 40% discount which the finrand offered investors they were unwilling to commit themselves to volatile markets.

As a result of the disenchantment and the huge speculative activity in the markets, the financial rand slumped to a low of R5,09 this week from R3,90 at the beginning of August and R5,12 in early October, when news of the Del Monte deal broke

Hope and hopelessness

S/Times (Buss) 29/11/97

74B 750

EVEN the most economically illiterate is able by now to recite by heart the prerequisites for a revival of investment in the "new SA."

Acceptable political settlement equals confidence, equals investment, equals growth which in turn breeds jobs and enhances political peace. The virtuous circle is self-fulfilling.

The present situation is the opposite. John Taylor, analyst with James Capel, one of the few London broking houses to spend money on maintaining a fully fledged SA department through thick and thin, has returned from SA with a mixture of reasons for "hope and hopelessness".

Mr Taylor believes "a vicious circle is now in place. The longer a political settlement is delayed, the worse the economy will get and hence the more difficult it will be to reach a settlement."

He writes in Capel's Southern African monthly of the "mood of despondency among foreign investors" which has become manifest in the past few weeks; of potential interest drying up and of selling, "often at a considerable loss", by those who held SA securities.

Much the same point was made elsewhere: a room in the House of Lords where investment banker Martin Kingston of Morgan Grenfell spoke at a conference organised by West European parliamentarians.

Mr Kingston spoke plainly of the withdrawal of support by European banks and financial institutions which had put up funds for those first SA Government

Foreign investors are becoming disillusioned by the reluctance of South Africans to invest in their own country.

JOHN CAVILL IN LONDON



bond issues in the wake of the political changes.

The political confusion and deteriorating economy had "removed what interest there was in the early provision of capital to SA".

Both men, in slightly different ways, also said that it might be helpful if investment, like charity, was seen to begin at home.

MR Kingston said that the big foreign push by SA business unleashed by the country's international comeback — such as the Royal Food-Del Monte deal and First National Bank's acquisition of Ansbacher — was logical.

How far and how much longer the Reserve Bank would allow it to continue was uncertain.

In addition, said Mr Kingston, "to attract foreign capital into SA, the domestic financial com-

munity of both lenders and investors shall need to demonstrate confidence in their local environment rather than exporting resources, skills and capital".

Mr Taylor, too, has doubts about the Reserve Bank's attitude to external investment through the financial rand.

But, more specifically, the Capel review takes the SA investing institutions, holding 23% of their assets in cash, to task for their attitude to the two big capital-raising projects:

- The R6,5-billion Alusaf smelter which could add 1,5% to annual gross domestic product, \$750-million to export earnings and generate a total of more than 30 000 jobs.

- The R2,6-billion Royal-Del Monte deal which will provide 50 000 to 60 000 jobs in five years.

Mr Taylor acknowledges there are reasoned arguments behind

the caution of institutions which have been less than enthusiastic — putting up only half the expected R1-billion for Alusaf and 80% of that coming from Old Mutual and Sanlam alone.

"There are really two things that SA institutions had to consider when they were asked to subscribe to the Alusaf project," says Mr Taylor who headlines it "A symbol of hope".

"Firstly the quality of the project itself and second whether they wished to invest in the long-term future of SA. On both counts there are mixed feelings."

"Unfortunately these are not normal times in SA and we feel that they should have been a little more supportive," writes Mr Taylor.

HE warns to the theme more strongly in speculating about the amount the institutions will put up for Royal's big expansion.

"Will they think it their patriotic duty to subscribe as it will create jobs? Given their lack of ringing endorsement for Alusaf it seems that love of the motherland will not play all that large a part.

"As an aside, despite the terrible recession it is remarkable how much money the institutions are pumping into commercial property such as fancy shopping malls."

It is little short of an indictment of narrow actuarial focus on quick bottom-line returns at a time when long-term vision is the imperative and begs the question of why foreign investors should take a different view of SA's future.

Expert weighs up funding options

6/04 30/11/92
SA COULD raise foreign funding worth R1bn a year to finance an economic recovery programme, Frankel Max Pollak Vinderine chief economist Mike Brown said at the weekend.

Brown told the Platform for Investment conference at Sun City at the weekend: "This is a realistic target that can be raised from abroad, but there are some problems."

He said these included the fact that money from abroad was conditional and often had strings attached.

Money could be raised domestically as SA had a "massive capital market" with more than R70bn held in long-term savings.

The conference called for R10bn to be invested in the country annually to provide about 460 000 jobs a year by promoting small and medium-size enterprises, services such as water, housing sanitation and electricity, and large capital projects to keep SA out of balance of payments difficulties.

Job creation in small businesses was low-cost, with the capital cost amounting to about R18 000 a job, compared with R50 000 a job in the formal sector.

The Industrial Development Corporation had indicated it intended to invest in export projects to the value

of R29bn over the next five years and should generate export earnings amounting to R10bn, he said.

"Upstreaming" into higher value-added export products would provide the best short-term solution to a possible balance of payments constraint in the absence of the rise in gold, precious metals and other commodities prices.

An investment target of 25% of GDP should be set. The figure was currently about 18% which, said Brown, was just above the inflation rate. If the R10bn was spent, it would bring investment to 21,7% of GDP.

"The greatest threats to monetary stability are no longer excessive money supply growth, a falling rand or extreme inflationary expectations, but rather a lack of fiscal control."

It appeared that exchange control and the financial rand were here to stay, which were detrimental to investment and gave private and public foreign investors cause for concern when studying SA as a recipient for their capital.

"Making the best of the situation will require that exchange control regulations are applied uniformly, are transparent and allow free entry and exit."

JONO WATERS

Keys makes move to safeguard the financial rand

By Derek Tommey

The financial rand should rise sharply against the dollar in the wake of moves at the weekend by Finance Minister Derek Keys to limit its use for foreign investments.

The confidence-inspiring move is expected substantially to reduce the flow of financial rands to overseas markets in the weeks ahead.

No detailed figures are available on how many financial rands would have gone abroad to conclude transactions already in the pipeline were it not for Keys' intervention.

But estimates are that the total could easily have exceeded R1 billion.

Curbing this outflow should

74B
result in a strong rally in the currency because a restoration of confidence in the financial rand's future worth, together with any short-covering that might be necessary, is likely to trigger an upsurge in foreign buying.

Keys at the weekend requested South African companies which already have permission to make investments overseas to use foreign sources of finance instead.

They would also have to make arrangements to stagger the repayments of their foreign financing.

He said the exchange control department of the Reserve Bank had been instructed to handle requests by local companies for permission to make new foreign investments with circumspection.

STAR 30/11/92
Approval could still be granted for those investments which might be seen to be of immediate benefit to SA in the short term.

But investments with a longer-term benefit only will have to be held in abeyance.

Keys said the financing of most new approved investments overseas would have to be done through foreign loans, with repayments being met out of the income generated by the new investments.

The curbs on the use of financial rands are, in a way, good news for companies now making investments overseas.

The slump in the financial rand has meant that they are having to pay almost 70 percent more for their investments than would have been the case had they bought them with commer-

cial rands.

By giving them permission to raise finance overseas — something the Reserve Bank has not been keen on — to make foreign investments, they will at least save the extra expense, providing, of course, they can find foreigners to lend them the money they need.

For the past month or so the value of the financial rand has been steadily falling.

Last week the currency's discount to the commercial rand widened to more than 40 percent — the largest figure since 1986.

This has been interpreted by people overseas to mean South Africa is in serious difficulties.

Consequently, the need to strengthen the financial rand is a matter of both political and economic importance.

Capital outflows still outweighing inflows

STAR 30/11/92

Business leaders seldom waste an opportunity to tell politicians that without political stability there will be no foreign investment.

Recent evidence suggests they are at least half right.

A study by the London School of Economics (LSE) shows that while SA has enjoyed a renewal of foreign direct investment since President FW de Klerk embarked on reforms in late 1989, it has been less than half as much as disinvestments and investments abroad by SA companies in the same period.

A recent study by the Washington-based Investor Responsibility Research Centre (IRRC), concludes, however, that the trend of disinvestment has been reversed in the past year.

A longer-term perspective on capital outflows from South Africa is offered by Michael Marks, chief executive of brokers Smith New Court.

He notes that since 1959 capital inflows have totalled R100 billion in 1990 values. During this period, disinvestment has taken R84 billion back out.

He speculates that without spells of heightened political tension, South Africa could have expected capital inflows to have continued, as they did between 1946 and 1959 and between 1965 and 1976.

This might have added another R104 billion in 1990 terms.

It is hardly surprising that foreigners are holding back.

Business confidence, reported recently by the Bureau of Economic Research (BER) to be at its lowest level since ex-President PW Botha's disastrous Rubicon

speech in August 1985, is clearly the key factor, with political uncertainty one of the main contributors.

But there are also important economic realities which are a disincentive to investment.

Edward Osborne, group economist at Nedcor, listed them earlier this year as including such factors as high tax rates, high wage rates in relation to skill and productivity levels, shortages of skill, highly politicised trade unions, and high inflation. — Financial Times.

Rand could come under pressure

By Neil Behrmann

LONDON — The financial rand is expected to outperform the commercial rand in coming months as international investment confidence improves.

Since Finance Minister Derek Keys announced that SA corporate acquisitions abroad would be tightly monitored, the financial rand has rallied by 5 percent from its depressed level of 19.65 US cents to the rand. In the same timespan, the commercial rand depreciated by a little over one percent against the dollar.

The US dollar is expected to consolidate in the next six weeks, at least until the start of the Clinton Administration at the end of January.

Eight leading international foreign exchange analysts, traders and technical analysts believe that the dollar will fluctuate within a three percent band against the Deutschmark and sterling in the coming three months. The yen/dollar rate will hardly move.

If these forecasts are correct, the commercial rand's weak-

ness against the dollar will be limited.

London bankers who trade in the South African currencies, however expect the commercial rand to weaken further for another reason. They believe that the Reserve Bank will eventually allow some companies to fund foreign acquisitions with commercial rands.

Any outflow will place pressure on the commercial rand, say dealers. The commercial rand has already fallen, partly because of these expectations, say bankers.

Investigation

Usually the Reserve Bank handles currency matters, but the fact that Keys is also conducting an investigation into the problem, say London bankers, indicates that any new South African corporate investment abroad might be taxed.

If the corporations are willing to pay the tax which might be allocated directly to deprived areas, the Reserve Bank will selectively allow funds to be transferred via the commercial rand market.

The commercial rand is presently trading at a 60 percent

premium over the financial rand. So SA corporations buying companies abroad are already effectively paying a huge tax.

For each \$10 million of foreign investment, an SA company must pay R48 million instead of R30 million via the commercial commercial rand market.

Intervention by the SA authorities has become urgent say bankers here, because the financial rand rate was going into free fall.

Now that the authorities are investigating ways to reduce the acute currency risks which overseas investors have encountered during the past year, foreigners are once again buyers of SA securities.

Bankers report that Swiss, German and Far Eastern investors have been buyers of SA bonds since the financial rand rate has stabilised.

With SA bonds trading on yields of 22 to 23 percent the financial rand should appreciate, say London bankers. Particularly if SA capital outflows via the currency are controlled.

The financial rand discount is thus expected to narrow.

Bankers here believe that

STAR 2/12/92

until recently the Reserve Bank and many South African banks, economists and corporations have taken a remarkably insular view of the finrand collapse.

According to this local view, SA company investment abroad through the slumping financial rand was acceptable because it did not have any impact on South Africa's foreign exchange reserves.

Some also said that by buying high yielding SA securities, foreign investors knew that the risks were high. They did well between 1990 and 1991, so there was little cause for complaint.

This argument, however, is specious.

On the edge

It is South Africa that needs the international investor, not the reverse. International investors can place their funds anywhere in the world. The tragedy for South Africa is that it has become very much on the periphery.

The financial rand collapse has had a damaging impact on foreign investment goodwill which is already shaky because of South Africa's volatile politics.

Finrand move imperils Aussie deals

Derek Tommey

Considerable uncertainty exists over the plans of Trans-Natal to buy a stake in the Australian coal mining company, McIlwraith McEacharn, following the SA government's ban on the use of financial rands for foreign investment.

"Not finally shelved, but it is unlikely it will proceed," a Trans-Natal spokesman said last night.

The Department of Finance said last weekend that it would no longer allow finrands to be used for foreign investment, except in exceptional circumstances.

Trans-Natal had been negotiating to buy the 46 percent holding in McIlwraiths held by the Australian firm TNT.

Australian finance sources yesterday were speculating that Pretoria's decision might also affect the proposed purchase of the Sydney company, Chemplex, by Sentrachem, The Star's correspondent in Melbourne reports.

The sources said an agreement had already been reached at a price of R250 million to R330 million.

A Sentrachem spokesman said last night that

activities connected with its proposed acquisition of Chemplex were proceeding according to plan, and discussions with the Reserve Bank were continuing.

Bankers in Johannesburg said it might be possible that Sentrachem and even Trans-Natal would scrape under the ban as they were negotiating before it was imposed.

But it is unlikely that any other company will be able to invest overseas as long as the ban continues.

The only way that a company with no foreign connections can now buy an overseas company is to find a seller who is prepared to grant the SA company a 100 percent loan. But such generosity would be hard to find, a banker said.

On the other hand, any company which already had a base overseas was well placed to expand further and would probably get a substantial competitive advantage over its SA competitors, he said.

For this reason, it was hoped that the ban would be lifted as soon as possible, he said.

The banker said offshore investments were not motivated by the desire to escape local political difficulties.

SA firms had many good reasons for opening up overseas.

They might have saturated the SA market and might need to expand abroad, as was the case with Sappi and Mondi.

It was this consideration that also brought many foreign investors to SA between 1950 and 1975, he pointed out.

They might also be seeking foreign knowhow.

This is believed to be one of the reasons for the Sentrachem purchase.

In the case of banks, they needed to operate overseas or risk losing existing business to foreign operations.

The ban has led to a slow but steady strengthening in the financial rand.

Last night its discount to the commercial rand had dropped to 38 percent from 41 percent 10 days ago.

Recovery prospects dimmed by lack of fixed investment

STAR 4/12/92

746

By Sven Lünsche

Chances of a sustained recovery are being undermined by a renewed decline in fixed investment.

The Reserve Bank says in its quarterly bulletin that fixed investment, generally viewed as a key to job creation, has slumped by 21 percent since the third quarter of 1989.

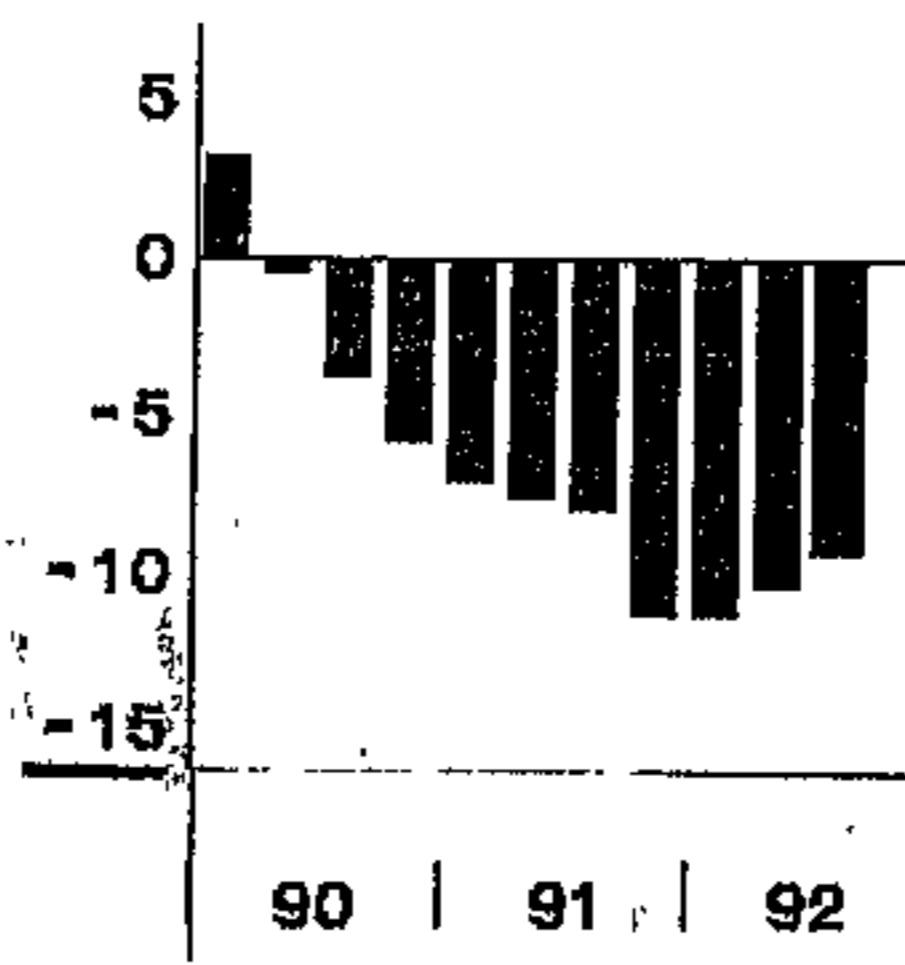
Relative to gross domestic product (GDP), fixed investment declined to its lowest level ever of 16 percent in the third quarter this year.

This compares with an average of 23,5 percent in the 1980s and with 21 for industrial countries and 31 percent for newly industrialised countries.

The Bank says investment in new plant and equipment was constrained by the poor outlook for domestic and global growth and a "generally conservative attitude towards capacity creation in an environment of political uncertainty".

The poor performance of the SA economy in the third quarter — it contracted by 5,5 percent — was further fuelled by a depletion in stock levels and a decline in spending by all sectors, including the Government.

The three percent fall in real consumption spending by the Government in the third quarter and followed two quarters of sharp increases and, according to the Bank, was mainly due to cutbacks in spending on goods and services.



Real gross fixed investment (percentage change over a year)

The Bank, however, remains critical of the public sector's burgeoning deficit before borrowing, which amounted to nine percent of GDP in the first half of the 1992-93 fiscal year.

Labelling fiscal policy as expansionary, it says the deterioration in government finances was largely due to the soaring deficit, but also to the fact that the surplus of TBVC countries and self-governing states had declined to R500 million so far this fiscal year from R2,3 billion in 1991-92.

Overall domestic expenditure fell by 7,5 percent in the third quarter, after dropping seven percent in the preceding quarter, fuelled mainly by a three percent decrease in private consumption expenditure.

The cutback by households was particularly evident in the spending on durable and non-durable goods, both of which recorded declines of six percent.

Latest output figures show

the overall economy contracting by 3,5 percent since the beginning of the downswing in the first quarter of 1989 and leads the Bank to suggest that GDP will fall by two percent this year.

Turning to foreign trade accounts, the Bank says the surplus on the current account dropped sharply to R400 million in the third quarter from R1,3 billion in the second quarter.

This was mainly due to the drought which forced SA to become a net importer of agricultural products.

However, on the capital account the net outflow slowed to R1 billion in the third quarter from R1,9 billion in the preceding quarter.

So far this year R2,9 billion has left the country, compared with R1,4 billion in the first nine months of last year.

The outflow of funds took place largely in short-term capital, largely due to a R500 million debt repayment in terms of the standstill agreement.

The net outflow of long-term capital increased to R300 million in the third quarter.

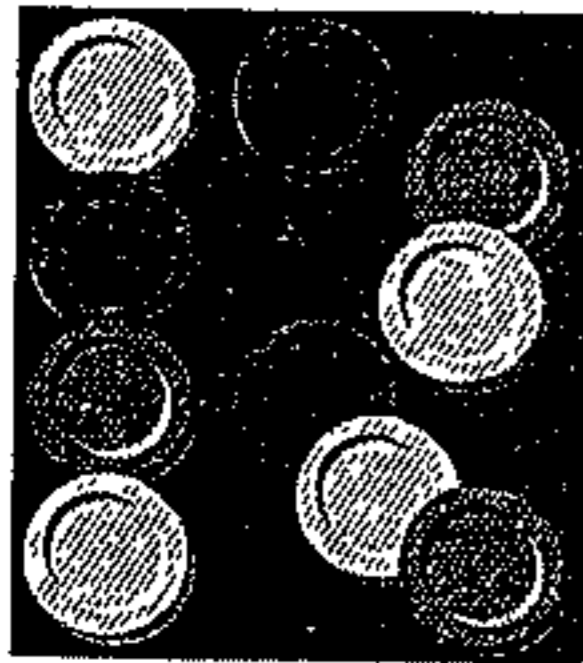
As a result of the smaller surplus on the current account total net reserves fell by almost R600 million in the third quarter, although the gross gold and forex reserves continued to rise.

The Reserve Bank says that in April the local foreign exchange market handled on average transactions worth \$4,2 billion per working day, of which spot transactions accounted for 56 percent.

FINRAND INVESTMENT FM 4/12/92 (74B) ~~74B~~

Back to the Rubicon

Companies pursuing worthwhile opportunities abroad should not be blocked



Whatever else an observer might be tempted to conclude, SA is clearly not a country in which international businessmen are keen to invest. The trouble is that, as a philosophy, this appears to have

gained at least as much credibility among SA businessmen as it has among sceptical foreigners.

Many SA companies are willingly applying huge sums in the pursuit of acquiring overseas assets, often at inflated prices (because of the effect of the financial rand) in order to diversify out of the country. They have been able to take advantage of this route, with Reserve Bank approval, for some years now; in recent months, however, the practice has gathered pace. The boxed list on the next page is by no means exhaustive but it adds up to the export, through the financial rand (FR), of about R6,5bn over the last two years — a substantial sum in anyone's language.

One result is that the unfortunate FR, the currency through which all this activity occurs, has had to absorb unprecedented strain. It does so by reflecting anticipated demand through huge variations in its discount to the commercial rand. And this volatility has attracted widespread and vocal condemnation by foreign investors in the JSE.

Now, Minister of Finance Derek Keys has

decided to restrict the use of the FR by local institutions seeking to invest abroad. Only some of the moneys needed for purchase can be exported through the FR. The balance, perhaps the larger portion, must be secured by raising overseas loans. What's more, Keys says SA companies must satisfy his ministry that the intended investment would produce an "immediate benefit" for the country.

Predictably, Reserve Bank Governor Chris Stals was reported as welcoming the new measures and he told *Business Day* that quite a few companies with applications in the queue would have them turned down.

So, we are back to more controls and more limitations. Keys's actions — rather surprising, given his unimpeachable record as an accomplished businessman — merely add yet more bureaucracy to an already unwieldy system. But more important, they make SA business even more uncompetitive in a tough and hostile world.

Almost all the deals which have excited so much unfavourable overseas comment have taken place through the FR which has moved from a discount of about 10% to the commercial rand in November last year to 40% currently. And yet the exodus continued. Some appear to think the queue at the Bank of anxious businessmen waving details of their deals has spilled over to the pavement.

And, unfortunately, disinvestment by foreign companies has continued. After a lull for most of 1991, while the implications of President F W de Klerk's reform initiatives were absorbed, several large companies de-

decided to remove themselves from the country. The UK's Blue Circle sold its remaining 42% in Blue Circle SA to Murray & Roberts for about US\$150m; Pilkington sold its 48% stake in Glass SA to PGSI for about \$200m;



Keys

Reckitt & Colman sold its food interests for \$40m; B Elliott sold its controlling stake in Gold Fields Industrial which it had held for 25 years; and Nueva Holdings AG also took the opportunity to depart.

So we have experienced a double dose of departing money: by SA companies anxious to acquire offshore assets and by international companies shaking the dust of SA from their feet.

This is not to say that no-one wants to invest in the country. The London School of Economics Centre for the Study of the SA Economy (*Quarterly report* November 1992) estimates that about \$1,5bn has been invested in SA since 1989. 20 projects, out of a total of 51 identified by the LSE, accounted for inward investment of about \$700m. Most of the projects were small, many of them below \$15m, but some represented significant new investments. For example: BMW's decision to invest R100m in a new local content programme; Johnson Matthey's to build a R35m plant to produce catalytic converters for export; and Hoechst's decision to embark on a R100m expansion programme.

Nevertheless, since the reform process began there have been some large investments overseas by SA companies. Those that stand out notably are in the paper sector, where Sappi and Mondi together contrived to invest about R2,2bn, and in food where the Royal deal to take control of Del Monte Foods International (see *Fox*) is expected to be concluded this week at a price, probably, of around R2,1bn.

The sum of disinvestment from SA by overseas companies, coupled with the investments made internationally by SA companies, outweighs the impact of new investment in this country over the last three years — probably by a factor of more than two to one. The direct impact of disinvestment by overseas companies and by SA companies abroad is, of course, alleviated by the FR mechanism: observers have only to look casually at the performance of the FR to see the strain it has taken, certainly in the last year.

SWIMMING IN THE FINRAND POOL

The financial rand (FR) is essentially a "bookkeeping" mechanism designed to prevent the withdrawal of monetary assets from SA. It is the name given to rand assets owned by nonresidents.

There is a liquid "pool" of FRs held in and out of SA by brokers and bankers who trade in FRs as a commodity and who provide a market for investors wanting to acquire FRs. Dealers affect the size of the pool by arbitrage between the JSE and the London and New York stock exchanges.

For each overseas investor who wants to invest in SA, there has to be one willing to disinvest. For this reason, the value of the FR as measured against foreign currencies is an indicator of investor sentiment about SA.

If foreign holders of FRs want to convert these into, say, dollars, they must buy SA securities which they then sell on overseas markets. If such a transaction occurs in sufficient volume, the effect is that the share price falls in comparison with that ruling on the local stock exchange; it also has the effect of bringing down the value of the FR.

It follows, therefore, that the price of the FR is determined by the supply of and demand for FRs in the pool and by the differences in prices of shares on the JSE compared with overseas exchanges.

The FR has always been regarded as the barometer of foreign investor sentiment. Now, however, it could more accurately be regarded as a test for local disinvestment sentiment.

KING WILLIAM'S TOWN MASSACRE

FM 4/12/92

A perverse mentality

One had hitherto thought of Benny Alexander, secretary-general of the Pan Africanist Congress (PAC), as politically outrageous. In the light of his comments on the King William's Town golf club dinner massacre he is clearly also malignant.

If one fundamental problem of our new society is that it has bred a cold disrespect for human life — an attitude seen on all sides — then Alexander has carved out a special niche in the annals of political callousness.

His remark that "there is a lot of international hullabaloo around the attack purely because white people have died" is so shocking that it raises the question of whether anyone whatsoever should be talking to the PAC. For, indeed, it may well have placed itself now beyond the bounds of morality and reasonable negotiation.

Alexander has come perilously close to a call for race war — the horrible spectre which the whole process of reform and reconciliation is designed to avert.

How else can reasonable people interpret his macabre remark that these killings reflect a "racial attitude by the regime, the security forces and the media which leads many ordinary Africans to the conclusion that the violence will be treated more seriously and indeed ended if it is not confined only in the townships but spills over to white areas"?

The suggestion that white people are unconcerned by violence is racist and comes from the same perverted mentality that boasts the slogan: "One settler, one bullet." It cannot be defended even in terms of liberation rhetoric.

Someone purporting to be from Apla — the PAC's externally based and controlled armed wing — has claimed responsibility for the massacre, as well as attacks on policemen and farmers. Alexander says he knows nothing about this one way or the other, since the PAC has no control over its army. That raises the question of what exactly are the PAC's political objectives — if they are at all coherent — and to what lengths it will go to achieve them.

To whom Apla reports is a telling question. For when the visible leadership of an organisation defends "One settler, one bullet" it must be expected that, down the line at least, some cadres will take it seriously and act on it as an instruction. It is an act of monumental irresponsibility, of the kind that should be foreign to any organisation that aspires to national leadership.

The ANC — which has condemned the King William's Town killings — has been sufficiently responsible to suspend its armed struggle, at least while it is involved in negotiations.

No such concession has been forthcoming from the PAC, though these days it will talk to almost anyone with the time. It should be recalled that one of the reasons for the split between the ANC and PAC in 1959 was because Africanists considered the Congress too conciliatory towards whites — and that racial attacks on whites, particularly in Transkei,

emanating from PAC sources, date back to the Sixties.

By continuing — and defending — such a policy, the PAC, as it stands, has removed itself from the mainstream of political debate and will have to be dealt with as a terrorist organisation. No indemnity covers its current deeds — and it would be highly inappropriate were this ever to be the case.

Unfortunately, of course, we have no guarantee that any future government will not indemnify the Apla killers. This is what the *FM* warned when Barend Strydom was swapped for Robert McBride earlier this year. The deep cynicism behind that move has stained the credibility of all future deals struck in the name of reconciliation and goodwill.

Peace will not be won by a balance of psychopaths.

Reports that the AWB intends to step up patrols in the eastern Cape — racial tinderbox of the New SA — raise the prospect of reprisals. Who knows how matters could degenerate after that? This is what Alexander's gloatings could help bring about.

The sensible course for government and ANC at present is to sterilise the PAC — to cease all negotiation with it until it has repudiated its slogans and reined in its killers pending their trial for murder. It would help if it was made plain that there can be no indemnity for them, though a government which has not yet adequately probed its own death squads may have neither the inclination nor the moral authority to issue such a statement. But it would be a step towards decency.

There is much about the PAC that smacks of the Irish Republican Army — both are fanatical, indiscriminately cruel, vengeful and without any sense of ordinary human decency. If they cannot see how heinous are acts of mindless brutality such as the King William's Town killings, how can they be considered capable of reasonable negotiation and dignified participation in a just and honourable democracy?

No amount of dissembling can justify this attack on grounds of provocation. It was a deliberate act of supreme cruelty, clearly intended to frustrate the fragile moves towards peaceful negotiation and incite further violence. It places the PAC beyond the pale.

But it emphasises also that if there is to be peaceful progress in our country, deep-seated prejudices have to be overcome and motives questioned, even among those who hold themselves out to be men of peace.

The IRA is able to count too often on at least tacit support from the clergy in Ireland and elsewhere. The SA Council of Churches, which should be at the forefront of peace initiatives, cannot even today bring itself to eschew trade sanctions, which are inherently violent in that they force the poor into degrading poverty; and the SACC still participates in public demonstrations clearly calculated to heighten the levels of violent reaction and dissension within the country.

Has the SACC become to the PAC what the church in Ireland is to the IRA? ■

Why are SA companies so anxious to invest overseas? And why are outsiders so reluctant to invest here? It is certainly not taking place because there are so many great opportunities in thriving economies elsewhere. In the UK, for example, there have been three years of negative growth just as in this country.

The reason is clearly political and the dilemma cruelly illustrates a Catch 22 situation. International investors shunned the spectre of civil war and the dead end of apartheid. Now, they shy away equally from the uncertainties of transition. The examples of the rest of Africa and the populist regimes of South America are too current in the lexicon of the international investor.

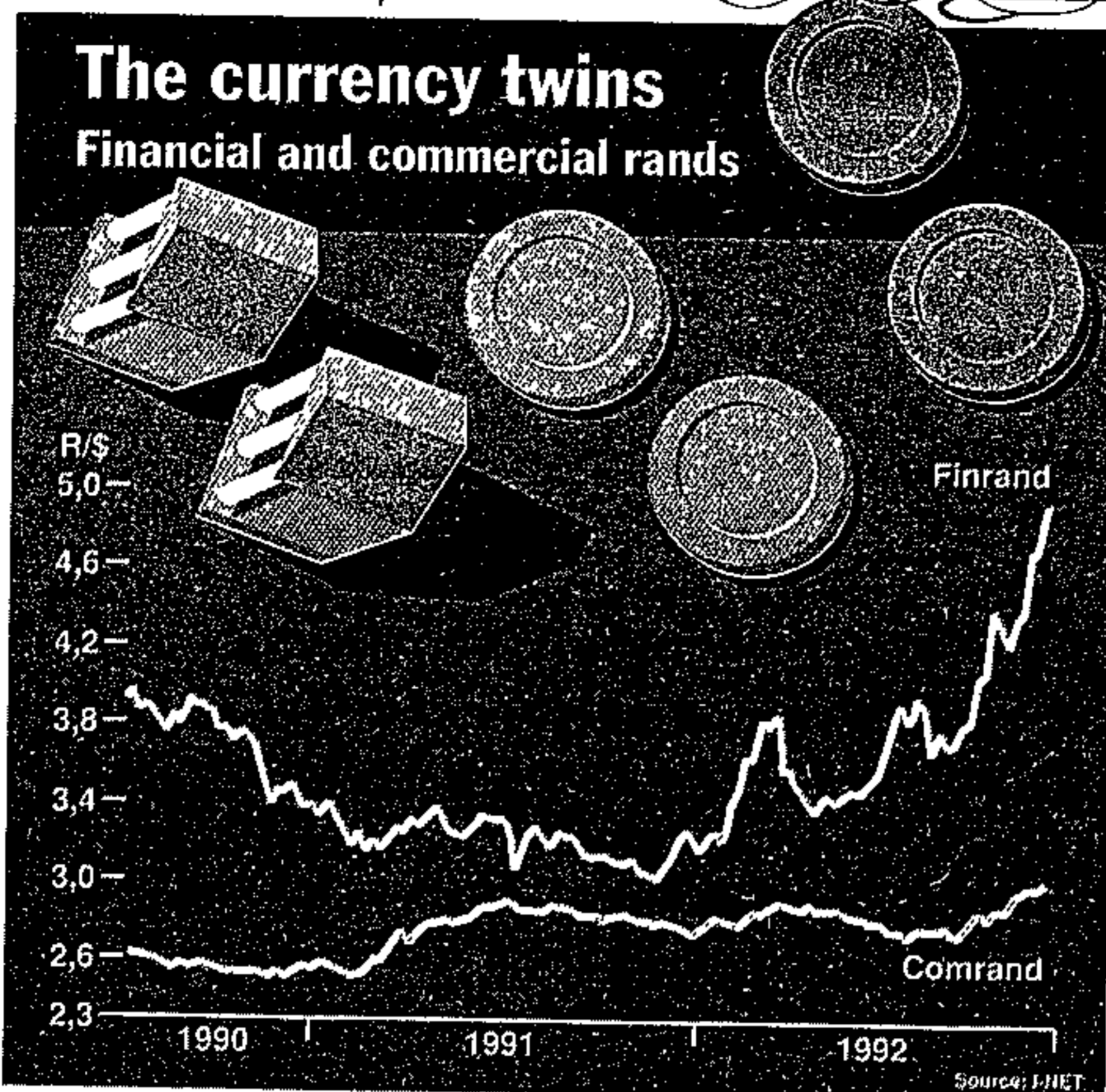
Nor is SA a country which has opportunities falling off every branch. A new investor has any number of imponderables with which to cope and these include the potential unreliability of a transitional government — and certainly of the first popularly elected government. Then there is an alienated, unproductive and militant labour force and a temptation by SA politicians to rattle the populist sabre at every opportunity.

The question for the future is whether SA's governments can learn the lessons of other successful nations before they are taught with the unemotional imperative of the market place. This is the about-turn in national perceptions and policies of which Lee Kuan Yew spoke at the recent *FM* Investment Conference.

Some nonsense has been circulated too about the international investment programmes of SA companies. The commonest is that if SA companies won't invest in SA, why should overseas investors do so? And the answer, of course, is that the requirements of the two groups are not necessarily similar. All successful countries have long followed a path of distributing their investments on an international basis. It makes good sense to hold strategic assets in countries which may follow different economic cycles: what else, for example, have Japan and Kuwait been doing for years?

But that does not entirely answer the suspicion held in some circles abroad that SA companies are desperate to invest outside the country because they are fearful of the course which may be adopted by a popularly elected government. And there is probably some truth in it, though no-one in any of the companies concerned would ever admit it.

The FR is a thin and artificial market (see



box). It follows, therefore, that it is susceptible to inflows and outflows — much more so, in fact, than would be the commercial rand in the absence of a dual exchange rate system. And the volatility of the FR has become extreme. Since it is the currency in which international investors buy and sell SA shares, the volatility is deterring investors.

“My people,” says a UK broker, “are thoroughly fed up with their SA investments. The price swings are enormous. Today they're making a profit; tomorrow it's a huge loss. They're going cross-eyed trying to follow what's going on. Many of them have instructed us to sell them out and to invest the proceeds in similar stocks elsewhere.”

In a market which now perceives that action of some kind is necessary, the Bank and the Treasury have decided on a course which will dictate the short-term future of the two-tier exchange rate mechanism.

The alternatives were to restrict the use of the FR to foreigners only, its original purpose, or to allow locals to make use of it under certain approved circumstances, thereby ensuring the continuation of large discounts and heightening the incentive to “round-trip” or to abolish the dual exchange rate system altogether. And, predictably, the authorities have chosen to make life a little more difficult for locals.

The last time the FR was abolished was in February 1983. The circumstances then were altogether more propitious and a new-

found optimism was buoyed by a rising gold price. In what was a well-executed move at the time, the unified rand opened briefly at a level higher than the previous commercial rand rate. Those hopes, of course, were destroyed by the Rubicon speech of 1985.

In one of those delicate ironies, the re-introduction of the FR in August 1985 was brought about largely by the impassioned urgings of stockbrokers who saw the FR as the only mechanism available to forestall an anticipated run on SA equities after Chase Manhattan refused to roll over SA loans. The run on equities failed to materialise, but we have had the FR ever since. So much for attempts to remove the hothouse effect from the JSE.

The only reasonable course of action in these circumstances is for the authorities to be sensible, though that may be asking too much. In the absence of a single currency, we have to accept that the FR will be increasingly vulnerable and volatile. Promises of Bank intervention to support the FR have proved to be the hot air suspected at the time.

If SA companies see worthwhile opportunities abroad which will bear the premiums inevitable through the use of the FR, they should be permitted to pursue them. It is positively not the business of the Bank or any civil servant to make decisions on commercial viability. We are frankly surprised that Keys, a businessman with a considerable reputation, should see fit to allow civil servants to make commercial judgments for which they are patently unfitted.

If SA companies make mistakes in their headlong rush to develop foreign assets, they should be called to account by their shareholders; that is what accountability to owners is all about. It is certainly not a function to be transferred to luminaries in the Ministry of Finance.

Meanwhile, the sad but inescapable truth

WHO BOUGHT WHAT

SA Company	Value Rm	Date	Purchase
Sappi	1,7bn	Jun-Nov 92	Hannover Paper (Germany)
Mondi	560	Mar 92	Frantschach (Austria)
Royal	2,1bn	Nov/Dec 92	Del Monte Foods (UK)
FNB	413	Nov 92	H Ansbacher (UK)
Voltex	142	Sep 92	Bennet & Fountain (UK)
Barlows ..	200	Sep 92	Bibby (UK), Rights issue
Sentrachem	330-490	Nov 92	Chemplex (Australia)
Standard	212	Nov 92	ANZ African Bank Ops
M-Net	260	Feb 92	FilmNet (France)
Investec	185	Oct 92	Allied Trust Bank (UK)
Liberty	774	May 91	Transatlantic (UK)

Note: This does not purport to be an exhaustive list

is that Keys's action over the weekend is nothing more than a short-term placebo. SA will continue to have two currencies and exchange controls. Something rather more positive needs to be done to ensure our integration into the world financial system. Until then, SA business will continue to operate at an unfortunate disadvantage.

FM BOARD OF ECONOMISTS

FM
4/12/92

Restructuring and adjustment

This FM Board of Economists' discussion focuses on structural issues in the economy. Participants are JCI's Ronnie Bethlehem; Aubrey Dickman, of Wits Business School; and the ANC's Tito Mboweni. Sacob DG Raymond Parsons as usual asks the questions

Parsons: What do you see as economic restructuring, and what kind of structural adjustment programme do we need?

Mboweni: There's an important distinction between structural adjustment and restructuring. Restructuring normally takes place within a country which sees a need to bring about some change in its economy, and perhaps in other aspects of society. Structural adjustment is related to a situation where, say, you have a balance of payments deficit and exhaust an IMF facility. We are basically dealing with the former. The first key question is the need to devise a package that will increase savings and investment; the second revolves around industrial strategies.

SA can no longer depend on mining, so we need cost reductions that will make us internationally competitive. We must develop an indigenous capital goods sector which will allow a significant cut in the import of goods and invest in R&D and the type of human resource development that will enable the industrial strategy to proceed.

The other element of restructuring concerns government, its size and role. The structure of incomes also impacts significantly on the structure of demand.

Dickman: We must be careful about talking about restructuring the whole economy. We have what people now call a civil economy; we don't suffer from the terrible legacy of a command economy. The basis of our economy is there. Anything we want to achieve, be it redistribution or whatever, can be achieved only in terms of economic growth.

Bethlehem: Selective restructuring is a contradiction in terms. If one accepts that restructuring is necessary, as I do, then it has to be approached holistically. Links between income, production and expenditure are important, and circular.

Restructuring has to be in the context of a market economy, not just because we might so decide but because we are set in a global

market economy, and many important influences on policy and strategy are exogenous.

Parsons: Can we draw a distinction between economic restructuring aimed at efficiency and that focused on equity?

Bethlehem: We must. Even had there been no apartheid, this would have been an unbalanced society because of the way in which the economy would have developed. This is a small, open economy. It has to stay efficient and competitive in a global context. Setting about restructuring for one reason can in the short — or even medium — run apparently conflict with the other need.

Mboweni: The dichotomy between efficiency and equity should not be over-emphasised. We should emphasise how to bring about



The board meets ... clockwise, from the left, FM deputy editor Michael Coulson, Mboweni, Bethlehem, Parsons, Dickman and FM assistant editor Ethel Hazelhurst

their unity. Equity relates not only to social development but to the whole structure of the economy. For example, the virtual exclusion of black entrepreneurs from the main productive economy cannot be dealt with just by social expenditure.

Dickman: To achieve all this and still get growth would be much easier if we'd had consensus on the context in which economic activity takes place. Talk about nationalisation, not having foreign investment, or telling foreign investors what to do, are the sort of thing that have deprived us of foreign investment — which is vital for growth.

Parsons: Why does restructuring feature so strongly in our economic debate? Would it indeed raise the ceiling on our growth and job-creation potential?

Dickman: Even if they weren't liberal politically, liberal economists — all the way back to Hutt in Cape Town in the Twenties — railed against a system which excluded most people from the opportunities of economic growth and being drawn into the economy. If we restructure correctly, it must raise the

ceiling of growth and job creation

Mboweni: There are major and fundamental structural rigidities inherent in the economy. Our economy was founded mainly on mining, which depended on cheap labour. As we developed an agricultural and industrial base, they too were supportive of the mining sector. Import substitution did not focus on the serious development of an indigenous manufacturing capability but still depended on the import of capital goods. Now after 1973 you no longer have cheap labour, as a result of the growth of powerful trade unions. This is a major structural challenge.

Bethlehem: Structural adjustment or restructuring are necessary for two reasons. One, the global economy has changed, but the SA economy has not. Secondly, internal socio-political change necessitates economic change. Previously the mass unemployed were disenfranchised. The moment you enfranchise them you change everything from the point of view of policy formulation.

When we talk about growth, there is no harmony of understanding. Some people talk about real GDP growth; others about return on investment growth; others about growth of earnings per share adjusted for inflation, or share price growth. Then there are real labour earnings and employment growth. Of course, it can be convenient sometimes to talk about growth and mean different things.

Dickman: I sense a touch of *dirigisme* here. Why should an economy which once exploited a comparative advantage in a certain world setting, faced with a change in that setting, not respond, if you remove impediments to the use of labour? There seems to be an implicit assumption that markets will not work. But we are only now creating the conditions for markets to work.

Bethlehem: In SA there can be no restructuring of the kind that is desirable without the State, so we must think hard about what the State's role should be. Implicit in the neo-classical model is that, if you leave the economy to itself, in the long run we will achieve full employment. All we need to do is abolish apartheid and deregulate and in the fullness of time all imbalances will just disappear. I don't accept that.

Dickman: No, nor do I, and I never said so!
Parsons: If we get things right, what is our maximum potential growth rate?

Bethlehem: You can't talk about sustainable growth separately from the global economy and cycle. The rate of growth SA can generate has changed in relation to the global economy. In the Sixties and even the Seventies SA grew faster than the global economy. As global growth has come down, SA's growth rate has fallen well below that of the

Continued on page 25

Confidence begins at home, SA told

CIPRES
13/12/92
AN important West European leader, Edouard Balladur of France, has pointed out some unpleasant truths to South Africans during a fairly low-key visit to the country this month. *CIPRES*

It is important that we take note of his remarks. He was economics, finance and privatisation minister in the government of Jacques Chirac. What is even more important is that he is a possible new prime minister should there be a change of government in France after the March elections.

Balladur has warned, for instance, that the reluctance of SA businessmen to invest in their own country's future is having

MONEY TALK

a detrimental effect on foreign perceptions about possibilities here.

Balladur pointed out that French industrialists have been decentralising their activities for many years - firstly to neighbouring countries such as Spain and Portugal and then to countries as far afield as Malaysia.

Although he did not say it, it is clear that SA is very low down on the list of French investor priorities.

Apart from new investments he even foresees

the possibility that we may lose existing investments. Continuing violence, labour unrest, high taxes and similar factors are causing local and foreign investors to spread their risk by investing overseas.

Yet Balladur and others of his ilk understand that we are experiencing a transitional period, and, one can assume, they are still sufficiently interested to get a foothold here, given the right conditions.

At the moment he believes our trade with western Europe - the world's largest trading block - depends too heavily on raw and semi-processed materials. We should add more

(7413)
value to create greater wealth locally. *(S)*

Yet here lies the crux of the problem. To do so needs confidence and new investments in the future of the country. At the moment so many of our own businessmen are reluctant to commit themselves while overseas industrialists are fed regular TV scenes of violence and confrontations between business and labour that they are understandably inclined to look elsewhere for opportunities.

Thus, Balladur's message is clear: the world owes us nothing, but is interested in doing business with us provided we create the a stable and profitable climate.

Violence is scaring off foreign investors, says UN's Angela King

SA POLITICAL leaders and businessmen were unaware of the extent of the effects of violence and instability on foreign investment, UN observer mission leader Angela King said.

She said in an interview that recent efforts by Finance Minister Derek Keys to explain the poor state of the economy to political parties were going some way to addressing the problem, but SA remained unattractive to foreign investors.

"I don't think that with the degrees and levels of violence and instability that SA would be a good investment option. It

would be difficult for us as a community to invest in the country or fully lift sanctions. It was feared (earlier this year) that the country was out of control and violence was escalating."

King said political rivalry, electioneering and leaders' tendency to abandon forums where there was disagreement instead of talking through differences were obstacles to negotiations.

"No party or group of parties should try to stall the process or hold the process hostage by incidents of violence or petty personality issues. In KwaZulu and the Wit-

RAY HARTLEY

watersrand there is a tendency for certain parties, if they can't come to agreement, to leave forums rather than sit down.

"Our job is to be of nuisance value. We just have to make sure that everybody keeps talking."

There appeared to be an organised force behind much of SA's violence, but there was insufficient evidence to label this a third force, she said.

"It does seem that there is an element of engineering in what happens. In the Wit-

watersrand area, for example, the train violence is not the ANC and Inkatha, it is random killings.

"I am convinced that everybody wants peace and that if they talk about armed conflict or the use of force, this is the very last resort. But they don't always have mechanisms, or want to accept mechanisms that lead to a meeting of the minds or a greater understanding," she said.

"We have been pressuring government to put out a proclamation (prohibiting the carrying of weapons). They have to do something very quickly about it, because

the guns keep on coming in across the border and they are very cheap."

King described the record of understanding between government and the ANC as "a major coup", but said Inkatha's rejection of it had led to greater caution on all sides. "There was a pulling back on several sides," she said. Government had perhaps not expected Inkatha's reaction and the ANC had perhaps begun to realise it was not helpful to be seen to side with government.

She said she was confident the UN mission

Angela King

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tion had established its neutrality with most parties, and added that the only way to deal with apartheid was not by armed struggle but by negotiation.

SA remained in a good position to cope with violence.

"In this country you have a government, you have structures, you have forces of law

From Page 1

and order, whether you support them or not is irrelevant.

"We are still at the preventive diplomacy stage where we're trying to contain the dispute. The next stage is peacemaking which we are also doing to bring hostile parties together around a table," she said.

Comment: Page 6

To Page 2

SA could become another Rotterdam, say US firms

SA COULD become one of the world's major trading regions with the help of US investments, provided a negotiated political settlement is reached soon.

Louis le Roux, a director of Stuttaford Van Lines International, who recently returned from a visit to the US, says interest from some of the large multi-national corporations is hotting up.

"SA is seen as the breadbasket for a large part of Africa as well as vital in terms of transport links. Our established road, rail and harbour infrastructure could win us, in southern African terms, the position that Holland's Rot-

(763)

Business Times Reporter

(S)

terdam enjoys as Europe's main port," he says.

"This would mean a significant and ongoing boost for the economy." *SITimes (BYSS)*

Mr le Roux attended the Household Goods Forwarders Association of America conference, which was attended by 1 400 international delegates. *27/12/92*

"During my four-day visit I saw 51 companies and the feeling was that, given a solution to our problems, SA could become one of the world's major trading regions.

"I was really surprised at the tremendous amount of renewed interest the international removals industry in general, and the American sector in particular, expressed in SA business and social conditions," he says.

In recent months Stuttaford has been involved in a considerable number of top-level management relocations for international companies based in SA, and there seems to be a trend towards the reshuffling of top management in the hope of a recovery in the economy.

Colin Legum looks at Africa, politics and oil

Opportunities for new investment

Star 28/12/92.

THE possibility of new investment by multinational oil companies in African countries was envisaged by MA van den Bergh, a group managing director of the Royal Dutch/Shell Companies in an address he delivered to the Oil and Monetary Conference in London. He said that although progress on the economic front remained patchy, an increasing number of African countries had embarked on reforms which offered some hope for an economic reawakening.

The presence of oil in the Blue Nile province of Southern Sudan continues to prove to be one of the major stumbling blocks to ending the country's bitter civil war. The Khartoum regime has insisted in confidential talks with would-be mediators that it would resist any

idea of losing control over the rich oilfields in the Blue Nile province, which falls within the Southern Sudan, in negotiations for either a federal or confederal constitution.

Strapped for oil — and indeed for most other urgently required imports — the Khartoum regime has entered into extensive agreements with Iran. In exchange for regular shipments of oil, as well as for military supplies, exclusive rights have been granted to an Iranian syndicate to take over the management of Port Sudan. Radio Cairo has carried reports suggesting that this concession is only a small part of a wider agreement giving the Iranian navy permanent access to Sudan's Red Sea ports.

Iran's expanding involvement in Sudan is causing serious concern to Egypt and Saudi Arabia, as well as to the country's other neighbours, Ethiopia and Eritrea. The former two suspect that Iran is exploiting Sudan's economic and military weakness to secure a foothold in the African continent from which to promote their Islamic revolutionary ideas.

Despite Tehran's denials, there is strong evidence to support allegations that Iran is supplying not only arms but also military instructors and possibly also some fighting cadres to assist the Sudan army in its war against the rebel forces in the South.

Zaire, which has its own limited oil resources, and more that could be exploited once the country achieves a measure of political stability, has entered into an agreement with Kuwait for a 12

months' supply of oil.

The Belli oilfield in Tunisia's Nabeul Province has come on stream. The oil was first discovered by the US Marathon company in June 1991. Its recoverable deposits over seven years are estimated at 3 million tons, and its present output capacity is reckoned to be 10 000 barrels a day.

Tunisia is keen to interest other multinational companies to carry out further explorations. It recently granted a drilling licence for hydrocarbons over 3 932 square kilometres in the Mednine Province.

Eritrea, which is due to become independent after a referendum next April, is giving a high priority to oil exploration along its Red Sea coast where earlier findings have proved promising. □

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Investors turning pessimistic — FNB

STAR 29/12/92.
By Stephen Cranston

Both local and overseas investors are generally pessimistic about South Africa in the wake of a barrage of negative indicators, says First National Bank MD Barry Swart.

He says in the annual report for the year to September that given the worldwide recession, the tight monetary policies in South Africa, coupled with political uncertainty, it will be difficult for FNB to achieve significant growth next year.

Fortunately some pre-conditions for recovery have become apparent. Inflation has slowed, manpower costs are easing, there has been a marked improvement in the balance of payments, monetary policy has softened and interest rates are declining.

Independence

FNB expects a further decline in short-term rates by the end of 1993 and a current account surplus of R4 billion to R5 billion.

The greater independence of the Reserve Bank in recent times has resulted in the start of what FNB expects to be a continuing decrease in the rate of inflation and a weakening of money supply growth to within the seven to 10 percent guideline.

FNB lends support to the Reserve Bank's policy to maintain positive real interest rates and its commitment to the stability of the rand exchange rate.

The Reserve Bank has been willing to reduce nominal inter-



Barry Swart... difficult to achieve significant growth next year

est rates, but only to the extent of the small declines in the inflation rate.

Swart says he supports the Reserve Bank's independence and it is vital that the maintenance of the rand both internally and externally be divorced from direct political pressure.

The country should not rely on a depreciation of the exchange rate of the rand to provide protection against inherent weaknesses in the production structure, just as the country should not look to a large-scale injection of new money to stimulate growth.

It is up to the private sector to stimulate business, economic activity and employment, while the public sector should focus on incentives or encourage individuals

to save and invest, helping to generate capital.

The two sectors between them should create opportunities for people to acquire and improve their skills and so become more productive.

A more relaxed political attitude towards South Africa has been experienced internationally. There is a positive willingness of the international community to do business with SA once again.

FNB has achieved its objectives of Africanisation so far with the establishment of a subsidiary in Botswana and a joint venture finance company in Malawi.

Devaluation

The Malawi operation is performing better than projected in both income statement and balance sheet terms, although the value of the investment has been adversely affected by the devaluation of the Malawian kwacha.

The points mechanism on short-term forward cover has put both volumes and margins in offshore funding under pressure.

The pressure will continue and, in conjunction with the entry of foreign banks on the local market, will force more innovative international banking products to be developed.

The newly acquired Henry Ansbacher Holdings, based in London, is well placed to offer convenient, cost-effective and flexible offshore facilities for single or multi-centre trust and corporate structures.

It has a significant presence in the Caribbean and Channel Islands and offices in Zurich and Monaco.

Foreigners pounce in equities market

B/DM *31/12/92* *743*

FOREIGN investors in SA became net buyers of equities in the second half of this year for the first time since the second quarter of 1988, JSE figures show.

The figures showed a net inflow of more than R422m into the equities market in the fourth quarter of this year, up to December 18. This followed net purchases of R213m in the second quarter of this year after four years of net selling.

A stockbroker said the weak finrand had encouraged foreign investors to take a chance on SA shares as they had become cheap in foreign currency terms.

The Economist's table of movements in the prices of 16 stock exchanges shows that the JSE fell the most in dollar terms over the past year — 32,7% (at the finrand rate).

The broker said Bill Clinton's election as US president had revived interest in gold shares, which had high dividend yields. Foreigners who had invested in equities had read the SA market well as the finrand was now cushioned from extreme weakness by Finance Minister Derek Keys's clamps, and the JSE was firming.

GRETA STEYN

However, the fourth quarter was less positive for foreign investment in gilts. There was a net outflow of almost R200m in the quarter, a sharp reversal of the popularity of the SA capital market with overseas investors. The first three quarters saw net overseas investment in government and parastatal stock, with inflows in the first quarter a substantial R823m.

Investors in gilts — mainly private individuals rather than big financial institutions — sold off stock in October when the finrand was under extreme pressure, in order to avoid capital losses. It was timed to coincide with a bullish capital market and came before clamps on finrand transactions brought more certainty.

In the first three weeks of October, when the currency was at its record lows, more than R300m of gilts were offloaded by foreigners. These sales were the main reason for the net outflow in the fourth quarter as subsequent weeks saw small net buying. In the three weeks to December 18, net gilts purchases of R169m took place.

Worldwide direct investment on the wane

TOKYO — Direct investment abroad by corporations around the world in 1991 dipped 25,8 percent from the previous year to \$170 billion, a Japanese report says.

The Japan External Trade Organisation says in its annual report that the decline — the first in nine years — was due to worsening corporate earnings in the recession-hit industrialised nations and to cautious lending by banks.

Japan remained the top overseas investor for the third successive year, although the

amount of its foreign investment decreased by 36 percent to \$30,7 billion.

The United States was placed second with \$27,1 billion — down 17 percent.

Germany took third place with \$21,5 billion — down six percent.

France came in fourth with \$19,1 billion — down 21,2 percent.

Annual growth in overseas investment varied between 20 and 50 percent in the second half of the 1980s.

But the figures slowed in the early 1990s when an investment

boom faltered in Japan and a rush of corporate takeovers ended in Europe and the United States. STAR 3/12/92

Nonetheless, China attracted Japanese investors in 1991, with their investment growing 25,2 percent.

Japanese investment in Latin America soared by some 63,9 percent.

The growth of Japanese investment in non-communist Southeast Asian countries slowed because of rising wages in that region, the report said. — Sapa-AFP.

1993

Jan. — Dec

74 B

AMBASSADOR Harry Schwarz has reached the conclusion — some would say belatedly — that the removal of state and local sanctions on firms that do business with SA is beyond his powers of persuasion, is not terribly important in the overall scheme of things and, in any event, will be achieved only when the ANC gives the word.

This will undoubtedly save his embassy a lot of time and money in the months ahead, and will free Schwarz to devote more of his energy to selling his country as an attractive destination for US investment when the ANC's Nelson Mandela and his colleagues finally give the green light.

At that point, the issue may have to be readdressed with some vigour to ensure the US sanctions lobby obeys the ANC's command. There can be little doubt that there will be prevarication, since the boycotts are their sponsors' bread and butter. When the ANC does speak, its words will almost certainly be subject to Talmudic interpretation in an effort to find a meaning that will keep the industry alive. As became clear at a meeting of concerned state legislators in New Orleans last month, the sanctioners are already resisting efforts to co-ordinate sanctions repeal when the time comes.

In the interim, the main target for Schwarz and his staff has to be the US investment community, and in reaching it they are going to need a lot of help from home. The ambassador himself is particularly anxious that the negotiating parties recognise this and that, in addition to reaching agreement on constitutional matters, they should swiftly bind themselves to a set of credible economic and fiscal policies.

US companies and multilateral agencies like the World Bank and IMF take it as given that transition is at hand. The question they are asking Schwarz is: to what? Will there be stability, will the new government be fiscally responsible,

SA must get its act together if it hopes to lure investors

BIDM 12/1/93
SIMON BARBER in Washington

what will the tax system and labour relations look like, will policies be sustained? Amid mounting pressures on US firms to invest at home, and heightened international competition for investment, SA cannot afford to put off coming up with the right answers.

As luck would have it, the World Bank's International Finance Corporation (IFC) has just published Trends in Private Investment in Developing Countries 1993, an annual study of 47 economies which lays out in brief and easily digestible terms what attracts investment and what does not. SA is covered for the first time and its trend lines show it could use the advice.

In the countries surveyed, private investment levels from both foreign and domestic sources rose steadily after 1985 to an average of about 17% of GDP at the end of 1991. For SA, the figure was 12.5%, while the total investment rate — private plus public — fell from 25% to 18%. The latter figure was on a par with the average performance in the rest of the continent. The difference is that the trend in SA is down, while it is staying even or rising elsewhere. Nor is Africa exactly desirable company. Its private investment ratios are the lowest of any region,

and nowhere receives less foreign direct investment. Such investment flows to the entire continent were less than \$1bn in 1991, even as flows worldwide were jumping to a record high of more than \$7bn, reflecting the growing globalisation of production. Of that, the five largest recipients — Mexico, China, Malaysia, Brazil and Thailand — pulled in 55%.

Some of what the IFC lists as determining private investment levels is obvious. The most important reason for investing is growth of demand. There is an also an unsurprising correlation between investment and capacity utilisation. But equally important is the degree to which credit is "crowded out" by public sector financing requirements. Of 14 countries where private investment has been rising, and whose economies were "adjusting" with the help of the World Bank, most achieved improved fiscal balances.

Inflation and volatile exchange rates hurt, because they entail unpredictability and the danger the currency devaluations will raise the cost of imported capital goods and inputs. Interest rates also matter,

but often counter-intuitively. Rising rates may encourage private investment "because average borrowing costs decline as official and informal (curb) rates are unified".

Sound macroeconomic policies are essential. Of the 16 countries with the largest increases in private investment in the latter half of the '80s, 12 posted increases in savings during the preceding five years. The converse was also true. Eleven of the 16 worst performers in private investment terms had been net dis-savers over the same period.

Foreign investors, in addition, tend to look for a buoyant local business climate and "attach great importance to the levels of foreign investment already in place". Interestingly, relative costs of production are becoming less of a factor for outsiders than is commonly supposed. Instead, companies are increasingly attracted by the availability of education and high skills.

The institutional environment is also critical. "Inadequate administration of justice, deficient property rights, frequent political interference in private business, corruption and excessive red tape are among the most serious obstacles to private investment". Even one such obstacle may be a decisive deterrent, and the

IFC urges that governments take a "holistic" approach in establishing an attractive environment.

Investors look for what the IFC calls "policy anchors" which provide reassurance that governments will not abruptly change course. First, an open, export-orientated economy, for which there is a strong constituency to stand in the way of policy reversal. Second, a convertible currency, which investors may shift in and out of easily and thus punish governments for ill-advised actions. Third, a large-scale privatisation programme. And fourth, membership of a regional trading group which acts as a brake on government urges to reverse liberalisation.

Finally, the IFC suggests that caution be exercised by those wishing to emulate the Asian Tigers. Yes, active government intervention undoubtedly played a major role in achieving the extremely high private investment levels of those economies. However, for most other developing nations, a like degree of intervention is not sustainable. Their public administrations cannot boast the requisite degree of "competence and integrity". Subsidies and incentives on the scale provided in South Korea and Taiwan during their launch phase will almost certainly be "diverted from their original purpose" elsewhere.

In our opinion, the report concludes, "firms are most likely to invest where governments are moving away from pervasive intervention and instead are focusing on the macroeconomic setting — particularly on sound public finances and realistic exchange rates — and where they are making progress in creating the institutional bases for prosperity: law and order, a well-functioning judicial system and laws which are enforced across the board, basic health and education and an efficient transport infrastructure." That, at any rate, is how countries such as Thailand, Malaysia, Indonesia, Chile and Mexico have made themselves attractive to investors. Others are following in quick order. Will SA get to the party too late?

74B Foreigners' cash swells SA banks

GRETA STEYN

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

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

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

A treasurer said the build-up of money market deposits at weak levels of the finrand signalled foreigners expected the finrand to have bottomed, and regarded yields as good value. He added this build-up could be sustained only as long as SA maintained high interest rates relative to other countries. The problem with such a massive build-up of short-term funds was that political turmoil could spark a run on the finrand. B 10AM 12/1/93

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

CIPress 11/11/93

SA reality scares investors — report

ALARMING reports on the prospects of international investment in SA are being published.

The latest was by California's Institute of Management Resources, whose research is used by the world's foremost multinationals.

SA's political and business leaders should take note of its conclusions.

The most alarming piece of information it contained was that not one of the more than 100 multinationals who attended presentations on SA as a country to invest in, considered us a likely home for investment.

MONEY TALK

Chief researcher Dr Tony Cadman said they did not even find SA "remotely" suitable for investment when compared against havens for foreign investment such as Mexico and Argentina.

Among the reasons were:

- The low productivity of SA workers;
- The ANC's attitude to nationalisation;
- Exchange control regulations;
- High tax rates compared with other coun-

tries competing for investment funds;

■ High levels of violence and theft; and

■ A weak currency.

Coming hard on the heels of the above report was that of the International Finance Corporation (IFC), a division of the World Bank, titled "Trends in Private Investment in Developing Countries 1993".

This annual study covered 47 economies and made clear what attracted and what repelled foreign investment.

SA and Africa rated poorly. For instance, since 1985 private investment

levels from both foreign and domestic sources rose to an average of 17 percent of gross domestic product in 1991. In SA these levels declined to 12,5 percent in 1991.

The report pointed out that no other area in the world was receiving less direct foreign investment than Africa. In 1991 it amounted to less than \$1-billion against the \$6-billion the rest of the developing countries had received. Five countries — Brazil, Malaysia, Thailand, Mexico and China — received 55 percent of the \$6-billion.

Bad year for foreign investors

STAR 18/11/93 (74B) ~~752~~
 By Derek Tommey

Foreign investors took a beating on the JSE last year.

Their losses, measured in dollars, averaged 28 percent of their portfolios, figures issued by the British magazine, The Economist, show.

But British investors, measuring the value of their investment in sterling and holding only gold shares, fared even worse.

This is shown by the 54,3 percent drop in the Financial Times gold share index, despite the rand firming against the pound.

SA investors were more fortunate, their overall gains averaging 4,6 percent.

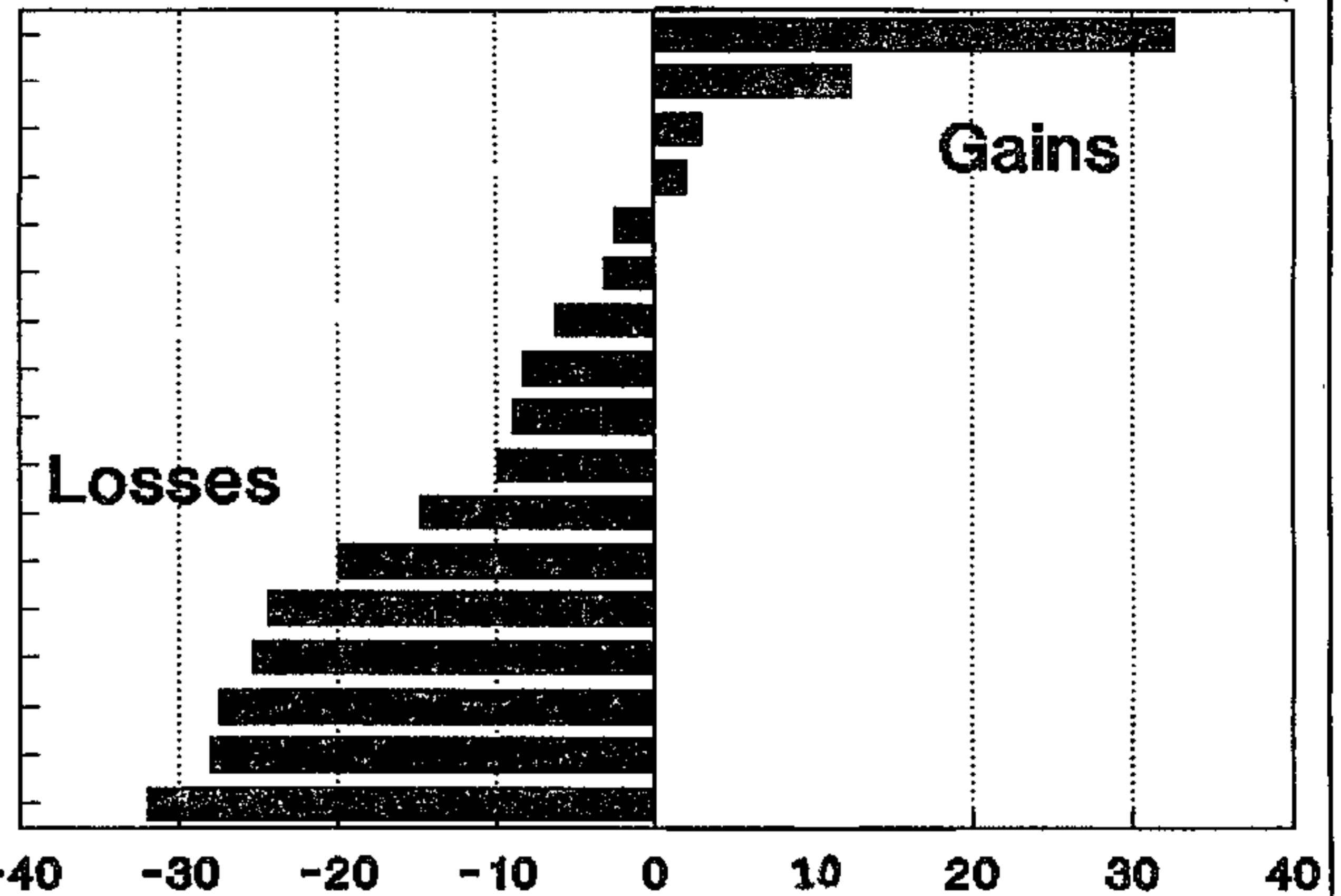
Brokers in Johannesburg said at the weekend the factors which gave US and British investors such a bad time could turn around and provide them with handsome profits this year.

Some foreign investors already appear aware of this. Much of the buying last week of De Beers, which pushed up its price from R64 to around R69,50 on Friday, was US investment demand, brokers said.

The factors hurting foreign investors last year were the weak gold price, the drop in the rand against the dollar and the collapse of the financial rand, said Richard Jesse of Martin and Co.

However, he expected some re-

- Hong' Kong
- Switzerland
- US
- Singapore
- Belgium
- Holland
- France
- World
- UK
- Germany
- Canada
- Australia
- Sweden
- Spain
- Japan
- South Africa
- Italy



percent -40 -30 -20 -10 0 10 20 30 40
 Share market performances in US dollars Source: The Economist

covery in the financial rand exchange rate this year.

Minister of Finance Derek Keys recently took steps to reduce the number of finrands in circulation.

Though it could take some time for the measure to work, it would seem that given a better economic and political climate, the financial rand should firm.

As share prices on the JSE are also expected to improve, US

shareholders should get a double benefit.

Dawid Meades of Meades De Klerk said there had been a definite US interest in De Beers.

However, it is not yet clear whether it is coming just from one investment house or a number.

He was also expecting US investors to show more interest in gold shares.

Some investment advisers in the US have been voicing concern about the problems facing the American economy and have been suggesting an investment in some of top-quality SA gold shares.

The yields on South African golds are high by American standards and, with a built-in boost likely to come from the firming of the financial rand, Americans should find them attractive.

Mandela in sanctions offer

SIMON BARBER

WASHINGTON — ANC President Nelson Mandela said yesterday he was anxious to lift sanctions as soon as possible, but South African business would first have to promise to freeze retrenchments and hire more workers.

If he could get such an assurance from companies, he told a news conference here, he would ask his executive to endorse calling off remaining international boycotts as soon as a date for interim government elections had been set.

He added that "once sanctions are lifted there is no reason why the World Bank and IMF should not get involved".

The current ANC sanctions policy was to wait until a new government had been elected, but mounting unemployment and the "threat of further retrenchments" made this untenable, Mandela said.

"It will be difficult to repair the economy if we wait until a democratic government is installed."

On the eve of President-elect Bill Clinton's inauguration, which he has been invited to attend by the Congressional Black

Caucus, the ANC president had kind words for outgoing President George Bush.

Bush had taken a "keen interest" in SA and had "done everything in his power to help", he said. He hoped the new president would continue this approach.

Deputy international affairs director Aziz Pahad could not confirm that Mandela would see Clinton or his Secretary of State-designate Warren Christopher during his five-day stay, but sounded optimistic that meetings would be arranged.

In the meantime, Pahad said, Mandela was seeing US business leaders to encourage them to take a serious look at SA investment opportunities.

Mandela himself stressed the ANC's need for "resources" to help it mount an effective election campaign against the highly "organised and experienced" NP.

On the status of negotiations, the ANC leader said the process was now moving forward smoothly.

Lawyer quits as witness is arrested

LLOYD COUTTS

AN ATTORNEY representing the family of an ANC member shot dead by police in 1991 withdrew from the inquest yesterday after a heated exchange with the magistrate and prosecutor.

Richard Spoor, representing the family of Vuyani Mabaxa, resigned after magistrate CG de Lange ordered the arrest of a witness for perjury.

The trial started late when the magistrate refused to allow policemen to testify first. When proceedings resumed, Spoor complained that certain witnesses had been asked to remain outside the court, while police witnesses were

allowed to remain inside and listen to evidence.

De Lange expressed irritation at the "pettiness going on here".

Roos told witness James Gwebu that his testimony contradicted a sworn statement made a year after the shooting.

De Lange accused Gwebu of lying, and warned him about committing perjury. Spoor said he was dumbstruck by the prosecutor's allegation.

The magistrate ordered the arrest of Gwebu for perjury.

Spoor withdrew from the inquest and De Lange postponed it to March 15.

poned it to March 15.

Mabaxa, 22, an ANC Youth League publicity official and Nehawu unionist was shot dead in Diepkloof. Police claimed he was shot after firing at police.

Gwebu said in his evidence he had heard a gunshot on the morning of Mabaxa's death and had seen three policemen chasing him.

A white policeman drove up to Mabaxa in a minibus and fired at him, said Gwebu. He fell to the ground. Roos pointed out to Gwebu that his statement had said Mabaxa had been shot by a black policeman on foot.

Fraud

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BUSINESS

Fears for southern Africa

BIDAY 3/2/93
FEARS that SA and the entire southern African subcontinent may be forgotten by industrialised countries could be well founded.

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

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

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

An Africa analyst said one reason the organisation did

748
not get its act together was its defeatist attitude. Member countries appeared to believe the donor conference would not go well because donors would put their money into other regions thought to have a brighter future. Concern about the region's marginalisation was a central reason to form a development community.

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

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

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

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

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

SHARON WOOD

PROPERTY

Ovcon to diversify with operations in Abu Dhabi

6/10 AM 3/2/93

PETER GALLI

OVCON, the Cape-based construction group, is diversifying its operations and has registered and established a fully operational branch in Abu Dhabi in the United Arab Emirates.

"The continuing downturn in the local construction industry has forced us to look for additional opportunities abroad to boost income and keep our staff meaningfully employed," said executive director Jimmy Thomas.

The company had already taken offices, employed local staff and transferred director Peter Groenhof to run the operation.

"It is too early to say what sort of revenue will eventually be generated from this operation, but we hope it will make a reasonable contribution to group profits," he said.

The initial capital investment had been "quite small", but this would increase once contracts were in place and working capital needed to be

transferred.

"We are looking to become fully involved in the type of construction we have traditionally handled locally but are also looking to represent any local company that has products they consider marketable in the Middle East," Thomas said.

The potential for the marketing side could be greater than that of the construction side and "considerable attention" was being paid to it. The first tender was in the process of being submitted for a 19-storey central city office building with a value of more than R50m.

"We have already made contact with a British-based retail group with stores throughout the Emirates and the Gulf to sell wine from five Cape estates, but no order has yet been received.

"Although Abu Dhabi is Muslim, the large number of expatriates

working in the country make it a profitable outlet for wines and spirits," he said.

Ovcon had formed a partnership with two senior government officials in terms of the stringent requirements that require any foreign company to have reputable resident sponsors who, by law, have to play an active part in the business.

There had been good local interest but manufacturers wanting to compete in this market had to be internationally competitive in terms of price, quality and service, he said.

"Ovcon will also be more than willing to go into joint ventures with other SA construction companies looking to become established in the Middle East.

"We have also established a relationship with a company that specialises in marketing SA products overseas and are looking for any product that can achieve a high turnover," Thomas said.

Bankers uneasy about SA

By ZILLA EFRAT

EUROPEAN bankers have a more favourable perception of Botswana as an investment environment than they do of South Africa.

This is a key finding of a poll of 41 leading banks in London, Frankfurt and Zurich with exposure to southern Africa.

The poll, undertaken in January by the Shandwick international public relations group, found that the perception of SA's future political stability was the major factor affecting SA's ability to attract foreign investment.

Shandwick Europe's managing director Volker Stoltz

says it pointed to the need for SA to market itself better abroad.

None of the seven southern African countries examined were seen as extremely good investment environments.

On a scale from 1, representing "extremely good", to 6, being "extremely bad", SA scored 3.5 while Botswana was rated 3.4. Angola and Mozambique scored the most poorly at 5.5.

Mr Stoltz says British bankers are more optimistic

about the futures of SA and Botswana than they are about their present situations.

When looking at a five-year horizon, SA's rating from City bankers improved to 2.9, while Botswana's was better at 2.7.

German and Swiss bankers, however, are more pessimistic. Both SA and Botswana are rated 3.9 over the next five years.

Some 74% of the bankers rate SA as a moderate investment risk at present, with 22% describing the risk as high. Only 4% see the risk as low or extremely low.

7/12/93
TIME 2455

War for capital could leave SA out in the cold

CAPE TOWN — Competition for international capital was likely to intensify in the next decade as the US and Europe become net importers of capital and Japan consolidated its role as the world's saving nation, Kissinger Associates Inc economic analyst and consultant Alan Stoga said at a news briefing yesterday.

Former US secretary of state Henry Kissinger set up the New York-based institute which advises clients in the US and other parts of the world about economic and investment trends.

Stoga said that in the context of a scarcity of international capital, SA would have to embark on an aggressive hard sell campaign — even if the political situation in the country was resolved.

"SA will have to find capital; capital won't find SA," Stoga said, adding that the country was a relatively unknown investment location for foreign investors.

He emphasised the key objective for a future SA government should be to ensure the predictability of the investment environment. Investors were otherwise indifferent to ideological systems provided they achieved a return on their investment and could export their profits.

LINDA ENSOR

Stoga believed that instead of exchange controls SA should be creating conditions to attract investment. "It is a fallacy to distinguish between domestic and foreign investment. Investment is investment. To create special conditions for foreign investors will be regarded with suspicion as these can just as easily be removed."

Stoga expected real international interest rates to remain quite high throughout the next decade with the result that debtors who could not afford to pay them or meet the debt criteria would be wiped out.

He noted that whereas international banks were at the forefront of foreign investment in the 1970s and 1980s this role had been taken over by private portfolio managers of institutions such as pension funds. They were seeking returns greater than those achievable in the low-interest rate US environment. The US debt crisis had marginalised the banks out of the international financing business.

In the past three years gross portfolio investment from the US and Europe into developing countries amounted to \$70bn.

INTERNATIONAL BANKING

SOUTH AFRICAN banks embarked on a major expansion drive last year, buying up foreign banking operations and establishing offices abroad.

The catalyst was SA's reacceptance into the international community as political reform gained momentum. The aim has been to better service clients as new markets and opportunities opened up to South African businesses.

A major focus of the drive has been Europe, ahead of the single European market. But some South African banks have rapidly increased their presence in Africa even though foreign banks are generally shying away from this continent.

Much new activity took place in southern Africa, where local banks are expected to become a vital force because of their sophistication and advanced technology.

To cater for SA's growing trade relations, South African banks have also been rapidly increasing their correspondent relations with banks throughout the world.

The expansion, however, has been contrary to world trends. International banking has been contracting over the past few years. Many foreign banks have their own problems at home and are focusing internally and are consolidating.

Cold

Nonetheless, the drive has enabled local banks to tap into the latest international developments and fast advancing technology after years of isolation.

Even during the years of sanctions and in spite of the debt moratorium, banks like ABSA and Nedbank continued to operate previously established subsidiaries in Britain.

Other major banks, such as Standard and First National, were left out in the cold when their parent companies left SA. However, both have been quick to take advantage of changing circumstances.

In May last year, Standard

A Business Times SURVEY

As international trade opens up for South African manufacturers and exporters, so too does an associated tier of international banking and financial services. Because of South Africa's isolation these services were, for obvious reasons, not fully exploited by our local market. But now South Africans are represented strongly at trade fairs the world over and, with the gradual renewal of foreign investment in South Africa, the role of the international financier is coming into its own.

ZILLA EFRAT reports

acquired the Isle of Man and Jersey interests of British merchant bank Brown Shipley Holdings. It also became the first SA bank to be granted a banking licence from the Bank of England since the debt moratorium and opened a wholly owned subsidiary in London in September.

Two months later, Standard bought the African operations of ANZ Grindlays Bank, a move that gives it

Banking on SA's future in the world

STimes (BUS) 14/2/93
national banking and further strengthen its capacity to facilitate trade flows in Africa.

The new African operations will form part of Standard's Africa Banking group, which co-ordinates its interests in Namibia, Swaziland and Botswana.

FNB also jumped to action as SA began losing its pariah status. It was the first bank to move into Africa when it bought the branch network of BCCB bank in Botswana towards the end of 1991.

Benefit

In March last year it initiated a rights issue to raise money, some of which would fund its internationalisation drive.

In November, FNB announced that it had made an offer to buy UK merchant bank Henry Ansbacher Holdings. The Ansbacher group will form the nucleus of FNB's European operations and help it re-establish its international capabilities. Ansbacher, in turn, will benefit

from the flow of business from FNB's client base.

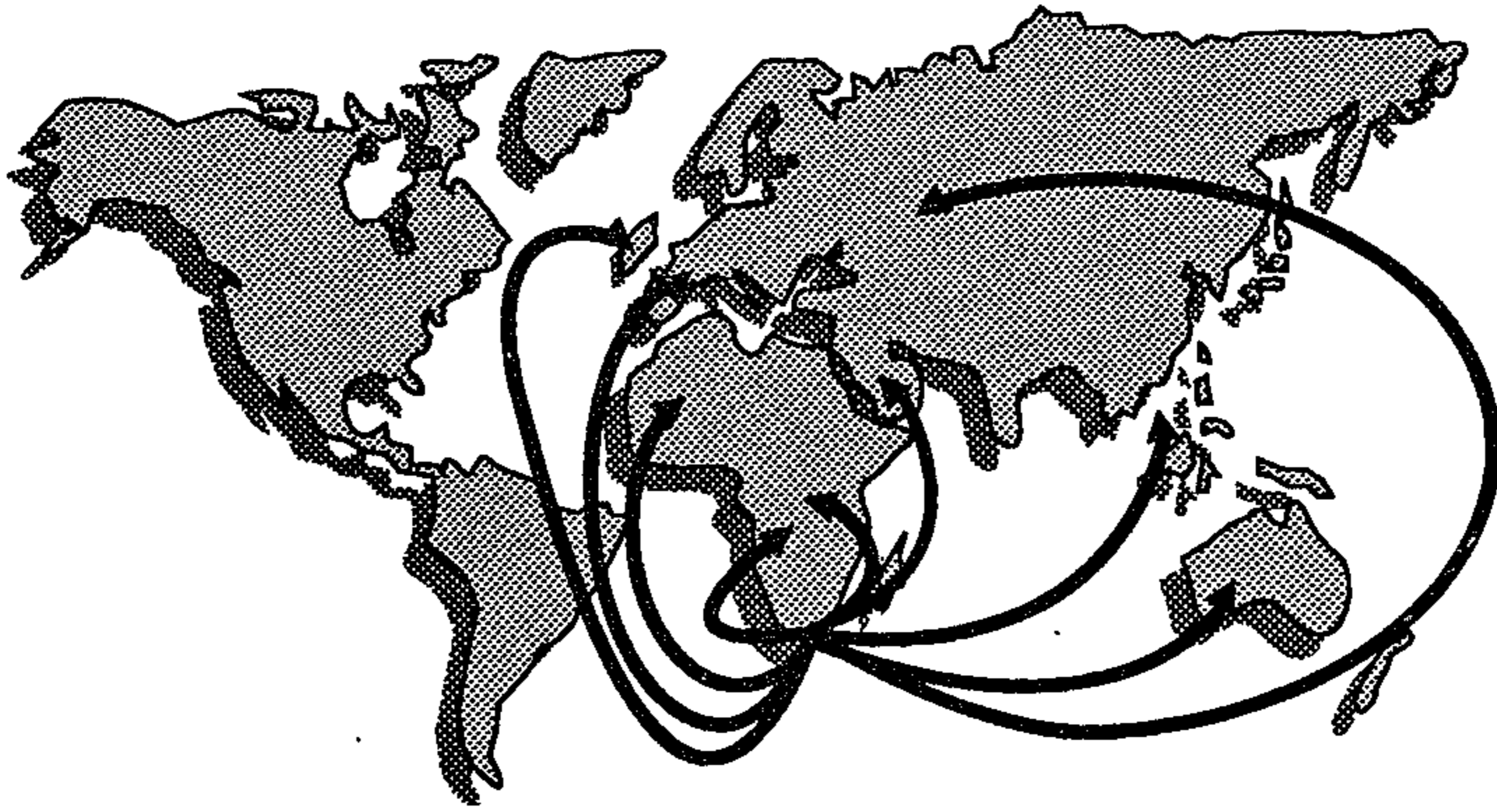
Investec Bank also strengthened its position in Europe by acquiring Allied Trust Bank in London from Barclays Bank in September. Investec already has a 30% stake in Amsterdam-based banking group Integro, and its unit in Zambia will be expanded to develop business in Africa. Directors say about half the group's income is now dollar based.

Nedbank — which has been operating its London office since 1906 — has opened a representative office in Taipei. It will augment its subsidiary in Hong Kong, which it established in 1984.

Nedbank says its trust company in the Isle of Man, which is jointly owned by Syfrets and UAL, is expected to provide a springboard for further growth of financial services in the European Community.

The bank has also been establishing close working relationships with correspondent banks in key African countries.

SA BANKS EXTEND THEIR NETWORKS



How not to burn one's fingers

SI Times (BUS) 14/2/93
 MANY South African companies have burnt their fingers moving into Britain for the first time because they have misjudged how its banking system works.

David McDonnell, national managing partner of Kessel Feinstein's associate Grant Thornton UK, says that while the situation is slowly changing, British banks much prefer to lend on the security of assets, particularly property.

They take less account of potential income flow — an area in which they are less

skilled at assessing. "The obvious implication of lending against property values is that, if the company's property values becomes weak, the banks become nervous and withdraw support," says McDonnell.

Waiver

"When that attitude is combined with a severe recession in property generally, then a rapid downward spiral of confidence can quickly lead to widespread business failures."

Another problem is that South African business often assume that if their British subsidiary has got into difficulty its bankers will be prepared to negotiate the waiver of part of the loan — on the basis that, if the business had to be broken up, they would

get even less. McDonnell says British banks are seldom prepared to do this, other than through the formal mechanisms of UK insolvency legislation.

"That legislation is not very helpful in allowing a company with a reasonable future, despite its difficulties, to recover and be restructured."

When property values are rising in Britain the banks will not merely lend but use every inducement to persuade business to take money.

The day the property market turns downwards the relationship is in jeopardy, even though British banks know that property values usually go up.

The current downturn has knocked British property prices and has resulted in a

situation where banks are not lending very much at all.

Over the past two years, the position of British banks has weakened. Many have lost a lot of money in big companies, such as the late Robert Maxwell's Mirror Group.

Trend

They have also absorbed enormous bad debts from smaller companies which have unsaleable properties in the current climate.

However, McDonnell says present conditions offer South African businesses a host of acquisition opportunities if they act quickly.

There are a number of good businesses in financial difficulty and a trend of larger businesses streamlining their operations and getting rid of non-core businesses.

FBSA lifts its veil

FOREIGN interest in South Africa will flood back as soon as there is a bit of good news — but it will not necessarily be translated into investment. (74B)

French Bank of Southern Africa (FBSA) director Benoit Destoppeleire says international investors want to come to the country but they do not take investment decisions lightly. (S. Times (B.I.S.S.) 14/2/93)

One strong incentive, however, is the financial rand — which makes its cheap to invest in SA, especially for those with long-term plans.

A flurry of foreign visitors looking for opportunities in SA dried up after negotiations logjammed and because of continued violence in the country.

Nonetheless, SA's reacceptance into the international community has been good for the FBSA, as much of its business involves foreign investments and markets abroad.

The changes have enabled FBSA to lift the veil of secrecy surrounding its relationship with its major shareholder, French-owned Banque Indosuez. Both now highlight their ties in their annual reports.

FBSA, which mainly focuses on merchant banking, is directly linked to Banque Indosuez's network in 65 countries, a factor that boosts its trade finance, foreign exchange and international treasury operations.

Its London branch, which was opened in 1963, helps British companies with involvements in SA and local companies looking at Europe.

Banque Indosuez has a controlling 51% stake in the bank. In 1991, Barlow Rand reduced its holding to 10% via a share swap, giving NBS a 39% share in FBSA.

Access

This gave NBS an opening into the international banking arena and, in exchange, FBSA gained access to NBS's large deposit base.

Destoppeleire attributes French Bank's 40 successful years in SA to its niche market focus and its size. "We do it better because we are smaller," he says.

Most of the bank's transactions, however, are for large amounts. This is because its clients are mainly large local groups and subsidiaries of international groups.

While 1992 was a reasonable year for FBSA, it felt the pinch of the recession and a slowdown in activity in the wake of continued political uncertainty.

With a strong upturn not expected in 1993, FBSA expects to spend the year consolidating, "sharpening its pencil and products" so that it is ready for a recovery when it comes.

EDESA plants roots in SA

EDESA, a privately owned development finance corporation for sub-Saharan Africa, has set up shop in South Africa because it expects the country to become a significant catalyst for private sector development in southern Africa.

EDESA group co-ordinator Victor Viseu says SA's regional advantage is its established financial, communication and transport networks as well as its African know-how.

Drawing on its 20 years' of financial engineering experience in developing projects, EDESA aims to help South African companies maximise their efforts in the region.

At the same time it will facilitate the transfer of their know-how and technology to the rest of Africa.

Viseu says that, throughout Africa, development funds have been historically available but not disbursed because of a lack of sufficiently attractive projects.

Many of these projects have been financially viable, but their proposals were not structured in a way which bilateral and multilateral agencies find acceptable.

EDESA, which stands for Economic Development for Equatorial and Southern Africa, has worked together with development agencies in Europe and the US for two decades.

These have been partners in its more than 40 projects in 21 countries in sub-Saharan Africa.

Projects

The private development finance corporation, which is based in Zurich, Nairobi and Harare, was formed in 1973 by a group of internationally well-known companies.

Its 25 shareholders are from eight different countries and include prominent international banks, Daimler Benz, Ford, General Motors, IBM and Marubeni Corporation. Anglo American, De Beers, Murray & Roberts and Richemont are also stakeholders.

EDESA's main activities are project finance, consulting and trading. Its projects concentrate on export orientated and import substitution sectors and range from cut flowers in Kenya to leasing companies in Zimbabwe, Malawi and Botswana. Its involvement in industry includes a beer bottle plant in Burundi and a steel pipe plant in Kenya.

In its peak, its lending was more than \$25-million, but this has slowed because of the prevailing uncertainty connected to debt rescheduling efforts.

Its selling organisations around the world sell African handicrafts. In Swaziland it has established a network of 1 500 rural suppliers who service its export company Mantenga Craft.

In addition, EDESA won one of the largest World Bank projects in Africa, the restructuring of Ghana's financial sector, and is short-listed to restructure Angola's.

Foreign banks wait for the gap

ST Times (BUS) 14/2/93

FOREIGN banks are not rushing to establish any meaningful presence in the South African market

A number of major foreign banks have opened representative offices in SA. There has also been a trail of international bankers visiting for "holidays in the sun" and, even, some more formal exploration trips.

But local analysts believe it will be some time before foreign banks make a strong impact on the local scene.

While SA holds the attraction of higher interest rates, the country's political

turbulence is a major disincentive. Poor market conditions are also limiting the potential for any volume growth in business at present.

Spokesman for the Association of Corporate Treasurers of Southern Africa (ACTSA) technical committee, Dave Mitchell, says "Bankers are traditionally conservative people who prefer to avoid political uncertainty."

"I would not expect many foreign banks to formalise their presence in SA in a big way until an interim government, at the very least, is in place."

One banking analyst with a notable stockbroking firm says it could take even longer. Many banks worldwide have significant profitability problems

and capital shortages to deal with in their own countries.

Their focus is internal and they can be expected to spend the next few years consolidating existing operations, Mitchell says.

"These banks will start expanding only after things improve at home and this is likely to happen in a major way only in the late 90s."

Local analysts add that foreign banks are generally shying away from Africa and they currently put SA in the same low growth/high risk league as the rest of Africa.

If they do want to move into Africa when they start expanding they will not be able to ignore SA. This is because the majority of Africa's top 10 banks are to be found in SA, he says.

When foreign banks do come to SA they are likely to focus on merchant banking, project finance, trade finance and the derivatives market.

ACTSA expects international banks to concentrate on the two main areas where their high-tech skills can be most effectively applied.

One will be to arrange the structure and syndicated finance for larger projects, especially development initiatives with some overseas funding and cross-border projects.

Another will be corporate treasury management as a science, an area where many South African corporates are still fairly unsophisticated in practice.

Foreign banks are not expected to make great inroads into the commercial banking sector, as this area is already well covered by SA's major banks.

The analyst says "The only way to move into commercial banking may be to buy an existing bank, but most banks are already tied to the larger financial groups."

The Bank of Taiwan recently opened up shop in Johannesburg, and Societe Generale entered SA by buying the International Bank of Johannesburg in 1991.

Boost

In addition, several of SA's smaller banks have moved to strengthen their position by making strong contact with banks abroad, says Mr Mitchell.

An example is DuroLink, which gained international status through a recent tie-up with British-based Chartered WestLB.

Many of the foreign banks with representative offices in SA are also expected to apply for banking licences in the future when business volumes warrant it.

Local banks, however, appear to view potential international competition as an opportunity and not a threat. This is because they believe foreign banks will bring in new capital and boost foreign trade, generally stimulating the economy and enlarging the pie for all.

ACTSA welcomes any renewed foreign participation in the local financial industry. Its chairman, Marius Ferreira, says "South African corporations will benefit from increased competition as they search for the best financing packages."

"In turn, this will stimulate the local banking sector to present more innovative products and a greater selection of funding alternatives."

While the recent mergers and acquisitions in the South African banking sector have been necessary, ACTSA believes these have reduced competitiveness to the corporate sector.

RSA INVESTMENT MARKS

Standing as debtor	3.3
Economic perspectives	3.3
Economic climate	3.5
Risk factor	3.8
European interest	3.9
Total mark	3.6

Ratings: 1 = extremely good, 6 = extremely bad

Source: Standard Bankers Survey/RSA Jan 93

COULD DO BETTER

SOUTH AFRICA's poor rating by European bankers as an investment environment highlights an urgent need for the country to better market itself abroad.

This is the view of Volker Stoltz, managing director of Shandwick Europe, the public relations group which polled the views of 41 leading European bankers with exposure in southern Africa.

He says the European banking and investment community underestimates SA's real economic strengths. "A cloud of political uncertainty is obscuring real investment opportunities in SA."

While politicians need to send the right signals, much of the burden of marketing SA abroad will have to be shouldered by the business community. Stoltz says this is because investors tend to be more convinced by bankers and business people than by politicians. The London, Frankfurt and Zurich bankers gave SA a score 3.6 as an investment environment on a scale where one is "extremely good" and six is "extremely bad".

British bankers are more optimistic about SA's future. On a five-year horizon their score improved to 2.9. German and Swiss bankers, however, are more pessimistic,

with a rating of 3.9. Some 74% of the bankers rate SA as a moderate investment risk at present, with 22% describing the risk as high. Only 4% see the risk as low or extremely low.

The poll also found that 57% of the bankers ascribe their risk assessment of SA to negative political circumstances. Only 8% cite negative economic prospects.

The bankers assess European investors' level of interest in South African stocks, bonds and loans as low -- 3.9 on a scale of one to six. But 51% of the banks surveyed intend to be financially involved in SA's future economic growth.

Because the poll's focus was on southern Africa, bankers were also asked to give ratings for Angola, Botswana, Mozambique, Namibia, Zambia and Zimbabwe. Stoltz says the region generally received poor scores. Botswana narrowly edged SA out of the top regional spot with a rating of 3.4. Angola and Mozambique elicited the most negative scores of 5.5.

The bankers appear to have lost confidence in Zimbabwe, which received a rating of 4.6. Of note, British bankers were less optimistic, giving it a score of 5.1.

A Business Times SURVEY

SA turns spotlight on itself abroad

(748) PETER GALLI

THE Trade and Industry Department is to undertake an intensive international campaign to attract foreign investment.

The programme for 1993 was launched at the weekend and was designed "to inform policy and opinion formers, as well as potential foreign investors, of the fast emerging renewed opportunities for lucrative investment in SA industry", Trade and Industry director-general Stef Naude said.

It involved appearances in the capitals of the three major trading blocs and participation in events at a number of other suitable venues in Europe.

Technical investment seminars would supplement the "image-building appearances" and would provide a substantive programme for local developers to slot into, he said. 8/0AM 15/2/93.

Large-scale new investment in the industrial sector had to be mobilised from internal and external sources, as a matter of critical importance. But SA faced ever increasing competition from its foreign competitors for the available international investment funds, Naude said.

There was an urgent need to expand and modernise local industry to enable SA to compete internationally, as the lifting of sanctions and political and economic reform enabled the country to enter the mainstream of world trade.

"An energetic effort is necessary to attract investors' attention to SA in the coming years," said Naude.

Star 15/2/93

Offer for Fancourt, Masterbond rights

748

A Dubai-based company has offered R25 million for "all of the rights, title and interest" of the debenture holders and part bond participants of the Fancourt project and Masterbond companies.

A separate offer would also provide for settlement of Group Five's approximately R16 million builders' lien over various assets.

If accepted, the offer would be followed by negotiations with representatives of minority shareholders.

Announcing this at the weekend, Geap International (UAE) managing director Mahendra

Patel said the offer was valid for 30 days and would lapse if any of the Fancourt companies were placed in final liquidation.

In terms of the offer, debenture and bond holders would have immediate access to more cash than was the case with the proposal made recently by another source, Patel said.

"But acceptance now is important. If there are further delays, it is unlikely my company would be prepared to make as good an offer again," he warned.

There has already been a 16-18 month delay and uncertainty over Fancourt, a Gary Player-designed luxury golfing com-

plex during which time it had received a negative image which seriously affected sales.

Patel said various sensitive assets could deteriorate further, and certain key personnel, seen as central to the development's success, could start looking at alternative prospects.

This would be taken into account by prospective buyers, if there were any, and would drive the price downwards.

If the Geap offer was not accepted and Fancourt was placed in liquidation, creditors would face a long wait due to the complex legal situation.

Claims and counter claims could result in delays of up to 18 months. — Sapa.

US economist criticises SA monetary system controls

WILSON ZWANE

TOP US economist Alan Stoga yesterday criticised SA's monetary system, saying it kept much-needed capital away.



Addressing an investment conference at a Johannesburg hotel, Stoga said SA's general image, which was characterised by a shortage of skills, high wage demands, violence and unpredictability, made investing in SA less attractive than investing in the southeast Asian countries.

Stoga, who is Kissinger and Associates MD and chief economist, said business people he had been talking to in the US had "lost the habit of thinking about SA".

Even after a new government had been installed in SA, foreign investments would not automatically flood the country, he said, adding that it was easier to impose sanctions than to lift them.

Stoga said slow economic

growth throughout the world had increased competition for capital. This competition was bound to get more severe in a year or two when the world economic situation improved.

He said in order to attract investment, SA had to do away with its capital controls, privatise its industries and shy away from adopting protectionist policies.

On job creation, Stoga said no jobs could be created in a contracting economy. Public works programmes could play a role in the creation of jobs but that would have to be backed by the private sector's involvement.

A core element of a growing economy was infrastructure and SA had to entice the private sector to contribute towards the development of its infrastructure, he said.



US economist Alan Stoga talks an investment conference in Johannesburg yesterday that SA's general image makes investing here less attractive than in southeast Asian countries. Picture: BRIAN HENDLER

Foreign investors

will 'wait and see'

Foreign investors would not lead the way in investing in South Africa. They would only consider moving capital into the country once local businessmen had shown the confidence to invest in their own economy, a US expert on international investment said in Johannesburg yesterday.

Alan Stoga, managing director of Kissinger and Associates, was speaking at a seminar on the factors driving international investment decisions, organised by the Black Integrated Commercial Support Network, a USAID-funded project aimed at developing black business.

"Investors tend to react to red flags," he said. "They need just one reason not to invest in a particular place. South Africa runs the risk of being red-flagged because of the ongoing violence."

More regional

It was sometimes assumed that investors were ideologically inclined.

This was not so. Investors wanted predictability and needed to know what the economic and political framework of the country in which they invested would be in a decade or so.

The world economy was becoming more regional.

"The US is looking to build an economic bloc with Mexico and Canada. The European landscape is being transformed by the Europeanisation of their economies.

"Also, the economic zone built around Japan has transformed the Asian economy. South Africa is not a natural part of any of these three blocs."

All trends indicated that the world of the future would be less free trade orientated in 10 years from now. — Sapa.

BUSINESS Economic growth benefits from liberal politics

Africa's outlook bright

Sovetan 19/2/93

By **Mzimkulu Malunga**

■ **INVESTMENT** Emerging blocs in Europe

and America make regional trade inevitable:

CONTRARY TO MEDIA reports which paint Africa as poor and racked by civil wars, investment prospects on the continent are looking brighter, says vice-president of the African Development Bank (ADB) Mr Tekalign Gedamu.

Speaking at a high-profile investment conference held in Johannesburg this week, he argued that as sweeping winds of political liberalisation in Africa blew at a faster pace, so did chances for long term economic growth.

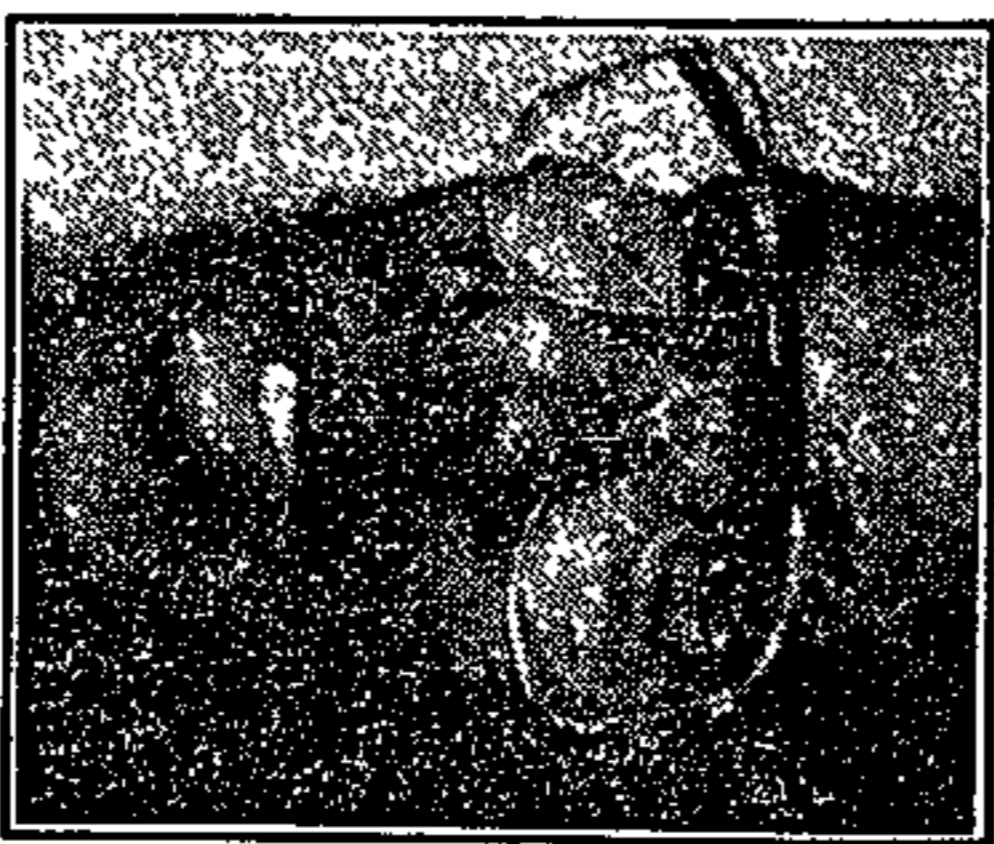
"There is no doubt in my mind that market-oriented reforms embarked upon by a large majority of African countries will lead to increased private sector investment," said Gedamu.

The conference, organised by Frankel, Pollak, Vinderine, was addressed by finance ministers and senior bankers from seven Southern African countries.

Speaking at a panel discussions on *Opportunities in sub-Saharan Africa*, various ministers and bankers outlined investors' incentives in their respective countries.

The Southern Africans made strong calls for the strengthening of the already existing regional economic groups to foster the sub-continent's development. They highlighted emerging regional trading blocs in Europe and North America as one of the facts making regional co-operation inevitable in Southern Africa.

The drought which struck the region recently



Mangosuthu Buthelezi

also featured high in the speeches.

However, the obvious worry in most the speeches was continued political uncertainty in South Africa — regarded by many as better equipped to play a catalytic role for development in the sub-continent.

Echoing Gedamu's words, Botswana's finance minister, Mr FA Mogae, said there was a distorted perception that Africa countries were corrupt and worthless.

"I am an African and I am not corrupt," he said. Mogae said his country had the most liberal foreign exchange regime in Africa and the lowest interest rates on the sub-continent.

Botswana — often held up as an African success story — had a skilled labour force which could be valuable to investors.

The Mozambican commerce minister, Mr DG Tembe, said though the peace process in Angola was meeting with serious difficulties, the process of the dismantling of apartheid and the peace agreements in Mozambique signalled a new era of social and political harmony as well as common development and prosperity.

Tembe said his government attributed an important role to direct foreign investment as a necessary tool to complement the initiatives of domestic entrepreneurs.

Also, the economic recovery programme, supported by the International Monetary Fund (IMF) and the World Bank has helped to reduce the inflation rate drastically and reformed the pricing and systems.

The senior economic adviser in the Zambian finance ministry, Mr Jacob Mwanza, said the philosophy of the new Zambian administration was the state should only play a facilitatory role instead of determining prices or output.

"This year is the one to complete major reforms of Zambia's economic policy and set foundations for sustained growth in the private sector," he said.

Lesotho's finance minister, Mr AM Maruping, said the was a need for collaborative effort in the region as part of Third World co-operation, a popular view in economic circles of various developing countries. He mentioned the Lesotho Highlands Water Project as one of the classic examples of regional co-operation.

In a keynote address, the chief minister of KwaZulu, Chief Mangosuthu Buthelezi, said political organisations should refrain from raising people's expectations about what a future South Africa could deliver.

"The new government in South Africa will have to operate within the confined constraints of a ravaged economy whereby contributory factors such as uneconomical and discriminatory apartheid policies, political and labour unrest, sanctions and disinvestment, have left our economy almost bereft of resources," he said.

Sappi will use Hannover as launching pad into Europe

STAR 24/2/93

By Stephen Cranston

Germany is an attractive place in which to invest as management is loyal and honest and assets are almost always undervalued, according to Sappi chairman Eugene van As.

Speaking on his experience of taking over the German papermaker Hannover Papier to the SA-German Chamber of Commerce, Van As said that Hannover's management saw Sappi as its least unattractive suitor when it was put up for sale by its Swedish parent.

Van As said that Hannover management accepted Sappi because it operated from a long way away, it was not American and it was not strong in Europe.

Sappi assured Hannover that it would be used as the prime vehicle for its thrust into Europe. It would not be integrated into Sappi and made to lose its identity. Sappi has not appointed a single South African manager at Hannover.

Van As said that Sappi found German accounting standards totally different. For example, German companies wrote off equipment which it built but found did not work but then two years later found it worked and would write it back again.

The book value of the business was Dm140 million and Sappi was criticised for buying the business for R800 million (Dm400 million). But the valua-



Chairman Eugene van As . . . German middle management is superb.

tion of assets provided to the banks was Dm1,4 billion.

The book value was particularly low even though most of the equipment was less than seven years old.

He said it was important to come to terms with Germany's corporate tax which was calculated on a group basis. One of Sappi's competitors which sought non-German advice on tax after an acquisition paid R400 million in unnecessary tax.

Van As said that German top management operated on a five-year contract unlike in South Africa where a three to six month notice period was standard.

German middle management was superb and was well trained for the job but Sappi's marketing was more creative, it offered strong financial engineering and, surprisingly, was more sophisticated in research and development.

The Reserve Bank was unlikely to approve of another deal along the lines of the Hannover acquisition, which involved paying with equity. A little over 30 percent of the deal was financed from equity capital raised in Europe.

In any case, the collapse of the financial rand made such deals less attractive.

There is no obligation to make an offer to minorities in Germany after a takeover but Sappi wanted to wholly-own Hannover. Its offer to minorities in November was accepted by almost all shareholders, bringing Sappi's shareholding up to 98,5 percent. Acquiring the remainder of the equity was now a technicality.

Sappi was forming a joint European marketing company between its British and German subsidiaries. It was difficult to penetrate the German market as non-tariff barriers such as quality controls and environmental standards were imposed.

Van As, though, was confident that Sappi's South African and British products would meet such standards.

Sanco highly critical of foreign acquisitions

6/10/93 2572193
743

THE acquisition of foreign banks and businesses by local banks had done little to build confidence that they were ready to invest in a new SA, SA National Civic Organisation (Sanco) president Moses Mayekiso said yesterday.

Mayekiso said his organisation had completed research showing that capital flight from SA — in the form of offshore investments — involved tens of billions of rands.

Absa, Standard, FNB, Investec and Nedcor had purchased foreign businesses.

Mayekiso said if purchases of foreign businesses by SA banks continued unchecked, it could open new opportunities for those engaged in an "illegal export of capital made during the apartheid years".

He said by purchasing foreign businesses banks were sending a clear signal to foreign investors not to invest in SA once an interim government had been installed.

Such purchases undermined prospects for renewed confidence in the SA economy, he said, adding that the purchases also undermined the country's attempts to build a stable macroeconomic framework "to provide the basis for growth and redistribution (of wealth)".

WILSON ZWANE

He said SA's "primitive" exchange controls would have to be "policed extensively as part of attempts to resist any scorched earth response to the emerging new SA".

Sanco was to have made its concerns known at a meeting with the Association of Mortgage Lenders yesterday.

GRETA STEYN reports that bankers responded to Sanco's accusations by saying foreign investment was needed to facilitate foreign trade and encourage foreign investment in SA.

A Nedbank spokesman said banks did not follow an "either, or" approach to investing in SA or overseas — both were necessary and dictated by clients' needs.

FNB GM Viv Bartlett said SA was again part of the international community and it would be a disservice to clients not to have an offshore presence. Standard Bank Group spokesman Graham Bell said foreign investment by SA companies created wealth by enabling trade expansion.

The group had a major presence in Africa because it was SA's hinterland and trade with the continent was growing.

Govt has high hopes for big offshore investment boost

PETER GALLI

AN upcoming supplement on SA in the influential London-based magazine The Economist was expected to go a long way to boosting offshore investment in SA, Trade and Industry Department chief director Johannes Pienaar said yesterday.

"The department is considering advertising in this supplement as part of its industrial investment drive announced recently. A large number of copies of this will be acquired and distributed to SA foreign missions by the Department of Foreign Affairs," he said.

The investment initiative operated on four levels: image building appearances in the major trading blocs on ministerial level, technical seminars in a number of overseas venues, information offices at other suitable foreign venues and local regional information seminars.

The departments of Trade and Industry, Regional and Land Affairs and Foreign Affairs would share the cost of renting infrastructure and receptions at the technical seminars and information stands abroad. BIDAY 25/2/93

"Participants in the offshore events will

have to cover their own costs," Pienaar said.

Technical seminars were planned for Taipei, Singapore and Brussels, while information offices would be maintained at specialist joint venture investment seminars in Paris and Milan.

About R1m had been earmarked by the department to cover its contribution towards the implementation of the programme, he said.

Asked how local industry could be expanded and modernised to enable it to compete internationally, Pienaar said Trade and Industry director-general Stef Naude had issued a discussion document known as a blueprint for prosperity.

"This deals with existing and proposed policy initiatives. Also, a wide range of government support initiatives are already in place to help industry expand and modernise," he said.

These included, among others, incentives under Section 37 (E) of the Income Tax Act, GEIS and the various support programmes of the IDC and SBDC.

French envoy has good news for SA

MATTHEW CURTIN

7413

DIRECT investment by France in SA would be eased by strategic alliances between French and SA companies, particularly banks, and a French government proposal for middle-management training for South Africans in France, France's ambassador-at-large Jean-Daniel Tordjman said yesterday.

French investment in SA had risen by 40% in the past two years, albeit off a low base, with the recent arrival of companies like merchant bank Société Générale, civil engineering group Bouygues, and telecommunications group Alcatel.

Tordjman, a special representative of the French government with responsibility for international investments, said his 10-day visit to SA had convinced him the country was able to compete for international investment with areas like southeast Asia. *6110AM 2512193*

International investors were attracted by countries with a pool of engineering and managerial talent, a workforce of quality, and an industrial sub-contracting network. He said he was "impressed" with the diversity of SA's industrial base.

SA's rich mineral resources and cheap electricity would also encourage investment, providing a sound base for economic development, with the proviso that international confidence in a smooth political transition had to return first.

Tordjman said France's and SA's interests were converging, with Europe likely to remain SA's main trading partner, while France was intent on maintaining its strong ties with Africa.

Sapa reports he said SA and France were close to signing a fiscal agreement on double taxation and investments protection.

The agreements had been on the table for some time "and will be discussed and realised very, very soon", he said.

French actively investing in SA

By Sven Lünsche

France and South Africa have completed negotiations on an agreement to avoid double taxation, the French special representative for international investments, Jean-Daniel Tordjman, said in Johannesburg yesterday.

Tordjman, who is on a 10-day visit to SA, told a press conference French companies had been among the most active foreign groups to invest in SA recently.

"Over the past two

years French investment in SA has increased by 40 percent and the recent influx of big companies should be followed soon by other medium-size corporations."

The French government had been supporting investments by negotiating the double tax agreement, which was ready to be signed formally.

The French Export Credit Insurance Corporation was also providing guarantees on the political risks to new

French investments.

Tordjman warned, however, that foreign investors, who had not visited SA, had a terrible perception of the latest political and economic developments.

"These investors will wait for respectable black leaders to indicate that they are serious about a stable economic and political situation before they make a move," he said.

SA needed to be fully re-integrated into the world financial commu-

nity by restoring normal relations with the IMF, the World Bank and Gatt.

"To achieve this you have to pay the price of lower import tariffs and a more stable import duty structure — you can't just lift duties up and down when you deem it appropriate."

SA had the potential to attract large foreign investments. "You have an excellent infrastructure and superb top management, as well as an abundance of natural resources," he said.

STAT 25/2/93

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INVESTMENT OUTLOOK

Fm 26/2/93

Coming of age

SA's three major metropolitan areas are far more attractive to potential foreign investors than is generally perceived and rank ahead of Mexico, regarded as one of the world's "miracle" economies.

This is one of the key findings of an eight-month study by the Brussels-based Price Waterhouse affiliate, Plant Location International. The study was made on behalf of western Cape investment marketing agency Wesgro, the Greater Durban Marketing Authority and similar organisations.

The study, the first of its kind for SA, dealt with regions:

- A — the western and southern Cape;
- E — Durban functional region, Newcastle/Ladysmith, Richards Bay; and
- H — the PWV.

These were compared with five potential competitors overseas:

- The Nordrhein-Westfalen region in Germany;
- North Carolina in the US;
- Dublin in Ireland;
- The Chihuahua region in Mexico; and
- The Johor region in Malaysia.

Researchers interviewed 120 international companies on their attitude towards investing in SA and compiled 400 detailed profiles of the needs of companies investing in 15 industrial sectors.

The sectors were: new construction materials, food processing, textile mills and products, high quality clothing, high quality leather footwear, high quality furniture, high quality paper products, bulk chemicals, pharmaceuticals, plastic products, metal products, special industrial machinery for the building industry, mining and agriculture, automotive spare parts and battery manufacturing.

In each sector, companies were questioned on 80 location requirements, including political stability. Their demands were matched with the ability of each region to supply and the results were ranked in order of importance.

The US and Germany were ranked first followed by Malaysia and Ireland, then SA's three metropolitan areas with the western Cape faring best, followed by Durban and the PWV. Next ranked was Mexico.

The study concluded that, while the US

Fm 26/2/93

and Germany had the most attractive combination of location elements, the three SA metropolises were not far behind Malaysia and Ireland and some improvement in the political and economic climate would push them into the same ranking.

The major strengths of the three metropolitan areas were listed as low electricity costs, good port infrastructure and the industrial infrastructure and environment. Major weaknesses were given as perception of the political situation, high corporate taxes and a weak economy, including an unstable currency.

However, the cost structure of establishing in SA was considered attractive with the financial rand being a major incentive. It was suggested that SA's overall weaker competitive position could be compensated by emphasising cost efficiency.

High profitability and short pay-back periods in particular could be used to counter negative political perceptions and steps should be taken to shorten pay-back periods even more. Reducing corporate tax would be a major incentive and considerably improve SA's competitive position.

Wesgro executive director David Bridgman says he was surprised by the results of the study. "I didn't realise SA was as attractive to foreign investors as it is. The finrand has a phenomenal effect. For example, it can reduce pay-back periods to about two-and-a-

half years which should counter perceived political risks."

Bridgman says the findings could be used for formulating new official policies. ■

Star 11/3/93

Hope springs eternal. (1748)

Iscor shareholders will grab at any rumour that might give them hope. A brief rally in the price recently was put down to American buying interest. Well Iscor can prove this is a bit far fetched. At February 24 a total of 1 209 791 Iscor shares or 0,06 percent of its total issued capital was held by foreigners. Hardly enough to swing a turnaround when you consider these shares are today worth around R883 000, less than half the value when issued.

ANC and allies gear up to lift all sanctions

BIDAM 3/3/93

(S) (S) (S)

SIMON WILLSON

NAIROBI — The ANC and sympathetic international pressure groups have prepared co-ordinated plans to lift remaining sanctions on SA once a date for nonracial elections has been announced, ANC economic planning chief Trevor Manuel said yesterday.

Manuel told an investment conference the ANC was confident that the point of irreversibility in SA's transformation to democracy was in sight.

"So confident are we that the prospects for transformation are real that the ANC has already communicated to its vast network of international solidarity organisations that the remaining financial sanctions should be lifted as soon as an election date is announced.

"It is also anticipated that the ANC, supported by the international anti-apartheid movement, will be pro-actively engaged in securing the lifting of these sanctions," Manuel said.

He placed strong emphasis on the tightening of competition policy in SA, saying one of the SA economy's structural deficiencies was "the phenomenal stranglehold" conglomerates had on the economy.

The conglomerates' position excluded the indigenous population from the economic mainstream and created an investment climate that was hostile towards foreign investors, he said. "It is necessary thus to enhance overall economic performance through the introduction of a competition policy that is likely to unbun-

dle the conglomerates."

Black entrepreneurs had been relegated to the fringes of the economy by apartheid, and SA business had to be deracialised if it was to be sustained. "The development of a black managerial class is one of the fundamental elements of an affirmative action programme to be undertaken in the context of justice and the utilisation of human resources on a wider scale than before."

Trends in the world economy made it essential for countries outside the major trading blocs of the advanced industrial economies to forgo greater co-operation. A democratic SA would therefore be compelled to promote economic co-operation in southern Africa. It was likely that a democratic SA would seek membership of the African Development Bank in pursuit of such a pan-African commitment and to forgo greater economic linkages across the continent.

Expectations that SA would become either a regional benefactor or a locomotive of growth for southern Africa were unrealistic, Manuel said. A strategy to address regional imbalances should instead grant other countries greater access to the domestic SA market and thus bring about a more equitable pattern of visible trade.

Regional solutions would also have to be found to problems arising from the historic distortions to transport flows and from labour migration.

Bank calls a halt to Elfi bonanza

Bloom 3/3/93

748
944
269
GRETA STEYN

TRANSNET will announce today that the Reserve Bank has banned foreign investment in its Equity-Linked Fixed Investment (Elfi) stock in a move to protect the balance of payments (BoP).

Transnet spokesman Johan van Schoor declined to comment on market talk of the move, saying an announcement on the issue would be made today.

However, Reserve Bank exchange control GM John Postmus confirmed the Bank had decided to stop foreign investment in Elfi as it was proving too costly for the country. Postmus said foreigners, who invested through the financial rand, were earning excessive returns on the stock through the commercial rand. They were attracted by the abnormally high yield on the "bear tranche" of the stock which, Postmus said, was unacceptable given the country's BoP position.

He declined to quantify the cost to SA of the above-market returns offered by Transnet, saying it was up to the transport utility to disclose the information. But he added an investigation into the BoP implications of the Elfi market had begun shortly after the last Elfi issue just more than a year ago and there had been in-depth discussions with Transnet representatives.

Elfi is the major source of funding for

Transnet and the Bank's action comes as Transnet prepares to launch its fifth issue of the stock.

Transnet is expected to say today whether it will go ahead with the issue on the domestic market, or whether it will shelve Elfi and replace it with an instrument that meets Reserve Bank approval. Market talk is that the withdrawal of foreigners could spell the death knell for the Elfi market, estimated at about R2bn.

The move could put the finrand under pressure, as maturing Elfi stock in foreign hands could not be rolled over by reissuing the same instrument. The pressure would be alleviated, however, if Transnet replaced Elfi with a stock that complied with exchange control regulations. The finrand was slightly weaker yesterday, closing at R4,5625 from R4,5450 on Monday.

Elfi provides investors with a gilts and equity market investment, as it is a fixed-interest instrument whose price is linked to stock exchange movements. It is similar to a futures contract and much of the demand for the stock came from arbitrageurs and operators who wanted to hedge futures market positions.

HOUSE OF REPRESENTATIVES

INTERPELLATION

The sign * indicates a translation. The sign †, used subsequently in the same interpellation, indicates the original language.

General Affairs:

Rationalization: temporary employees

*1. Mr C I NASSON asked the Minister of National Health:

- (1) How many temporary employees in the service of her Department lost their jobs as a result of rationalization during the latest specified period of 12 months for which figures are available;
- (2) whether she intends introducing any further rationalization measures; if not, why not; if so, how many temporary workers is it estimated will lose their jobs as a result thereof during the next 12 months?

C19E.INT

*The MINISTER OF NATIONAL HEALTH: Mr Speaker, in pursuance of the Cabinet's decision to effect a saving on the salary account, 34 temporary employees were retrenched. Unless the Cabinet decides otherwise, I do not intend to implement any further personnel rationalisation measures.

*Mr C I NASSON: Mr Speaker, last year the hon the State President announced that all Government departments should rationalise and reduce their personnel by 5%. It is estimated that approximately 46 000 Public Service workers are going to lose their jobs.

The hospitals will also have to rationalise their personnel. Most of the employees or officials are going to receive an attractive retirement package to which up to five years of service will be added. However, there is another category of employees, namely the assistants, the labourers and the general employees, who are still in the temporary service of the hospitals. The programme of rationalisation will be a serious blow

HOUSE OF REPRESENTATIVES

to them, as they are not contributors to the Government Service Pension Fund. They will consequently receive a retirement package which will certainly not be worth their while. [Interjections.] As a matter of fact, these employees, who have already been prejudiced because they are still temporary, are going to be seriously prejudiced by any rationalisation programme. To crown it all, they will have no other choice but to accept this rationalisation package.

There are thousands of temporary employees at hospitals who, after 25 years of service at a hospital, are still employed on a temporary basis. Many of these employees have also reached retirement age and they are also being prejudiced, even if they retire on pension at the normal retirement age. In 1991 there were protest actions by hospital personnel at all the hospitals in this country. One of the grievances which was raised countrywide, was that the conditions of service of these assistants, labourers and general workers were still very unfavourable and unacceptable, especially the fact that these workers were still employed on a temporary basis. These temporary employees have very little if any protection against malpractices in their work situation. As a result the matrons at the hospitals can do as they like with these workers. They can even mistreat those people. These workers are afraid of the matrons of hospitals. [Time expired.]

*Mr H B CUPIDO: Mr Speaker, rationalisation, whether in the Public Service or in the private sector, is unavoidable. As a result of the economic situation in which the country and the world finds itself, the State is being forced to economise. This leads to the department requesting personnel whose functions are not essential for the functioning of such a department, to participate in the rationalisation programme. When one talks of rationalisation it is not a question of members "losing" their jobs or being "dismissed". It is the responsibility of every department implementing the rationalisation programme to investigate the extent of hardship which may follow as a result of rationalisation. I am overjoyed that the Department of National Health, through the hon the Minister

of National Health, responded that thorough investigations take place after planning, and planning with accompanying consensus with the staff members involved. It is also gratifying to hear that the Department of National Health does not plan any further rationalisation of personnel.

*Mr C I NASSON: Mr Speaker, the hon member for Kasselsvlei is completely out of touch with reality. He need only enquire at hospitals. Then he will realise that what I stated, is the true situation. If that hon member's party is insensitive to the aspirations of these workers then the NP is going to lose a great many votes. [Interjections.]

It is a great pity that the hon the Minister announced this afternoon that she was not going to introduce any further measures. The temporary employees in our hospitals have very little if any protection against malpractices in their work situation. As a result, a matron at a hospital can do as she likes with these workers. Consequently these employees are scared to death of the matrons of hospitals because they can be threatened with dismissal as a result of the most trivial offence. In the case of many of these dismissals, matrons are often guilty of unfair labour practices.

The trade unions are continually negotiating with the various provincial administrations and the Commission for Administration with regard to the improvement of conditions of service of this category of worker. On 27 and 28 January this year trade unions and labour organisations held such negotiations, and it is a pity that no press statements were issued after the negotiations in order to inform the public. I should like to ask the hon the Minister why these employees could not have been appointed on a permanent basis. What is she going to do to ensure that the pensions of these temporary employees will not be detrimentally affected when they retire due to rationalisation? If these employees were to be appointed permanently today, and they would therefore be allowed to contribute to the Government Service Pension Fund, what would happen to these previous years of service which such employees served in a temporary capacity? Some employees have been in the service of the State on a temporary basis for up to 25 years.

*The MINISTER OF NATIONAL HEALTH: Mr Speaker, the hon member is out of touch

with what is happening here. [Interjections.] I must point out to him that he formulated his interpellation incorrectly. He clearly asked how many temporary employees in the service of her department lost their jobs. My department does not manage hospitals. I think that the hon member should have done his homework more thoroughly. [Interjections.] He should have formulated the matter more clearly and indicated that he wanted to talk about the treatment of general assistants by provincial administrations. [Interjections.] As the interpellation reads, I must give him information with regard to what the Department of National Health and Population Development did, which is a completely different department. I would advise the hon member to go and do his homework. [Interjections.]

I am prepared to reply to the hon member in general, and to say that the guideline of the provincial administrations was that all employees should be treated fairly in this process of staff reduction, and that it was clearly to be taken into consideration that services were not allowed to be compromised and that the rendering of service to the public had to be given the highest priority.

I also want to point out to the hon member that temporary employees contribute 5% of their salary to the pension fund, while permanent employees contribute 8%. Therefore if they are changed to permanent employees immediately there is a financial implication which has to be taken into consideration. There are quite a few factors which are therefore being investigated at the moment. [Interjections.]

Debate concluded.

QUESTIONS

†Indicates translated version.

For oral reply:

General Affairs:

State President:

Certain company in Lesotho: alleged confiscation of interests

*1. Mr L T LANDERS asked the State President:

- (1) Whether he has received a request from

HOUSE OF REPRESENTATIVES

South African investors in and shareholders of a certain company, the name of which has been furnished to the State President's Office for the purpose of his reply, calling for the appointment of an independent public commission of inquiry into the alleged confiscation of this company's interests in Lesotho; if so, (a) when and (b) what is the name of this company;

(2) whether he will comment on the revocation by the Lesotho Government of a specific mining leases order whereby the interests of the said company were allegedly confiscated; if not, why not; if so, what are his comments? CTE

THE STATE PRESIDENT:

- (1) Yes.
- (a) 30 March 1992.
- (b) Swissbrough Diamond Mines represented by one Mr Josias van Zyl.
- (2) No.

Mr L T LANDERS: Mr Speaker, arising out of the hon the State President's reply, I want to ask him whether he would tell the House whether the company in question requested that an independent commission be appointed to inquire into this matter. Would he also tell the House whether he intends to appoint one, and if not, why not?

THE STATE PRESIDENT: Mr Speaker, on two occasions the State President—in one instance it was the hon the Minister of Foreign Affairs who was the Acting State President at the time—wrote to Mr Van Zyl to inform him of our decision. After further representations, I again wrote to the same Mr Van Zyl in December 1992. I do not want to give any details here, because there is a court case pending in the Lesotho High Court at the moment in which the subject matter of this question is at issue. However, I just want to quote two paragraphs from the two letters concerned.

In the letter, dated 3 June 1992, from the hon the Acting State President, it is stated *inter alia*:

Die aangeleentheid is deeglik oorweeg, waarna daar tot die slotsom gekom is dat u self in hierdie geval tot die Regering van Lesotho

HOUSE OF REPRESENTATIVES

behoort te wend en dat die Suid-Afrikaanse Regering nie aan u versoeke kan voldoen nie.

In a letter, dated 3 December 1992, which I signed, it is stated *inter alia*:

Na deeglike oorweging van die aangeleentheid, moet ek u meedeel dat die Regering van oordeel is dat daar nie aanvaarbare gronde bestaan op grond waarvan aan u versoek om vergoeding gehoor behoort gegee te word nie. Die Regering ontken enige aanspreeklikheid vir skade wat u in Lesotho sou gely het. Dit staan u derhalwe vry om voort te gaan met enige alternatiewe stappe wat u mag oorweeg.

Mr L T LANDERS: Mr Speaker, further arising out of the hon the State President's reply, I want to ask him please to inform the House why the South African Government did not intervene diplomatically, or otherwise, on behalf of South African nationals who suffered damages, allegedly to the amount of R1 billion in Lesotho, apparently as a result of the actions of the Lesotho government which, it is alleged, was acting on the instructions of the South African Government, whereby the interests of South African nationals were destroyed and taken away from them.

THE STATE PRESIDENT: Mr Speaker, the South African Government does not need sermons from that hon member with regard to its duty to safeguard the interests of South African nationals. However, the South African Government can only do so in cases in which it is convinced that those interests have been harmed, in the first instance, and, secondly, if interests have been harmed, that they were harmed on a basis which justifies intervention by the South African Government. If the hon member had listened properly, he would have noticed, from what I quoted from the letter dated 3 December, that we made it clear to Mr Van Zyl that we were convinced that there were no acceptable grounds on which we could comply with his request for some other form of compensation.

Mr L T LANDERS: Mr Speaker, further arising out of the hon the State President's reply, can he then also tell the House whether it is not true that a document emanated from his office, a document which was penned by a certain Dr

Ackermann and which was called the "Advice-document", in terms of which Swissbrough Diamond Mines, according to Dr Ackermann's recommendation, be paid an amount of R50 million in settlement of the claims being made by Swissbrough Diamond Mines. If that is in fact the case, then what happened to that recommendation?

THE STATE PRESIDENT: Mr Speaker, as I stand here I am not aware of such a document. If the hon member could let me have a copy I will look at it. I shall also talk to Dr Ackermann as soon as I get to my office.

However, I have before me, as part of the material collected in preparation for this question, the considered advice which was given to me at different times by the Department of Foreign Affairs and the Department of Water Affairs and Forestry. I also have before me an analysis of the whole history of the matter, in which such an advice does not feature at all.

I would also like the hon member to let me have that copy and to tell me to whom the document was addressed. If it was an internal advice document I would be extremely interested to know how the hon member got possession of such a document.

Mr L T LANDERS: Mr Speaker, arising out of the hon the State President's reply, is it not true that Protocol 4, which was signed by South Africa and Lesotho, provides for the raising of foreign loans in excess of \$500 million for the fulfilment of obligations of the South African Government, the Lesotho government and the Lesotho Highlands Development Association in terms of the water treaty, the specific purpose of those loans being to make good compensation for people who lost their properties in terms of the development project?

THE STATE PRESIDENT: Mr Speaker, there is no question about it. Provision is made in the protocols for compensation for those who are entitled to it. However, if a person comes forward and bases a claim on certain assumptions when there are no grounds for such assumptions and when technical advice indicates that there are no such grounds, it would be irresponsible to positively consider any request for compensation if all the advice that one gets militates against the suggestion that there is a proper claim for compensation.

Mr L T LANDERS: May I put a final question, Mr Speaker?

Mr SPEAKER: Yes, the hon member may ask a final question.

Mr L T LANDERS: Mr Speaker, further arising out of the hon the State President's reply, it is alleged—I am not saying that this is so, but I have been informed of this in writing and telephonically, and I would be satisfied if the hon the State President would answer yes or no—that directly or indirectly a request was made to Mr J van Zyl that the proposed draft petitions that he made available to the hon the State President and the other departments affected be held back until after the referendum which was held in the Republic of South Africa on 17 March 1992. Is this in fact so?

THE STATE PRESIDENT: Mr Speaker, I am not aware of any such thing.

Ministers:

Certain company in Lesotho: compensation to shareholders

*1. Mr L T LANDERS asked the Minister of Water Affairs and Forestry:

- (1) Whether he or his Department has received any recommendations in respect of or requests for the payment of compensation to the shareholders of a certain company, whose name has been furnished to the Minister's Department for the purpose of his reply and whose interests in Lesotho were allegedly confiscated as a result of the implementation of the Lesotho Highlands Water Project; if so, (a) from whom were these recommendations or requests received and (b) what is the name of the company concerned;
- (2) whether any compensation has been paid to the shareholders of this company; if not, why not; if so, (a) what compensation and (b) on what grounds;
- (3) whether he will make a statement on the matter? C14E

†The MINISTER OF WATER AFFAIRS AND FORESTRY:

- (1) Yes. I received a copy of a request to the South African Government, which re-

HOUSE OF REPRESENTATIVES

Keys's economic model sets 3,6% growth target

Industry faces call

Star 4/3/93

to actively step up investment spending



Derek Keys... Future of economy in the hands of business.

By Sven Lünsche

A rise in private sector investment spending and a more open and competitive economy are the main targets of Finance Minister Derek Keys' long-awaited economic adjustment programme.

A Finance Ministry spokeswoman said yesterday that the Normative Integrated Economic Model would be presented simultaneously to the National Economic Forum (NEF) and the media next Tuesday.

Not only will the model include Keys' long-term economic vision it will also set the guidelines for the Budget proposals to be presented to Parliament eight days later.

Details of the economic model have been sketchy but over the past few weeks its main features have been outlined by Finance Department officials.

The key focus of the pro-

gramme will be to boost investment spending by the private sector.

Keys said this week that the future of the economy was in the hands of business and that the success or failure of his plan would depend "to a large extent on the private sector's ability to have the confidence to invest in the country".

His deputy, Theo Alant, confirmed this at the opening of a trade fair on Tuesday. "A major element of the plan will be to restore investment to its proper place in the macro-economy," he said.

The special adviser to the Department of Finance, Dr Japie Jacobs, put some more detailed figures on the investment targets.

He reportedly told Sanlam executives this week that fixed investment must be lifted to 22 percent of Gross Domestic Product (GDP) from its present level of around 16 percent.

The private sector should account for 15 percentage points of the planned investment (at

present 12 percentage points) and the state for seven percentage points), Dr Jacobs said.

Keys also indicated that the economic model would focus on improving the world competitiveness of SA industry through a gradual scrapping of all protective barriers. Both import tariffs and export subsidies would be phased out.

Competitiveness

"It is only by being competitive internationally that there can be real growth in the economy and with it the creation of jobs," he said.

Jacobs also provided detailed economic statistics which will form the framework to the model's proposals.

It assumes a yearly economic growth rate of 3,6 percent over the next five years to reach 4,5 percent by 1997. Such a growth rate would help to absorb the estimated annual rise

in the labour force of 400 000 by 1997.

General savings would have to rise from 17 to 26 percent of GDP — a rise in current terms of about R25 billion.

A key to reversing the recent fall in savings levels would be to halt government dissaving over the past few fiscal years and the Budget is likely to contain some first steps in this direction.

Sacob director-general Raymond Parsons said earlier this week that the economic model would create a framework against which the Budget decisions will have to be assessed.

Keys has stressed that the model was not a final blueprint for future economic policy and open to discussion.

The likely and most suitable forum for such debate is the NEF which over the past few weeks has settled down to the serious business of formulating long-term and short-term economic policies.

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for Dame Hough yesterday

R520m Post Office loss

BUSINESS Day incorrectly reported yesterday the Post Office suffered a loss of R30m more than budgeted for. In fact, the utility incurred a loss of R520m, compared to an expected R570m loss. Business Day regrets the error.

BIDAM 4/3/93

Japan steel exports up

JAPAN's steel exports in January rose 3.9% from the same month a year ago to 1.24-million tons, marking the ninth consecutive month of year-on-year gain, the Japan Iron and Steel Federation reported in Tokyo yesterday. A spokesman said sharp increases in exports to China helped offset plunging exports to the US in the wake of anti-dumping duties on carbon steel imports.

REPORTS Sapa Business Day Reporters AP DJ

as much labour as technically possible

China spends R9m on office block

BIDAM 4/3/93

TRACY SCHNEIDER

THE Great Wall Group, a trading company founded by the mainland Chinese government, has bought a R9m office block in Bedfordview to start its business venture in SA.

The office will be opened officially at a function this evening.

China's trade with SA previously was conducted discreetly through Hong Kong until political changes in SA prompted it to introduce direct trading links last year.

Exhibitions are now planned in both countries, starting in Johannesburg in April with a trade expo organised by the China Council for the Promotion of International Trade.

The Great Wall Group will be involved in an exhibition in SA in September, when 100 corporations will display a variety of goods including textile, industrial, chemical and

hardware products. SA businessmen will be invited to exhibit in Beijing in March 1994.

"We came here with the express purpose of facilitating trade and economic co-operation with SA," said the group's business manager Qingguo Jiang. "Apart from the Bedfordview offices, we have R2m in other assets and are looking into other real estate opportunities and joint investments with local businessmen. We also are hoping to invest in factory and manufacturing plants."

And China and SA Trading GM Chenxiang Liu said. "About 200 Chinese businessmen will come to SA to meet their counterparts and discuss business."

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'Tax hike will slow economy'

BIDAM 4/3/93

GERALD REILLY

PRETORIA — The tax hike to be imposed in the March 17 Budget will slow down an almost static economy further and stagnation will continue into 1994, economists say.

Stellenbosch Bureau for Economic Research economist Nils de Jager said yesterday consumer confidence was at a low ebb anyway and would be depressed further as disposable incomes shrank.

Sales would decline further, spare industrial capacity, now at about 20%, was likely to increase, as would unemployment and crime.

The conventional Keynesian medicine for a rundown economy, De Jager said, was to increase state spending directed at creating jobs and to reduce taxation. However, in government's present Catch 22 situation, this was impossible.

It could be said taxation was being raised to pay interest on government's massive debt which had reached 9% or nearly R30bn.

Interest on the debt was the largest

single Budget item, even exceeding the education vote.

De Jager said the debt problem had been aggravated by government writing off R3.6bn in drought aid in the coming financial year instead of over three years as first intended.

But, De Jager added, perhaps the most worrying consequence of higher taxation was the impetus it would give to greater unemployment.

Absa senior economist Adam Jacobs said tax hikes would contract the economy further and could result in government's tax take from companies and individuals actually decreasing in spite of the hikes.

"We are caught in a vicious circle with company profits and taxpayers' incomes threatened by declining consumer demand and growing unemployment," he said.

Jacobs said another serious consequence would be a further shrinking of personal savings

De Klerk rejects mine loss claim

BIDAM 4/3/93

CAPE TOWN — Government was not liable for losses suffered by SA company Swissborough Diamond Mines. President FW de Klerk said in Parliament yesterday.

Replying to a question by Luwellyn Landers (LP Durban Suburbs), he said government had told Swissborough director Josias van Zyl there were no acceptable grounds for the appointment of an independent inquiry into the alleged confiscation of the company's interests when the Lesotho government revoked its mining leases as part of the Lesotho highlands water scheme.

Van Zyl had been told to direct any claims to the Lesotho authorities. The Swissborough issue is pending before the Lesotho high court.

The question had been why government had not intervened after SA nationals had suffered a R1bn loss. De Klerk said it had to establish if the loss had been suffered, and then if intervention was required. — Sapa.

Chamber call for wage restraints

MARIANNE MERTEN

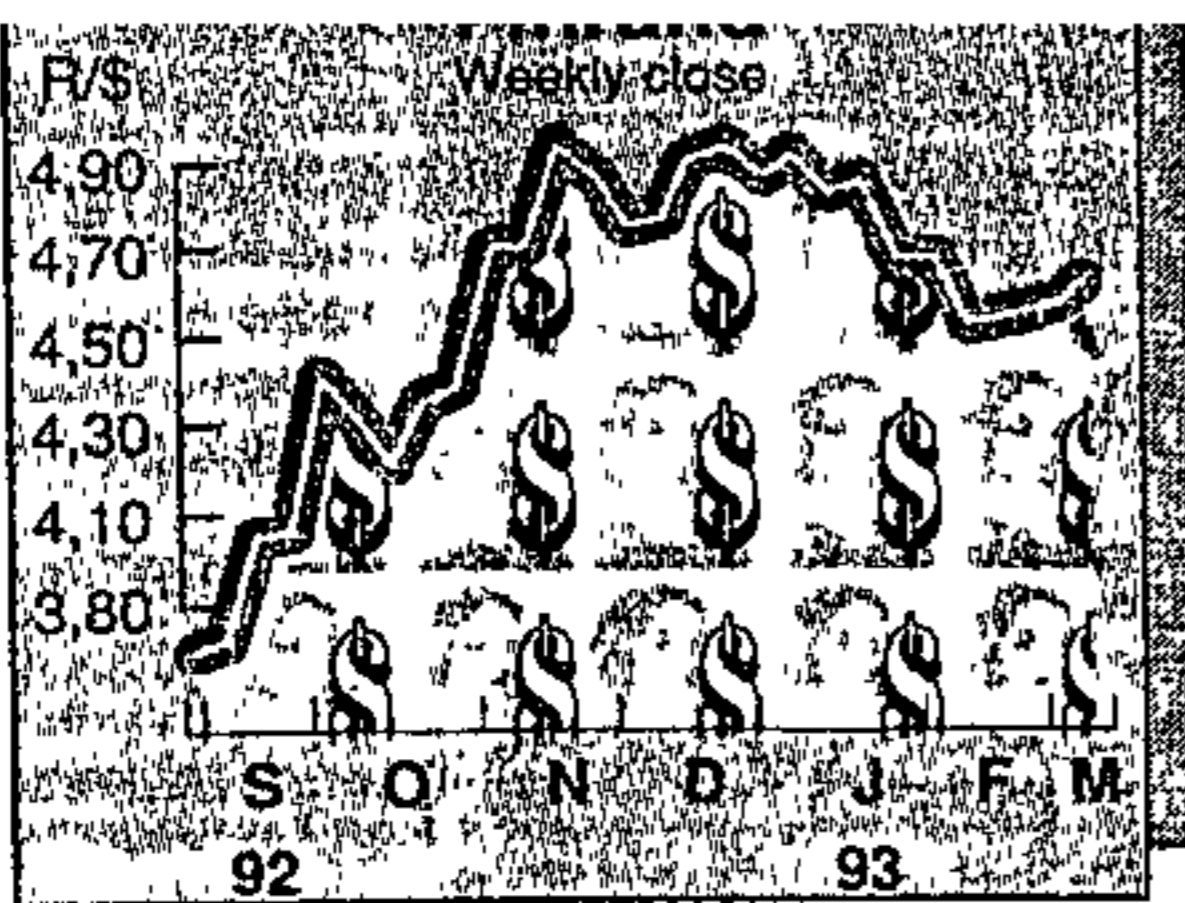
THE Northern Transvaal Chamber of Industries had urged that wage restraints be included in Finance Minister Derek Keys' model for economic restructuring, it said in a statement yesterday.

The Keys model, due to be published next week, is thought to address economic restructuring to promote the productivity of resources.

Wages had risen over the past three years despite negative growth to such an extent that it had increased the unit cost of production, a chamber spokesman said.

Wage increases had created a structural economic problem which could not be addressed by only looking at wage restraints, but other factors such as export incentives and government control needed to be examined.

UUM 100



Graphic LEE EMERTON Source I-NET

Bank's Elfi move stirs up a storm

TIM MARSLAND

A ROW is brewing over the Reserve Bank's refusal to allow foreign participation in Transnet's planned Elfi V issue, which was to have replaced the maturing Elfi III issue. *610AM 4/3/93*

At a meeting convened by Transnet last night, about 60 broking and banking representatives voted in favour of the equity-linked fixed interest (Elfi) instrument continuing. They said they would press for the Elfi V issue to get the go-ahead.

The Bank has said it will not allow foreign participation in a new Elfi issue because of the harm to the balance of payments.

Elfis are split into a bull and a bear tranche and are linked to the JSE's all share index. The bear is negatively linked, which means the capital value declines as the all share index rises.

To make it attractive, the bear tranche offers a 25% coupon, which attracts non-residents who make the initial investment via financial and blocked rands but are paid interest in commercial rands. Only the interest can exit the country.

An investor who bought the Elfi I issue and held it for the full three-year maturity would have recovered just 21% of initial capital value, excluding coupon payments.

After the meeting, Transnet treasury manager Johann van Schoor said about 30% of the Elfi III and IV issue was held by foreigners. This meant a potential outflow of R75m a year.

However, Van Schoor pointed out that only about R30m would be due to the Elfi issue, since this represented the difference

To Page 2

Elfi *610AM 4/3/93*

between the Elfi coupon rate of 25% and that offered by other fixed interest securities such as the 15% on the Umgeni 55 bond.

Van Schoor said Transnet had considered reducing the coupon rate to between 16% and 18%. However, the Bank would not agree to that.

Van Schoor told the meeting foreign participation in the Elfi IV issue would still be allowed. Foreigners would also be allowed to switch from the maturing Elfi III into the Elfi IV. He said Transnet would continue to offer carry facilities in the Elfi stock, but this would be at a lower rate than the current 14.5%.

Van Schoor said Elfis could not be listed on the JSE as the exchange could not differentiate between resident and non-resident transactions. Consideration was being given to listing the instrument on the SA Futures Exchange.

Asked if Elfis could function as a non-listed instrument, brokers agreed this could work, but not very well.

Releasing details of Transnet funding requirements for 1993/94, Transnet group GM Eugene Kruger said about R900m would be required from the local debt market. A total of R5,4bn had been required, but R2,9bn of this had been prefunded while R1,6bn would be generated internally. The R5,4bn consisted of capital expendi-

~~From Page 1~~ *214*

ture of R1,3bn, a R400m repayment of a European loan, R2,1bn in repaying the T002 and the Elfi III issue, a R600m repayment under the third interim debt arrangement, and R1bn in bridging loans.

The R400m European loan, which fell due in the middle of the year, would probably not be rolled over but this would depend on prevailing interest rates and the political situation. The terms of the R600m under the debt standstill had still to be negotiated by the Bank.

Van Schoor said Transnet had R4,1bn in offshore loans, and R16,1bn in local loans. Of the local loans, R1,2bn was in the money market and R14,9bn in the capital market with 58.4% in the long area.

The bulk of pre-funding at R1,7bn had been done in the short area of the market. Transnet would focus on making its T001 issue more popular.

He said turnover by Transnet in its own bonds as a result of its market-making activities was R245bn, with total turnover about R700bn. It had turned over R180bn in other bonds as part of hedging activities.

The finrand lost 6c in early trade on the Elfi move from its overnight close of R4,5625 but recovered to close at R4,6010. Despite Bank intervention, the commercial rand closed at a record low of R3,1535 from R3,1513.

Star 4/13/93

Companies warned to invest or face losing market share

By Tom Hood

CAPE TOWN — South African industries will have to be international players even if they are not exporters.

That is the message from Bill Cooper, chief executive of diversified industrial group T&N Holdings, which in the year to end-December lifted its earnings a share 23 percent to 86c, its dividend by 41,7 percent to 34c and its operating profit by 21,5 percent to R48,5-million.

These results, says Cooper did not happen by chance.

"In South Africa, the thrust is to grow your business through exports as the local market is dormant."

Although the group's local markets shrunk, its market share and volumes increased, suggesting that competitors took the brunt of the recession.

But most South African companies tend to be introverted rather than outward looking, he says.

As tariff and political barriers drop, there will be new international competitors in the domestic market.

"Things could turn up more quickly than people expect. Usually, when this happens, there's a trebling of uptake. If people start importing, we will lose our market share."

The key here is not to hold back on investments. T&N has committed more than R10-million in the past financial year.

Ferodo, which made a particularly good showing was allotted R2,5-million to increase disc brake capacity by 25 percent.

"We are surprised by our own



Bill Cooper, T&N chief executive ... "surprised at our own success."

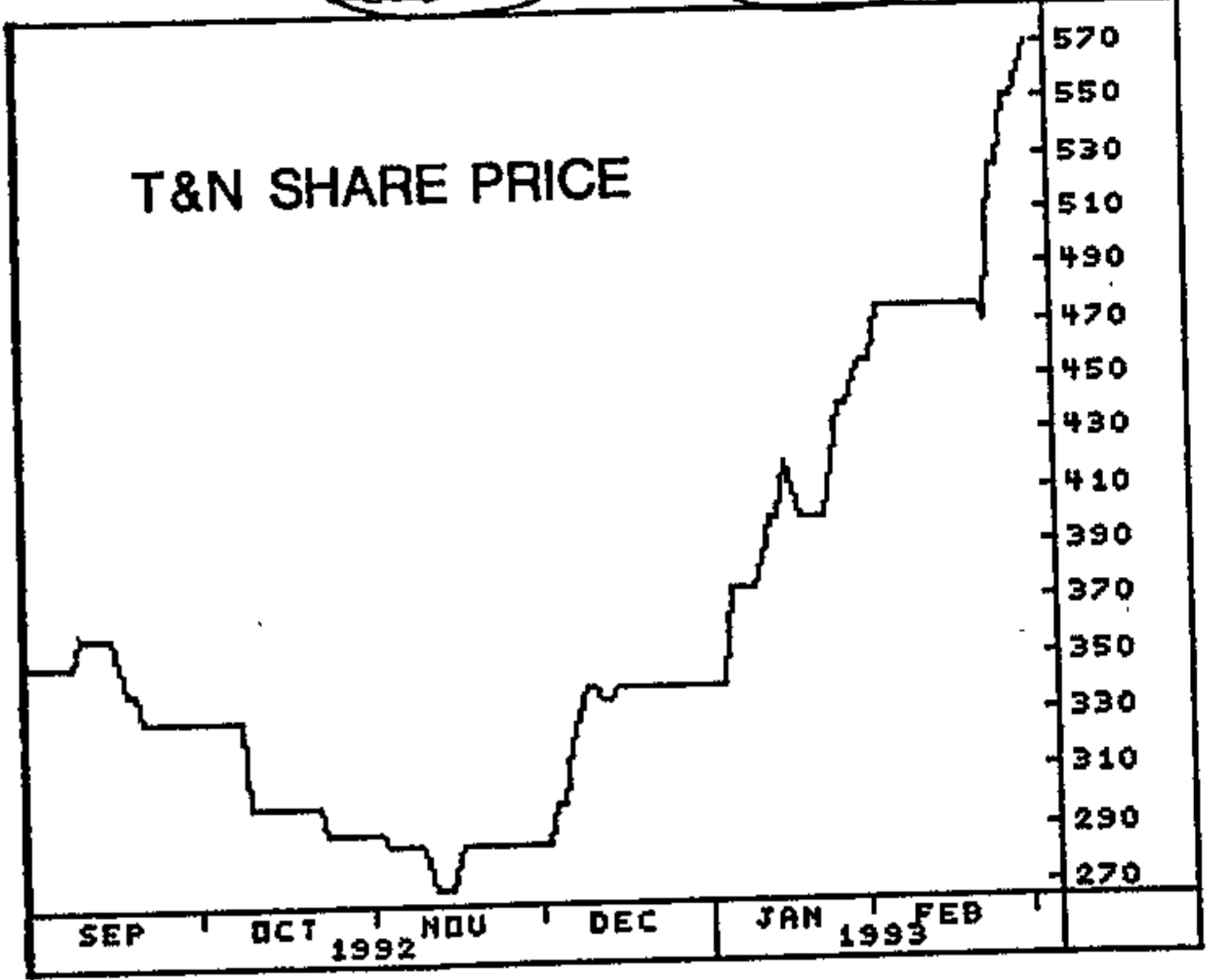
success. We seem to have got the marketing mix right."

Cooper says the group is budgeting for a 50 to 70 percent increase in turnover at FHE Automotive in 1993.

The company has expanded to incorporate a number of technologies and now provides a full range of heat exchange products.

Last year, two injection moulding machines were installed at a cost of R3-million and the investment in a new plant for automotive heaters has been justified by two major contracts from Nissan.

A joint venture with an air-conditioning company later this year, to be known as Ebcon, entails an investment of R4,5-million. This will facilitate the



manufacture of a full range of fully packaged cooling systems.

AE Bearings in Pinetown operated at 100 capacity throughout last year. Shortly before Christmas, the company installed a new bearing line and will add another "in the not too distant future".

Another major development — a R3,2-million investment in AE Sinterline in Pietermaritzburg — will give the company both a local and international edge. Raw material for high quality bearings which was previously imported from Australia can now be produced locally.

Glacier Bearings invested R800 000 in upgrading high precision machinery and TBA Industrial is installing a new calendar at a cost of R300 000 to

replace antiquated equipment dating as far back as 1920.

Cooper emphasises that T&N has invested in products with a long-term strategic importance which has meant significant changes in operations and management input.

Because of this T&N disinvested from loss-making Pinetown-based resin business British Industrial Plastics for a tidy R2,3-million profit in September.

The related moulding powder plant was another grey area.

"When they lifted import controls, we took the full brunt of international competition. The plant had to operate differently.

"We invested R1,3-million in additional machinery and revamped the whole plant."

748

WHILE the rest of sub-Saharan Africa set about attracting foreign investment in a major shop-window for global finance this week, SA's representative at a key international investment forum in Nairobi spoke of continued financial sanctions.

As other African countries urgently enact wholesale economic restructuring to reassure hesitant foreign investors, SA is about to produce a discussion document four months behind schedule which could serve as a basis for possible future restructuring legislation.

This sequence of events highlights more starkly than ever the increasing danger that SA, through needless prevarication by both government and opposition, could miss the sub-Saharan Africa investment boat. Platforms for promoting international investment in sub-Saharan Africa are rare. One such opportunity for the subcontinent to set out its wares was this week's precedent-setting investment conference in Kenya.

Investment institutions from Europe and the US linked up to sponsor an uncommon gathering of public and private sector professionals from the Western financial community. But before this influential assembly, a member of what could be SA's

The art of repelling investors

80 Day 5/13/93

748

237

748

237

748

237

government-in-waiting had to start his presentation with a flurry of negatives.

ANC economic planning department head Trevor Manuel had the thankless task of trying to explain to about 500 delegates why his organisation still believes SA is not yet ready to accept foreign investment. It is a posture that has been overtaken not only by the accelerating deterioration in SA's own domestic economy but also, as the conference proceedings made increasingly clear, by the radical adjustment of other economies in the subcontinent.

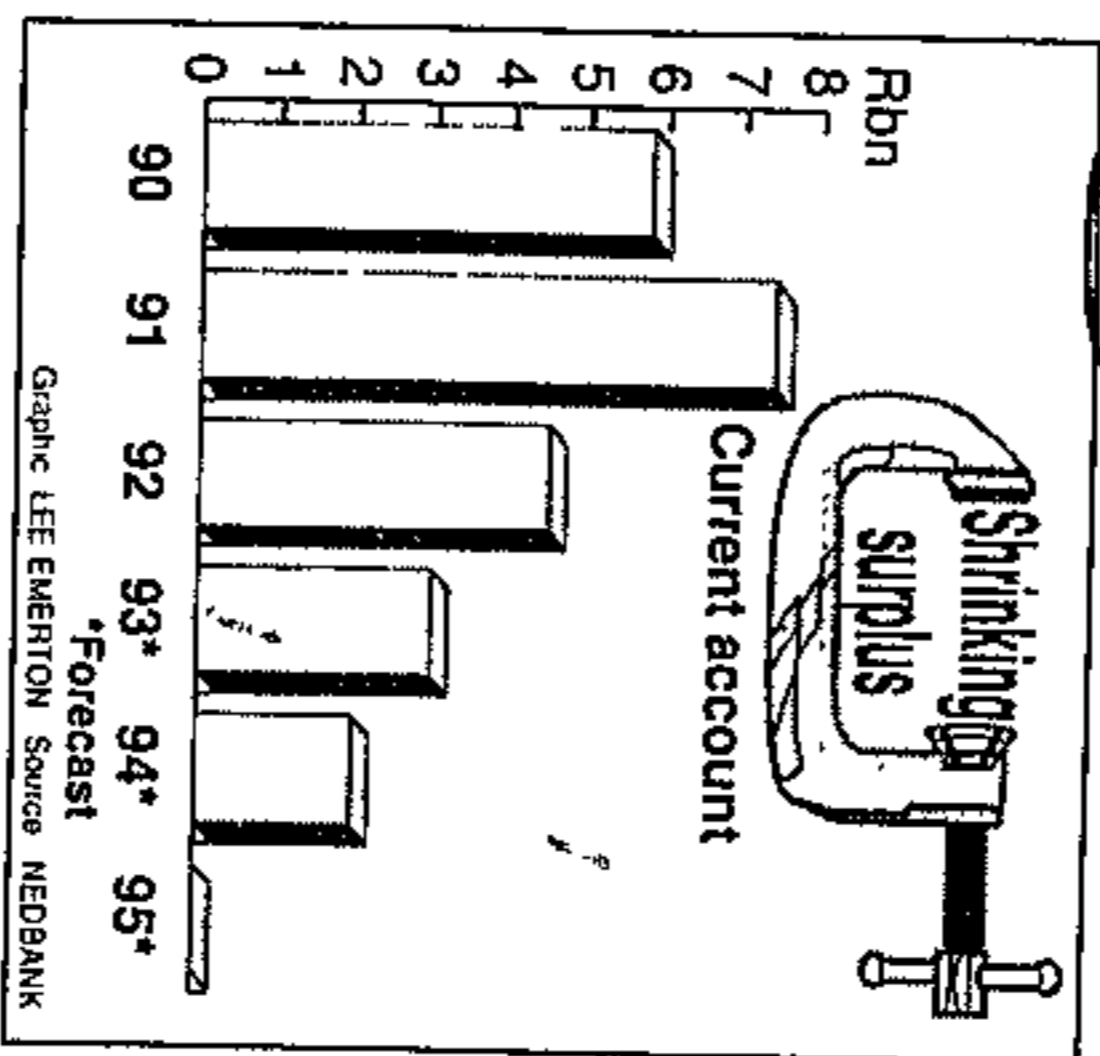
It quickly became, from SA's point of view, a conference of embarrassing contrasts. Kenyan vice-president George Saitoti was able to tell potential investors in his country that his government was leaving more and more economic decision-making to the market; that exchange control had been dismantled and that international investments would be safe in Kenya and returns comparable to anywhere in the world. Manuel found himself at a disad-

SIMON WILLSON

vantage. The conference literature charitably preserved his marketeconomy credentials by ignoring the ANC's formal alliance with the SACP, but still left him with the task of trying to match the slick Kenyan presentation before a critical audience of limited patience.

Manuel had to open his address with a contradiction in terms, offering financial investors a convoluted defence of continued financial sanctions as though he was in a speak-easy calling for prohibition. All he could offer the conference was the assurance that sanctions would be lifted at some indeterminate date in the future if certain other conditions were fulfilled.

High-powered speakers from Kenya, Botswana, Zimbabwe, Nigeria and Namibia had been able to use the conference platform unashamedly to promote the investment-friendly



of their countries, while Manuel obligingly disqualified SA from contention with the implicit menace of the penalties that new governments with long memories can inflict on sanctions-breakers.

Manuel's presentation also bitingly ignored the deepening problems facing SA's economy. The current account surplus maintained since 1985 is widely expected to disappear

in the next couple of years under pressure from the increased imports that a recovery in growth will bring (see chart) and from another hump in foreign debt amortisation. Foreign financing attracted now would subsequently be a powerful support to the balance of payments when the external accounts come under pressure.

Government's much-delayed production of the economic restructuring plan also became conspicuous at the Nairobi conference. Kenya, in many ways a direct competitor against SA for corporate investment, tourists and infrastructure development, was able to go on the record as having freed up exchange controls, decontrolled prices, slashed tariffs and liberalised imports.

SA, by comparison, has had these measures as medium-term objectives for several years but has done no more to implement them than draw up the off-deterred draft restructuring proposals. The restructuring zeal of SA's African rivals was, it is true, enhanced by the IMF, but that fact does nothing to reduce the need for SA to remain competitive. Events in Nairobi this week suggest SA is, on the contrary, falling behind its sub-Saharan neighbours in the art of investor inducement.

Russia seeks trade with SA

IAN SHIFFMAN
Shipping Correspondent

ATTENDING the Maritime Conference in Cape Town this week was Mr Igor Filin, the Russian Deputy Chief of International Department of the WA2 Transport and Trading International Corporation.

He is seeking to promote trade and contacts between Russian and South African businessmen.

WA2 was founded as a private enterprise in 1991 and operates in many fields including vehicle manufacturing, electronics, gold jewellery, food, transport and business.

The firm has produced the CIS Directory of Goods, Services and Producers which includes over 28 000 alphabetically listed enterprises, with more than 60 000 items and services

classified in 1 800 categories.

The register is available in English and Russian and will be a valuable tool for South Africans wishing to do business with the Commonwealth of Independent States.

The register is available either printed or on three floppy disks.

The annually updated register includes the largest export firms in Moscow and St Petersburg as well as a number of guides to companies in industrialised countries, like South Africa, which are interested in trade with major CIS enterprises.

Further details from Trans African Universal Trading Agencies, 95 8th Street, Parkmore, 2196, ☎ (011) 783-2749, or from the head office: Office 11, Building 4, 2/14, Nezhdanovoy Street, Moscow 103009, Russia, ☎ (095) 229 7473.

745
11/11/98
6/31

Cape Town best bet for foreign investors

SI Times (Cape metro)
7/31/93
CAPE TOWN is more attractive to foreign investors than any other South African city, including Durban and the PWV area.

This emerged from a presentation to Cape Town businessmen this week by Dr Fred Vossen of Plant Location International, a Brussels-based consulting subsidiary of Price Waterhouse, who carried out an investment study on behalf of Wesgro and the Greater Durban Marketing Authority.

The study found that Cape Town was more attractive to investors than Durban or the PWV area and more attractive than Mexico, with which South Africa is a direct "cost competitor". The US and Germany are viewed as more attractive investment opportunities than South Africa, however.

South Africa's financial rand incentive was attractive and this country could enhance its foreign competitiveness by emphasising its cost efficiency in respect of high profitability and short pay-back periods, the study found.

Other strengths are the low cost of electricity and good port and industrial infrastructure.

Corporate tax structures were found to be a major investment deterrent as were the perceived political climate and weak economy. It was strongly recommended that the government reduce corporate tax rates to serve as an investment incentive and the introduction of a flexible investment incentive package as an alternative to the financial rand.

74B
Andrew Young visits SA

Former United States ambassador to the United Nations Andrew Young is in South Africa with a delegation of businessmen and politicians to look at investing in South Africa once sanctions are lifted. Young is scheduled to give the keynote address to a conference on de-

mocracy in Cape Town this week. Young is mayor of Atlanta, Georgia, which will host the 1996 Olympic Games. It is understood that as mayor, Young could bring influence to bear on whether later Games are held in South Africa.

— Staff Reporter.

9/3/92

Invest in SA, urges US envoy Andrew Young

Star 10/31/93

By Jo-Anne Collinge

It would be wiser for multinational corporations to "get back into South Africa when the time is right" than for them to invest in Taiwan, Moscow or other parts of the old Eastern bloc, predicts Andrew Young, former US super-champion of economic sanctions.

Sporting the five-ringed badge of the Atlanta Olympic Committee, of which he is vice-chairman, Young delivered an unscripted and candidly optimistic talk to the Media Forum in Johannesburg yesterday. "It's sort of unpopular in South Africa right now for white folk to be optimistic," he

observed, as he challenged the conventional wisdom that foreign investment was headed almost exclusively to the former Eastern bloc and Asia.

Asserting that southern Africa was an attractive option for capital, he drew on a range of experiences and a fund of anecdotes to argue the point.

Speaking as vice-president of an international engineering group, Young said he had found former communist countries often lacked the institutional capacity to use foreign capital.

In Africa, where his firm had engineering projects from Somalia to Swaziland, business was profitable. There was a shared language and a cultural

affinity. Much as the ANC used socialist concepts, its leaders "do have a sense of profit and a sense of business", said Young.

The people in South Africa were here to stay and would surely realise that living together with a chance for peace and prosperity was better than "fussin' and fightin'", he said.

Last time he was in Zimbabwe he visited Ian Smith, Young related. In contrast to other Harare notables, there were no guards at Smith's gate. "The front gate was open... I walked up the porch — and the front door was wide open!"

Young walked away struck that "this man — responsible for UDI — was living in peace

with his doors wide open", on a Zimbabwean government pension, "probably better off than when he ruled the country".

Young hoped the Clinton administration would display a quality long lacking in US national politics — an ability to make foreign policy and economic investment work together. Angola was a critical area where this should be brought to bear, said Young.

He asserted that Clinton should not only recognise the MPLA government, but should give it military and economic assistance.

In the course of preparations or the 1996 Atlanta Olympics, Young said he was repeatedly

asked by sponsors when South Africa would be "opening up" for investors.

Peter Davies reports that Young, one of South Africa's most bitter critics during the '70s and '80s, yesterday pledged his support for a South African bid to host the 2004 Olympic Games.

Young also presented an Olympic flag to National Olympic Committee chairman Sam Ramsamy at Olympic House in Johannesburg.

Young said Ramsamy had stood by him in the years when Atlanta was known only as the city that housed the headquarters of Coca-Cola and CNN.

focus on economics

Sowetan 10/3/93.

NEW YORK — Sixteen US companies have opened offices or otherwise established economic links with South Africa in the past two years, reversing the disinvestment trend of the late 1980s, a research firm says.

The Investor Responsibility Research Centre in Washington said last week the new investments were helped by former President Bush's 1991 executive order repealing a ban on new US investment in South Africa.

That ban was included in the Comprehensive Anti-Apartheid Act of 1986.

Three firms invested in 1991, the IRRC said, and the other 13 went into South Africa last year.

The IRRC declined to name all 16, saying it wanted to protect its research. But it did say Visa International, Lotus Development Corp and Cummins Engine Co Inc were on the list.

The news was not welcomed by apartheid opponents in the United States.

"It looks like I'll have to deal with this again," said the Rev Leon Sullivan, author of an operating code for companies in South Africa called the Sullivan Principles. The principles called for integration of the South African workplace and fair treatment of workers in the country.

None of the 16 new companies are signatories to the Sullivan Principles, the IRRC said.

The African National Congress, through its president Nelson Mandela, has said it welcomes investment in South Africa, but only when a new government is in place.

On February 18, the ANC formally agreed to govern jointly with whites and other parties for up to five years after the end of apartheid. The current, white-led Government said black people could join the national government in a largely advisory capacity by June.

Sullivan said: "My position still holds that until there is a non-racial government and blacks have the equal right to vote, the sanctions should remain and the objective must be to eliminate apartheid."

"We must keep the pressure up," he said.

Visa vice-president David Brancoli said that there are six companies with Visa franchises in South Africa. Asked if Visa had any doubts about doing business in South Africa, Brancoli answered: "As long as they (the franchises) observe the operating regulations of the (Visa franchise) programme they are members in good standing."

Richard Eckel, a spokesman for Lotus, said his company went into South Africa in 1991 "in a responsible way" and is a "positive element of change in the country." He said Lotus contributes to community development. "They are happy we are there," Eckel said of the South African people.

An IRRC survey found 119 US companies

Having been the pariah of the world for so long it is a strange turnabout that sees US companies — many of whom beat a hasty retreat in the '80s — making an almost indecent dash to take advantage of the turning tide in South Africa. **Sapa-AP** reports: ~~289/193~~ 743



Coretta Scott King ... arrested.

currently have direct investment or employees in South Africa.

The new economic links effectively reverse the disinvestment trend that saw 168 US firms sell or close their South African operations from 1985 to 1990, the IRRC said.

Four of the companies on the IRRC list have re-entered South Africa after disinvesting in the mid-1980s.

Steven Zeller said Cummins had no investments in South Africa but did contract with an independent distributor with whom they have a "longstanding relationship" of more than 10 years. They also have an employee on temporary duty there, who has been in South Africa for a year, Zeller said.

The anti-apartheid law was enacted after a national campaign that included arrests at the South African embassy in Washington organised by Randall Robinson, head of TransAfrica, an advocacy group.

Among those arrested were Coretta Scott



Arthur Ashe ... arrested.

King, former President Carter's daughter Amy, singers Stevie Wonder and Harry Belafonte, Jesse Jackson and the late tennis star Arthur Ashe.

"When the all-clear is given, we would want to see the economy resuscitated. That is not the case quite yet. If I had my druthers I would see the corporations wait until we see this change at mid-year," Robinson said. "My bottom line is: Wait until it happens."

Alison Cooper, an IRRC spokesman, said a number of the 16 companies have a small presence in South Africa. "But it does bump them from one category to another, from no employees to one with employees," she said.

Other companies have chosen not to invest directly but have formed licensing and distribution agreements with South African companies. From July 1991 to the present, the IRRC has found that the number of US companies with non-ownership links to South Africa has jumped from 184 to 299. — Sapa-AP.

US govt to assist in attracting investment

B/DAY 10/3/93 (74B)

LINDA ENSOR

CAPE TOWN — The US government would collaborate with SA financial, government and business leaders in devising instruments to attract US investment capital to SA, US ambassador Princeton Lyman said yesterday.

Projects earmarked for the investment would include housing, electrification and small business development.

"What we are looking at are ways in which we might engage the anti-apartheid leadership in mobilising capital from those very institutions that were in the forefront of sanctions, for example, some of the large pension funds and university trust funds in the US," the ambassador said in an address to the Seeff-Cape Times Breakfast Club.

He stressed that these instruments could not be geared for foreign capital alone.

Without substantial investment from SA business and other

sources of capital, outsiders would be wary of them, Lyman said. He urged SA business to work through the national economic forum to develop such instruments.

Lyman said in an interview that possible instruments included government guaranteed housing bonds, or a growth fund along the lines of the Community Growth Fund which would invest in job-creating projects while at the same time ensuring a return for its investors.

It was possible also for the US government to provide support for housing investment.

Syfrets corporate finance head Ian Hamilton said Syfrets was looking at ways of getting overseas capital into SA.

However, said Hamilton, it was still too early to discuss the proposals.



US firms 'waiting to invest'

74B

TREVOR BISSEKER

KODAK, Coca Cola and motor manufacturers were among the US companies, big and small, making plans to invest in SA "when the time is right", Andrew Young, former US ambassador to the UN, said in Johannesburg yesterday.

Young, who opens a conference in Cape Town on Friday on free and fair elections, said he was extremely optimistic about SA's future.

He disagreed with people who believed eastern Europe would attract investment ahead of SA. "People here — black and white — understand about business," he told a Media Forum breakfast. "The same cannot be said for many of the countries in eastern Europe. They just have no concept of it. You don't know who to deal with. A place like Soviet Georgia, for instance, needs kindergarten courses in capitalism."

There was also scope for investment in SA because of the economic warfare going on between the developed nations.

The target market was not SA itself but "everywhere south of Zaire". It was an area with great natural resources and beauty, but it had to be properly marketed.

Young mentioned Angola as potentially a great place to do business. President Bill Clinton's message should be that the US would recognise the elected MPLA government and give it military and economic assistance, such as \$10bn in credits on its oil revenue. "Imagine what that would do for the construction industry in SA. It would end the recession here."

Young said he was not sure what Clinton's feelings were about SA, but "President (F W) de Klerk needs outside help and I hope he gets it from Clinton".

Young said the US should not "pick a horse" in SA politics, but he felt ANC leader Nelson Mandela was a special sort of person. "I don't think anyone else has greater moral authority than he has to do what has to be done — for blacks and whites." He found "no trace of bitterness" in the ANC leadership. If white business leaders had similar commitment and optimism, SA would be a long way towards solving its problems.

● See Page 3

6/13/93
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Dollars pour in

74B

Arab investors, flush with petro-dollars, are on a buying spree of property in Natal. They have bought properties in Durban's Grey Street, but more money might go into stud farms in the Natal Midlands and the proposed Point Road development project.

Recently, Arab money was behind a failed bid to buy the Fancourt golf estate from the liquidators of Masterbond.

This week, the *FM* learnt that a delegation from Jeddah, Saudi Arabia, is due to arrive in SA soon to investigate other possible investments, specifically in coastal properties. However, the full extent of their investments in SA is hard to estimate because of the low-profile and tight-lipped nature of their dealings.

Ebrahim Vawda, chief executive of Al-Baraka Bank of SA — 50% held by the Jeddah-based Dalla Corporation — confirms investments are being made in office blocks, hotels and industrial land.

Dalla Corporation recently bought the New Republic Bank building at 110 Field Street, Durban for about R15m. The group is also said to have bought a stake in Elanjeni Oil and Cake Mills in Durban. The Dalla Corporation has about R20m invested in the Al-Baraka Bank — R10m in capital and R10m in deposits.

Propnet projects manager Roland Brohmer, who is involved in the Point project, says there have been hints of possible Arab investment in it. He says it's possible their interest could have been aroused by ANC backing of the development.

According to Brohmer, over R60m has already been pumped into the city through the purchase of properties in Durban's Grey Street area, the main commercial centre for Durban's Indian community, and home to the Victoria Street market.

FINANCIAL MAIL • MARCH • 12 • 1993 • 67

FM 12/3/93.

74B

A prominent commercial agent in Natal says it's generally known that the Islamic Propagation Centre "is an active player" in the recent property acquisitions. It is reported to have bought the Fayani Centre (in which the Al-Baraka Bank is a tenant), on the corner of Grey and Queen streets, since renamed the Islamic Propagation Centre (IPC); the Shahjehan cinema and office block in Victoria Street, now renamed the Ibrahim Al-Ibrahim building (after the nephew of the king of Saudi Arabia); and an industrial building in Gale Street on the periphery of the CBD.

IPC spokesman Yousuf Deedat confirms the purchases, adding the IPC also owns the factory and warehouse used by Umgeni Food Products in Stanger, which it bought two years ago. Deedat estimates the organisation's property portfolio at between R20m-R30m. He says there are no immediate plans to buy more, but notes if "well-wishers in Saudi Arabia want to donate more money, it would be welcome."

Deedat says Middle Eastern investors are not necessarily looking for a return on their money invested through the IPC. "It is the cause that is more important to them. These funds are an outright donation." He believes ongoing donations for religious reasons could outstrip money earmarked for return-driven property investment in SA by Arabs.

In Johannesburg, the Islamic Bank says: "We are not in the business of promoting property purchases in SA on behalf of Middle Eastern clientele. Like the other 67 banks in the country, we have bought property around SA for own use." CE Ebrahim Kharasany adds that the bank fully supports the ANC's call for further investment in SA after democracy has been achieved.

"To the best of my knowledge, property purchases have been made in Johannesburg by religious organisations for their own use and not for rental income, as in some cases in Durban. The money has come from Arab businessmen interested in furthering the cause of Islam. The investment in Johannesburg funded by the Middle East amounts to no more than R1m. This is the value of properties purchased in Lenasia and Fordsburg with Arab money."

The bank is presently funding a R200m housing development in Ormonde, comprising 550 free-standing homes and 350 cluster and townhouse units. The first of them should be ready for occupation in September and the development is not exclusive to any community.

Jeff Oldfield, vice-chairman of Durban council's Management Committee and a racehorse owner, says Arab businessmen see SA's racing industry as an untapped market and have brought two horses to the country to race. It is rumoured they are now looking at buying stud farms in the Midlands.

Director of the Africa Muslim Agency, Mohamed Fareed Chunara, says he is receiving an increasing number of inquiries from the Middle East concerning investment in SA.

"The inquiries have increased in recent months but I know of no specific investment that have been made. The Arabs seem interested in property development, land for development and pleasure resorts along the coast in Durban and Cape Town. Their interest is virtually across the board. They are looking at properties ranging from R500 000 to over R10m," he says, adding that Arab businessmen are impressed with SA's coastal environment, especially when it's compared with those of the US and Europe. "They are not getting the returns they were hoping for from their investments in the US and Spain."

The country's political instability doesn't seem to worry them. Chunara says Arab businessmen see potential here, despite the current level of violence. "SA is the economic gateway to Africa and they know it." ■

Cheque books out — but no pens — as ^(74B) new investors ^{(S/Time) (B435) 1431 93} take a look

FOREIGN interest in SA has started to surge again after a lull last year. With SA's political horizon looking brighter, cheque books are starting to replace note books and a number of foreign investment projects look set to get the green light "when the time is right".

The Department of Foreign Affairs and organisations like Sacob and Safto report a flurry of foreign delegations to SA over the past two months — fast reaching 1991 levels when euphoria about political change was in full swing.

Director, commerce and industry, of Johannesburg, Collin Wright, has just returned from the US with a number of commitments in principle for investment in SA.

These range from opening offices and investment in development projects to producing aircraft, electronics, computers and consumer products.

Mr Wright says the potential economic activity could be worth hundreds of millions of rands and, while the investments are planned for the city of Johannesburg, they could spill over into the rest of SA.

However, he adds that public announcements will be made when it is politically expedient to do so.

Sacob deputy director-general Ron Haywood says: "A lot more cheque books are starting to open, although they may not have been signed yet."

Plans

He says a number of foreign companies have been looking for joint ventures in SA and, in some cases, component assembly plants are being upgraded to full manufacturing facilities.

One Far Eastern country is looking at mining operations in southern Africa. In addition, US corporations such as Kodak, Coca-Cola and some motor manufacturers reportedly have investment plans for SA.

Mr Haywood says some multinationals, many of which held back their SA operations in the sanctions years, are now looking at expanding these.

They are increasing their local operation's export markets into Africa and sub-contracting international work out to them.

He says the old excuse of "we will only invest when we see South Africans having sufficient confidence to invest in their own country" no longer applies. It has been killed off by the announcement of projects like Alusaf, Columbus Stainless Steel and Namaqua Sands.

But he cautions that SA is unlikely to get large scale foreign investment until there is greater political stability.

As a further sign of renewed interest in SA, Mr Haywood has met representatives from 18 different countries so far this year. Many have been from new

By ZILLA EFRAT

markets, such as North Korea, Pakistan and Arab Gulf nations.

If the trend continues, he expects 1993's numbers to beat the visits he received from more than 50 countries for the whole of 1991.

He says that while 1992 started off favourably, interest dried up after the logjam in political negotiations and the Boipatong massacre.

Safto international manager David Graham says visits by foreign delegations have been particularly hectic over the past three weeks.

They included missions from China, India, Thailand, Oman, Nigeria, Finland, Egypt, the US and several from Russia.

Mr Haywood says: "Just about every country that is a reasonable trading nation is visiting SA. They are also coming more openly than in the past."

Many are in SA for their second and third visits. While they still meet chambers of commerce, they are going more directly to companies and getting on with business.

But Mr Haywood warns: "Visitors come to SA with two-way trade, especially exports, in mind. While doors open to SA, we will also face increasing internal competition from foreign producers."

"SA producers will have to become more efficient to protect their own market, especially because of the possibility of lower tariffs in the future."

Boost

Foreign Affairs spokesman Patrick Evans expects the number of SA's representative offices abroad to rise by a quarter in the next financial year.

The growth of new foreign representative offices in SA, however, could be even higher. Mr Evans says that once a transitional government is in place and SA is heading towards elections, practically every African country will want to establish a representative office in SA.

Foreign investment in SA's manufacturing sector could also get a further boost. The Department of Trade and Industry says it has some special programmes planned, in co-operation with other government departments, to rekindle international interest in the sector.

Jo'burg⁽⁶⁰⁾ fourth^(74B) in 'cities of the future^{St Times (Bus)} 14/3/93

By JOHN CAVILL
in London

SOUTH AFRICA, Botswana and Namibia feature highly in a special report on prime growth investment sites around the world in the European edition of Corporate Location, a British monthly magazine published by an associate company of EuroMoney Publications.

The report — titled "Cities of the Future" — was prepared by a panel of 10 international consultants and specialists who looked at more than 70 centres.

Johannesburg was rated fourth among the "top 10 growth cities" — behind Santiago (Chile), Shanghai (China) and Budapest (Hungary).

But it was also linked with Gabarone, ranked fourth in a separate list of "movers and shakers", in which the panel considered smaller, up-and-coming locations, with Cape Town voted sixth.

Highway

The report cites Johannesburg's highly developed financial infrastructure and markets, which make it the source of 60% of SA's national economic activity, and makes predictions of a population of nine-million.

Gabarone, it says, completes the Johannesburg-Gabarone-Windhoek "triangle of growth" — which the reports says will be helped by a new highway linking the three cities in 1994-95.

"Windhoek just missed creeping on to the table" of the 10 movers and shakers, according to Corporate Location.

Cape Town is cited for its "international flavour", the presence of the petrochemical multinationals and about 2 000ha of industrial land available for development.

First National to open Zurich branch

TRACY SCHNEIDER

FIRST National Bank (FNB) had been granted a full banking licence by the Swiss authorities and would open a branch in Zurich by July this year, FNB MD Barry Swart said at the weekend.

FNB had a representative branch in Zurich and this would be converted to the new branch, Swart said.

"Although the Zurich operation will function as a full branch of FNB, it will not enter the personal retail banking market. Instead, we will concentrate on international trade finance and servicing the needs of SA

customers with foreign interests and international customers with business links to southern Africa."

Cash raised in FNB's rights issue last year was to fund the organisation's international expansion. However, Swart said, the Zurich operation — being a branch — would not be subject to capitalisation requirements. FNB's recent acquisition of British merchant bank Henry

Ansbacher Holdings gave it a base to spearhead its European operation.

15/3/77



Angolan fighting scuttles LTA deal

~~ANDY DUFFY~~ ANDY DUFFY

CONSTRUCTION group LTA has scrapped plans to buy into Constrei, the contractor owned by the Angolan government.

LTA says it has now drawn up alternative acquisition plans in other, unnamed, southern African states. (14B)

The terms of the Constrei deal had been agreed, but the recent upsurge in fighting in Angola killed the sale.

Although talks between LTA and the MPLA government have now been closed, LTA refused to detail the terms of any proposed deal. BIDAM 15/3/93

LTA group MD Colin Wood said the group was still considering the plan.

But shareholder Anglo American Industrial Corporation (Amic), which is to increase its stake in LTA to 72% at the end of this month, confirmed the deal was off. "There is no question of going ahead," said Amic chairman Leslie Boyd. Neither Boyd nor Wood would comment further.

Talks between LTA and the Angolan government had been under way since last year. The contractor wanted to use Constrei — Angola's largest contractor — in its strategy to seek work outside SA as a cushion against a declining domestic work.

LTA's cross-border operations are based in Lesotho and Botswana.

● See Page 2

M-Net sells ITC to US firm

BIDAM 16/3/93
A MAJOR US-based credit information organisation has given its vote of confidence to investment in SA by acquiring business information company Information Trust Corporation (ITC) from M-Net for an undisclosed sum.

The acquisition by Chicago-based Trans Union represents one of the few foreign investments in SA this year. Trans Union provides consumer credit information in the US, Puerto Rico and Canada.

M-Net chairman Ton Vosloo said Trans Union, which is privately owned, was one of the US's largest business information firms after Dun & Bradstreet.

Although Vosloo would say only that M-

(171) (74B) (242)
MARCIA KLEIN

Net would realise "a substantial capital gain", analysts put the selling price at more than R40m. M-Net bought ITC in December 1990 for R21m.

Vosloo said M-Net had not been looking to sell ITC, but Trans Union had offered a price which gave M-Net "a satisfactory return on our investment". The sale should come into effect later this month if some remaining open issues were resolved.

He said that when M-Net bought ITC, it was pursuing a strategy of diversification into compatible business fields. But the

To Page 2

ITC sale

BIDAM 16/3/93
The launch of African service M-Net International and the acquisition of a large stake in European pay channel FilmNet meant the group's focus was now on developing pay TV markets.

Vosloo said there were many things on M-Net's plate, including the possibility of cellular telephony. M-Net would remain the main line of business, but the deal would free up management for other

opportunities. (242)

He said ITC management supported the deal, and would remain with the business under MD Tony Leng.

Trans Union vice-president in charge of international operations Larry Howell said Trans Union could actively assist ITC, particularly in terms of technology and through being part of an international credit information network.

From Page 1

Drop in rate spurs investment

Private investors either fence-sitting or previously more exposed to the stock market are showing more interest in prime property investments," says J H Isaacs investment sales director (Tvl) Hank Franco.

With interest rates coming down, off perception is that good properties are becoming more valuable. Added to that is the effect of a poorly performing stock market for investors who view property as the more stable

investment in the current climate.

Franco says that institutional and fund demand has also become more buoyant. Although yields have come down, Franco says that investors can still obtain attractive capital returns.

"Property investment acts as a strong hedge against economic and political volatility. We certainly don't anticipate any major movement out of property in the foreseeable future."

APR 17 1973

(74B) (S)

'Fear must be addressed'

LLOYD COUTTS ~~18/3/93~~

MORE Afrikaners would find a political home in the ANC if the organisation was given an opportunity to convey its views without distortion, ANC spokesman Carl Niehaus said yesterday.

Addressing a meeting at Rand Afrikaans University (RAU), Niehaus said support from Afrikaners would come if the ANC could address fears about the preservation of the Afrikaans language and culture.

"There is no other political organisation in SA with a longer and stronger history of struggle for a non-racial and democratic country. But even if you are not prepared to vote for us we still have a duty to address your fears so that you do not refuse to participate in the democratic process out of fear," he told students.

A settlement was needed soon on democratic elections. Broederbond control needed to be wrested from the SABC and security forces.

New York state set to push investment in SA

BIDAY 18/3/93

WASHINGTON — New York state is talking to the ANC about ways to stimulate investment in SA once a multiracial government is in place, an aide to Governor Mario Cuomo said.

The final draft of a co-operation agreement to be signed by Cuomo and a new SA government would be ready soon, the executive director of Cuomo's advisory council on black affairs, Charles Moses, said.

"I hope we will take the lead. New York is uniquely equipped to carry out this mission."

Moses had been working on the text with ANC representatives and with the office of New York city mayor David Dinkins.

The agreement would extend New York's International Partnership Programme to SA. Countries currently participating included Poland, Lithuania, Ireland and Japan.

Benefits outlined in a draft now circulating include internships for SA blacks in New York's public health department, scholarships to state universities and technical colleges. The

SIMON BARBER

state might also establish a trade mission in SA, and would be on the record favouring investment.

Areas in which assistance would be offered included small business development, trade and investment promotion, education, science, public health, medical care and agriculture.

"When we get this thing signed, you're going to see a lot of exciting things happen," Moses said.

He said he had begun discussing the idea with Cuomo in 1991 as an alternative to sanctions legislation which the state assembly had refused to enact.

Moses said the date of signature, January 18 1993, had nothing to do with ANC President Nelson Mandela's presence in the US for President Bill Clinton's inauguration.

He said it would be up to Mandela and the ANC to decide whether it could be signed by the transitional executive expected to take power this year, or to wait for an interim government.

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SA's BALANCE SHEET

Portfolio shifts

A sharp swing in the nature of foreign investment in SA during the Eighties, which should give cause for concern to both policymakers and investors in general, has been revealed in a document published with the latest Reserve Bank *Quarterly Bulletin*.

It is the Bank's fourth census of foreign transactions, liabilities and assets. It comprises an analysis, by type of investment and sector, of direct and indirect foreign investment in SA and SA investment abroad as at December 31 1989.

The census shows a big shift in the relationship between direct and indirect foreign investment between the end of 1980 and the end of 1989.

Over this period, direct foreign investment fell from 48,3% of total investment to 23,7%. This movement reflects the wave of disinvestment associated with official sanctions and voluntary withdrawals.

The substitution of indirect (portfolio) investment for directly managed investments kept overall statistics at a reassuring level. But the decline of direct investment caused incalculable damage to the economy. The Bank points out the direct foreign investor hopes for a variety of benefits, over and above dividends and interest, from its holding. These include management fees, the expansion of markets and securing a source of raw materials.

The spin-off for the host country is an injection of state-of-the-art technology and diffusion of upmarket skills.

The census shows that, at the end of 1989, SA's foreign assets (excluding gold reserves) were about R48bn. Of this the non-monetary private sector owned R39,3bn in foreign assets — amounting to 81% of total foreign assets (excluding gold reserves). At the end of 1980, the non-monetary private sector held R8,5bn in foreign assets.

On the other hand, the composition of SA's overseas holdings shifted strongly towards direct investment — to 69% of total foreign assets (excluding gold reserves) at the end of 1989, compared with only 50% at the end of 1980.

About 70% of total foreign assets (excluding gold) at the end of 1989 were in the EC and 11% in North and South America. Of total foreign investment in SA, 50% came from the EC in 1989 — though this percentage had declined from 58% in 1980.

All these values are given in money of the day. So relating the various trends to GDP will be useful. The Bank provides figures for 1973-1989. Total foreign liabilities stood at R86,4bn at the end of 1989 which was 37% of GDP. This compared with R10,4bn, 54% of GDP, at the end of 1973. Foreign assets, including gold reserves, amounted to R51,2bn, 22% of GDP, at the end of 1989, compared with R3,4bn, 18% of GDP, at the end of 1973.

The ratio of total foreign liabilities to total

foreign assets shifted from about 3:1 to 1:1,7 over this 16-year period. Foreign liabilities grew 8,3 times while foreign assets grew 15,1 times. This comparative analysis shows the debt crisis was one of liquidity rather than solvency.

The long delay in producing the census, despite the availability of computing systems, is attributed to the problem of getting about 80 000 recipients of the Bank's questionnaires to complete and return them.

At the editing stage many returns were incomplete or contradictory, which meant a further round of correspondence and analysis. ■

INTEREST RATES

Not very accommodating

Banks are facing higher costs as the Reserve Bank attempts to simplify its accommodation procedures which could cause the general level of short-term interest rates to firm despite sagging demand.

Banks are accommodated at the Reserve Bank discount window to finance their cash shortages at the end of each day. The rates at which they are allowed to borrow depend on the liquidity of instruments offered as collateral. Together with the size of the shortage, the rates charged and the instruments available for discounting at each rate are important cogs in the Bank's monetary policy.

Now, amending legislation to the Deposit-Taking Institutions Act, to be known once more as the Banks Act, strips bankers' acceptances (guaranteed bills of exchange) of liquid asset status. This deprives the banks of a security which can be rediscounted with the Reserve Bank at a favourable rate.

Further amendments have been proposed which will put banks at an even further disadvantage by forcing them to pay even higher penalty rates.

Under the present system banks are accommodated over a spread of seven rates: Treasury and Reserve Bank bills at Bank rate, while penalty rates, 4,75 percentage points above Bank rate, are charged on long-term gilts. Until the amending legislation was passed this month the 91-day liquid bankers' acceptances played a crucial role in banks' financial management as they were rediscounted at only one percentage point above Bank rate.

The Bank now proposes to narrow the spread to three rates. Liquid Treasury bills, Reserve Bank and Land Bank bills, with a maturity of up to 91 days, will be accommodated at Bank rate. The same bills, with maturity between 91 days and three years, will be accommodated at a rate "to be set by the Governor." But all other instruments (including BAs) will be accommodated only at a higher, penal rate — above prime.

Rates could tick up because banks, which are short of liquid assets just prior to seeking assistance at the discount window, would have to bid up their deposit rates to avoid

GERMANY

Focusing on SA

FM 19/3/93

If it's true that those on the sidelines see more of the game than the players, it might also be true that you get a better perspective on SA from a vantage point in Germany.

This could explain the keen interest that German industrialists, and the German government, are showing in SA these days. They believe SA is at the nadir of its problems and has huge growth potential that isn't always so visible in SA.

Germany does not want to jeopardise its position as SA's biggest trading partner and one of its largest investors by waiting until after the upswing begins and lots of other countries jump in. So Germany is making a big push now. This month it mounted the German Technology Trade Fair '93 at Johannesburg's Nasrec. The R3m effort, the first official German exhibition in SA since the EC imposed sanctions in 1986, brought 144 exporters here looking for orders.

But German moves to forge a stronger Germany-SA relationship are not a one-way street. Last week a delegation of senior members of the BDI (Bundesverband der Deutschen Industrie), a powerful, privately funded organisation formed to brief and lobby the German government on industrial matters, toured SA with an eye on investment opportunities and imports, as well as exports.

In the weeks before, several big international German trade fairs sent delegations to SA to sign up SA companies for exhibition space. Among them were the Hannover Messe, the world's biggest industrial fair; Interpak, the world's biggest packaging fair, which is held in Düsseldorf; and EMO, in Hanover, which is billed as the biggest metal working fair in the world.

Meanwhile, about 15 German companies have invested in SA over the past two years, bringing the total number of companies with big investments here to about 325, putting Germany second behind the UK.

And trade figures for 1991, the latest full-year figures available, show that German imports from SA were up 8,9% to DM3,2bn. German exports to SA that year were down 4,5% to DM4,7bn.

German industrialists have had reservations about investing in SA because local companies have shown a lack of confidence by not investing. But these concerns have been addressed, at least in part, by the R7,5bn commitment to Alusaf's aluminium smelter expansion at Richards Bay (*Business and Technology* November 20) and other projects.

The German Technology Trade Fair, organised by Imag (Munich International Exhibition and Fair Service), was part of the German government's programme to promote German exports. Though they didn't walk away with lots of new business, the companies exhibiting rated it a success, says

Klaus Volker Schuurman, CE of the SA-German Chamber of Commerce & Industry.

"They knew before they came here that we are suffering from a recession. Only 6 000 people visited the exhibition; it may have been cheaper to have flown them to Germany. But they wouldn't have seen 144 firms under one roof."

Schuurman explains: "The purpose of the exhibition, and of the BDI visit, was to identify new opportunities. Exhibitors at Nasrec didn't leave these shores with order books filled to the hilt, but they left with the impression that they had visited a reliable trading partner. They are looking to the future. Despite being in recession, SA is the powerhouse of Africa south of the Sahara. There is a strong belief that it has passed the nadir of its recession, that it will take off soon and become a world-rated player."

While German companies are scouting the terrain here, some SA companies are sniffing out opportunities in Germany. According to Bernhard Herzog, MD of Herzog Marketing Services, which facilitates access to European markets for non-EC companies, some SA companies are studying the eastern Germany privatisation programme with the goal of establishing subsidiaries in Germany and gaining a foothold in the EC.

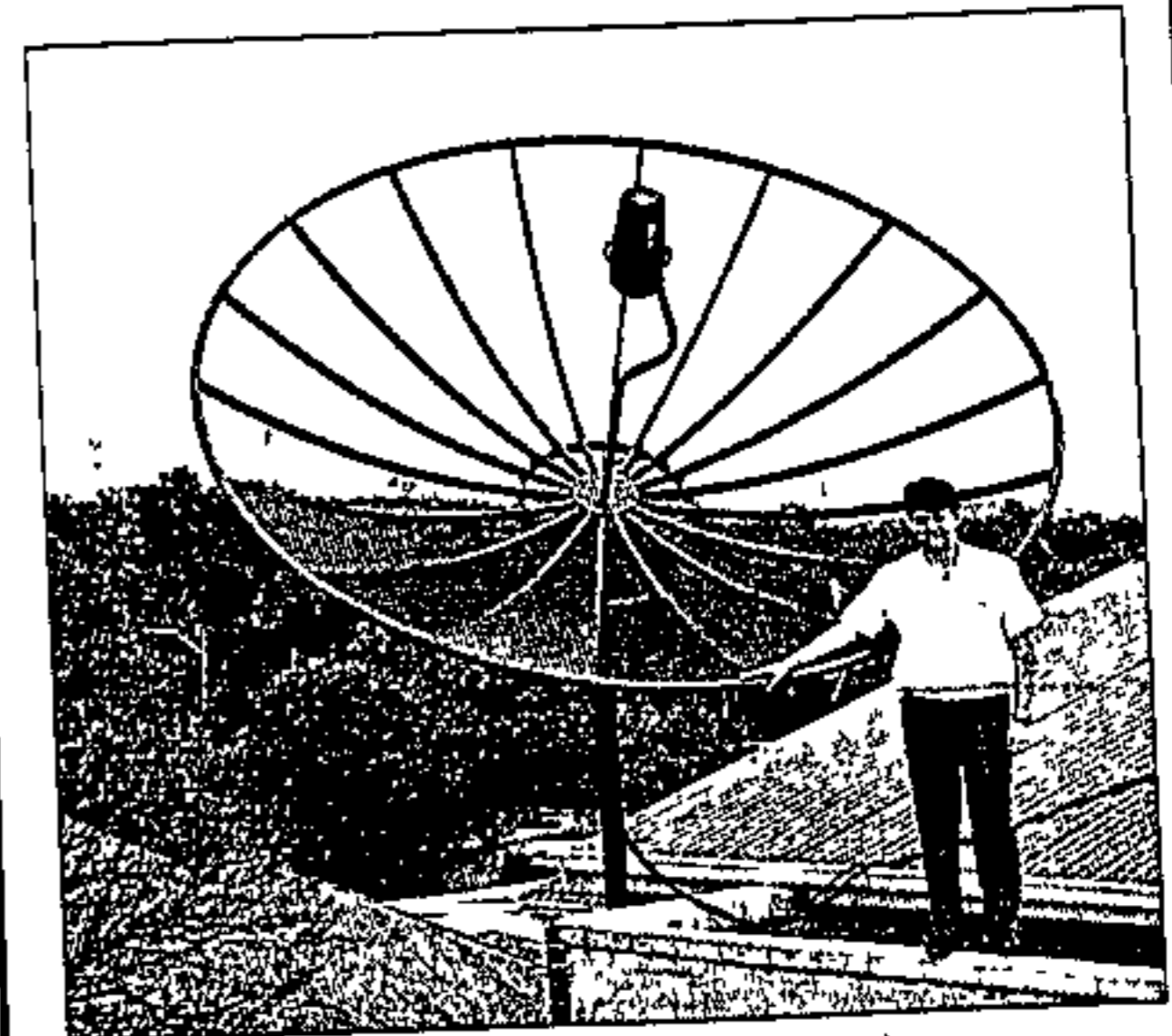
SATELLITE TV
FM 19/3/93

Dishing out more stations

Satellite TV, once the illegal preserve of the wealthy, is poised to boom in the local market. Advances in technology have driven down the price of satellite equipment and better reception of foreign stations means more people are tuning in.

Since satellite TV was legalised locally in 1990, about 2 500 systems have been installed, mostly in urban areas. The price has dropped from R30 000 to R7 000-R15 000. A dish that can track all passing satellites will cost about R15 000, but it gives access to a greater number of channels than a fixed-dish system.

"The market is growing and we're installing about 50 dishes every month," says Aerial Empire Satellite CE Paul Glass. The com-



Paul Glass's baby ... serving up more television

There's a direct banking link to East

SI Times (RUSS)

21/3/93

FRENCH Bank of Southern Africa can offer local companies a direct link into Singapore and South-East Asia through its parent Banque Indosuez's international network.

Banque Indosuez, one of France's largest banks, transferred its Asian headquarters from Paris to Singapore in mid-1990, enlarging its functions and scope at the same time.

The headquarters supervise branches and affiliates in Hong Kong, Indonesia, Malaysia, People's Republic of China, Singapore, Thailand, Taiwan, the Philippines and Vietnam. It also covers Burma, Cambodia and Laos.

Renamed

Banque Indosuez's ties to Singapore go back to 1905, when Banque de l'Indochine first opened its doors at Raffles Place. Banque de l'Indochine was merged with Banque de Suez in 1975 and the group was renamed Banque Indosuez in 1981. It is now one of 23 fully licenced foreign banks operating in Singapore.

Banque Indosuez has a 51% stake in FBSA

and an active presence in 65 countries. Because of this network, the transactions of SA companies can be handled in-house by FBSA with clear cost and speed advantages, says FBSA assistant general manager Jean-Michel Caffin.

Further ties between FBSA and Banque Indosuez's Asian operations also exist. Eric Maurin, who spent seven years as head of FBSA's corporate banking division, is now managing director of Indosuez Vietnam. And Mr Maurin's predecessor, South African-born Bruce Fraser, now heads the bank's corporate banking international desk in Hong Kong.

FBSA has been in SA since 1949 and operates largely as a wholesale corporate and merchant bank. Its customers are mainly large corporates, multinationals and parastatals.

THE United States government — which led the sanctions campaign against South Africa after 1986 — is to make a substantial cash injection to study the establishment of a world scale penicillin plant on the Natal South Coast.

The plant — which will cost “hundreds of millions of rands” — will save and earn SA an estimated R120-million a year.

A likely site for the project will be at Umbogintwini, where a R300-million lysine plant is to be built with construction starting in the third quarter of 1993.

The project is owned by AECI and the Industrial Development Corporation (IDC). The plant, which will be completed by 1995, will produce 11 000 tons of lysine a year.

Lysine is an amino acid used in pig and poultry feeds and the plant will be the first in Africa. About 60% of production will be exported.

When this project was announced in February it was stated that the biotechnology process could be adapted for the production of other micro-ingredients for human and animal nutrition and health care.

Study

The production of penicillin would be a natural progression from the lysine fermentation process.

While the US government has taken part in a number of small aid programmes in SA in the recent past, this is a first direct involvement in a commercial, private enterprise project.

The deal is expected to be signed in Cape Town tomorrow by US Ambassador Princeton Lyman. John Richter, head of the Trade Development Agency for Africa of the US State Department, will be present.

Executive director John van Leeuwen will represent AECI, which will conduct the feasibility study and could be a major shareholder in the project.

The feasibility study is expected to cost about \$1-million and will investi-

By **DON ROBERTSON**



PETER GUBB

gate the level of investment by local and international groups, the siting of the plant and planned full-scale production levels.

Peter Gubb, manager of the biotechnology business

unit at AECI, says the “world scale” penicillin plant will, if approved, supply a basic health care product.

It will be aimed at not only supplying SA’s requirements but will also export to the rest of Africa and involve “deep sea” exports.

Last year, SA imported about R50-million worth of penicillin products. Dr Gubb says early plans are for exports of substantially more than this.

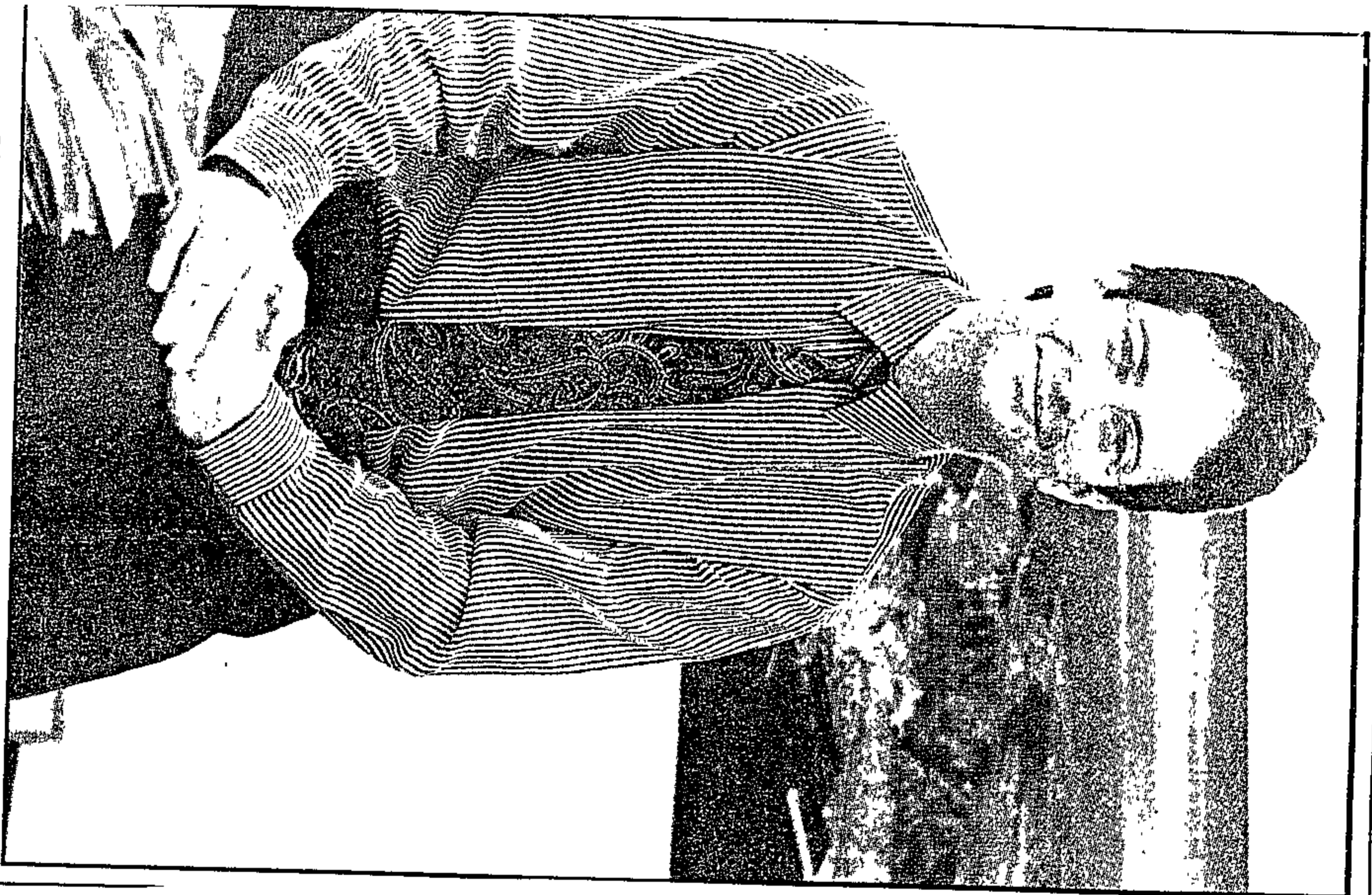
Dr Gubb confirms that international partners will be sought for the project.

If approved, a number of international construction groups are expected to tender for the building of the plant.

Fluor SA, which built large portions of the Sasol project, is the appointed contractor for the lysine plant and is expected to tender.

**US to fund
millions for
penicillin
plant in SA**

STIwea (Buss) 21/3/93. 748



DAVID BRIDGMAN . . . ready to swing into action

PUSH FOR REINVESTMENT

By JEREMY WOODS (148)

THE setting of an election date for multi-party elections will trigger the biggest marketing drive for foreign investment South Africa has ever seen.

"If there is ever a signal for reinvestment in South Africa it must be the forthcoming election date," says economist David Bridgman of Wesgro, the Western Cape development organisation. ~~51 Times 1855~~ 2/3/93. All major cities Cape Town, Johannesburg and Durban — are involved in the marketing push.

Cape Town alone is spending more than R2-million a year on its marketing drive and the other cities are spending similar amounts.

"We are busy preparing ourselves for

the election date. Then we'll swing into action," says Dr Bridgman. "We are much more competitive than we think we are, and South African businessmen should wake up to the fact," he says.

A recent study by Brussels-based Plant Location International, a subsidiary of Price Waterhouse, concluded that SA was one of the most competitive places in the world to establish a manufacturing plant.

The main reasons cited were cheap electricity, outstanding physical infrastructure, good business infrastructure

and competitively priced semi-skilled and moderately skilled labour.

"Commercial rands were used in the calculations done for the study, but an overseas manufacturer wanting to set up a plant here to export goods can use the financial rand with an effective 40% discount, plus tax incentives from the Regional Investment Development programme for plant costs, and GEIS when goods are exported," says Dr Bridgman.

"This can result in a pay-back period of between two and three years of the original investment," he says.

Investments in SA can be repaid to the country of origin in commercial rand or via dividends or interest.

'Strife keeping investors out'

~~SE~~ KELVIN BROWN 746

IT WAS impossible to expect foreign investors to invest in SA when local businessmen did not have enough confidence in their own country, Japanese ambassador to SA Katsumi Sezaki said yesterday. *BIDM*

Political instability in SA was the main reason keeping Japanese investors out of the country.

Speaking at the Omega SA-Japan course in Japanese business management he said to date no Japanese businesses had invested in SA to any great degree. *24/3/93*

Violence was detrimental to creating a healthy investment climate, and it was natural for Japanese investors to adopt a wait-and-see attitude.

The 70 states and municipalities in the US which still maintained rigid measures against companies doing business with SA was another major deterrent, Sezaki said. It would help considerably if black political organisations dropped sanctions.

Major Japanese companies had large business interests in the US and did not want to damage their corporate image in that country.

But even if the ANC announced it supported the ending of sanctions, Sezaki said many investors would not come to SA because of the lack of certainty about the economic policies of the new government leaders. It remained to be seen what policies on foreign investment a transitional government would adopt.

"It is unclear what their views are on corporate taxes, work permits for foreigners, the percentage of local components, labour policies and assurance for remittance." But it was encouraging to hear that ANC leaders were talking openly about market principles and the importance of the private sector.

There were also technical questions that had to be answered before Japanese investors made up their minds to invest in SA. The high cost of unskilled labour would have an adverse effect on investment in SA.

Labour costs in SA were expensive compared to Asian countries, Sezaki said.

Protea clinches Nairobi hotel contract

CAPE TOWN — Protea Hotels has been awarded the management contract for a top hotel in Nairobi, Kenya, being chosen ahead of major, well-known international hotel groups for the deal.

Protea Hotels executive chairman Otto Stehlik said yesterday the contract to manage the R30m Nairobi Protea Hotel was a further step in the group's plan to penetrate Africa. Protea had a resort in Swaziland, two hotels in Mozambique, four in Mauritius and had recently taken over two hotels in Zimbabwe.

LINDA ENSOR

"We believe the future of tourism to Africa will revolve around an axis spanning from Kenya via Tanzania and Zimbabwe into SA," he said.

Stehlik regarded the Nairobi project as a stepping stone for other contracts, adding that Protea was negotiating with hotels in Mombasa and camps in Kenyan national parks and would be meeting the Tanzanian government soon.

Stehlik believed SA's foreign tourism

could grow significantly by the diversion of tourists from Kenya to SA. An estimated 800 000 foreign tourists visited Kenya annually compared with SA's 250 000.

The Nairobi Protea Hotel, which would open in mid-June, was a first class international hotel built to SA five star standards, Stehlik said. The hotel was owned by the Trade Bank of Kenya and was part of a shopping centre which included a high-rise apartment block already under Protea management.

27/3/93
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Investors to be urged to 'take a long view'

Star 26/3/93

74B

Staff Reporter

The South Africa Foundation would encourage international investors to take the long view on the potential of South Africa and continue to press for the lifting of remaining sanctions, director-general Kurt von Schirnding told the foundation's annual meeting, held in Sandton yesterday.

The meeting saw Meyer Kahn, chief executive of South African Breweries and a member of the Economic Advisory Council, take over the presidency of the foundation from Warren Clewlow. Kahn has served for several years as a trustee of the foundation.

Von Schirnding said the foundation would in coming years "engage our contacts in the major democracies to use their influence to ensure that South Africa becomes, and remains, a multiparty democracy with a market economy".

The organisation had stepped up contact with multinational agencies, such as the World Bank and International Monetary Fund, and was targeting a generation of rising young leaders who have had little exposure to South Africa, except in negative contexts.

The foundation's London director, John Montgomery, said in 1992 that British confidence levels in relation to South Africa sank to their lowest since

President de Klerk's election. Although 1993 held more promise, "caution has become slower to ease".

From the Bonn office, Rudolf Gruber reckoned there was a keen awareness that Europe could not allow Africa to "collapse into anarchy and destitution" and that South Africa could be the key to redevelopment in the region.

Paris director Desmond Colborne made some stinging observations about South African "anti-diplomacy". He singled out the Springbok rugby team, but granted they "would yield pride of place to ex-President Botha, who had former German leader Willy Brandt body-searched before wagging his finger at him in Tuynhuys".

More recently, there was the advertising copywriter who informed people that "the wine on South African Airways flights would be a little Italian but that the pilot, thank goodness, would not".

Noting that Italy's Leonardo da Vinci anticipated air travel a good two centuries before Jan van Riebeeck got to the Cape, Colborne ventured: "Faux pas — false steps — happen when people don't watch where they put their feet. Perhaps they have their eyes on their navels instead. Too much inward-looking isolationism has made too many of us lose sight of how the world works."

S/Time (Bus) 88
28/3/93
**Absa to buy
in Frankfurt**

ABSA is close to buying a bank in Frankfurt, Germany, to strengthen its European influence. (UB)

A source tells Business Times that although Absa has a representative office in Germany, it plans to increase its influence in this centre. The company, however, would not comment on any plans to expand its operations overseas. (UB)

Absa already has an office in Frankfurt, but it is believed its presence will be enhanced by the purchase of a small bank. Absa recently consolidated its TrustBank and Volkskas Bank activities in London and also has a subsidiary in Hong Kong.

Foundation on 'gateway to Africa'

PRETORIA — Promoting SA as the West's development partner and gateway to Africa was now a central objective for the SA Foundation, the organisation heard at its AGM in Johannesburg last week.

Paris director Desmond Colborne said that if effective triangular arrangements could be made between countries of the West, SA and African states, SA could contribute to the revitalisation of the continent. "We in the foundation are determined to show that in our part of the world Afro-pessimism does not apply," he said.

Funded by the private sector, the foundation has been working to attract investment to SA for more than 30 years. With offices in Bonn, Paris, London and Washington as well as representatives based in Singapore, Japan and a number of other centres, the independent foundation was described by its director-general Kurt von Schirnding as SA's pre-eminent business forum.

A foundation statement said: "Our core function is to sustain and expand the interest of foreign investors and financiers in the real potential of this society and the region."

Von Schirnding, in his address, said events since February 1990 had presented the foundation with a unique opportunity to market SA and the region.

Efforts in this regard would lead to the securing of trade and investment and establishment of a liberal democracy and a growing market economy.

He stressed the need for top-level personal contact between SA and foreign businessmen, an opinion to which

ADRIAN HADLAND

all four regional directors adhered.

Colborne said while France provided 26% of Africa's total imports and Italy took up 18,6% of Africa's exports, when SA businessmen visited Europe they were "still more reluctant to go to Paris or Milan than to other economic centres". SA could no longer afford to miss the opportunities opening up in two such important members of the G-7 group, he said.

Bonn director Rudolf Gruber said Germany was SA's primary trading partner, after Britain, as well as the primary source of investment. But the steady decline of SA's contribution to Germany's foreign trade volumes — from 1,4% in 1975 to 0,7% at present — had resulted in SA being now far less important to Germany than Germany was to SA.

Washington director Michael Christie said it was essential that SA businesses and regional development organisations targeted specific areas which had investment potential.

"There is a general tendency to take a blanket pessimistic view about the state of SA's economy and our level of competitiveness," he said.

There did exist, however, many areas where SA could offer distinct advantages and opportunities for foreign investors and trading partners.

"We need to avoid blanket assumptions and become far more focused in what we have to offer."

London director John Montgomery said even Britain, in the depths of a bitter recession, was stepping up its commitment to SA with new aid, interest and projects.

A continuing and intensified effort by the British government to stimulate the SA economy by providing aid for health, education and housing schemes had gone largely untrumpeted. Perceived preoccupations about the state of the British economy belied the potential for increased trade and investment opportunities, Montgomery said.

Schirnding said an important objective of the SA Foundation was to bolster its domestic role.

B/DAM 29/3/93



SA faces big rivalry for foreign cash

By Des Parker

DURBAN — South Africa's prospects for international investment hinge directly on the attitude a new government takes towards the domestic business sector, says Old Mutual's London-based investment director Kevin Carter.

He says perceptions of SA held abroad are likely to continue to be dominated by its political situation.

A new regime will need to make a special effort if it is to attract investment dollars because competition is growing rapidly for capital among newly-emancipated developing economies.

Durban-born Dr Carter said in a presentation to financial journalists here that an unprecedented overhaul of the world

economy was taking place as a result of the freeing up of once centrally-controlled developing economies.

Because their wage rates were much lower than those of developed countries, these countries were increasingly attractive as investment destinations, which would lead to rapid growth in their economies.

By contrast, developed countries were stagnating, with structural unemployment a growing phenomenon and low and falling inflation a consequence.

This "mobilisation of low-cost labour" combined with falling money supply growth would result in low global inflation stretching at least into the next century.

On an index where expensive German manufacturing labour

was 100 and low-cost China was one (Russia was below one), South Africa would probably weigh in at 10 or less.

It had competitive advantages in a number of areas, such as tourism and natural resources, but the key lay in a government sympathetic to the needs of business.

Worldwide

"Because investors have a choice, there is tremendous competition going on worldwide for the investment dollar.

"Countries which are unable or unwilling to make themselves attractive to foreign capital simply get none, or very little.

"So emerging countries typically attempt to outdo each other in the deregulation and liberalisation stakes in order to

make themselves as relatively appealing as possible."

Dr Carter forecast a notable decline on Wall Street towards the end of the next 12 months as price:earnings ratios fell back to the 10-12 region in response to the reduced potential of American companies for recovery as a result of the changing world economy.

At the same time, institutional investors worldwide would look increasingly at the growth opportunities in developing countries.

They would place special emphasis on markets where they could get the best possible return for the least amount of risk.

He estimated they would shift increasing amounts of their portfolios to areas giving returns of 20 to 30 percent a year.

Visitor
Star 5/4/93
warns of
investors'
caution

By Peter Fabricius
Political
Correspondent

CAPE TOWN — Former German Economic Affairs Minister Otto Count Lambsdorff has warned South Africa that it will take years before foreign entrepreneurs feel confident enough to invest in the country.

Lambsdorff, chairman of the Free Democratic Party, a member of the German coalition government and president of Liberal International, was speaking at an informal press briefing in the winelands.

He is visiting South Africa as a guest of the Democratic Party, a fellow member of Liberal International, and of the German embassy.

He is meeting political leaders, including President de Klerk, ANC leader Nelson Mandela, IFP leader Mangosuthu Buthelezi, DP leader Zach de Beer, Cosatu general secretary Jay Naidoo and Mr Justice Richard Goldstone, head of the commission on political violence.

Lambsdorff said that even after a government of national unity was installed it would take years before foreign entrepreneurs were sure the climate was safe for investment.

There would be no overnight miracle and he was concerned that so many people would be disappointed because they equated political freedom with material well-being.

They would have to learn to be patient. Even in former East Germany, into which the German government was pouring billions of marks, the results were not yet being fully felt by ordinary people.

He said he would not advise investors to invest yet. "I would say look carefully. Don't decide now. But don't go away either."

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\$15m kick-start for new development foundation

CAPE TOWN — International financier and US billionaire George Soros has donated \$15m for the establishment of an Open Society Foundation in SA. The foundation was launched last night.

Soros has established 19 similar foundations in eastern Europe. The foundations are involved in a broad range of programmes including education, institution building and media development.

He is president of the New York-based Soros Fund Management and is chief investment adviser to Quantum Fund, a \$2,5bn international investment fund which has had the best performance record in the world during its 23-year history.

Soros said his investment in SA was an expression of his hope and confidence in the country's future. "The building blocks for a successful transition are there — the process is well under control."

This was in contrast to his feeling in 1979 when he considered and rejected the idea of establishing a foundation in the country which then seemed like a "vale of tears".

Priority projects for the foundation would include training a new cadre of civil servants for a new government and fostering the plurality and professionalism of a free Press which Soros regarded as vital for an open society.

His investment had a strict three-

year limit to ensure the speedy use of the funds in practical projects which assisted in the creation of a new society after which the foundation would have to dissolve.

Political analyst and Idasa trustee Van Zyl Slabbert was appointed chairman of the foundation's board of directors. Other members of the board include Fikile Bam, Alex Boraine, Anthony Heard, Rhoda Kadalie, Mamphela Ramphele, Kehla Shubane, Peter Sullivan and Helen Zille.

Slabbert said the foundation would promote political pluralism and individual liberty under the rule of law and the acceptance of legitimate dissent and of civil society as a strong, pluralistic and autonomous institution. These values would be translated into practical projects during the transition.

"The underlying philosophy of the foundation will be to anticipate what a transforming state will have to do in order to transform society and to provide role models for this."

He said the projects would be more long-term and enduring than those directed to short-term transitional objectives such as voter education.

One aim would be to provide rural women with skills to enable them to transcend the cycle of poverty and the system of triple discrimination under which they suffered.

LINDA ENSOR

Swiss-SA pilot swap 'a poor decision politically'

BERN — A secret exchange programme involving Swiss and SA pilots in the '80s, when SA was still under apartheid rule, was "negative" for Swiss foreign policy, Swiss Defence Minister Kaspar Villiger said on Monday.

Instructions had been issued so that such a decision — taken by air force chiefs without informing the Swiss defence ministry — would not happen again.

Villiger said the programme — from 1982 to 1988 — involving three Swiss and six SA pilots had been a technically useful experience, and international law had not been broken, but the decision made no political sense.

The Zurich newspaper Tages Anzeiger reported on Monday that the Swiss aimed to obtain information about Soviet MiG aircraft during the exchanges.

The newspaper, quoting a military officer, said the SA Air Force, which had fought against Cubans in Angola and Angolans "provided Switzerland with details on the flight behaviour of the Soviet fighters".

The Citizen newspaper published a photograph on Monday of a Swiss-made Pilatus training plane with SAAF markings flying over the Alps and said the picture was taken "in Switzerland last year".

The UN recently asked Switzerland to ban the planned export to SA of 60 Pilatus trainer aircraft.

Pilatus, which is part of the Oerlikon-Buehler armaments group, announced the sacking of director Walter Gubler after media reports that the company sold its planes to several countries knowing that they would be converted for military use. — Sapa-AFP.

Beuthin to call McCauley

SUSAN RUSSELL

A RAND Supreme Court judge authorised the issuing of subpoenas on Monday to evangelist Ray McCauley and the SAP's Brig "Blikkies" Blignaut as witnesses for Gary Beuthin in a bail application.

Beuthin told the judge that McCauley and Blignaut were among 10 witnesses he would call.

Beuthin, who has been in custody since his arrest last May, notified the court of his intention to apply for bail during his trial last week. He has pleaded not guilty to charges of kidnapping and attempting to murder Jill Reeves, 33, in May last year.

Beuthin was brought back into court at his own request on Thursday after his trial had continued without him for three days.

The bail plea and trial, before different judges, continue on Tuesday.

of communism, expert fate which SA had to avoid.

ed to be increased by all players.

Heatrow could not guarantee fleet featuring similar landing slots for the English winter aircraft of an

Road accidents expected to drain R7,8bn from economy

MOTOR vehicle collisions would cost the SA economy an estimated R7,8bn in 1992, a Directorate of Traffic Safety spokesman said yesterday.

"However, I must caution that the exact 1992 figures are not yet available, and the estimate was based on an inflated 1991 figure — which ran to R7,011bn," the spokesman added.

He said the estimated cost of collisions in 1992 averaged out to a loss of more than R28m every working day.

"This figure includes the repair and write-off bills for damaged vehicles, as well as the human costs, such as hospitalisation and loss of work."

Unlike similar surveys done in the US and UK, the directorate had not included "pain and suffering" costs in its estimates. "The human costs rise dramatically with the severity of the accident, taking up an increasing proportion of the total bill."

For example, every fatal collision cost an average R184 604 in 1991 (1990: R252 507), while the average cost of a minor accident ran to R9 754. The comparable costs for 1992 could be obtained by inflating the 1991 figures by about 11,5%.

ANDREW KRUMM

Meanwhile, according to the SA National Association of Automobile Manufacturers, the number of motor vehicles on SA roads totalled about 5,22-million in June 1991. Taken with the survey figures, which recorded 443 569 collisions in 1991, this meant about 8,5% of all vehicles were involved in accidents last year.

"This is significantly higher than the rest of the world, and appeared to remain so in 1992. Our fatality rate is 11,4 people per 100-million vehicle kilometres travelled. If you compare that to America, which had about 1,2 fatalities per 100-million vehicle kilometres, we still rank as a Third World country in terms of driver safety," the spokesman said.

The reason for the higher deaths was apparent in various "disobedience factors", such as speeding and the failure to wear seatbelts.

"We are trying to get it right. The directorate implemented a total traffic safety system on April 1 this year, which aims to decrease fatalities as well as collisions." The new system would be phased in over the next five years, he said.

Tourist accommodation grading awaits Bill

THEO RAWANA

THE new voluntary grading and classification scheme for tourist accommodation would be implemented on July 1, Satour said yesterday.

The implementation of the scheme, which would replace mandatory registration and grading, had to be postponed from April 1

THEO RAWANA

He said the aim of the scheme was to promote acceptable standards of accommodation and to bring the industry in line with international trends.

Participants would enjoy benefits such as inclusion in a Satour guide, access to its data base and to tourism development funding.

New SA 'will need to

earn foreign investment'

LLOYD COUTTS

A SOCIALIST post-apartheid SA would follow most of sub-Saharan Africa into total economic marginalisation, German liberal Count Otto-Lambdoff said in Johannesburg yesterday.

Lambdoff is chairman of Germany's Free Democratic Party and president of Liberal International. He told an SA Institute of Race Relations (SAIRR) meeting that foreign investment would come to SA only if the country followed sound economic policies and guaranteed democratic stability, not as a moral reward for the end of apartheid.

Liberals believed individuals who could not participate fully in the economic system of a country had to be protected through a national pension, a national health service and national unemployment scheme. "Where social and economic advantage do not rest on personal merits but on racial discrimination, they have to go. For this you will not need an all-mighty state, but an efficient national government."

"A government which does not wait for foreign money to pour into SA just because SA has overcome a racial dictatorship. I can tell you that foreign investment will not come to SA as a kind of moral reward for the end of apartheid."

"My East German fellow countrymen had to learn that there is no such a thing as a charitable investment. Foreign money will only come if SA follows sound economic policies and guarantees democratic stability." Lambdoff said he did not see a post-apartheid SA as a centralised state governed like Namibia or Zimbabwe. Federalism, he said, could make an important contribution to maintaining peace, stability and democracy in the country.

He said federalism was not an easy device to escape strife and the unpleasant side of a society which had been based on racial discrimination. "Federalism must be seen by the people as a successful road towards more participation in political life, healthy competition among political actors and policies and as the best way to preserve and even strengthen the fundamental richness of SA; the diversity of her peoples."

**Edited
by**

**JEREMY
WOODS**



**Time right
to invest
in SA, says
billionaire
who's doing
just that**

By JEREMY WOODS

THE time is right to invest in South Africa, says billionaire dealer and philanthropist, George Soros, who last year made another cool R5-billion — at the Bank of England's expense — when sterling was devalued.

And to back up his view on South Africa, Mr Soros is donating R46-million to the newly formed Open Society Foundation, to fund a range of projects that will help the country's transition to democracy and non-racial government.

"I am very encouraged by what I see happening in South Africa and I am looking to the future of the new South Africa with great optimism," he said this week.

Speaking at a Cape Town Press Club lunch, Mr Soros, neat and bespectacled and looking more like a doctor than a billionaire, said he often thought of his money-making and philanthropic enterprises as a digestive tract.

"The money comes in from one end and goes out from the other," he said.

Passions

While one of Mr Soros' passions is making money, another is the freedom of an individual in an open society, free of tyranny.

Asked about the reasons behind his philanthropic work, Mr Soros said: "I was born a Jew in Hungary. If my father had not obtained false papers to get us out of the country I would probably have died, as many others did, in the gas chambers."

Was there a conflict of morality between the harm done to a country's currency while making huge killings on the international markets and his philanthropy?

"I have no problem or sense of guilt from the two activities. On the money-making side we play by the rules of the game and these are strictly enforced."

Impossible

He said the R5-billion he made out of the sterling crisis by taking large short positions against the pound, was "certainly" made at the Bank of England's expense.

"But the British Government was trying to maintain an impossible position with the pound. When the government realised it could not stem the tide of money against sterling, it took sterling out of the ERM and devalued it."

Mr Soros believes that that had a beneficial effect on the British economy.

"It allowed interest rates to drop dramatically which in turn has lifted the prospects of economic recovery in that country."

Did he have any hot investment tips for would-be billionaires?

"Of course I do," he smiled. "But I prefer to keep them to myself."

Violence *Star 16/4/93* blow to

investor ^(74B) confidence

By Sven Lünsche ⁽⁴⁴⁾

The Reserve Bank has warned that foreign investor confidence was dealt a severe blow by the violence following the assassination of Chris Hani.

"We are effectively back to square one," the Bank's Governor, Dr Chris Stals, said yesterday.

The crisis also threatens to further strain the country's gold and foreign exchange reserves and create pressure for a tighter monetary policy.

Stals said that while interest rates would not be lowered in the near future, the poor demand for credit in the economy also effectively ruled out interest rate hikes.

Representatives of foreign businesses in South Africa confirmed that foreign investor confidence in the country had been dealt a blow.

Foreign investor confidence maimed by unrest — Stals

Star 16/4/93

748

749

By Sven Lünsche

Reserve Bank Governor Dr Chris Stals has described the unrest following the assassination of Chris Hani as a major setback to the process of rebuilding foreign investor confidence.

In an interview yesterday Stals said foreign investors had been encouraged by recent progress towards a political settlement.

"Following on the latest events, however, foreign investors have expressed their extreme disappointment with the turn of events.

"We are effectively back to square one," Stals said.

The crisis threatens to further strain the already squeezed balance of payments and the gold and foreign exchange reserves.

Over the past six months the reserves have plunged from \$4,2 billion to \$2,4 billion.

Since agricultural conditions have improved materially over the past three months, the decline can only be attributed to a continuation of the substantial capital outflows which began in the last quarter of 1992.

The latest events are not likely to alleviate the balance of payments problems, with grave consequences for economic growth.

Stals previously warned that the fall in reserves made an easing of monetary policy impossible. He reiterated this point yesterday.

"The further decline in the foreign exchange reserves prevents us from dropping interest rates, which would have been the natu-



Chris Stals... back to square one

ral course as credit demand in the economy is still very low," he said.

He added, though, that in view of poor credit demand, interest rate hikes were also highly unlikely.

Representatives of foreign businesses confirmed that investor confidence had been dealt a blow by recent events.

"This is not surprising, given that foreign media coverage of the assassination and the memorial services would have focused on the violence and thuggery," said Michelle Cohen, executive director of the American Chamber of Commerce.

"US investors are definitely more concerned than they have been for a long time," Cohen said, adding that several US businesses had recalled their local

representatives in the wake of the violence.

She said trading with SA was becoming more expensive as companies had to pay a hefty insurance premium, which put SA in the company of Bosnia and Vietnam.

She added that many companies would wait until Monday, when Hani will be buried, before taking a decision on their role in SA.

Cohen's counterpart at the SA-German Chamber of Commerce, Klaus-Volker Schuurman, said the "tragic events" of the weekend would not be the material factor influencing the decision of potential German investors.

"German companies in general are awaiting more concrete evidence that political negotiations will proceed and details of the economic and social framework in which these negotiations will take place."

Schuurman was confident SA would remain an important trading partner for German industry.

Share prices on the JSE staged a strong recovery yesterday. The overall index, which shed 89 points on Tuesday and Wednesday, clawed back 47 points, while the gold index regained well over half of its 51-point loss of the previous days.

Dealers said, however, that the weaker financial rand — which shed 2c yesterday to R4,85 — provided foreign investors with cheap access to local counters, particular gold stocks which were buoyed by the strong gold price.

But local institutions stayed on the sidelines, concerned about the violence that could erupt on Monday.

BUSINESS Seminar on the workings of the World Bank

Business looks north of the Limpopo

Sowetan 22/4/93

AFRICAN OPPORTUNITIES The continent opens up for South Africa:

By Mzimkulu Malunga

SANCTIONS are steadily becoming history and more South African companies are looking up-north and exploring business in Africa.

A two-day conference to enlighten local companies on business opportunities north of the Limpopo is to be held at the Sandton Sun on May 6 and 7.

Officials from the World Bank — institutions and organisations associated with it will be participating — will for the first time send representatives to

take part.

The gathering is being organised by the South African Institution of Civil Engineers with the support of the South African Foreign Trade Organisation.

Though interest exists, many South African businesses are adopting a wait-and-see attitude before getting involved in ventures in Africa.

Logistics

Insights regarding procedures and logistics when doing business in Africa will come under the spotlight.

The World Bank spends more than R61,6 billion on development projects

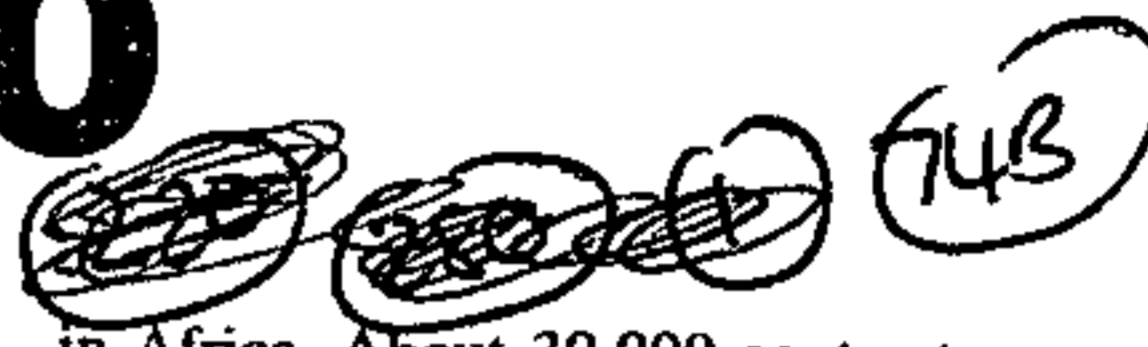
in Africa. About 30 000 contracts are awarded to companies by African governments every year.

About 70 percent of the money injected into Africa by the World Bank is spent on buying equipment for projects, 20 percent on civil works activities and 10 percent on consulting services.

"The conference will not only provide information on the opportunities of dealing with the World Bank but also the pitfalls," says Saice president Professor Fred Hugo.

World Bank operations in Africa could offer lucrative business contracts to local business but certain procedures have to be followed to gain access.

World Bank projects range from nurturing agricultural output and infrastructural construction to the supply of basic needs like water and electricity.



Star 22/4/93

Schwarz sees investment possibilities

By Stephen Cranston

114B

American private donors and state and city governments are likely to invest \$400 million if there is an election in South Africa in 1994, says Harry Schwarz, South African Ambassador to the US.

But with the fading of the post-election glitz, that figure is likely to fall to \$250 million in 1995.

Speaking to a meeting held by stockbrokers Davis Borkum Hare in Johannesburg yesterday, Schwarz said that although there were trade and investment bans in 26 states and 90 cities, the sponsors were closing their eyes to trade with South Africa.

He predicted that by June most would be repealed, but said there was considerable leg-

islative inertia; some cities still had sanctions against Namibia on their statutes.

Schwarz said it was unrealistic to expect significant investment from overseas if local businessmen were not themselves investing.

He criticised an unnamed food company, clearly Royal Foods, for buying an international food company, Del Monte Foods International, instead of building up its local business.

He blamed the abysmal performance of the South African economy on the low level of investor confidence.

Certain facilities now available to businessmen were being ignored.

For example, only one South African company had applied to use the facilities of the US Ex-

port-Import Bank.

South Africa should tap into the sudden interest in the US in exotic investments.

Funds were being invested in the companies of the Pacific Rim and Indonesia. South Africa would represent an exciting investment for such investors.

Schwarz said there were many inquiries to the SA Embassy from Fortune 500 companies about investment in South Africa, as well as from black businessmen and franchise operators.

But it would be an illusion to think there were queues of private investors.

The US was rebuilding its own economy and was busy investing in the region, thanks to the setting up of the North American Free Trade Area, he said.

Star 22/4/93

Operational discipline to rescue of JD Group

By Stephen Cranston

115B

Prices of furniture, both at manufacturing and retail level, have not kept pace with inflation, says JD Group chairman David Sussman.

Writing in the group's annual report for the year to December, Sussman says sources of supply have been reduced because of factory closures and declining productivity levels.

Sussman says the JD Group continues to emphasise systems development, the development of people skills and good industrial relations.

Discipline at operational level enabled the group to recover from poor mid-year results and exceed the previous year's earnings by 21,2 percent.

The overall arrears on the debtors' book rose from 7 to 7,78 percent and bad debt write-offs from 2,71 to 2,93 percent.

But the rate of repayment improved, reducing the length of the debtors' book from 15,4 to 13,5 months.

Bradlows, which trades in the upper end of the market, felt the brunt of the recession.

Joshua Doore had a "very exciting" year with the launch of its catalogue showrooms. These

are 240 to 300 square metres, with minimal overhead structures.

By last December, there were 22 catalogue showrooms. Another 60 will be opened this year.

Price n Pride opened six new stores, expanding into the Western Cape and Swaziland.

The JD Group has instituted a new approach to stock management, which allowed stocks to fall 2,7 percent.

The new formula and the benefits of the new central distribution centres (CDCs) have already borne fruit.

Star 22/4/92

US-EC trade war averted by ^{ST 22/4/93}Contract deal

STRASBOURG — The US and the European Community last night reached partial agreement in their trade dispute over public procurement contracts. Although Washington still planned to go ahead with reduced trade sanctions.

As part of the agreement, both sides agreed to open their government procurement markets for billions of dollars in services and heavy electrical equipment.

The EC and US had withdrawn from what could have been the brink of a trade war, said Sir Leon Brittan, EC trade commissioner. But he said the deal could still ban EC telecommunications companies from competing for US government procurement contracts. — *Financial Times.*

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8335

Eltsa goes ^{ST 25/4/93}into reverse

Star Bureau **748**

LONDON — Eltsa (End Loans to South Africa), long-time campaigner for the economic isolation of SA, is studying ways to reverse its original goal.

With SA entering the post-apartheid phase, the movement hopes to stimulate investment in the New South Africa.

Just one indicator of how overseas perceptions have changed is that Eltsa's soul-searching comes at a time when SA faces some testing economic problems.

And since these are widely regarded as pressing serious obstacles to a peaceful future, Eltsa plans to make its programme a priority.

Co-ordinator David Craine says: "We are considering how, once sanctions are lifted, we could turn our activity round and encourage loans — or, at least, lobby for assistance to be given to the Southern African region through economic linkages."

Star 26/4/93

ANC unveils foreign investor code

By Sven Lünsche

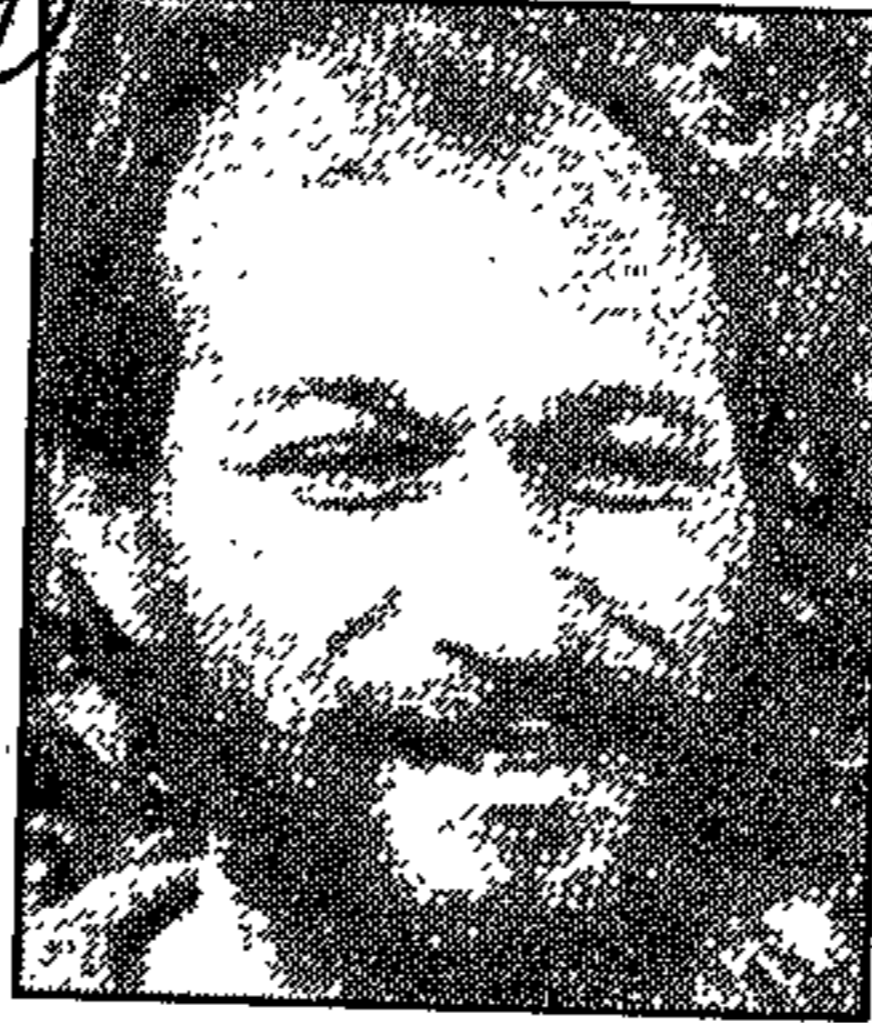
In a bid to rebuild investor confidence — shattered by the violence surrounding the funeral of Chris Hani — the ANC has disclosed first details of an "open" foreign investment code.

Trevor Manuel, head of the ANC's economic unit, says political stability, the end to violence and consistent economic policies are essential in attracting international investment.

In an address to the SA Institute of Chartered Secretaries and Administrators in Cape Town on Friday, Manuel said the ANC favoured "codification of investment policy in order to maximise transparency and certainty".

Key points include providing foreign investors access to foreign exchange for the purpose of remitting taxed profits, debt service on approved foreign loans and the repatriation of the proceeds on the sale of assets.

Manuel reiterated that exchange controls would be removed once stability returned



Trevor Manuel... comprehensive and sustainable growth and development

to the economy and to the capital account of the balance of payments.

He said it was essential for countries outside the major world trading blocs to forge closer links.

"We will seek actively to promote co-operation in Southern Africa in ways that will correct existing imbalances and promote non-exploitative relationships."

The restructuring of the SA economy would be based on a "comprehensive and sustainable growth and development strategy, which simultaneously comprises redistribution programmes to meet the basic needs of the majority".

Mike Levett, chairman of Old Mutual, told the conference that for the next four years growth in GDP would be no higher than three percent a year.

Levett said this meant, with redistribution continuing, that "white real incomes will continue their decline of the past decade and perhaps accelerate".

A change towards stronger growth would depend on three factors:

- A shift from an inward-looking, resource-driven strategy to one which was outward-looking and driven by manufacturing.
- The development of all South Africans to enable them to be productive members of society.
- The creation of legitimate institutions and processes through which change could be formulated.

No investment before peace, says Schwarz

South Africa will not receive the hoped-for investment of billions of dollars until "it gets its house in order", the country's ambassador to the United States, Harry Schwarz, said yesterday.

Speaking at the launch of the Johannesburg Press Club, he told journalists that local businessmen would have to invest in South Africa first before foreign investment could be expected.

But we have to get our house in order," he emphasised. South Africa had to solve problems such as political intolerance.

"If you can give us peace in South Africa, then we can get you investment."

Referring to the country's situation, Schwarz said the system that replaced apartheid would have to be democratic in the true sense of the word. — Sapa.

International interest in SA is still keen ~~(12/20)~~ JCCI

BIDM 28/4/93. 74B
GERALD REILLY

PRETORIA — International interest in SA as a trading partner and a source for future investment was virtually unaffected by recent violence and disturbances, Johannesburg Chamber of Commerce and Industry CE Marius de Jager said yesterday.

He said the chamber hosted trade missions from Sheffield, Romania, Turkey and Paris last week. Yesterday a trade mission from India arrived in the country.

De Jager said he knew of no foreign groups which had or intended to cancel their visits to SA.

Interest in the country as a trading partner remained strong in spite of the lurid exposure recent local events had had on television throughout the world, he said.

He added that a chamber mission had just returned from southeast Asia, where it found that prospects for reciprocal trade with Hong Kong,

Singapore, Thailand and China were "real and exciting".

The mission came back with export orders valued in excess of R30m to be executed within the next three to six months.

"This is the tip of the iceberg as far as trade with these and other countries in the area is concerned.

"It is important, therefore, that industry continues to exploit the great potential," De Jager said.

DP trade and industry spokesman Brian Goodall said it was important to distinguish between missions that came to SA with notebooks and others with cheque books and right now there were probably more with notebooks.

The SA economy's dire need for investment was clear from latest figures which showed gross domestic fixed investment running at about 16% of GDP.

In a country with SA's potential for development it should be closer to 26%, he said.

Meanwhile, SA's trade promotion body said yesterday it expected a business boom from exhibits at the Zimbabwe International Trade Fair this year, Sapa-Reuter reports from Bulawayo.

Safto's marketing executive Ann Mathews said the trade fair was the country's most important business link with the world.

Speaking at the start of the week-long exhibition, Mathews said many SA companies reported a rise in business after the 1992 fair.

More than 23 SA companies are exhibiting this year in the southwestern city of Bulawayo alongside hundreds of exhibitors from more than 40 countries.

Bilateral trade with the rest of the continent was 14% of SA's total trade in 1990.

Business urged to take risks for SA

Star 28/4/93
74B

By Shirley Woodgate

Foreign investors are waiting to plough money into South Africa but this will not happen unless local businessmen take risks to make the new South Africa succeed, says United States ambassador Princeton Lyman.

Addressing a Seeff/Radio 702 business breakfast in Sandton yesterday, Lyman said: "We look to the politicians to take risks in reaching a political settlement, but there will be no progress unless the business sector is in the forefront of development projects and also takes risks."

Many businesses and institutions were involving themselves in housing and education, but they were the exceptions.

It was tempting for business to put its capital into safe financial investments and say the economy would suffer while violence existed; but this attitude contributed to the problem.

The international community's cautious approach to investment in South Africa mirrored the mood in the country, but the US was trying to create a more constructive climate, he said.

Foreign investment would not materialise if South African capital was leaving the country or being held out of the market place.

While he expected strong financial assistance from various quarters including the World Bank, foreign institutions could not move forward unless there was a clear message from South Africa, specifically from those who had called for sanctions.

"We have urged them to take the step," said Lyman.

But it was important to realise there would be a delay of up to two



Princeton Lyman . . . Investors waiting.

years before World Bank plans could be implemented.

Welcoming the ANC's decision to advance its call for lifting sanctions to the date of agreement for a transitional executive council and elections, Lyman said once the call was made the USA would repeal remaining restrictions.

The ANC and the IFP had moved in the right direction, which placed the responsibility on the private sector and the business community.

Sources for new foreign funding included pension and endowment funds in the US, many of them in the forefront of the push for disinvestment in South Africa.

"We are now investigating how, as the new South Africa approaches, these same leaders in disinvestment could become champions of investment in the country," Lyman said.

As an example of the kind of finance which could become available, he said the California State Pension Fund was worth \$64 billion (about R200 billion).

It was not far-fetched to expect that up to \$2 billion a year (R6,3 billion) could reach South Africa from this source.

But, Lyman said, none of these ideas would take root unless South African business was equally bullish.

Washington considers tapping pension funds for investment in

SA

THE US government was examining the use of US pension and endowment funds to invest in bonds for housing, electrification and small business development in SA, US ambassador to SA Princeton Lyman said yesterday.

"We are examining, with both SA and American experts, the possibility of new financial instruments that will tap into yet another source of private investment capital, the pension and endowment funds in the US. Many of these funds were in the forefront of the sanctions and disinvestment movement," he said.

Speaking at the Seeff/Radio 702 Business breakfast, he also disclosed that his government was hoping to announce a new US investment in SA next month.

He said new sources of private investment from abroad and finance from multilateral institutions such as the World Bank and the African Development Bank could see about \$2bn to \$3bn in foreign assistance and investment coming into SA annually — if the local business community showed more of a commitment to SA.

"The private sector, which prides itself on analysing and taking risks, must now

KELVIN BROWN

take some greater risks on behalf of growth and development," Lyman said.

He warned that foreign capital would not materialise if SA investment did not match, if not exceed, foreign investment.

The business community could not put the whole burden on the politicians. "The politicians of this country, such as those in the ANC, have already gone a long way to assure the business community about future economic policy."

The private sector in SA needed to de-

monstrate that the faith parties had in the private sector was not misplaced. "We look to the politicians to take risks in a political settlement, but we are asked to understand the businessmen and women's unwillingness to do so."

Everyone in SA was being asked to take risks, Lyman said.

"The liberation movements are being asked to risk their credibility with their constituents by agreeing to coalition government and dependence on the private sector from which they have been traditionally excluded."

The vast majority were being asked to risk their dreams of better education, housing, jobs and basic health services on a long-term programme of growth rather than radical redistribution.

However, Lyman also criticised the ANC for not calling for an end to sanctions. "If sanctions were only removed when there was a newly elected government, it would take two years before this assistance could be utilised."

There was a lead time of 18 months to two years between the beginning of project development and implementation.

Mandela to appeal for investment

ANC leader Nelson Mandela will urge more British investment in post-apartheid SA when he visits London next week, the ANC said yesterday.

"His message will be that as soon as the transitional executive councils are in place and an election date is set, there should be additional British investment," said ANC spokesman Carl Niehaus.

Mandela will address a joint session of the British parliament on Tuesday.

Niehaus said he expected the transitional councils to be in place by June.

Britain is the largest foreign investor in SA.

The latest trade figures between the two countries puts British imports to SA at \$1,8bn compared to \$1,5bn in exports during 1991.

Safto GM David Graham said an investment appeal by a man of Mandela's stature would be a tremendous boost for international confidence in SA and could only be a positive factor.

Mandela is due in Britain on Monday and will return to SA on Wednesday after meeting prominent British businessmen, government and opposition leaders and members of the British anti-apartheid movement. — Sapa-Reuter.

Call for selective boycott

SACP official Ronnie Kasrils told thousands of mourners at the funeral of 12 victims of violence in Sebokeng yesterday to implement a consumer boycott of Vereeniging, Vanderbijlpark and other "right-wing towns".

The 12, who were buried in the Evaton cemetery, were among 19 killed by unknown gunmen in the Vaal Triangle township on the eve of the funeral of slain SACP general secretary Chris Hani 10 days ago.

A section of the crowd ignored calls by Kasrils and ANC official Patrick "Terror" Lekota for them to channel their anger constructively and chanted PAC slogans throughout the service.

"The darkest hour always comes before dawn. Let us build our self-defence units, let us protect our leaders and organisations. Let us use the weapon of consumer boycott," Kasrils said.

Earlier, Lekota called on the crowd not

to attack members of the media, saying such attacks were not ANC policy. A foreign journalist was threatened by a knife wielding man who called him a "settler" during the service.

Crowds of youths chanting "one settler, one bullet" and "every settler needs a bullet" surrounded cars carrying journalists at one point, and gunshots were fired into the air at the graveside, but no other incidents of violence occurred.

"Those who seek to undermine the leadership (of the ANC) are participating in counter-revolution," Lekota told the crowd.

Police arrested a man on Tuesday in connection with the Sebokeng shootings, Vaal Triangle police spokesman Maj Piet van Deventer said yesterday. The latest arrest is the seventh in the case.

RAY HARTLEY

Mandela to ask UK to invest

JOHANNESBURG. — ANC president Mr Nelson Mandela will urge more British investment in post-apartheid South Africa when he visits London next week, the ANC said yesterday.

"His message will be that as soon as the transitional executive councils are in place and a date for an election is set, there should be additional British investment," said ANC spokesman Mr Carl Niehaus.

Government negotiator Mr Roelf Meyer said on Sunday agreements on an election date and the framework for a transfer of white power to a non-racial government of national unity could be reached by the end of May. ^{CT 29/4/73}

Mr Mandela will address a joint session of the British parliament on Tuesday. ^(74B)

"He will tell parliament that South Africa should move towards democratic rule as fast as possible and that we have to deal with the problem of violence," Mr Niehaus said. — Sapa-

Govt's export zone blueprint 'a failure'

BiOMY 30/4/93 (743) (743)
THE Free Market Foundation says government's recent blueprint on export processing zones (EPZ) has done little to attract investment.

"Our concern with the current proposal is that there is nothing in it that will give SA EPZs a competitive edge on investment opportunities, not only in other EPZs, but in entire countries," the foundation said.

The requirement that 100% of the production of EPZ firms had to be exported was unlikely to attract investors. "If they are subject to all SA laws and taxes, and have no more than the benefit of duty-free imports,

they might as well invest in any one of the many more favourable zones elsewhere in the world, especially those closer to suppliers and markets, and those with more productive labour and lower taxes."

The foundation also criticised the blueprint for subjecting EPZs to exchange controls.

There was no benefit in the proposal that the zones had to be within 50km of an international airport. Location should be determined by labour, materials and infrastructure.

KELVIN BROWN

ATIONS CONFERENCE

Foreign investment's role 'small but useful'

8/10/73 30/4/93
FOREIGN investment is not a substitute for domestic capital formation nor for building industrial capacity as a country pursues economic development, says Malaysia's former finance minister Daim Zainuddin. (60)

Foreign direct investment constituted only a small portion of the gross capital formation of the rapid-growth Southeast Asian economies, and its major contribution was through "dynamic effects" (74) (62)

"Its impact, however, on the economy is disproportionately large due to the dynamic effects arising from a transfer of technology, managerial expertise, market access and reinvested profits," Zainuddin said. (703)

These effects strengthened the link between trade and investment, and consequently a country's international and regional comparative advantage. It also changed the structure of economies, in a way particularly relevant to SA, away from dependence on primary commodities.

"Foreign direct investment is the main catalyst in transforming the primary commodity-dependent economies of the Asean-4 countries to a higher value-added industry-based economies," Zainuddin said. An example was the 12% growth rate in the manufacturing sector achieved over the last two decades in Malaysia, pushing this sector's contribution to GDP from 10% in 1960 to 29% last year. Other lessons to be learnt from it, Zainuddin said, was that liberal policy measures were not enough to attract foreign investment.

"Political stability remains a prime concern of foreign investors... experiences have also shown that prudent macroeconomic management as manifested in stable economic policies coupled with outward oriented trade and industrial policies are basic features of an attractive policy regime for foreign domestic investment.

"It should be viewed as a complementary source rather than the main source of a country's capital formation. Eventually, indigenous industrial capacity needs to be built to maintain a country on its long-term growth path," Zainuddin said. — Sapa.

SI Times [Boss]
2/5/98

Anglo warning to Japan denied

By JOHN CAVILL and CIARAN RYAN

ANGLO American executives have been warning potential Japanese investors not to put their money in South Africa, claims a report in Africa Confidential, a fortnightly newsletter.

Anglo American Investment Corporation chairman Leslie Boyd, fresh from announcing that the group was looking guardedly at a venture with South Korean conglomerate Daewoo to build a TV tube plant, as well as other projects involving Japanese and South Korean investors, denies that any Anglo executive has warned Japanese investors.

Mr Boyd says: "Contrary to the Africa Confidential re-

port, Anglo American Corporation has been trying to persuade for the last three years certain Japanese companies to take equity positions in existing operations in SA." (14 B) (S)

Africa Confidential says that even cautious prospective Japanese investors "were surprised when top Anglo American Corporation executives warned visiting delegations that the risks are too high to make fixed investments viable".

It cites a "senior Japanese source" as saying puzzled businessmen were trying to work out the reasoning behind Anglo's advice.

Dual tax draws flak from foreign bank

BIDM 3/5/93

KELVIN BROWN

130 149 740

THE new secondary tax on distributed profits could be criticised for being economically inefficient and encouraging a greater concentration of SA industry, the Bank of Lisbon said in its April Economic Focus.

In the 1993 Budget company tax was cut to 40% and a 15% secondary tax on distributed profit was introduced.

By encouraging retention of profits, the dual profits tax would weaken the influence of SA's capital market.

"Investment resources retained by companies would not be subject to the test of the market, creating the danger that funds would not be invested efficiently."

There was also the danger that directors would treat retained earnings with less care since these were viewed as cheap capital.

BIDM 3/5/93

The economy would be better served if companies were encouraged to distribute profits which they could not use effectively themselves. There would then be the chance that profits would be invested more effectively by shareholders. Capital market supporters claimed that shareholders tended to invest resources in the most economically desirable channels, the bank said.

Under the dual tax system there was the risk that some firms would put retained income into ventures that yielded a lower rate of return than if the money had been distributed to shareholders. "Some analysts argue that the average director thinks he will lose more in prestige when a project fails than he would gain when extraordinary profits accrue by taking a special commercial risk."

The dual tax system could further reduce competitive elements in SA's economy and strengthen corporate control. By encouraging retained earnings the new tax system would strengthen the position of large firms, which could use accumulated reserves to take over other companies since stringent exchange controls ruled out new foreign investments.

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BLOOM 3/5/93

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740

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TAR
CUS

West could pledge \$1bn to assist SA

SIMON BARBER

WASHINGTON — Western nations might pledge up to \$1bn in development assistance to SA once agreement on a transitional executive had been reached, a Washington-based consultant advising the World Bank on SA said.

The need for substantial aid to help a new government meet popular expectations would probably be addressed when the seven major industrialised countries held their annual summit in Tokyo in July, Samuels International vice-president Witney Schneidman said.

Donors were also considering con-

vening a formal consultative group on SA's development needs to be chaired by the World Bank soon after transitional structures are in place.

The bank estimates SA will need \$4bn to \$5bn a year to achieve the annual 4% to 5% GDP growth rate needed to make serious inroads on unemployment and meet demands for redistribution.

Properly used, donor assistance in the form of grants and concessional loans could help SA bridge the gap between the investment it needed and

what it could expect realistically from private foreign and domestic sources, Schneidman argued.

He said it was essential SA's parties agreed as soon as possible on a development agenda so that the aid could be used effectively.

The consultant said the \$24bn pledged to Russia at last year's G-7 summit was never disbursed because of bureaucratic and political disarray in that country.

SA needed to avoid falling into the same trap by establishing a "national agenda for development" to focus donors on its most pressing needs and accelerate delivery of assistance.

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(12) (13) (14)

Investors have nothing to fear, says Mandela

Star 5/5/93

74B 68

By Tim Whitfield
Star Bureau



LONDON — The violence in South Africa cannot be stopped until a democratic government is elected, but overseas investors have nothing to fear if the ANC comes into power. This was the message Nelson Mandela put forward in London yesterday.

The ANC president seemed determined to allay fears of foreign businessmen during a press briefing only hours after arriving in Britain. But he warned that violence would continue until a democratic government was elected.

"As long as violence continues it will be difficult for businessmen to invest in our country.

"The ANC is taking measures to allay any fears from potential foreign investors.

"We have an investment code that emphasises there will be no appropriation, and that dividends will be freely transferable overseas.

"We have taken the position that as soon as the date for elections is announced, we will invite foreign businesses to invest in our country.

"Violence is a serious



Flying the flag . . . Mandela in London. Picture: AP

obstacle to their doing so, but that can only be addressed when a democratic government is elected.

"The reasons the current Government cannot address the violence is because they have no legitimacy, lack credibility and are massively corrupt," he said.

A democratic government had the advantage of legitimacy and having the confidence of the political majority.

Mandela also touched on the reports that whites are leaving in anticipation of the ANC taking over government.

"The white community has had opportunities not available to the rest during the years of apartheid. But without them and their expertise it will be difficult to ad-

dress the substantial socio-economic problems, therefore we make an appeal for them to remain in the country."

He added that the greatest threat to the peace process was not from black organisations . . . the greatest threat was from the Right.

"We cannot ignore the Right because their supporters are firmly entrenched in Government structures."

Mandela met the Secretary-General of the Commonwealth, Chief Emeka Anyaoku, yesterday afternoon and today will meet British Prime Minister John Major, Foreign Secretary Douglas Hurd and the leader of the Labour Party, John Smith.

He leaves for Geneva tomorrow.

NEWS Government lacks credibility and is 'corrupt' ● Passmore on drugs charge

Mandela's solution to violence in sight

ANC leader confident of stemming ebbing white tide:

LONDON - The installation of a "legitimate and credible government" in South Africa was the only solution to escalating racial violence in the country, ANC president Mr Nelson Mandela said yesterday.

Government illegitimate

"One of the reasons that the present Government has been unable to address the question of violence is that it has no legitimacy, no credibility. It's corrupt," Mandela told a Press conference in London at the start of a two-day official visit to Britain.

He will meet Prime Minister Mr John Major, Foreign Secretary Mr Douglas Hurd and Labour Party leader Mr John Smith today before addressing the House of Commons.

Mandela acknowledged a burgeoning

exodus from South Africa, mostly by whites who feared for their safety amid the escalating racial violence.

It is normal in a transition "for minorities to be concerned, to ask: 'What is going to happen to me, to my family?'" said Mandela.

"We must be prepared to address those concerns. I am very optimistic that we will be able to withstand the tide of people leaving," he said.

Foreign investment

Mandela said he would renounce sanctions and launch a campaign to attract foreign investment as soon as the date for elections had been announced.

The ANC president said he was counting on Britain's help in installing "parliamentary democracy" in South Africa. - Sapa-AFP.





Picture: OBED ZILWA, The Argus.

FOREIGN EXCHANGE: Foreign Minister Pik Botha and Russian Deputy Foreign Minister Boris Kolokolov outside parliament yesterday.

Talks boost prospects for SA-Russia trade

Political Correspondent

PROSPECTS for trade, technological and cultural exchanges between Russia and South Africa have been boosted by talks between Foreign Minister Mr Pik Botha and Moscow's deputy Foreign Minister Mr Boris Kolokolov.

(748)
They met at parliament yesterday.

ARG 5/5/93
Mr Kolokolov, a special representative of President of the Russian Federation Mr Boris Yeltsin, also met President De Klerk.

After he and Mr Kolokolov lunched together, Mr Botha said the two states were ready to ex-

plore new areas of co-operation, and he believed they would move "closer and closer."

Both countries were in difficult and often painful processes of transition and there was a deep understanding of problems.

"But there is also readiness not only to extend the hand of friendship but also to explore the many areas of co-operation — trade and technological exchanges and cultural co-operation," he said.

Mr Kolokolov, who is to visit Zimbabwe before returning home, envisaged South Africa and Russia working jointly in future to further national and international interests.

SA shouldn't expect big inflow of foreign capital

W/M and 7/5 - 13/5/93
Weekly Mail Reporter

CAN and should South Africa not only stop the "financial sanctions"-induced capital outflows that characterised the late 1980s but even bank on big new inflows?

Countries like Mexico and Argentina once considered lost in a sea of debt and unlikely to see new capital coming in again have seen huge new capital inflows in the 1990s.

But there was a suggestion at the Aspen Institute-Idasa conference that renewed inflows of capital to developing countries may not last.

MIT economics professor Paul Krugman suggested the new inflows could prove a speculative bubble. Unlike the 1980s bank loans which led to the debt crisis, the new inflows have gone largely into equities, with investors expecting big returns from the new economic policies adopted in those countries.

There is at least some possibility of a replay of the 1982 crisis. But even if there is no pricking of a bubble, inflows might dry up.

South Africa then might not be able to join the party. In any case, it will have to put together a convincing political picture to attract investors.

Krugman posed the question: If new inflows are on the cards, should South Africa try to prevent overheated capital inflows — or simply take whatever it can get? He did not attempt to provide an answer.

Foreign direct investment is another matter altogether.

Malaysia's former Finance Minister Daim Zainuddin noted foreign direct investment isn't only about money. As the Asian experience has shown, it has become important for aiding the transfer of technology and managerial skills.

However, Zainuddin suggested increasing protectionist pressures in developing countries and emergence of trading blocs could restrict trade and investment flows to excluded developing countries.

The business perspective on foreign direct investment was provided by Siemens executive director Gunter Gosmann, who noted that globally competitive companies centralised some activities and regionalised others.

In deciding where to put money, the specific costs of operating in a country were not the only consideration. Strategic reasons could come into play.

For South Africa, Gosmann's view was that stimulating investment can only be achieved by reducing government consumption spending and restoring investor confidence.

He stressed investor confidence could be restored by "clear political statements towards a free-market economy. These include economic factors relating to foreign markets and foreign participation, sound domestic economic conditions in which the area of industrial relations plays a major role."

INVESTMENT

People in glass houses

FM 7/5/93
 M4B
 (circled scribbles)

Businessmen have done more than politicians to maintain investment

There is a perception abroad that SA's business leaders are reluctant to invest in the real economy. Since political change restored the country's status in the international community, they have been urged to show their faith in the future by investing.

The latest call came from US ambassador to SA, Princeton Lyman. Speaking at a Radio 702 business breakfast last week, he urged the business community to be bullish. He said sources of foreign finance would not materialise "if SA capital is either leaving the country or held out of the marketplace... One clear condition (for attracting foreign capital) is that it should be matched, if not overmatched, by SA investment in the same areas or instruments."

But the business community has already demonstrated its sentiments by remaining remarkably resilient through a testing time.

It is not known what proportion of the capital that has left the country over the past eight years originated from domestic sources. Nor is it known how much of the net outflow over the past few months is capital flight; and how much simply reflects decisions by local borrowers to convert offshore finance to domestic loans. But an indication of the capital deployed within the country comes from the levels of private-sector fixed investment made over this period — in the face of huge constraints on profits.

Since 1985, SA has had:

- Unprecedented political turbulence;
- Two major recessions;
- International sanctions which reduced export revenues and slashed foreign funding;
- A cyclical decline in demand for the country's exports, after growth in the major industrialised countries started to decline in the late Eighties;
- A structural change in the commodity markets which diminished the role of major exports, such as coal, in the world economy; and
- A decline in the investment value of gold, the country's single biggest export.

Yet private sector capital expenditure has fallen by only 5% in real terms — from R16bn in 1985 to R15,2bn (in constant 1985 rand) in 1992. The huge decline in gross domestic fixed investment has come in government initiatives, which fell 39% in the period, to allow for an increase in consumption spending (from 17,3% of GDP to 21,3%); and in the capex of State corporations, which plunged 67%.

It is the last two which contributed most to the huge decline in the ratio of gross domestic fixed investment to GDP — from nearly 28% in 1982 to 15,9% in 1992.

As to the future, major private sector projects already in the pipeline could make a

significant contribution to GDP (see table). The timing of the funding flows is uncertain and the effect on the figures of projects completed is difficult to quantify, so predictions on investment figures for 1994 can be only tentative. But it seems likely that new projects will at least halt the decline in private-sector investment spending in 1994 and could actually reverse it.

An indication of its impact at a micro level comes from Willie Vance, executive director of the SA Federation of Civil Engineering Contractors: "The capital cost of the three major projects — Columbus, Alusaf and Namakwa Sands — is just under R12bn. If this amount is spent over a construction period of three years, it will mean about R400m a year to the civil engineering indus-

Hence the R3bn-plus Columbus stainless steel venture.

Tight monetary policy which resulted in high interest rates, he says, has been the second most important reason for the reduced level of demand, and hence investment. However, the benefits of lower inflation will eventually compensate.

As a deterrent to investment, he ranks political instability only third. Its effect is felt most in those sectors of the economy which depend on domestic consumption demand. People whose income has been eroded not only by recession but by disruptions in the economy are cautious about spending and even more cautious about borrowing.

Though the political dimension is only one of several which influence decision making, after the past few weeks of turmoil it tends to dominate perceptions.

Apartheid is gone but we are left with its legacy. When Hendrik Verwoerd and his henchmen introduced a series of amendments to the Urban Areas Act in the Fifties, they started a process of social disintegration within black communities. Legislation took migrant workers from their families and installed them in single-sex hostels.

It removed communities from "black spots" and settled them in wastelands. And the enforcement of the notorious pass laws made criminals of innocent people. And as family life and community values were being destroyed, the Bantu Education Act of 1953 came into force, ensuring that blacks would receive an inferior education for decades.

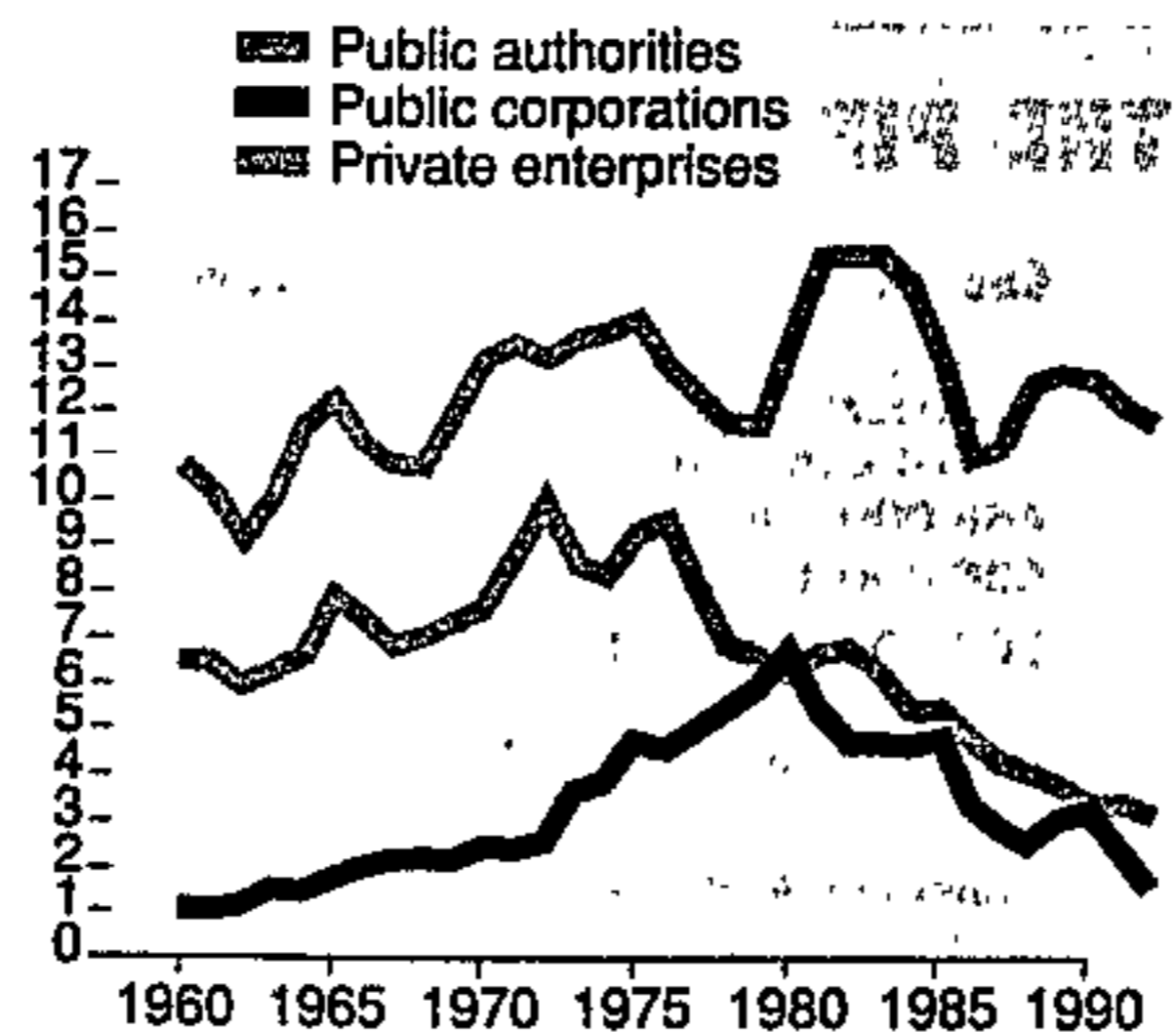
The dragon seeds sown in the Fifties were reaped in the Seventies and after, when a generation of dispossessed, alienated and angry young people vented their frustration in violence. The ANC, then in exile, mobilised the anger and frustration for its own political purposes and used it throughout the Eighties.

Now the forces the NP created and the ANC invoked in response will not return to their bottle.

The assassination of Chris Hani and the violence that followed have shown how powerful are the forces of destabilisation. The actions of a handful of white racists and anarchic blacks bent on destruction have held the country hostage. The white racists can perhaps be regarded as a security problem and contained.

But the black youths described by the ANC as criminal elements are a symptom of a huge social problem that will be with us for many years. They are from a generation born in the cauldron of the Seventies, reared in the township turmoil of the Eighties, steeped in a culture of violence — and largely unequipped to earn a living.

Holding the line GDFI as % of real GDP



try — which represents about 8% of turnover."

Whether capex increases further will depend on a number of factors.

One of the major determinants of investment is the strength of the world economy and international demand for exports. Amic chairman Leslie Boyd says: "In the case of vanadium, manganese and ferrochrome, for instance, we have idle plants because the market isn't there for our capacity."

However, where demand is firm, as in the case of stainless steel, there is an incentive to expand. "The plant at Middelburg," he says, "is working at full capacity and we are comfortable about expanding and taking a long-term view that SA is the right place to make a major investment in stainless steel."

Foreign investors buoy JSE turnover

BLOOM 10/5/93

MATTHEW CURTIN

AS GOLD hit a nine-month high of \$357,50 on Friday it emerged that foreign investors had made net purchases of SA equities worth nearly R1bn in the past two weeks.

The surging gold price and weak finrand have induced huge foreign investment in local gold shares and record turnover on the JSE. Exchange figures show foreign transactions amounted to net investment of R613m in the last week of April.

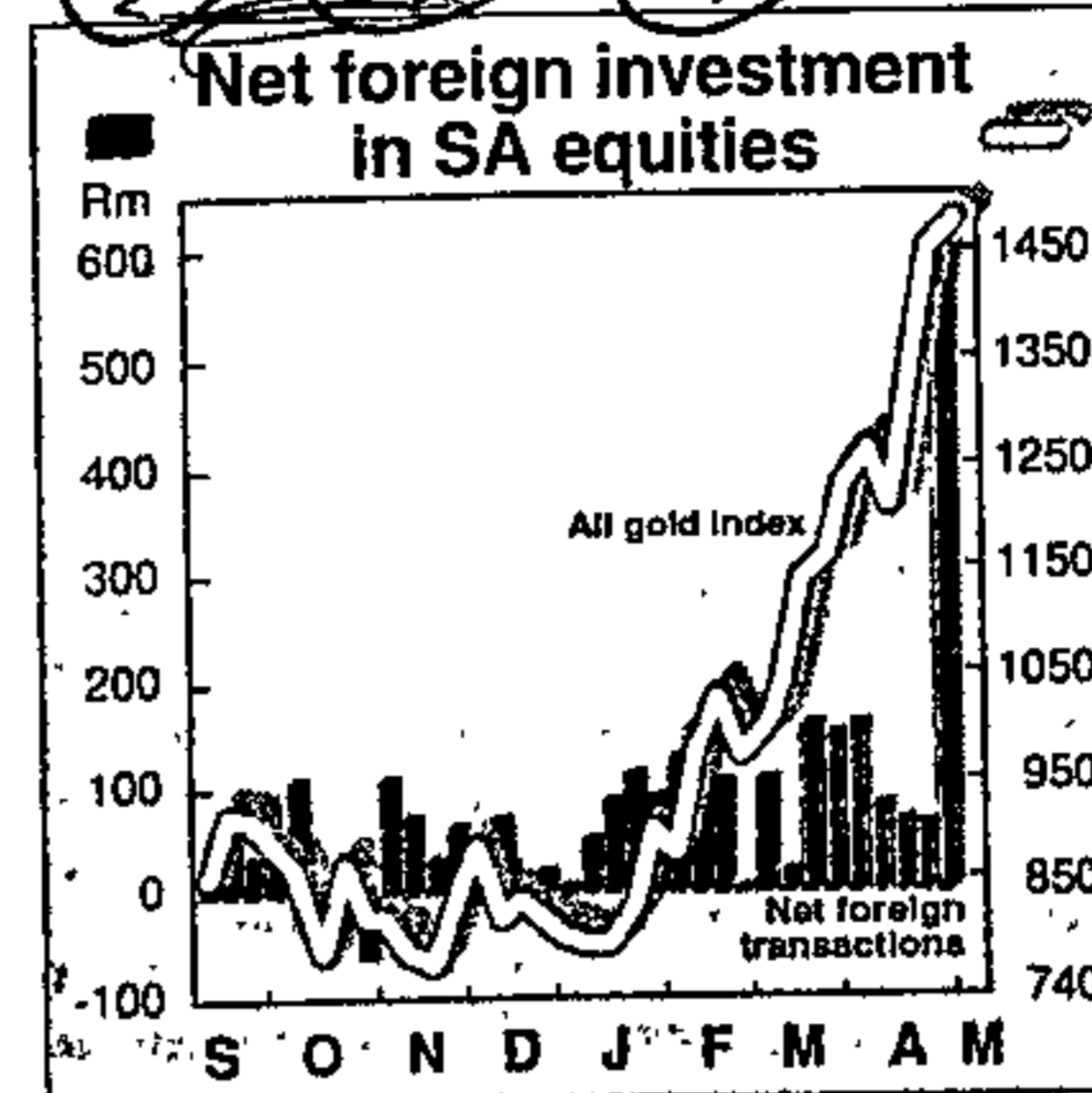
Figures for last week are not yet available, but dealers said foreign activity remained high, although slightly below the feverish activity which followed the previous week's news that billionaire George Soros had invested \$400m in the US gold mining sector.

The spate of foreign investment compares with average net disinvestment from the share market of R9m a week in 1992 and R78m a week in 1991.

The all gold index moved back towards last week's highs of more than 1500, buoyed by the firming bullion prices. The index gained eight points to close at 1483 as gold prices recovered their upward momentum on Friday.

Foreign share buying has pushed the value of shares traded on the JSE to new records, with shares worth R1,6bn changing hands in the past two weeks.

The interest in equities has been accompanied by good buying of gilts, with net



Graphic RUBY-GAY MARTIN Source I-NET

foreign transactions in the bond market passing the R50m mark in the second half of April.

Foreign purchases of SA shares have outweighed sales for four consecutive quarters. That compares with regular quarterly disinvestment by foreigners since 1986, the sole exception being the third quarter of 1988.

However, the higher figures reflect to some degree the double accounting on foreign transactions which the JSE introduced last year to monitor all trades. If shares are bought by arbitrage dealers from London and sold on the JSE, the deal is counted as two trades



Move into SA, investors told

LONDON — Stockbrokers James Capel have urged international investors to move into SA now to reap high nominal bond yields, despite political uncertainty.

Capel analyst Jon Bergtheil said the investment picture had improved now that the ANC and government had pledged to hold a national election by April 1994.

"They said (on Friday) they will set a date within four weeks for an election. After that SA will have access to IMF and World Bank facilities — access to international capital it very much needs." US pension fund clients, in particular, were holding back until a date was agreed on.

"About 70% to 80% of people who have had moral concerns will drop them once that date is announced," Bergtheil said.

"Our biggest trade in the past two months has been with US funds, some of them municipalities, which are sensitive to ethical concerns and are often geared to black Americans."

Capel first recommended buying SA bonds in March on the back of a rising discount between the commercial and financial rands, indicating nervous foreign investor sentiment. That gap widened after the murder of SA Communist Party leader Chris Hani on April 10.

But bond yields moved higher, offering even better value.

"SA remains a buy, with yields at around 21.5%," said Bergtheil. The financial rand correlated well with the gold price.

The domestic fundamental outlook was more bullish with inflation contained at 9.7%, money supply under control and an end to the severe drought of 1992, which on its own had caused a 2% drop in gross domestic product, Capel noted. — Reuter.

Unions widen the recruitment drive

COSATU affiliates are embarking on a drive to recruit monthly-paid, skilled workers in what has been termed the "second wave" of unionisation.

SA Labour Bulletin editor Karl von Holdt, writing in the latest issue of the journal, says Cosatu and Nactu have been successful in organising weekly-paid workers in lower skills categories.

However, these federations have been prevented from recruiting other categories of workers by closed shop agreements and restrictions placed on bargaining unit composition by recognition agreements.

Unions, having realised the limitations they have been placed under, are now looking at ways of getting around this obstacle.

For example, the NUM opened its 1993 wage proposals to the Chamber of Mines with a demand for the amendment of its recognition agreement to grant it "the right to represent employees in all categories of employment in the collective bargaining process".

Von Holdt says the NUM is not opposed to the closed shop per se, but wants the establishment of a multi-union shop which would allow unions to compete for members within the

ERICA JANKOWITZ

closed shop. It would also give members the freedom to choose which union to join.

Von Holdt says under present bargaining arrangements, talented worker leaders are often "promoted out of their bargaining unit and so out of the union".

Therefore, if unions can recruit more widely, they stand to gain additional members, their skills and "their influence in the workplace". Their subscriptions, usually set as a percentage of gross income, could also help the unions' cash flow problems.

However, Von Holdt recognises the role played by craft unions which have traditionally represented white collar workers. He says the benefits offered by these unions — such as pension and medical schemes — could not be matched by Cosatu.

Also, most Cosatu organisers have come through the blue-collar ranks and are unfamiliar with "grievances and working conditions of monthly-paid artisans, clerical workers and technicians", he says.

Von Holdt argues that in the medium term "craft unions are likely to survive and retain their influence".

Business urged to 'green your contract'

ENVIRONMENTAL issues which might affect business decisions have become part of a Johannesburg law firm's legal information sheet.

Werksmans' newsletter *Environmental* has highlighted environmental concerns such as integrated environmental management and how to "green your contract".

The most recent issue dealt with the consequences of SA's increasing

MARIANNE MERTEN

international acceptance and return to international trade.

SA had been excluded from many environmental legislative developments governing international trade over the past 20 years, it said. Legislation which could "force compliance with or adoption of national domestic standards in other countries" would affect SA's trade potential.

Offshore investors urged towards SA

CF 11/5/93 (74B)

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'Move now to reap high bond yields ...'

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But bond yields moved higher, offering even better value.

"South Africa remains a buy, with yields at around 21.5%," said Bergtheil.

He said there were also new gains because historically the financial rand correlated well with the gold price and international gold share buying, which has picked up recently.

The domestic fundamental outlook was more bullish with inflation contained at 9.7%, money supply under control and an end to the severe drought of 1992, which on its own caused a 2% drop in Gross Domestic Product, Capel noted.

— Reuter

US-SA TRADE

Flirting with Uncle Sam

After several years of a strained, arm's-length relationship, SA and US businesses are rediscovering each other. The stakes are high: a share of the nearly R15bn-a-year in two-way trade and the huge opportunities for investment on both sides once the next SA government is established. FM 14/5/93.

Since February, there have been two SA trade missions to the US and another is planned for October. In September, 200 exhibitors from the US are expected at "Made in USA," a trade exposition to be held at the World Trade Centre in Kempton Park. "The point of the expo is to bring American companies to SA so they can be in on the ground floor," says the organiser, South African David Altman. "Any investment must first start with trade."

Signing new trade deals, however, takes time and careful nurturing of contacts. Says Altman: "There are a lot of venues for US companies. SA is just one. It's not on the top of their list and half don't know where it is. We've started the ball rolling. Someone has to tell America that SA exists."

Nevertheless, trade between the two countries has been expanding rapidly. After three years in which two-way trade totalled about R7,5bn a year, the figure jumped to R10,5bn in 1991 and about R12,5bn last year.

If there was any lingering doubt over the two countries' new relationship, it was extinguished when the office of US trade representative Mickey Kantor recently included a chapter on SA in its annual volume titled *Foreign Trade Barriers*. It says the US government has asked SA to lower some tariffs and raised concerns about other barriers to trade and investment.

Michelle Cohen, head of the American Chamber of Commerce in Southern Africa, says that despite the growing ties, a lot of misinformation still exists on both sides of the Atlantic after the years of sanctions.

"We need to educate South Africans about the US and Americans about SA. Americans are still cautious. They don't know whether their banks can deal with SA, whether they can get letters of credit, whether there's enough infrastructure. It's a matter of having lost touch."

No-one argues about the opportunities for SA businesses in the American market. With a population of 250m and a per capita income of about \$21 000, the US is the biggest consuming nation in the world. Unfortunately for businesses looking to crack that market, it also produces just about everything under the sun. So the trick is to find a niche.

"It's so huge that it's impossible not to find a niche market," Cohen says. "They sell anything and buy anything. They need partners as much as we do."

Cohen led a ground-breaking trade mission to the US in March, when she took a

BUSINESS & TECHNOLOGY

FM 14/5/93.

seven-member delegation on a 19-day trip to New York, Washington, New Orleans, Atlanta, Dallas and Houston. They were looking to market products such as ostrich-leather luggage and cane furniture.

She says her mission got a good reception, especially among blacks, because it was not government-led. Americans, she believes, still want to avoid giving the appearance of officially working with the SA government. She says this was obvious in cities that still had sanctions, such as New York.

But Henk Pretorius, who led a 15-member trade delegation organised by the Department of Trade & Industry to the US in February, says there was "absolutely no antagonism" from Americans they met. Pretorius worked for the department in the US for three years until 1991 and says the reaction towards SA has improved. "Before, the general attitude was hands off; it was negative. Now that's changing."

But local critics have attacked the department for spending R16m this year alone on its scheme that subsidises companies and

individuals participating in trade missions and foreign exhibitions. Through the Export Marketing Allowance scheme, participants get a rebate on half of the cost of their economy airfare as well as a R400 daily allowance. And it's not just for government-led missions. The members of Cohen's mission also qualified.

"It's quite an incentive, but it's not a joy ride," says Hennie Erasmus, who is leading the department's mission to the US and Mexico in October. He says would-be participants in the scheme must be vetted by the department before they get the money.

US expo promoter Altman is working from the opposite direction by organising a venue for American companies to make contacts in SA. He won't identify which American companies have already paid the \$14 900 for air fares, exhibition space for five days, accommodation and a side trip to a game park, the Lost City or Cape Town.

The "Made in USA" expo got a boost when the ANC's Thabo Mbeki issued a letter last month in support of the trade fair.

"The expo is a tremendous opportunity for any American company wishing to do business on this continent," Mbeki wrote.

Yet the ANC is not recommending that foreign companies should ignore its call for sanctions. Rather, it sees this expo as an opportunity for people to come and look around in preparation for the time when an election date is set and other conditions for the ending of boycotts have been met.

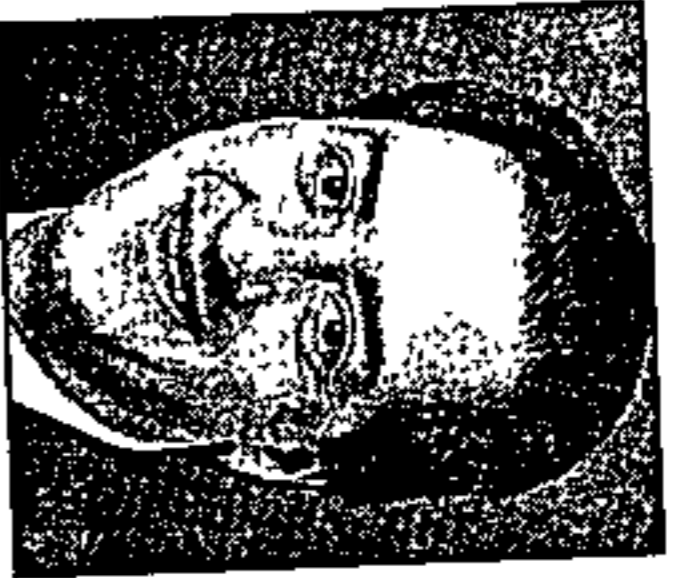
Altman says the letter helps in recruiting exhibitors, but Americans remain wary about committing their time and money before an interim government is in place. "Americans are waiting for a signal. They are waiting for (ANC president Nelson) Mandela to stand up."

Says Cohen: "Corporate America is not holding its breath for SA to emerge from the bitter past. There does have to be an unequivocal statement by Mandela as to a definite date when the ANC will call on US states and cities to repeal sanctions as a matter of urgency, in order for business to proceed along normally accepted lines." ■

NICK CHARISSIS

Manufacturers, are you ready?

IN MY OPINION



Nick Charissis is the director of Deloitte & Touche Management Consultants.

SA's reacceptance by the international community has not been well received by most local manufacturers. Many view international competition with trepidation instead of gearing themselves up for the tremendous opportunities it could represent.

But SA manufacturers cannot and should not avoid international competition. A strong manufacturing sector can be the main driving force in achieving the growth in GDP that is essential for the development, if not the very survival, of our economy.

Clearly, local manufacturers must become competitive. This is essential in protecting their local markets against international players and to ensure that those which aspire to it can become international players. Relying on the false sense of security provided by government protection policies is both short-term and short-sighted in thinking.

To find out how SA manufacturers are faring in key areas compared with their international competitors, Deloitte & Touche is conducting an International Survey of Manufacturing Organisations. It will cover critical success factors, the degree of global focus, manufacturing technologies and techniques, human-asset development, performance measures and the state of SA organisa-

tions. Other countries participating include the US, Canada, the UK, Germany, Japan, Mexico and France. The *FM* will publish the results later this year and plans call for repeating the exercise annually.

What can local manufacturers do to remain successful as SA becomes a normal member of the international community? Based on our experience in assisting manufacturing organisations to improve their competitiveness in both local and international markets, successful re-engineering of the organisation must address three broad categories:

- Achieving a complete focus on customers;
- Reorganising for success; and
- Integrating information systems.

The process is challenging and time-consuming. That momentum, however, can be maintained by avoiding lengthy planning and reports and concentrating on implementing the changes.

Obviously, not all manufacturers aspire to becoming world players. Some may prefer to remain successful in niche markets locally. But all manufacturers will benefit by going through a process of self-evaluation to address the three key issues and integrate their business around a focused objective.

The major difference for those with their sights set globally is that they must identify and address the needs of their international markets. These needs will not necessarily be the same as those of their local customers. Let's look at each of these three broad categories more closely.

Achieving customer focus revolves around customer service, a concept not extensively implemented in SA. The key issue is that

customer service is not the responsibility of sales or marketing but of the whole organisation. Identification of the main order-winning criteria in each of a manufacturer's customer segments must be matched by the ability of the whole organisation to meet those order-winning criteria. Of equal importance is for the entire organisation — not just sales or marketing — to decide which segments it does not have the capability to compete in.

Reorganising for success means looking at the organisation from the customers' point of view — across the traditional functional areas. How should each and every part of the chain, from forecasting to selling, planning, manufacturing and distribution, be organised to meet the customers' needs? Organisation of all resources is important, not just where management has problems.

A reorganisation is based on the facts at a given point in time. In today's rapidly changing environment, however, how does an organisation remain relevant and competitive on an ongoing basis? Sustainability is achieved via flexibility and information.

Effective information — both inside and outside the organisation — is the nervous system that enables management to monitor and react to events. Reacting quickly can be achieved only if flexibility has deliberately been built into as many aspects of the operation as possible. A constraint is the amount of funds available for investment.

As a result of isolation, SA manufacturers have tended to focus internally when attempting business improvements. It is time we focused on our customers and reorganised to give them what they want.

FM 1415793.
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2000
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Challenge facing black leaders

CONVINCING MILITANTS Showing them white skills and capital are vital:

By Gerald L'Ange, Editor, Sowetan Africa News Service

74B
182

THE NEXT government of South Africa will ostensibly assume control of a treasury of wealth and skills that has long been the envy of the rest of Africa.

But there is a danger that much of it will have been destroyed by the very struggle to put that government in office.

Events in the past few weeks have dramatically highlighted the danger which has been reflected in two related developments.

One is the economic damage done by violence and mass protest action. The other is the acceleration that has been reported in the exodus of whites as a result of the unrest.

The economic damage has been caused not only through lost production but also through the erosion of business confidence, especially the confidence of foreign investors.

South Africa's ability to attract foreign investment — without which no modern state can survive, let alone prosper — has always set it apart from other African countries.

Even when international sanctions were applied against South Africa some foreign investment continued to come in because its natural and human resources

and its economic infrastructure continued to offer good returns on investment, despite the increased risk to those investments from the escalating political struggle.

No other African country could offer anything like South Africa's investment attractions, although all of them would dearly have liked to. No other African country has anything like the number of tarred roads and railways, of locomotives and rolling stock, of lorries, of port facilities, of factories, of power stations and transmission lines, of telephone exchanges and all the other equipment necessary for creating wealth, jobs and prosperity.

And no other African countries have the pool of human skills that resides in South Africa. Neither have they the educational institutions for spreading those skills nor the research institutions for creating new skills and technology.

Not even the biggest and most developed African countries come near South Africa in any of these fields, despite the enormous damage done to the Republic's economy by sanctions.

According to Africa Institute figures, the gross domestic product of South Africa (including the "independent" homelands that will inevitably be re-



How does Nelson Mandela (above) convince ANC followers that luxury car owners are an asset to society?

joined to the main body) is R282 billion against R155 billion for the next biggest, Algeria; R94 billion for each of Egypt and Nigeria, R70 billion for oil-rich Libya, R27 billion for Kenya and R19 billion for Zimbabwe. Most of the others are far below these levels.

Measured in terms of gross national product per capita, which is a rough guide to the distribution of wealth, South Africa at R15 000 is equalled only by Libya and is far

ahead of Algeria's R6 000, Zimbabwe's R2 000, Egypt's R1 800 and Kenya's R1 100. Hugely populous Nigeria, despite its oil wealth, has a GNP per capita of only about R800.

To the thousands of jobless and desperately poor people in this country these statistics may appear to be either inaccurate, ironic or unjust. They nevertheless show that in general South Africans are much better off than other Africans.

More important, though, is that they demonstrate the strength of the economic foundation on which greater prosperity for all — not just the whites — can be built and on which a fairer distribution of wealth can be based.

Vulnerable

Apart from the physical infrastructure, however, that foundation is a vulnerable one, composed of elements as insubstantial as the confidence of local whites and foreign investors in security and future opportunities, and the susceptibility of wealth to international economic fluctuations.

Most other African countries do not have the means of development that South Africa possesses and therefore neither their governments nor their individual citizens have the opportunities for prosperity that exist here. Instead, they are mired in underdevelopment, debt and hopelessness, dependent largely on foreign aid.

Foreign aid, as distinct from foreign investment, does not in itself make for prosperity: it essentially is an emergency measure. But foreign investors have no interest in most African countries because they offer little security or profit.

It is one of the evils of apartheid that most of the skills and capital are at present possessed by the whites. These skills and capital nevertheless remain the best hope the blacks have of gaining prosperity and the security that goes with it — and of acquiring those skills themselves.

That may be a cruel irony but it is a fact that has been harshly demonstrated elsewhere in Africa. There can be no African

country that does not covet South Africa's skills, capital and investment potential.

Majority rule will dispense no magic wand to create instant prosperity. No government, whether it be ANC, PAC or anything else, will be able instantly to create jobs and housing. The harsh reality is that whoever is in power, the poor will remain poor for quite a long time and the homeless will remain unsheltered. But the chances of these deficiencies being remedied relatively quickly will be immensely greater if this country does not lose its skills, its capital and its attraction for foreign investors.

In this fight black South Africans ought logically to be dismayed by the news that whites have begun to leave or plan to leave South Africa because of the violence and mass action that followed the murder of Chris Ham. Logically, the ANC leadership should be taking urgent steps to allay the fears of the whites as well as those of foreign investors.

Inhibited

This need is recognised in the ANC leadership but it is inhibited in meeting it by another one — the very real need to retain the support of the majority of blacks, especially the militants.

These are mostly young and often jobless and ill-equipped by their education (or lack of it) to appreciate realities that go beyond their justified anger at white domination and what it has done to them.

But how do the ANC leaders convince the hungry young black man walking the streets in search of a job that the white executive who sweeps past in a luxury German limousine is a valuable asset to society?

There are no easy answers to the question but finding answers is a major part of the challenge facing black leaders in South Africa. Their preoccupation now should not be with defeating white domination — it has already been defeated — but with securing the benefits of that victory. And with ensuring that the victory does not sow the seeds of future defeat.

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Foreign investors cautioned

Star Bureau

LONDON — British businessmen thinking of investing in South Africa are being told to take care.

This warning came soon after Nelson Mandela, president of the African National Congress, arrived in London and called for more investment in his country.

To ease fears about companies losing their money, Mandela promised: "They will be al-

lowed to repatriate their dividends and profits, and we think that will go a long way to reassuring people to invest." But he admitted: "The question of the present violence is a serious obstacle."

A spokeswoman for the Confederation of British Industry said: "We feel companies should look at the situation with caution.

"There is tremendous potential there, but we advise them to wait until a reasonable political situa-

tion is reached before deciding whether to go ahead."

Just over 50 percent of all investment in South Africa comes from Britain, while UK exports there totalled £1,07 billion last year.

Another warning on the risks of investment was sounded by The Guardian's political commentator, Martin Woollacott, who takes a gloomy view of the ANC's present chances of stimulating

trade with the Republic.

"Mandela's assurances that the ANC has abandoned its earlier and more radical views on public ownership are not now to the point," he writes. "The main obstacles to reinvestment are not ideological.

"Above all, bankers say, South Africa needs to abandon capital controls which penalise both South Africans and foreigners moving capital out of the country."

Investment: SA ranked seventh

JONO WATERS

SA HAS been ranked seventh as an investment area by an Australian mining magazine in a survey it carried out of 15 countries.

The latest Minerals Bureau Bulletin quoted Australian Mining Monthly as placing SA behind Chile, Indonesia, US, Canada, Australia and Argentina.

Chile rated tops in terms of land access for exploration purposes and low threat of land claims.

SA was low on red tape, but scored poorly in land claims, civil unrest and labour relations categories.

Land access and the environmental controls affecting investment decision were perceived as better than the other countries.

(148)

(60) BIRM 19/5/93

Star 20/5/93
Deal signed with Nigeria

(74 B)
South Africa's Thebe Investment Corporation signed an agreement last night in Johannesburg with a Nigerian business delegation aimed at developing economic relations between the two countries.

The Nigerian delegation visiting South Africa is representative of the recently formed Nigeria-Southern African Development Consortium (Nisadec).

The agreement lays the foundation for further economic co-operation between South Africa and Nigeria once

economic sanctions have been completely removed.

The co-operation envisaged is to be developed through the involvement of black South African business with Nigeria, sub-saharan Africa's second-biggest economy after South Africa's.

The Thebe Investment Corporation defines itself as an independent business organisation whose purpose is to redress those imbalances caused by the application of apartheid. — Sapa.

~~SECRET~~ (7413) (627286)
US ready to help
THE US was ready to give SA a kickstart, a beaming Archbishop Desmond Tutu said after a 30-minute Oval Office meeting with President Bill Clinton and senior US officials in Washington on Wednesday. Tutu said Clinton had expressed sympathy with his message that SA needed investment to deal with its massive problems.

B10107
2/15/93



No surge in trade expected

Bloom 21/5/93
PRETORIA — The lifting of Commonwealth sanctions against SA would not result in a sudden and spectacular increase in trade, said Safto official Bruce Donald.

He was commenting on a statement by Australian Foreign Minister Gareth Evans that Commonwealth countries could lift trade and investment sanctions "within weeks". Commonwealth secretary-general Chief Emeka Anyaoku also said sanctions would go once a date for SA's first non-racial elections had been fixed and a transitional executive council installed.

Donald said Commonwealth countries had never maintained a common sanctions policy against SA. Some member countries had been loath to lift even "people to people" sanctions.

Normal trade with the UK had resumed following the lifting of EC sanctions. To a

743
GERALD REILLY *28/5*

lesser extent, the already expanding trade with African countries could be further stimulated when Commonwealth sanctions were totally abolished.

But the possibility of increasing trade with India and Australia was strong.

Australian embassy counsellor David Sprott said the Australian government would not assist in developing trade ties with SA. But trade did, however, take place — outside of prohibitions — on a company to company basis. Australian exports to SA last year totalled about R620m and imports from SA about R300m.

Sprott said it could not be expected that trade would suddenly take off. It would be a steady advance over a period of time.



Star 24 15 193

ANC plea on capital flight

CAPE TOWN — The ANC has challenged the rich and powerful in South Africa to show confidence in the future and invest on a large scale. (74B)

This is contained in a statement of concern at the multibillion-rand capital outflow between January and April.

The ANC said: "Powerful individuals in our country who control massive amounts of capital also have a responsibility to ensure that their actions contribute towards the generation of a climate conducive to investment."

Economists estimate the outflow on

OWN CORRESPONDENT

the capital account of the balance of payments to have been between R2,5 billion and R5 billion from January to April. (74B)

The organisation warned that capital would continue to leave the country until a political settlement was reached. A settlement would supplement the country's domestic savings with foreign savings and help generate urgently needed investment.

Legislation proposed to assist small saver

BRUCE CAMERON
Business Staff

LEGISLATION to establish a new direction in commercial banking to accommodate small savers will go before parliament this year, Reserve Bank governor Dr Chris Stals has announced.

This follows increasing criticism of commercial banks for forcing out small savers to concentrate on the upper end of the market.

In a recent speech, head of the ANC economic department Trevor Manuel warned banks to "restructure or be restructured" to meet the demands of the lower end of the market.

Dr Stals told a conference of bankers from 12 southern African countries there was a view that the present banking system had neglected the needs of lower-income people.

ARG. 26/5/93
The new legislation would provide for mutual savings organisations, which would ensure easier finance for small business undertakings.

Dr Stals said the legislation to amend the Financial Institutions Act would place different and easier requirements on the envisaged savings institutions from those placed on the commercial banks.

Special arrangements were being considered to allow the new savings institutions Reserve Bank assistance.

"The obvious huge need for more funds for housing is also receiving attention at this stage ..."

Dr Stals said the large institutional investors, who had gained control over the major part of personal savings, were being pressured into redirect-



Dr Chris Stals

ing more of their funds to social upliftment.

But it should be remembered that in a market-oriented economy, financial institutions acted as intermediaries between savers and borrowers.

The institutions carried equal responsibilities for their depositors and borrowers.

Keys set to widen CU SA preparing for new relationships with int

ARG. 26/5/93
74B

BRUCE CAMERON
Business Staff

FINANCE Minister Derek Keys is set to renegotiate the customs union to allow more countries in Southern Africa membership.

He told a Somerset West conference of bankers from 12 countries in Southern Africa that in the process he hoped to redefine the benefits of the union, which were presently lopsided against South Africa.

He said allocations to Botswana, Lesotho and Swaziland, as well as the four independent homelands, were large in relation to what they contributed.

With the imbalance it would be impossible to bring in new members.

"Clearly we have to see if we

can come to a definition of a larger customs union.

The redefinition should seek to establish what was due in a customs union and what was aid. If the union could be redefined, then it would be well-placed to expand.

Mr Keys also said South Africa was preparing for new relationships with institutions such as the IMF and the World Bank, as well as with the European Community.

He said the organisations were insisting on the double-consensus principle before new relationships could be finalised. In terms of the principle there had to be internal consensus.

This would be possible within six weeks with the formation of the Transitional Executive Authority.

There then had to be consensus among the member countries of the organisation that South Africa's credentials should be accepted.

Mr Keys said he was keen to see negotiations with the EC for a mutually acceptable agreement begin as soon as possible.

He told the delegates that at the moment South Africa would not seek entry into the Lome Agreement, which gives developing countries access to the EC.

The plan, based on the government's economic normative model published earlier in the year for revitalising the economy, should be taken to its next stage by August.

Mr Keys said the development of the plan was part of

the Department of Finance's programme for the next 12 months, which would see the country into the first elections.

The plans would also form part of the agenda of a finance sub-council of the Transitional Executive Council, which should be established soon.

He said the government had elected to widen the mandate of the finance sub-council to give a wider group of politicians an understanding of "what we are trying to do".

He warned that in the transitional process up to elections there would be an "affect on the economy and heightened tensions. It is not a pleasant prospect to contemplate".

The economic model aimed at putting South Africa back on to a growth rate of more than 4,5 percent was being ripped

apart with his encouragement.

The next stage was to accommodate the critics without limiting the model's proposals to stimulate growth.

It was important the final plan had the widest possible support.

Then: "The real work will begin. Then we have to get down to working programmes."

Mr Keys said there would be about 20 different programmes covering fields such as exchange control, productivity, training, tariffs and the international competitiveness of South African business.

The Department of Finance was also proposing a restructuring of financing for central government, the proposed new regional tier of government and local authorities.

World awaits clear signal from SA, says Crocker

B/DAM 26/5793.

RAY HARTLEY

INTERNATIONAL investors were looking for clear signals from all SA's political parties that the world should engage in SA economically before they would decide to invest here, former US Assistant Secretary of State Chester Crocker said yesterday.

"Investors are looking for more than one news bulletin. They are looking for a track record as well as the news bulletin. They are looking for some announcements, they are looking for some invitations," he said in an interview.

"They are looking for clear signals which must come from the highest level from all parties, saying 'now is the moment at which we want the world to engage here'."

Crocker cautioned that to be effective, such signals would have to be accompanied by greater clarity on SA's future economic policy.

"Some people are going to say: what about the emerging policies of a transitional government, what about the policy statements that need to happen about all sorts of economic matters? They are not there yet."

Referring to negotiations, Crocker said he believed there was a "balance



● CROCKER

Picture: ROBERT BOTHA

of impatience" among negotiators.

"I hope that is the case, because you cannot blow too many opportunities in this world when you are building a negotiated revolution.

"I definitely believe that this is the window (to the subregion). An entire year was lost after Codesa II and a huge price was paid. We can't remain

optimists if this gets messed up again," he said.

Crocker remained optimistic because of SA's talented leadership. "There is a sense in which time is passing for the leadership, and I think they know it, not least because the gap between the negotiators and the general public is huge.

"I do believe that there is a negotiating culture that has developed over the years. There is clarity about who the players are, clarity about what their positions are; the issues that are outstanding are no secret, and people know each other.

"SA's number one priority is SA, and if the handshake can take place and the TEC starts to function and we move towards the elections ... the main focus will be on how to build consensus about policies in SA.

"That is probably the number one policy," Crocker said.

There was a "tremendous gap between people who participate in the process and people who don't.

"I think there is always a sort of struggle between the people who are trying to shape events by talking about the future and negotiating it on the one hand and the happenings on the ground, and when those things get out of control there are very dangerous times," he said.

R6 billion of investors' money waiting to 'escape'

Star 26/5/93

By Bruce Cameron

CAPE TOWN — Almost R6 billion of foreign investors' money is being held in short term, readily transferable deposits in South African banks waiting for the lifting of exchange controls so it can be taken out of the country.

The amount, disclosed by Reserve Bank governor Dr Chris Stals yesterday, would wipe out South Africa's entire foreign exchange reserves if it was removed.

Stals said this was one of the major reasons exchange controls could not be lifted at this stage.

But he said that with changing conditions, the controls could come under major revision within the next 12 months.

Stals was speaking at a conference at Somerset West organised by the Financial Mail and attended by bankers from 12 countries in Southern Africa.

In getting rid of exchange controls and the controversial financial rand, there would have to be a merging of the rates of the commercial rand and the financial rand, he said.

The financial rand is discounting at about 30 percent against the commercial rand which would mean a significant devaluation of the rand unless the discount on the financial rand decreased.

Regional need

Replying to a question by KJ Moyana, governor of the Reserve Bank of Zimbabwe, Stals said he was however prepared to discuss a system whereby foreign investor money which was blocked in South Africa could be invested in the region.

Earlier Stals said he realised that exchange control regulations inhibited foreign investment.

Apart from the outflow of foreign investor money, political instability created a situation where exchange controls

had to be maintained.

But, with the changing political situation South Africa could gain access to the International Monetary Fund by the end of the year and reach agreements on the final repayment of the \$5 billion in the debt standstill which could result in moves towards lifting exchange controls.

Something had to be done to liberalise the flow in and out of South Africa.

Stals said this would be a key factor in establishing the rand as an anchor for the region.

He said it was not possible at this stage to consider using the rand as a common unit for Southern Africa.

"It would be premature and at this stage would be extremely difficult because of difficulties of exchange control."

But as trade developed there would be requirements in financing. Other currencies could then attach themselves to the rand in much the same way as Germany's Deutschmark had become the anchor for a number of European currencies.

Seminar to focus on business's role in change

By Shirley Woodgate

Substantial American funds are waiting to be pumped into economic development in South Africa. United States ambassador to South Africa, Princeton Lyman said in Sandton recently.

But ambitious international plans for South Africa would not be realised unless the local business community displayed a similar kind of bullishness.

"More bluntly, none of the sources of foreign capital will materialise if South African capital is either leaving the country or held out of the marketplace.

South Africa's chairman expect foreign institutions to substitute their capital for South African," he added.

In every potential instance where foreign capital was waiting to come into this country, one clear condition was that this had to be matched, if not exceeded, by South African investment in the same areas of interest.

The ambassador's comments reflect the tone of a landmark one-day seminar next month, organised by The Star and the authoritative Consultative Business Movement (CBM) in Johannesburg on June 25.

The seminar will focus on

the role of the business community in a changing environment and will be based on the recently published book *Managing Change*. A guide to the role of business in transition, the publication was compiled by the CBM national team.

Input at the conference will be from international businessmen and chairman of Phillips Netherlands, Jan Timmer, backed by at least 16 of the South Africa's top industrialists and business leaders, including John Hall and Mike Rosholt.

Dr Zach de Beer, Dr Marnphela Ramphela and Dr Nthato Mollana are among other top speakers making

This event not only the first of its kind, but a must for anyone who is serious about the development of business in this country.

"It is very rare these days to find businessmen questioning why business should play a role in transition," the book says.

"Many are already active and others question only how they can become involved or refine their involvement."

This is where *Managing Change* ends; it is also where the debate at the Carlton Hotel conference on June 25 begins.

● A registration application form appears today on Page 23.



Lyman . . . urges SA businessmen to invest locally.

Investment hopes pinned on forum

BOM 27/5/93
CAPE TOWN — Foreign investment is expected to flow into SA as a result of the World Economic Forum meeting on southern Africa, which will be opened in Cape Town by President F W de Klerk this afternoon.

The meeting is the first the World Economic Forum has held inside SA and the third on the southern African region. It is the first time, also, that eight SADC countries would be ministerially represented at a meeting inside SA.

The two-day conference, which takes place behind closed doors, will be attended by about 150 CEs from Europe, the US, Australia, India, SA and the southern African region.

Proceedings will be co-chaired by CNN senior vice-president Lou Dobbs, Development Bank of Southern Africa chairman Wiseman Nkuhlu, and World Economic Forum president Klaus Schwab. World Bank vice-president Edward Jaycox, SADC executive secretary Simba Makoni and African Development Bank vice-president Adewale Sangowawa are among those attending.

All the major political parties in SA will be represented. Topics for discussion include the creation of an attractive environment for investment in southern Africa; the views of southern African business leaders on their future; the role of regional and international organisations like the

74B
LINDA ENSOR

World Bank and stimulation of trade within southern Africa.

World Economic Forum executive Fred Sicre said the aim of the conference was to contribute to the development of the region and to the reintegration of SA into the region and the world.

The participation of CNN's Dobbs would ensure proceedings received worldwide coverage.

"One of the objectives of the meeting is to place southern Africa on the map for foreign investors. This is especially important at this time of recession and turmoil in the world when emphasis is increasingly being given to the formation of trade blocs," Sicre told media yesterday.

The World Economic Forum also wanted to boost investor confidence in the future of SA by allowing CEs experience of the country at first hand. Sicre said investment usually followed the holding of a World Economic Forum meeting in a country.

"Our role is to provide the framework in which investments can occur," Sicre said, adding that large multinationals throughout the world had expressed interest in SA as a location for possible investment.

Rembrandt chairman Johan Rupert will receive the World Economic Forum award for the global leader of tomorrow. He was selected from 200 candidates.

Zimbabwe's way Star 21/5/93 to get investment

Star Africa Service

HARARE — Zimbabwean Cabinet Minister Kumbirai Kangai is in Cape Town to attend a two-day meeting of the World Economic Forum of Southern Africa. (143) (362)

He is to speak on policies for attracting investment in southern Africa. Economists say Zimbabwe has been unsuccessful in attracting investment.

Kangai is responsible for implementing the Land Acquisition Act under which the government can compulsorily take farms for resettlement.

The legislation has been criticised as one which could deter investors because of the provision which bars the courts from adjudicating on the compensation to be paid.

Confidence 'was up' (60)

BIPM 28/5/93

FOREIGN business attitudes towards SA could be improving, a survey commissioned by accountants KPMG Aiken & Peat found.

"Confidence in the country's future was strong, and had increased from the previous survey.

There was fairly strong disagreement with the contention that SA was not a safe place for business people to visit," the firm said. (148)

The survey was conducted between November last year and March 1993, before the assassination of SACP leader Chris Hani.



'IMF plan will draw investors'

B/DAM 28/5/93
CAPE TOWN — The adoption of an IMF structural adjustment programme by a new SA government would be a prerequisite for attracting foreign investment to the southern African region, Zimbabwean Agriculture Minister Kumbirai Kangai told a news briefing at the World Economic Forum yesterday.

Most countries in southern Africa had implemented IMF programmes, which he believed would play an important part in luring foreign investors. Zimbabwe, for instance, was looking at policies and structures which inhibited investment.

Zambian Finance Minister Ronald Penza said SA would have to undergo the same structural adjustment process as other southern African countries and eliminate regulations and exchange controls which inhibited free trade. There would be no reason to fear SA's regional domination if SA's economy opened up to competition under such a programme.

Deregulation, privatisation and lifting exchange controls would be necessary, Penza said. Zambia had nine companies valued at about 1-billion kwacha waiting in the privati-

sation pipeline.

He did not believe IMF assistance resulted in a loss of autonomy.

Penza emphasised that political stability and the process of democratisation were also important pre-conditions for foreign investment.

Botswana Minister of Mineral Resources and Water Affairs and Acting Minister of Commerce and Industry Archibald Mogwe emphasised the need for liberal fiscal policies and tax holidays to attract investment.

Financial assistance should also be provided to encourage investors to train locals in commercial skills.

Mogwe hoped that the new SA would not be protectionist or stifle development of competitive industries in other parts of southern Africa by preventing access to its markets.

Penza said he did not foresee the creation of a southern African trade bloc but merely a regional organisation. He envisaged a single currency in the long term.

Kangai said the OAU had set a target date of 34 years hence for subregions to join in an African economic community.

LINDA ENSOR

KFB

Investment 'carrot' defined

B/Daw 29/6/93
TRACY SCHNEIDER

MULTINATIONAL corporations were eager to invest in SA, but urgent structural readjustments were needed to create an environment conducive to investment, a report by the UN Economic and Social Council said.

Economic policy measures highlighted by the report included scrapping the dual exchange rate, pushing for privatisation, expanding the manufacturing base and liberalising industry regulations.

Published in the latest journal of the RAU Institute for American Studies, the report said SA needed foreign capital that could be channelled into labour intensive industries.

SA had seen 51 new investments since 1989. The cumulative value of 20 exactly measured investments amounted to over \$700m. These were concentrated in the motor sector (27,5%), beverages (19,65%), electronics (15,7%), chemicals and oils (11,8%) and engineering (11,85%). The balance were in construction, pharmaceuticals, paper and packaging and steel and

allied industries.

Investments by non-American multinationals in 1992 were even greater, with 508 corporations having direct investments or employees in SA, compared with 454 in 1991.

However, political uncertainty since February 1992 had made foreign investors cautious. Major deals to be announced by Apple, Pepsi, Heinz and Sara-Lee were put on hold following political uncertainty and heightened violence in June 1992.

The report said companies were looking to SA's long-term potential and high profit yields. US investments of \$900m in 1991 yielded profits of \$126m. (148)

A single exchange rate system would lower the commercial rand, making exports more price competitive abroad.

Removing distortions, including artificially high levels of liquidity and oligopolies, would encourage inward investments by transnational corporations.

World Bank has 'open' for SA

By JEREMY WOODS

THE World Bank has an "open-ended lending policy towards South Africa" governed only by the country's creditworthiness, World Bank Vice-President Mr Edward Jaycock said in Cape Town on Friday.

Asked how creditworthy South Africa was, he replied: "It is difficult to say. It depends how much money South Africa has borrowed from other countries." But he said, the country was changing fast and moving in the right direction. (35b)

"That's why we are here. We want to have a good look at what's happening and see how we can help."

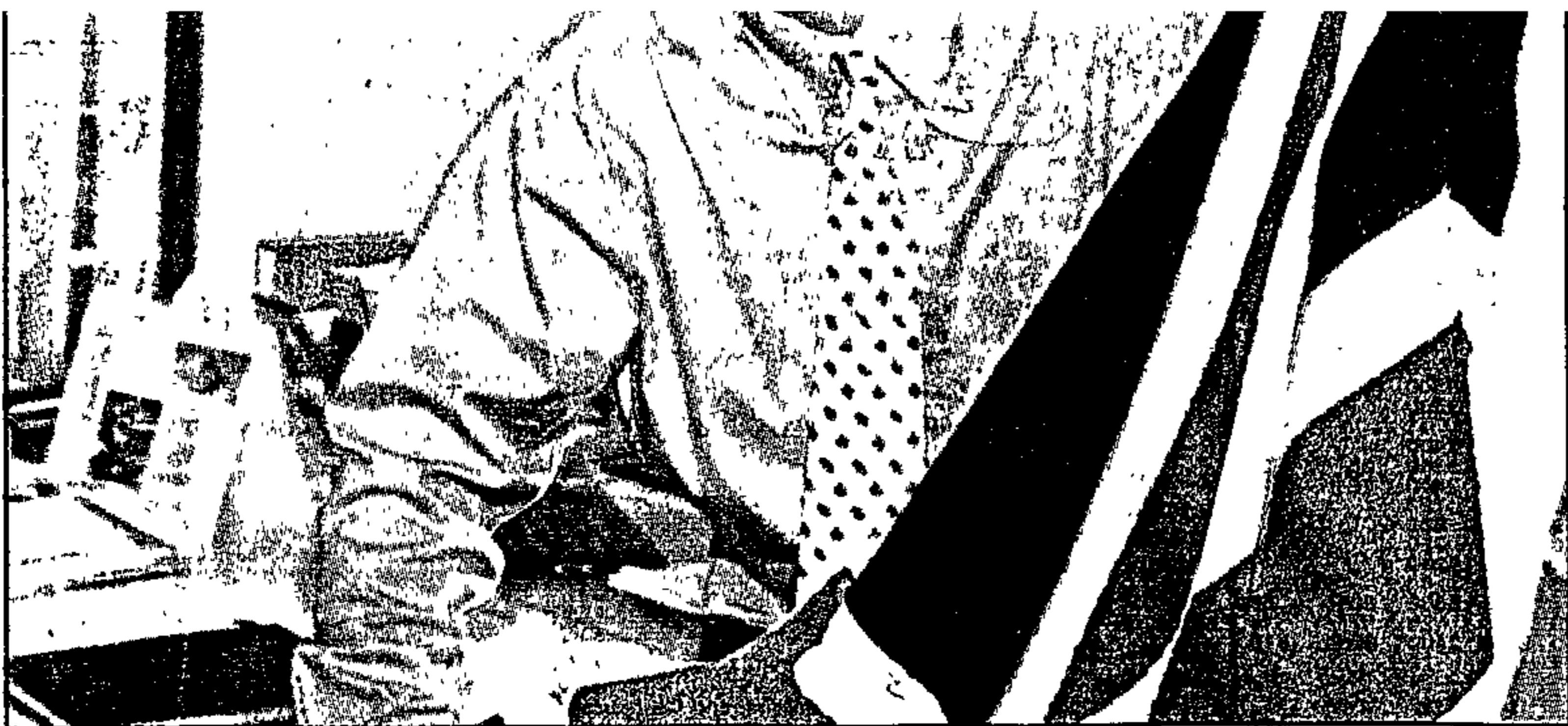
He said the World Bank had been preparing to invest in projects here for two years and the value of these investments totalled \$1-billion. (40)

"Aid is a very poor springboard for development and people's expectations get too high when it comes to loans. No amount of aid supplements the flow of savings and cash flows generated in a properly structured economy." (42) (74b)

Further optimism for SA's acceptance on the international loan markets was given by Mr Adewale Sangowawa, vice-president of the African Development Bank.

"Our lending to South Africa is dependent on it becoming a member of the African Development Bank. This could happen once a transitional government is in place and I believe South Africa could join by the end of this year."

74b



MIKE VEYSIE: Advantages for both nations in a common language and culture, similar accounting and legal systems

Old ties keep the trade fires alive

SI Times [Bus] 30/5/93

A Business Times SURVEY

IT started with the landing of the 1820 Settlers in the Eastern Cape.

Today the number of SA citizens who can claim connections with the UK exceeds 1.5-million.

Those ties have been an important factor in the business and trade dealings between the two countries.

President de Klerk's speech in February 1990 opened a door to SA's return to international acceptance. The historic event caught the attention of international businessmen who recognised the potential in SA and the region around it. The possibilities have not missed the British.

Potential

UK investment in SA is estimated at about R40-billion — roughly half of the foreign total. The UK is SA's third or fourth-largest trading partner. SA is also in the top 20 of the UK's trading partners.

The UK Department of Trade and Industry's head of the Southern African desk, Lawson Thomas, says SA has enormous potential and its economic well-being is of prime importance to the British Government.

Mr Thomas says Britain will try to strengthen business dealings with SA. He notes, however, that SA's "enormous potential" will depend largely on a political settlement being reached and the country "getting its act together".

Indeed, the euphoria which overtook South Africans after President de Klerk's 1990 speech has been somewhat dashed by recession and lack of desperately needed new foreign investment.

British Commercial Consul Michael Powles says

As South Africa commits itself to non-racial government, so interest and activity in international trade have increased. This is true particularly with regard to the UK, always one of SA's staunchest trading partners and which did not impose full sanctions against this country.

SEAN VAN ZYL reports on the state of trade between the two nations and outlines its potential.

South Africans should not overlook the progress achieved on the political front, or the increase in potential foreign investors and traders who are visiting SA.

In 1989 two UK trade missions came to SA. The number rose to eight official and two unofficial missions in 1992. Eight missions, sponsored by the British Government, are planned for this year and three have been scheduled for 1994.

Mr Powles says: "The number of applications for sponsored trade missions to SA has exceeded our allocation and been placed on a waiting list. Most of the missions have consisted of the maximum of 30 members."

Japan

"Several well-known British companies have expressed an interest in investing in SA, but are waiting for clarity on the political situation."

Although new foreign investment is unlikely on a large scale before stability and a new political order have been established, developments on the trade front show promise.

Mr Powles says SA has always been an important market for the UK. The cultural link and common infra-

structure, particularly SA's financial system, have greatly aided trade.

Annual trade between SA and the UK in 1992 amounted to R9.3-billion, the balance of trade being slightly in Britain's favour. Last year's trade figure was lower than 1991's largely because of a 10% slip in SA exports.

British exports to SA last year rose by 5.4% on 1991 compared with an average increase of 3.9% for its other trading partners. Only Britain and Japan of SA's major trading partners increased exports last year.

Although SA exports to the UK have fallen — mostly as a result of the UK recession and the effect of the drought here on farm output — SA accounts for roughly 70% of UK imports from Southern Africa.

Mr Powles believes SA will play an increasingly important role in trade between the UK and Southern Africa.

"There is a growing realisation that SA will become a strategic base for supplying goods to Southern Africa. Although Britain and France have maintained formal contact with most African countries, traders see the value of working from a central distribution point."

John Hambidge, chief executive of the Sheffield

Chamber of Commerce & Industry, says several inquiries had been made by members to use SA as a base to market and distribute products in Southern Africa.

He says: "But that will depend on political conditions. If they are right, SA's infrastructure and economic position in the region could prove to be a major asset."

Likewise, SA businesses have been quick to realise the advantages of working through or from the UK to gain access to the EEC. The estimated value of SA investment in the UK is about R34-billion, much of which has been made since 1988.

Safto senior manager, international division, Mike Veysie, says the advantages for the UK and SA include a common language and culture and similar accounting and legal systems. Britain has access to the "tariff-free" perks from being a member of the EEC.

Perks

Although roughly half of SA's exports are received by EEC members, many exporters fear the closing of old markets. As a result, several UK marketing and distribution companies are offering to promote SA products in Europe.

SA Department of Trade and Industry deputy director-general Gerrit Breyt stresses the importance of the UK as a trading partner. He says that in spite of sanctions, "Britain has always been friendly".

The UK's role in the SA economy is unlikely to change. The view across the political and business spectrum is that ties between the two countries are likely to strengthen once SA shows signs of social and political stability.

Britain opens the way to the Continent

SI Times [Buss] 30/5/93

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A Business Times SURVEY

THE UK has become home for most international companies exporting to Europe, says Safto senior manager, international division, Mike Veysie.

Total foreign investment in the UK is valued at about \$100-billion, representing more than a third of American investment in the EEC and a third of Japanese investment.

SA investment in the UK, always one of their favourites, amounts to R35-billion, far exceeding its stake in any other EEC country.

Lack

The EEC has always been a primary market for SA trade, accounting for 50% of exports, says the Department of Trade and Industry. But SA's share of EEC imports has fallen consistently.

In 1988, SA was ranked 26th in EEC imports compared with ninth in 1986. Overall, SA accounts for about 2% of EEC imports, highlighting the potential for growth.

Mr Veysie is surprised that SA companies have not been more vigorous in expanding in the EEC, which has more than 340-million consumers and a market, based on gross national product, of about \$4.2-trillion a year.

He ascribes this largely to the lack of competitiveness of SA exports.

However, logistical problems of exporting over long distances, language and cultural barriers deter SA business from doing business with Europe. Europe's single market has made it a "trade fortress", also a stumbling block for SA.

Several UK concerns wish to market and distri-

bute SA products in the EEC.

Mr Veysie says the UK offers many benefits to SA companies looking for a stepping stone to the EEC. Besides the cultural and language advantages, SA business practices are largely based on those of the UK system.

A company operating from the UK also benefits from the tariff-free structure of the single market.

The strong interest shown by business in the UK has led to a novel concept of a SA International Trade and Export Centre (Intec) being formed in Dover by TMC and the Kent Chamber of Commerce. The project is endorsed by Safto.

The Intec concept works along the lines of timeshare, says Mr Veysie. The centre provides SA exporters with infrastructure, including office space, communication links, administrative and marketing facilities, showrooms and storage, all of which they can rent.

"The savings on start-up costs can be enormous."

Mr Veysie says the centre is also ideally located for travelling to London and provides easy access to the Continent.

Safto highlights some of the advantages in using the UK as an export base:

- Its government and economy have been consistently stable over the years compared with some of its European counterparts.
- It is a low-tax-rate country and offers generous capital allowances.
- It is one of the top five exporting nations in the world. Roughly 25% to 30% of the country's gross dom-

estic product comes from exports.

● Freight costs between the UK and the Continent are low because of the high level of commercial traffic.

● The cost of skilled labour is low compared with many other European countries and the number of labour disputes has dropped sharply.

● The UK, through development of its export industry, offers important worldwide marketing and trade links.

● Tariff-free access to the European market.

● A common language and lifestyle.



HOWARD PELL: The two associations played a crucial role in maintaining communication during the sanctions era

Times
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THE SA Britain Trade Association (Sabrita) link with the UK South African Business Association (Uksaba) has helped greatly in the promotion of trade and investment, says Sabrita executive director Howard Pell.

Sabrita was formed in 1965 by SA businessmen with connections in the UK. Like its mirror organisation Uksaba, Sabrita's prime objective is to encourage bilateral trade and investment.

It helps members by providing business contacts, organising trade missions to and from the UK and supplying British businesses with objective commercial and other data about this country. It also works closely with the SA and UK chambers of commerce.

Sabrita has nearly 300 members which include Anglo American, Sasol, Gencor and most major banks. Membership is open to any SA company or organisation with investment or other business links in Britain.

Fairs

Mr Pell says the close cultural ties between SA and the UK could prove favourable for British investment in this country.

However, international media coverage of events in SA has led to misconceptions by foreign investors about circumstances.

Safto, in conjunction with the Department of Trade, distributes business publications to 25 000 companies worldwide. The association is also involved with organising SA trade missions and participation in trade fairs.

Safto senior manager, international division, Mike Veysie, says the association is looking at establishing an on-line computer data base through which 1.5-million companies will be able to access business and trade data relating to SA.

Balanced

Mr Pell says that particularly during sanctions, the two associations played a crucial role in maintaining communication between business in the two countries.

"During the sanctions era Sabrita's role was largely to provide a balanced view of circumstances in SA.

"Because of the political change SA is undergoing, our emphasis has shifted more to promotion of trade and investment. This will be achieved through high-level missions and participation in trade fairs in the UK."

The formation of the EEC as a single trading market has required Sabrita to broaden its activities across Europe.

"SA has an adequate First-World infrastructure and a fairly sound economic system to attract foreign investors."

But Mr Pell sees the present mass unemployment problem in SA as a major stumbling block to securing social and political stability.

In the current world recession, "limited investment resources are available and unless SA gets its act together sharply, we could miss the boat".

Foreign investors wait on sidelines

ALTHOUGH conditions on the trade front show signs of promise, the prospects of foreign investment in SA on a notable scale before new elections are faint.

This comes as no surprise to South Africans who have been presented with the argument that an interim government and subsequent free elections will be the quick fix to economic ailments.

But Safto senior manager, international division, Mike Veysie, warns that South Africans should not pitch their hopes too high on the results of the formation of an interim government.

Growth

"Foreign investors will probably hold back until the dust has settled and unrest has been brought under control."

ANC co-ordinator of trade and industrial policy Tito Mboweni agrees, saying: "Foreign investors won't rush to SA until they see signs of political and economic stability."

Mr Mboweni expects a time lapse of three to four years after elections for SA to become attractive to foreign investors.

He also believes that the present Government's economic structure plan is unreasonably optimistic.

"Should the elections go ahead next year, the ANC's own economic projections, from an optimistic stance, suggest that SA may achieve real growth of 4% by 1999."

Mr Mboweni says a new government will enable the country to lay the foundation for growth. SA needs to secure formal facilities to boost trade.

Europe is already an important export market for SA, but trade with the EEC is unlikely to increase much until SA becomes an associate member of the Lome Convention. Lome is a formal preferential trade agree-

ment between the EEC and several Eastern and Southern African countries.

Mr Mboweni says a new political dispensation will enable SA to gain membership to numerous trade organisations and thereby entry to new markets.

It is also crucial that SA adopts a structural regional development approach in Southern Africa. The formation of a Southern Africa trade bloc in which SA could play an integral role would provide benefits.

Nedbank assistant general manager, international and treasury division, Nico Germishuys, says that SA, based on its infrastructural development, has enormous appeal for foreign investment as the hub in a future Southern Africa trade region.

Block

However, SA has to adopt a more active role in developing the generation of income in the region.

"Unless the region becomes viable, the international business community is unlikely to show much interest."

Another stumbling block in the way of increased trade and foreign investment is SA's trade and exchange-control mechanisms.

Sheffield Chamber of Commerce and Industry chief executive John Hambidge says SA's prospects are encouraging, but "the biggest problem is trade barriers protecting its industry".

Mr Hambidge says a phasing out of protection over

four to five years would be reasonable.

"The market has to be freed and UK businesses are waiting for a sign that this will happen."

Mr Mboweni is critical of the protectionist policy. He says the way to make SA a top exporter of manufactured goods is to encourage competition in industry.

"The reason SA has not succeeded in exporting manufactured goods is that we cannot compete in price."

The Industrial Development Corporation suggests a progressive reduction in protection coupled with a lower company tax rate.

Department of Trade and Industry (DTI) deputy director-general Gerrit Breyl says import protection will in future be largely determined by the General Agreement on Tariffs and Trade. Gatt will allow SA to phase out import tariffs over five years, he says.

However, SA is unlikely to eliminate protection. The Government is considering having SA classified a developing country under Gatt. That would provide certain preferential advantages in the short to medium term.

The DTI's general export incentive scheme (Geis) has come under fire because of abuse and fraud which are believed to have cost the taxpayer millions.

Mr Mboweni sees the scheme as nothing more than subsidisation of exports, "which has been a waste of the taxpayers' money".

He says the volume of SA exports is immaterial.

"You have to look at the net capital inflow derived from exports which shows that Geis has not worked."

"SA needs a structured policy to encourage exports. But unlike the current system, it should be aimed at human resource and technological development and investment in industry."

Mr Germishuys says an export scheme should aim at providing jobs, competitiveness, production of manufactured goods and enhancing the value of the rand.

Human

Nedbank chief economist Edward Osborn says: "Geis incentives have not been particularly impressive in their encouragement of manufactured exports and there is good reason to believe that a large proportion of Geis payments are being made gratuitously to exporters who would be exporting anyway."

"In the dire fiscal circumstances of the country at present this would appear to be unnecessarily wasteful. For this reason Geis support should be made available only to those who can demonstrate such a need."

Although Geis has been abused, Mr Breyl says the DTI has not lost faith in the scheme.

"We have upgraded our control systems and are taking action against all guilty parties."

The World Bank has indicated that Geis has proved to be an essential ingredient in SA's drive to encourage exports.

SA banks ready to grow in UK

8/10/93 7/6/93

74B

SHARON WOOD

LONDON — Absa and Nedbank both have plans to expand their London branches, with Absa looking at the possibility of establishing a retail network in Britain and Nedbank transferring skills and key SA staff to the UK.

Absa UK GM Jan-Arne Farstad said the group was looking at ways of enlarging the business.

It was considering entering the UK retail banking market. "We are very keen on this market and our business here will undoubtedly grow."

From a strategic point of view, it made sense for the group to use its expertise in retail banking in Britain.

Farstad would not be more specific about Absa's plans, but believed the group had the capital base necessary to operate in the UK market.

The other three major SA banks in Britain have no immediate plans to enter the retail market.

Farstad said corporate banking was the most promising area of the London branch's business, but its treasury, trade finance and corporate finance divisions were following closely behind.

The London branch had become profitable only in the last half of 1992, through a combination of cost cuts

and increasing revenue.

Nedbank GM Frank Le Roux said there was a drive to improve the skills in the branch and a senior marketing person from SA would move to London.

Competition in the UK market between SA banks had become vigorous, but he believed there was enough business for all the SA banks.

Nedbank's London branch was still largely a trade finance bank with a large treasury department.

Corporate finance was handled by UAL, but Nedbank would soon become involved in this area and would build their skills there.

The bank was also seeking non-SA business to comply with supervisory requirements limiting home country exposure.

Le Roux said although the group had a representative office in Frankfurt, it was reviewing its needs there and could expand its operation.

The official opening of Absa's representative office in Frankfurt is on June 17.

Farstad said the group would look at whether a full-scale banking operation was needed in Frankfurt.

Amic tight-lipped on offshore plans

AMIC, Anglo American's industrial subsidiary, is keeping its offshore business development plans firmly under wraps, six weeks after confirming it was considering a multimillion-rand venture with South Korean conglomerate Daewoo.

Chairman Leslie Boyd declines to comment on the group's overseas ambitions, although a study is planned to investigate the establishment of a R600m colour TV tube plant in SA with Daewoo.

In March, Boyd said the group was pursuing possible joint ventures with Korean and Japanese partners.

Market sources canvassed yesterday on the likely merits of a tie-up with Daewoo were nonplussed about the benefits for Amic or the Korean group.

Daewoo is one of Korea's four major *chaebol*, or conglomerates, which have become increasingly ambitious globally. The groups are radically restructuring their businesses — Daewoo plans to compress the 20 companies it controls into five by 1994 — while stealing a march on Japan's industrial giants, hit by domestic economic malaise and the impact of the strong yen on Japanese exports.

Daewoo's sales stood at \$29bn in 1992, ranking it below Hyundai (\$52bn), Samsung (\$50bn), and Lucky-Goldstar (\$31bn).

Daewoo, Samsung and Goldstar are the three making the most progress in competing with Japan in consumer electronics, underpinned by strong domestic sales, new markets, and new production facilities in Latin America and Europe.

MATTHEW CURTIN

Their combined exports to Japan rose 40% to \$153m in the first quarter this year.

Daewoo has started marketing its products in Russia, Uzbekistan and Vietnam, and recently completed a \$197m colour TV and microwave oven factory in France.

The conglomerates enjoy a good measure of government support, with subsidies recently offered to companies to develop high-definition TV tubes.

Samsung has set up strong links with US and Japanese partners in its key aerospace, petrochemical, consumer electronics and computer businesses.

What bemuses local analysts on the Amic/Daewoo move is what the Anglo subsidiary and SA can offer a fast-moving Korean industrial group which it cannot find in Southeast Asia, Europe or Latin America. They agree the local market for consumer electronics is small, and from a business point of view, the only competitive advantage SA may have is the weakness of the rand, and the prospect it will weaken much further in the years ahead.

Boyd's frank presentation of year-end results, in which Amic earnings a share fell nearly 16% as it bore the brunt of depressed commodities markets and the recession, and promise of restructuring to make the group more financially efficient lifted the thinly traded shares in March.

However, despite some good bookover deals at lower levels recently, the shares resumed their steady four-year underperformance of the industrial index.

74B BUSS-DAY 9/16/93

SA/MOZAMBIQUE (74B)
Resuming old friendships

FM 11/6/93

After decades of anti-colonial and civil conflicts, peace-minded Mozambicans intent on rebuilding their shattered economy say their arms are open to SA investment. But SA businesses, dubious about the red tape and lack of hard currency in what the World Bank calls the world's poorest nation, are thinking hard before they jump into a long-term relationship, no matter how warm the welcome.

"I have a gut feeling it's moving in the right direction," says Gordon Angus, a member of the first SA trade mission to Mozambique since relations were normalised. "But they are not there yet."

About 60 South Africans — ranging from entrepreneurs such as Angus looking for a niche, to representatives of the Chamber of Mines, Transnet and other big concerns — descended on Karos's newly renovated five-star Polana Hotel last week for the two-day seminar hosted by the SA Trade Mission in Maputo and attended by Deputy Trade & Industry Minister David Graaff.

"The opportunities are mind-boggling," says Victor Arnold, a South African on contract to Mabor, a Mozambican company that manufactures tyres for export. "But you have got to know the country. You have to associate yourself with a company or with someone who knows his way around."

The conference also attracted about 100 of Mozambique's top business people and government officials but Inocencio Metavel, president of the consulting firm Proinvest, says there is still some resistance to SA interest. "There are conservative nationalists who are nervous that SA will take all the opportunities. But if we think like that we will always be poor and if we are poor we will have problems internally. If we want to develop, we must open the country."

Throughout the sanctions era, SA and

Mozambique continued to do business, though the Department of Trade & Industry kept the figures secret until last year. Now, the department is happy to report that SA exported R849m worth of all types of industrial and consumer goods there last year and imported R57m worth of products, mainly prawns.

The Mozambicans would like to close the yawning gap. The tariffs schedule — which dates back to 1964, 11 years before independence — is being simplified. The government is pushing export promotion, especially for cashews, tea, cotton and sugar. In 1980 there were only 12 government-sanctioned importers and six exporters. Today, there are 100 importers and 250 exporters.

"We are open for investment in all areas of the economy," says Augusto Sumburane, director of the Mozambican Office for Foreign Investment Promotion.

He says South Africans have been reluctant to get too deeply committed because they are unsure of the local procedures, and because of the political instability. "They didn't have a clear idea of the areas of investment opportunities or incentives, and security is a problem that is being overcome."

Also, the procedures (for licensing a business venture) were complex, but we're trying to get it down to just one form. We're working hard to improve the international image of Mozambique. People know we're improving."

Since the peace accord was signed in Rome in October and the last remnants of fighting sputtered out in March, the country has enjoyed a renaissance. UN officials say it's safe to travel into the countryside. Roads have been paved in Maputo and there are goods in the shops and prawns in the growing number of restaurants, which cater to locals as well as the burgeoning international community of expatriates and UN peace-keepers.

The devastated economy, however, will need time to heal. The World Bank says 66% of Mozambique's GDP is international aid, twice the average for Africa, making it the most aid-dependent country in the world. In 1992, just 5% of investment was from the private sector — US\$25,3m.

Though there has been progress, exporters still complain about problems such as the 0,5% duty on exports and the seven days' worth of paperwork to get products out of the country. The annual inflation rate is estimated to be as high as 77%.

"We are trying to adjust institutions made for a centrally planned economy to work in a market economy; this takes time," says Salvador Namburete, national director of external trade in the Ministry of Commerce. "It's not just changing the paper, it's a serious problem of changing mentalities."

But it's not just the red tape and anti-business sentiment on the Mozambican side of the border that frustrate would-be investors. South Africans at the conference made a strong pitch for Graaff to intercede on their behalf with the Reserve Bank, which has to

(MANY)

BUSINESS & TECHNOLOGY

approve any cross-border investment.

"The government makes it very difficult to take our money to Mozambique," said one SA businessman. "They are making noises of accommodation, but it would be useful if the Reserve Bank assisted investors. It's even difficult to get approval for a bid bond. It's diabolical." ■

Nafcoc plans drive for investment

THEO RAWAN

THE National African Federated Chamber of Commerce (Nafcoc) last night invited big business to join it in formulating a strategy to attract foreign capital.

Speaking in Johannesburg at a presentation of Nafcoc's status in a changing SA, president Archie Nkonyeni told a function his organisation enjoyed great credibility in the outside world.

"Nafcoc, as a representative of black business, will use its credibility in the outside world to improve our country's image in the eyes of foreign investors.

"But the organisation looks to its peers in the business community for assistance in making it possible for it to develop a capable secretariat that will operate comfortably and effectively in the unfolding scenario," he said.

Saying a political settlement was certain to be reached soon, Nkonyeni added that it was imperative that parties in the business community "found one another".

This was to ensure positive signals were sent to the investor public and secondly, that they did not lose the ability to influence planning of policies guaranteed to turn the economy around.

To position itself for its task, Nafcoc — which had up to now operated only from Soshanguve outside Pretoria — had opened the Nafcoc president's office in central Johannesburg.

"The restructuring of the secretariat and the development of our Johannesburg office is going to require a lot of funding assistance from all those who believe that the normalisation of the economic life of SA is inextricably bound up with the existence of a credible and viable body of black business," Nkonyeni said.

SA 'tops for high returns'

745
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ARG 12/6/93

MARC HASENFUSS
Business Staff

RETURNS on investment in South Africa can outstrip those of highly developed countries — and even the “miracle” economies of some fast-growing countries.

Speaking at a Special Economic Zones Association workshop, Wesgro chairman Dr David Bridgman said investment made through the financial rand was extremely profitable, with investments in the country offering returns nearly double those achievable in competing locations.

These high-investment returns were also associated with very short pay-back periods — which helped to address the impact of political uncertainty.

Strong points in South Africa's favour, Dr Bridgman pointed out, were the high overall level of infrastructural and institutional development in elements such as housing for management and medical facilities.

In addition, the very low cost

■ The return on investments in South Africa is high, says the chairman of Wesgro.

of power had a heavy influence on South Africa's attractiveness.

Weak points were the unstable political situation, the high corporate tax rate and overall poor economic situation.

Dr Bridgman warned that the financial returns in South Africa were very sensitive to the financial rand and the GEIS export incentive.

“The financial viability of investment in the country is very dependent on the financial rand and on GEIS, both of which instruments are under threat.”

He emphasised that government should give urgent consideration to financial investment support packages to replace GEIS and the financial rand to maintain South Africa's competitiveness.

“Mechanisms must be developed timeously to ensure that South Africa remains capable of attracting investment once we have successfully achieved our political transition.”

Referring to a recent survey by Brussels-based Plant Location International (PLI), Dr Bridgman noted that local economic zones — more specifically the PWV, Cape Town, Durban and smaller centres like Newcastle, Richards Bay, George and Worcester — fared extremely well internationally.

The survey, using an “impact cost structure on profitability” basis, showed that the South African locations, in some instances, outperformed similar sites in the US, Germany, Ireland, Malaysia and Mexico.

The PWV, Durban and Cape Town were highly competitive in international terms — “markedly better than Mexico, which attracts loads of investment”.

The PLI survey rated Durban and Cape Town with seven and six points respectively as internationally competitive centres for the location of metal product industries.

This was well ahead of Mexico and Malaysia, which were both rated about four points. The USA and Ireland lagged further, achieving ratings of two and one respectively from PLI.

Deals put on the backburner after Hani assassinated

B/Day 14/6/93

THE recent assassination of SACP chief Chris Hani had a marked negative effect on the commercial and industrial market, brokers say.

Property Negotiators director Munro Donen says a number of deals that were being negotiated at the time were cancelled, while other prospective deals were put on hold as people adopted a wait-and-see attitude.

"Whenever something like the Hani assassination or mass action takes place, our phones ring off the hook as tenants in the Johannesburg CBD become nervous and want to decentralise.

"However, as soon as the initial shock has worn off and things revert to normal, the matter is soon forgotten. This is reflected in the fact that some of the deals placed on hold at that time are again under negotiation or have been concluded," he says.

Russell Marott & Boyd Trust industrial director Nick Harris says the Hani incident was a temporary setback.

"We launched our Airport industrial estate directly after this and a number of deals were accordingly lost, particularly prospective owner-occupiers.



GRAHAME LINDOP

"Decisions were shelved for a few weeks and then the market picked up again. While we have concluded 19 sales so far, this would undoubtedly have been more had sentiment been better," he says.

However, Anglo American Property Services sales and leasing director Grahame Lindop says Hani's assassination did not have an effect on the commercial market.

"The mass action programme and stayaways associated with the assassination affected the retail market, particularly in the Johannesburg CBD.

"Retail turnover countrywide, not just in the

CBD areas, is under huge pressure at the moment. While the most vocal are CBD retailers, I am not convinced they are doing badly just because they are located in the CBD."

SA Property Owners' Association executive director Brian Kirchmann says the events around the Hani death saw almost all local deals put on the backburner, while a number of international deals were cancelled. (14/6)

"The local market is more resilient and used to these developments and recovers much more quickly, but international investors are a lot more wary and do not return easily.

"If we do not sort out our political problems quickly, prospective investors will merely place their money elsewhere," he says.

Seeff Commercial properties MD Colin Blacher agrees, saying many people are sitting back and waiting to see what develops politically before committing themselves.

"While a number of deals were put on hold after the Hani assassination, many of them are back at the negotiating table. There is, however, a lot of uncertainty among investors and those considering a move."

Upswing awaits a political settlement

B/Day 14/6/93

ANY return in the property market will hinge on a political settlement and the resultant growth in the economy, SA Property Owners' Association (Sapoa) executive director Brian Kirchmann says.

"The major players in the property industry have pulled together in the difficult times of the past few years. But, while I am confident conditions will improve, this is closely related to political and social stability," he says.

The recent assassination of Chris Hani and the arrest of senior PAC officials were setbacks for the negotiating process and economic recovery.

"If the violence can be

contained, this will result in a more stable investment climate and will go a long way to ensuring both international and local investment return," Kirchmann says.

RMS Syfrets director Mike Brown says the sooner a final date is set for non-racial elections the better as this will boost confidence and result in the growth of new businesses and the development of commercial and industrial properties.

"An interim government will see us become more credible with the international community and, once this happens, activity will increase. The high level of violence also

needs to be addressed."

Kirchmann says Sapoa has established a tourism committee as it believes there is an opportunity for property development in the establishment of the required tourist infrastructure.

"We have also been invited on to the National Economic Forum and we feel this is very positive," he says.

The recession has affected Sapoa membership negatively, but not as much as had been expected. The facilities offered to members and the networking achieved as a result of this helped support membership, he says.

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MONEY MARKETS by Tim Marsland

B/Day 14/6/93
Foreign signs of confidence

FOREIGN buying crept into the capital market again this week, helping rates to continue their downward trend.

Dealers report that foreigners were seen in the medium area, taking out smallish parcels of stock.

Rumour also has it that foreigners took out a parcel of long-dated Eskom 168 stock. Some dealers put the amount at more than R100m. Most see this as a sign of renewed foreign confidence in the country.

The financial rand also has something to do with the foreign interest. The unit has been hanging around the R4,60 level for some time, and any break above that point has been short-lived.

Foreign buying has also been seen in the Elfi market, apparently with some vigour.

JSE figures confirm the trend, showing a net outflow of capital market stock since March 15.

Politically, the atmosphere appears — to foreigners at least — to be on a better

footing. Many analysts believe that the key to a prosperous future lies in the hands of the foreigners. That is also true for the capital market, the danger being that an unexpected nasty event in SA could prompt a quick sell-off from foreign funds.

Some think the foreign activity of the past few weeks, although speculative, is the beginning of a flood of foreign investment that will arrive in SA about the middle of next year.

Meanwhile, institutions spent the week switching out of short-dated bonds into the long area. Dealers are at odds as to whether this is a wise move.

Interest rate bears think the decision is premature, while the bulls are convinced the timing is spot on.

The bulls point out that the yield curve is steepening, meaning better profits are to be had in the long area. However, the bears are by far in the minority, and the market is convinced a rate cut is on the cards in the next few months.

Foreign banks to oversee Alusaf loans

MATTHEW CURTIN

ALUSAF has appointed the foreign merchant banks which will oversee more than R2bn in finance needed to cover the imported components of its R7,2bn expansion project. **B/Day 16/6/93**

It is expected that the total R2,7bn worth of loan finance will be secured in principle by the end of July. The loan finance complements the R3bn equity backing already secured from Gencor, institutional investors, Eskom and the IDC, in addition to an R800m IDC loan.

Finance director Paul Snyman said yesterday project finance for the expansion had proved to be one of the largest private sector facilities offered in SA because the existing Alusaf smelter would be such a small part of the completed project.

Alusaf's current capacity is 170 000 tons a year, but the new facilities will add another 466 000 tons a year while the old smelter is being upgraded. **(18/7/93)**

He said non-equity finance was made up of R2bn in export credits backed by local guarantees with a total value of R2,7bn plus the IDC loan. **(7/4/93)**

Most of the overseas finance was in the hands of a consortium of French banks — much of the capital equipment and technology for the new smelter is being sourced from France — but German, UK and Swiss banks would also be involved.

Only technical issues remained to be

To Page 2

Alusaf

B/Day 16/6/93

From Page 1

resolved with regard to finance secured from local banks to cover the R700m domestic cost component of the project.

The funding arrangements thrashed out in recent weeks with Absa, First National Bank, Nedcor and Standard Bank would be ready for final approval by the Alusaf consortium and bank boards in the first half of July. **(18/7/93)**

Snyman said that Alusaf's qualification for Section 37E of the Income Tax Act, providing for the accelerated write-off of capital costs, would see the project "picking up capital allowances as and when spending occurred". **(7/4/93)**

That left little room for "creative financing arrangements such as leasing".

China boost for SA firms

CT 16/6/93

Business Staff

74B

AN exhibition of SA products and services now being planned for Beijing will help local companies to penetrate a vast and growing market.

Times Media Exhibitions and China's Ministry for Trade and Economic Co-operation have signed an agreement for the SA Chinese Exhibition (SACEX) to be held in Beijing in March next year.

Exhibition director Edward Pinshow said there would be about 250 exhibitors. Personalised invitations would be sent to about 40 000 decision-makers.

"These country-on-country, business-on-business exhibitions have proved highly successful for exhibitors from Japan, Germany and the US in recent months. We envisage significant benefits for SA exhibitors.

"The sheer size and growth of China's economy should be a major drawcard for SA exhibitors."

Pinshow said China was widely expected to become the world's largest economy within the next decade.

SACEX would be the largest event of its kind undertaken by any SA organising company.

"Beijing was specifically selected for the exhibition because it is the commercial decision-making centre of China," he said.

● Circle Freight International has opened an office in Shanghai to handle growing SA-China trade.

Circle Freight MD in SA, Ian Hunter, said this increased the number of branches and cargo centres to 386 worldwide, all connected through the group's global satellite communications system.

Circle Freight

SA needs

helping hand

Star 16/6/93

— Ackerman

With South Africa's political rehabilitation nearly complete, the challenge facing the international community was to give urgent and active encouragement to socio-economic recovery on which the success of the country's democracy might depend, Pick 'n Pay chairman Raymond Ackerman told an international gathering in Barcelona yesterday.

Opening the CIES International Conference on the Environment, Ackerman told delegates it was now imperative and necessary for the international community to become involved in South Africa's socio-economic development.

"The forthcoming elections will substantially restore South Africa's international credibility, and complete the process of political rehabilitation.

"It is now time for the world community to invest in South Africa's progress to democracy by pro-actively facilitating the country's economic recovery."

Up to now political problems had overshadowed other pressing issues on the national agenda, not least among which was the urgent need for an integrated environmental strategy in Southern Africa.

"Sustained economic growth and social justice must be the twin foundations on which the new South Africa's environmental policy should be based," Ackerman said.

The conference is being attended by chief executives of the world's leading food industry groups, European Community representatives and diplomats. — Sapa.

SA 'vying for investment'

Bi Day 18/6/93
MATTHEW CURTIN

IT WAS naive to think the depth of SA's economic difficulties alone would attract the foreign investment needed to help solve them because the international flow of capital was not driven by charity, Netherlands Economic Affairs Minister Koos Andriessen said yesterday. (S) (EP)

SA was competing with Mexico, Far Eastern countries and eastern Europe for investment, he said. (14B)

Only identification of correct economic priorities and creation of an environment to attract foreign capital would lure investment back to SA, once political stability was achieved.

Andriessen said SA would develop "an attractive investment risk profile" if it met these targets and achieved 4% to 6% economic growth, coupled with a continued weakening of the rand.

Andriessen was speaking at a lunch in Johannesburg hosted by Investec CE Bas Kardol and attended by 30 business and diplomatic representatives including former Anglo American chairman Gavin Rely, newly appointed Metropolitan Life chairman Nthato Motlana, and Sacob chairman Raymond Parsons.

He is heading a 25-member fact-finding team representing the Netherlands gov-

ernment and business on a brief tour of SA at the invitation of the Trade and Industry Ministry.

Andriessen said he was not pessimistic about the overall outlook for SA, but he was "cautious" about a new government's ability to choose the right agenda given the multitude of problems confronting the economy.

Although the economic difficulties confronting SA were more severe than those in the US and EC, the critical issue was the same: international cost competitiveness of local industry.

He had attended the recent OECD meeting where his counterparts in member governments had shown a "very pessimistic outlook in the medium term".

German and US officials said the immediate problems of sustaining growth were not worrying them.

The problem was, instead, the inability to remain competitive internationally, and the resulting unemployment and the drain on social security.

The EC had fallen behind the US, which had fallen behind the Far East in the drive to become a low-cost industrial producer, Andriessen said.

Investors unphased by uncertainty

74B CT 21/6/93

From PETER DELMAR

JOHANNESBURG. — Foreign investors continue to invest hundreds of millions in SA through the regional industrial development programme, despite a general lack of investor confidence and continuing unrest.

Figures supplied by the Board for Regional Industrial Development show that in the past two years its regional development scheme attracted investment worth R6,26bn. From September last year to May investment was worth more than R3bn — almost as much as the previous 12 months.

Since August 1991, 569 projects qualified under the scheme. Of these 280 were approved since September last year.

Total foreign investment in the past two years amounted to R558m. A board spokesman said Taiwanese investors put in R328m, and the next biggest national investment was from the UK, with R70m.

Most of the investment went to relatively underdeveloped regions of SA where unemployment was at its worst. The spokesman said it was estimated the scheme created 35 666 new jobs.

The new incentive scheme rewards investors for productivity. The previous system was concerned largely with compensating investors for input costs.

Government had budgeted R729m for benefits in the current financial year. In terms of the scheme, investors receive an establishment grant and a production incentive equal to 20% of operating profit, with a maximum of R15m an investment.

Foreign investors aid development

FOREIGN investors continue to invest hundreds of millions in SA through the regional industrial development programme, despite a general lack of investor confidence and continuing unrest. (14B)

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B/Say 21/6/93
PETER DELMAR

Wealth policies lack detail, says Schwarz

B/Day 22/6/93

PRETORIA — Greater clarity was required from political parties on the question of the redistribution of wealth, SA's ambassador to the US Harry Schwarz said yesterday.

Speaking at a business strategy conference in Pretoria, Schwarz said it was difficult to appeal for foreign investment when key factors in a future economic policy remained uncertain. (74B) (2/2)

The need to make sacrifices and the demand for redistribution were two issues which had arisen continuously in debates about the future of SA, Schwarz told about 200 local and foreign businessmen.

But very little had been said about what should be sacrificed, and how, and to what extent there would be redistribution.

"It does not appear unreasonable to ask those who speak of sacrifices and redistribution to define what they mean, what they intend to do and how they intend to do it," Schwarz said.

Promises of redistribution created expectations which would be difficult to meet or control. There were also too many people who believed that SA owed them something, "that without qualifications, skill or education to work, suddenly everything will be better".

The illusion that inequalities of the past could be redressed without effort and through redistribution needed to be dispelled, Schwarz said.

"Without a work ethic we will not solve

ADRIAN HADLAND

any problem in the long term."

He added that improved productivity was a major challenge to SA's economic revival. Calls for a lowering of tariffs, more exports and an open economy should be weighed against SA's competitiveness in the international market.

"Can we compete with other countries, without incentives, in manufactured products and in commodities which are benefited with our own labour?" International Academy for Quality president James Harrington said the key to increased profits and market share lay in improving business processes.

While most employees were just unwilling pawns controlled by obsolete operating processes, managers allowed organisations to use these processes untuned to contemporary needs.

People should not be attacked in the quest for improved market share and profits because they were not the problem, Harrington said.

"What must be attacked and restructured are the operating processes that govern the organisation's performance."

Other speakers at the conference included US Service Quality Institute president John Tschohl, management consultant Alan Sheffield and former president of the American Society for Quality Control Robert Maas.

Drought hits timber growers

MARIANNE MERTEN

DROUGHT has damaged SA timber plantations and threatened the future of many growers.

SA Timber Growers' Association (SATGA) director Bruce Ferguson said tree growth in some areas had been "virtually nil". B/Day 22/6/93

Significant tree deaths had occurred, especially near Tzaneen in the northern Transvaal and in KwaZulu/Natal.

This had affected both profit and capital investment of the approximately 2 000 timber growers the association represented, he said.

SATGA's annual report said the organisation's had applied through the SA Agricultural Union for subsidies on 10-year loans — relief worth about R70m — in January, but Cabinet had not yet taken a decision.

Growers needed drought relief to re-establish damaged plantations, the report said.

The application was submitted after assessing tree damage in the summer rainfall areas.

Although growers were also affected by depressed international prices, export opportunities for wood chips had increased when Finland joined Japan and Taiwan as export markets, the report said.

THE hope here is that, on Friday, SA's negotiating parties will announce they have reached agreement on a firm date for elections and the formation of a transitional executive. Perhaps they will also be in a position to define how the executive will function, what its powers will be and when, precisely, it will be in place.

This will be extremely helpful to, among others, Assistant Secretary of State for Africa George Moose and ANC international affairs head Thabo Mbeki, neither of whom was able satisfactorily to answer audiences at the Carnegie Endowment for International Peace last week.

Moose spoke in the plural, referring to transitional executive councils. Mbeki spoke of one council with subcommittees. Both agreed that whatever they were, they would exist to "level the playing field" for elections. That we knew. Thereafter there was confusion.

The American, pleading inexperience, felt sure there were others in the room who could explain things better than he. If there were, they were not volunteering, and he was obliged to make various stabs on his own. There would be "mechanisms" designed to "ensure transparency in key government institutions", but they were "not as yet entirely clear to me... My sense is these will be decision-making bodies."

Mbeki, the following day, was asked to verify Moose's sense. A simple yes or no would have been nice. Instead we were merely assured that, *pace* Roelf Meyer, "how the playing field will be levelled" would be spelt out in law at some point. Even then, we should not expect anything that was "mathematical", though we could be certain that the council would not be "overridden by government in matters of its competence". Then, in a flash of candour, Mbeki allowed that not even he could define easily what the council's foreign affairs subcommittee would

Clamour for clarity before the US can do business with SA

B/Ney 22/6/93
SIMON BARBER in Washington

do, despite the fact that he would logically be an important part of it. Here's a suggestion: its first task might be to clear up the fog.

It will be a matter of no little importance for the outside world to know who and what is the SA government during the transitional executive council's period. Moose said he was urging the White House and Congress to treat the formation of the transitional executive as the end of apartheid rule for the purposes of US law. Is this a proposition the ANC, in particular, accepts?

If it is serious about seeing remaining US sanctions lifted, it had better accept. The Gramm Amendment, the last federal sanction of any significance, requires the US representatives on the boards of the IMF and World Bank to veto loan applications by any country "which practices apartheid". Unless there is greater clarity about the status of the transitional executive, this could cause difficulties.

There are two ways of dealing with Gramm. Either the US president can certify that apartheid is no longer being practised or Congress can repeal the statute. Both methods are under consideration, but both

could be complicated if, say, the Congressional Black Caucus decided to extract concessions from the administration on other matters by insisting Gramm's conditions would not be met until there had been elections. All politics, remember, is ultimately domestic.

Insistence about the council could cause problems on the state and local fronts as well. There are plenty of arrogant experts out there ready to be more royalist than the king, aka Nelson Mandela, when it comes to penalising US businesses for daring to go near SA. They will be looking for excuses not to heed Mandela's call. Some will even think they are helping the ANC by disobeying, which will be pretty rich given the resources the ANC and others are going to have to sink into disabusing them. They must not be allowed to think the council is a charade.

On the other hand, none of this may matter much unless the parties agree that decisions taken during the council's period are those of a sovereign, responsible and legitimate gov-

ernment and will be adhered to, where applicable, after elections.

The waiving or removal of the Gramm Amendment will not in itself open the door to World Bank and IMF finance. Loans and facilities will have to be negotiated with the institutions, and undertakings on policy given that will satisfy a majority of their boards. Will a transitional executive council administration be able to do that? If not, action on Gramm before April 27 — assuming that is the final election date — is moot, a comforting symbol, nothing more.

Another, if lesser, example. Will the council authorities be able to sign an agreement with the Overseas Private Investment Corporation, the US government agency that provides risk insurance for foreign investment? For US business the existence of an Opic agreement is an important signal, and the sooner one is signed the better.

Among the options percolating through the National Security Council is the provision of US government guarantees to leverage private investment in housing, education and other "reconstruction" projects. These, too, will require negotiations

with a sovereign SA government. Surprising as it may sound, the US Congress is loath to risk voters' money without some assurance that the beneficiary will not squander taxpayer underwritten investment through rash policies.

One issue that continues to vex US companies, both those already in SA and those sniffing, is the fair employment codes mandated by the Comprehensive Anti-Apartheid Act. Though few object to the principle of standards, no other country imposes such obligations on its companies operating in SA. Compliance is a bureaucratic burden and, arguably, has led to a misallocation of resources. It also put US firms at a competitive disadvantage.

The ANC has belatedly come to recognise the problem and has acknowledged that labour standards should be drafted and enforced equally for all by an SA government. As Moose put it: "South Africans regard the question of business behaviour as something they themselves should decide."

Fine, but when? Can a transitional administration deal with the question, thus allowing the relevant section of the Act to be phased out? Or must US companies continue to wait? Once more, there is no clarity. It may be said there are only 10 months before there is a real government, decisions can wait. No doubt they can, but is the delay worth it, especially when a newly elected government will be under enormous pressure to provide immediate and visible material gains for its electorate? Another year of talking will not help, especially given the lead times for loans to be negotiated and investment to be translated into jobs, schools and houses.

Put very simply, it is not very much use for the ANC to declare SA open for business — except as a symbolic gesture — unless there are legitimate authorities in place with whom business may be done. Can the transitional executive arrangement be so characterised?

US prepares to resume business with SA

Bill No. 22/6/92

SIMON BARBER

WASHINGTON — Remaining federal economic sanctions on SA are to be repealed and US investment supported under legislation to be offered by senators Nancy Kassebaum and Paul Simon (74B)

The Bill is being readied for introduction as soon as an election date has been set and a transitional executive established. A draft was vetted by ANC foreign affairs director Thabo Mbeki last week.

It not only rescinds the Gramm Amendment, which requires the administration to veto IMF and World Bank lending to SA, it actively instructs the US Treasury to press the bank "to initiate or expand ... lending

and other financial assistance activities in SA". SA is also to be dropped from the list of countries barred from receiving tariff reductions on their exports to the US under the Generalised System of Preferences.

Although the legislation calls for the repeal of the 1986 Comprehensive Anti-Apartheid Act, US companies are upset by the authors' decision to reinstitute a mandatory, State Department-monitored code of conduct for US businesses in SA. The code would be dropped only "when the president certifies to Congress that a democratically elected SA government

has established fair labour standards".

The Bill amends existing law protecting state and local sanctions and "urges" the authorities to rescind their restrictions.

The Export-Import Bank is encouraged to expand support for black-owned SA business, as is the Trade and Development Agency, which provides grants and credit to help foreign companies expand operations using US contractors and products.

The Overseas Private Investment Corporation "should immediately begin negotiations" for an agreement with SA that would enable it to extend loan guarantees "to expand US private investment in SA".

● See Page 10

Economic links with Nigeria in the offing

By Graham Linscott
Star News Service

LAGOS — SA and Nigeria could be on the point of forging significant economic links.

A Nigerian trade mission was in SA recently and its members speak enthusiastically of the possibility.

Officially, of course, no such thing happened. Nigeria observes Organisation of African Unity (OAU) sanctions.

As with so many African countries, SA products arrive by devious routes, camouflaged and considerably more expensive than they should be.

That could end soon. The Nigerian government is already turning a blind eye to direct contact between its businessmen and their SA counterparts.

Business people in Lagos expect that as soon as an interim executive council is in place in SA, sanctions will be lifted.

That would normalise relations between the two economic giants of sub-Saharan Africa, with all kinds of potential for mutual benefit.

Nigeria has a vast consumer market of something like 100 million people. The big difference between them and the millions in the rest of Africa is that

in Nigeria they are relatively wealthy, thereby making a good market for SA exporters.

Many Nigerians could be attracted to SA as tourists. Monday Nigerians spend their holidays in Europe or America.

They could well be persuaded to head south instead.

Nigeria is eager for SA investment and expertise. It has unexploited reserves of iron, tin and bauxite which would be a proposition for SA capital and mining technology.

And it's eager for transfer of agricultural expertise. Although they are so different in character and composition,

there is a parallel between Nigeria and SA which goes beyond their economic clout. Both are transforming their societies to allow the free market to unlock their potential.

A year ago Nigeria dropped foreign exchange controls and was rewarded by an inflow of funds. Now market forces are given free rein.

SA clings to exchange controls and still has to manage an immensely more difficult political transition.

If it is any consolation, Nigerians are sympathetic. And they still want to do business.

We will have to woo investors ^{Star. 23/6/93} ⁽⁷⁴⁸⁾ ~~(748)~~ economist

By Peter Davies

It will be far more difficult to reverse economic sanctions than it was to impose them, Sacob chief economist Ben van Rensburg said yesterday.

Van Rensburg was referring to the sudden climate of economic expectancy created by the "South African Democrat-

ic Transition Act" proposed by US senators Nancy Kassebaum and Paul Simon. The Act will lift virtually all remaining sanctions and actively encourage foreign aid, private investment and development loans to South Africa.

Van Rensburg says that if and when sanctions are lifted, the country should not expect

to "sit back and watch all the money pour in".

He says South Africa will have to make a concerted effort to woo potential investors but he nevertheless views potential sanctions-scrapping as a positive step forward.

"The whole world is currently under enormous economic pressure. Everyone is

looking for new opportunities in a world flooded by mass communication. It's very difficult to establish investment opportunities that no one else has tried to develop.

"South Africa is under the magnifying glass. It's therefore vital to get the right systems in place as soon as possible." These systems include a

transitional council seen by the outside world as totally representative, and agreement on an election date.

"Expectations out there are high because of a new set of voters. They are expecting a better life. If the new political system is not going to provide it, we are heading for trouble," he said.

Swedish firm eyes SA's telecommunications field

B. Day 24/6/93

(14B)

Reports by
MELANIE SERGEANT

INTERNATIONAL telecom-
munications giant, Swedish-
based Ericsson, could set up a
manufacturing facility in SA for
supplying cellular phone infra-
structure and other equipment.

Ericsson's SA representative
Christo Hohenthal says: "We are very
interested in becoming part of the SA
telecommunications industry. The
extent of our involvement, however,
will depend on tenders which will be
put out for equipment supply for the
new networks."

While Vodacom (comprising Tel-
kom, Rembrandt and Vodafone) will
have one licence, tenders for the oth-
er network operators' licences will be
submitted at month-end for adjudica-
tion by August/September.

Apart from promoting Ericsson
locally, Hohenthal says his company
is evaluating various opportunities.
"Whether we start a factory from
scratch is yet to be decided. We also

realise that the level of manufactur-
ing to be carried out would need to be
economically feasible. Some system
parts are very expensive to make in
every country, and call for complex
infrastructure and high manufactur-
ing investments.

"There are, however, always some
parts which can be made locally and
others which can be imported. If high
volumes can be reached on certain
items, these can be exported in
return for importing others from our
other factories."

He says Ericsson is represented in
about 100 countries, and has manu-
facturing facilities and research and
development centres in more than 30.
Given Vodacom's stated intention to
have an "open procurement policy
and to support local industry", Eric-
sson would evaluate the pricing struc-
tures given to locally-manufactured

goods in Vodacom's tenders, and
would then be able to evaluate exact
local manufacturing possibilities.

Given the significant "idle" invest-
ment in SA's telecommunications
manufacturing sector now, there
could be potential for local partner-
ships to be set up, he said but would
not comment on speculation of a joint
venture with Plessey.

"We probably won't need to start
from scratch; synergy with existing
players in the market could be a good
way to revive the industry."

Altech CE Peter Wilson said: "The
telecommunications manufacturing,
labour and technological infrastruc-
ture in SA is in place, and is backed
by considerable overseas expertise
and experience.

"In the absence of any specific
information on Ericsson's intent, it is
not possible to speculate at this stage
on the role they may play in SA's
telecommunications market — or the
impact which they could have on it."

Table Top Star 25/6/93 moves into the Gulf

Foodcorp's Table Top division, has spearheaded the group's latest export initiative with the successful launching of a number of its products in the Arabian Gulf region.

Branded garden peas, mixed vegetables, cut and sliced beans, baby carrots, sweetcorn, corn-on-the-cob, broccoli and potato chips were introduced to the retail, wholesale and catering trade in Abu Dhabi, Bahrain, Dubai, Kuwait and Muscat in Oman.

"Follow-up orders have been good," says the group's executive director for international marketing, Gert Schoonraad. "In fact, retailers in Bahrain were sold out on the first day."

"Our aim is to capture at least a 10 percent share of their frozen vegetable category in the first 12 months and then to grow this over the next three years to 25 percent," said Schoonraad.

Vietnam appoints SA firm to plan R75-bn export zone

By Tom Hood

A South African firm of engineers and planners has won a contract to prepare the master plan for a R75 billion development at Hai Phong, the largest harbour in North Vietnam.

The firm, Van Niekerk, Kleyn and Edwards (VKE), claims to be the country's first to undertake consulting work in Vietnam.

It is acting for a giant Hong Kong investment company, Verygood International, which will invest about \$25 billion (R82 billion) in a joint venture with the Vietnamese government to develop an export processing zone.

Other South African companies could also become involved, says Shirwell Kipps, a partner in VKE.

About 540 factories are to be built in steel, prefabricated and shipped to Vietnam and South

African firms could be asked to make them.

"We might also export our bricks there as well," he said.

The Hai Phong development covers about 3 000 hectares. The first phase includes 200 ha of industrial factories and 100 ha of bonded warehousing.

The other 700 ha will contain commercial, business and residential areas, with recreational facilities such as a holiday resort, hotels and a golf course.

Model built

Today the firm completed an architectural model of the project and airfreighted it to Hong Kong.

Kipps said the investment group had been invited by various other governments to develop similar projects.

He and town planners Nico Malan and Alan Simonic returned recently from a visit to Hanoi, Hai Phong and Ho Cho

Minh City (formerly Saigon).

Vietnam was poised for tremendous growth, with Japan and Taiwan also planning huge investments there, said Kipps.

A Chinese contractor was expected to build the development.

The Cape company will supervise the construction, civil engineering and other works.

Kipps said Vietnam was a poor country that had seen no development since the war started in 1966 and the communist government was encouraging capitalism to develop the country so it could compete in the Pacific Rim.

VKE was experienced in this planning work through developing 10 new towns, including Khayelitsha, he added.

"In terms of sheer capital investment, South Africa has had nothing to touch this development."

Safex in bid to boost interest from offshore

SAFEX is looking at admitting foreign members within the next few months, in a move designed to boost offshore interest.

Foreigners have been allowed to trade in local futures contracts since December 1991, and options since December last year.

Safex CE Stuart Rees said the plan had been to allow foreign membership once offshore volumes picked up.

About 10% of futures contracts listed on Safex are foreign held.

However, the move was brought forward to try to boost foreign volumes now.

Safex instruments compare favourably with those

elsewhere in the world.

According to a document on Australia's Sydney Futures Exchange, futures were introduced in 1983 and options in 1985.

Total

Foreigners account for about 10% of total trade. For 1992, open interest in the all ordinaries share price index (AOI) averaged 9 950 futures contracts and 600 options contracts a day. Daily trade averaged 1 350 contracts and options 29 500.

The AOI is a capitalisation weighted index and is calculated using the market prices of about 260 of the largest companies list-

ed on the Australian Stock Exchange.

The initial margin on a futures contract is \$6 000, while the fee per contract is \$1,17 a side, according to the document. Reduced margining applies to spread positions.

On Safex, foreigners trade in the futures market through the financial rand investment unit, which in turn trades at about a 30% discount to the commercial rand residents are obliged to use.

This effectively gives foreigners a 30% advantage over local investors.

The Reserve Bank sets the rules for the currency transactions and only authorised banks are allowed

to complete the currency transaction. The Bank recognises two categories of foreigners — non-residents and emigrants with "blocked rands".

Non-residents are simply investors who live outside SA and the common monetary area (the TBVC states as well as Namibia, Lesotho and Swaziland).

Allowed

Emigrants with "blocked rands" are those who have left SA to live in another country but are forced to leave money behind in SA due to the Bank's strict exchange control rules. They are allowed to meet margin payments from their blocked rand accounts.

BiDay 25/6/93

74

(148)



Increased US interest in SA after gold rally

BiDay 25/6/93
(14B)

TIM MARSLAND

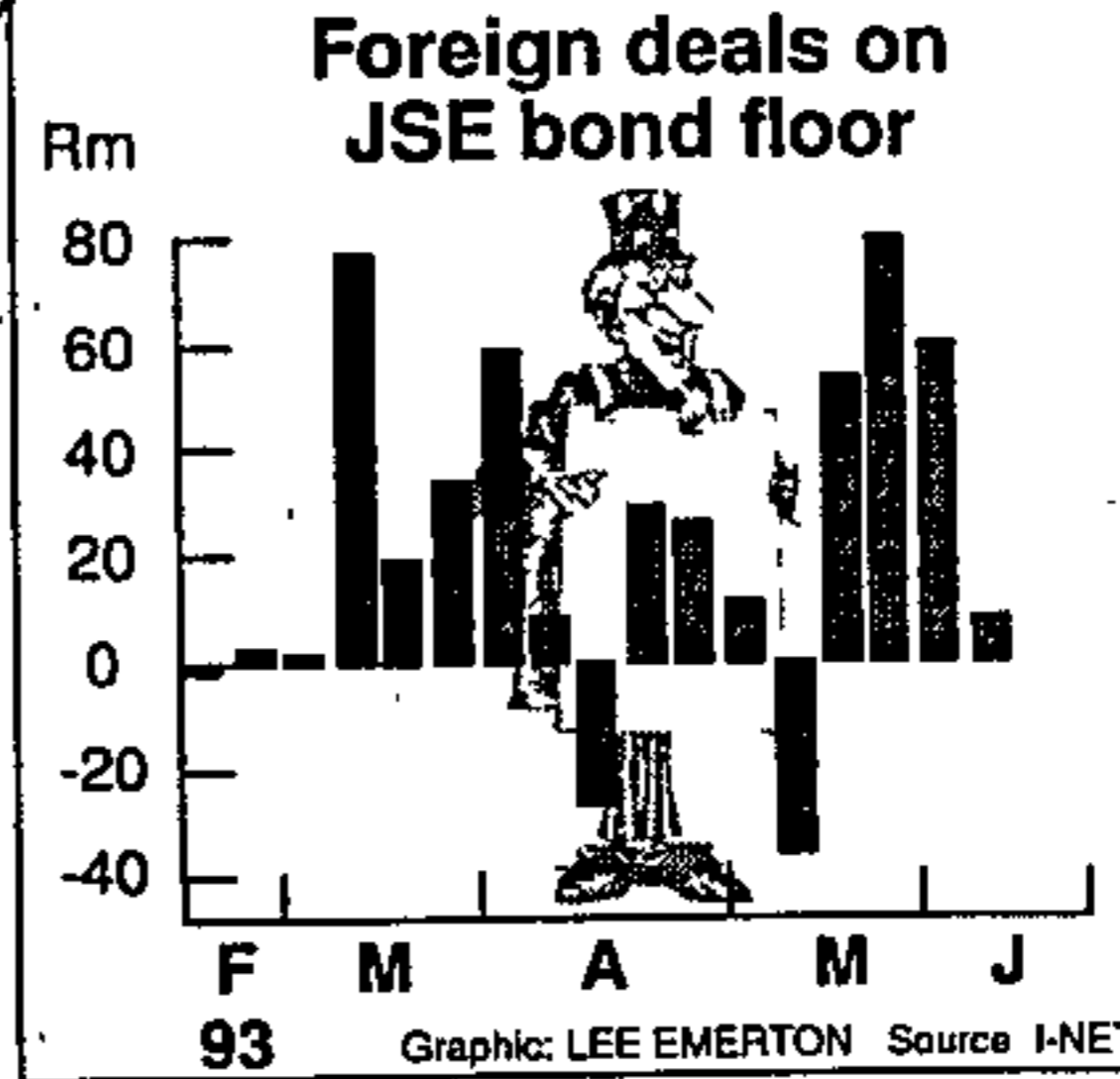
US investment was again flowing into the local capital market as a result of better sentiment towards the country because of the rally in gold shares, analysts said.

London stockbroker Credit Lyonnais Laing analyst James Leahy said yesterday there had been a considerable increase in inquiries from the US due to more public awareness of favourable political developments in SA, particularly the upcoming multiracial elections. He said the rally in gold shares had sparked off the interest.

However, a lack of liquidity in the SA equity market had seen US funds spill over into the bond market, where paper was available readily. While yields on gold shares were no longer as attractive as they had been earlier in the year, bond yields continued to offer good value.

He said Reserve Bank Governor Chris Stals had assured UK investors during a recent visit that the financial rand would not be scrapped in the short- to medium-term. He had also assured investors that tax on interest for foreigners would not be reintroduced.

Many US traders tended to route their investments in SA through London. However, for the moment, SA was seen as a short-term investment. Leahy said inquiries were from private investors, mutual funds and retail business.



A local dealer noted a similar pattern, adding that there had been interest from the Far East.

This was confirmed by a currency trader, who said finrand business from the Far East was greater than that from London.

The interest in SA is reflected by the number of London brokers regularly quoting the finrand.

At the beginning of the year, three brokers offered quotes with any regularity. There are now eight.

A major obstacle to US investment is state sanctions, particularly those applied by New York. However, analysts believe these could be among the first to be lifted.

China's example a lesson for SA

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By Jeremy Cronin
of the SA Communist Party

HOW many times has the ANC been told to drop its alliance with the SACP "because it will scare off foreign investors"? And how many times, for the same reason, has the SACP been advised "to change its name"?

The late Chris Hani had a fairly definitive, one-word reply to this line of argument: "China."

Hani led an official SACP tour of China in 1992. He was not uncritical of all they saw. But he could not help noticing that, in striking contrast to Yeltsin's official anti-communist Russia, foreign investors were queuing up to invest in the People's Republic of China.

Yet China continues to be ruled by a Communist Party.

Far from withering away, last year the Chinese Communist Party accepted nearly 2 million new members, taking its total to 52 million.

The Chinese Communist Youth League, for its part, has 56 million members, and it remains by far the largest organisation of youth in the world.

Doesn't this scare foreign investors?

Apparently not. Five years ago, amid signs of a major economic boom in China, the big multi-nationals like Chrysler, Volkswagen and Phillips scrambled to get in. China's economic superpower neighbour, Japan, was late on the scene but in the past year Japanese investment has suddenly soared, almost trebling to US\$ 2,2 billion.

For their part, the Chinese have welcomed this investment, most often in the form of joint ventures.

But they have taken care not to allow it to subvert their own economic reform package which includes a strong state sector and a consumer-led growth path.

For South Africa, the Chinese example has a few basic lessons:

- Foreign investors are not going to trigger a sustainable boom; for that you have to rely on your own resources;
- For foreign investors the prime question is profits, not the colour of your flag.

Nobody is arguing that we should simply mimic the Chinese. But this fastest growing economy on earth does underline one simple truth: there are other options in the world than the IMF's "export-orientated growth", "drastic privatisation", and the slashing of popular consumption levels.

Investec set for gains from inflow of foreign funds

B/Say 25/6/93

INVESTEC Bank sees investment from offshore as a key area of growth for the futures market.

Chief dealer Bryan Coyne says the bank is in a good position to benefit from the expected growth in foreign business that will come to SA once it is back in the international investment fold.

Investec has a subsidiary in London — Allied Trust Bank — and an interest in the Amsterdam financial house Integro NV.

Coyne expects Europe to increase its investment in SA and the group's operations in Europe put it in a good position to attract this business. "It's going to be the 'in-thing' to invest here and we're well placed on the European circuit."

Investment from the Nordic countries has already started to flow into SA gilts. (14B)

He expects millions of rands of investment to flow into SA from next year, with advance speculative investment trickling in later this year.

Importance

SA makes up about 1.5% of the Financial Times World Index, highlighting the importance of SA in global investment managers' portfolios. Also, SA's all gold index is the only futures contract worldwide that focuses solely on gold shares — a further attraction to offshore investors.

Investment from the US is likely to remain stymied



BRYAN COYNE

due to the minefield of sanctions still to be lifted, he says.

Investec is consolidating its SA business base in readiness for the inflow of

foreign investment. It also has foreign exchange, money and capital market operations so is able to handle offshore deals from start to finish.

Equal investor rights — with ANC curbs

SI Times Cross 2/16/93

By NORMAN WEST

FOREIGNERS will have the same rights as domestic investors during the interim government phase, says a new ANC policy document.

It proposes that future policy remove complex incentive packages and prevent the exploitation of labour.

The guidelines propose an open approach to foreign investment.

Safeguards should be provided for foreign investors. But they could be blocked from investing in certain strategic areas, such as land and natural resources. They might be required to enter into joint ventures.

Companies owned or controlled by non-residents or in which they have a large holding could have limits placed on their borrowing.

Restrictions would ensure the proper capitalisation of foreign investments, as well as retain funds for SA borrowers.

Privileges and investment incentives could be granted to previously disadvantaged groups. They would not be

extended to foreign investors.

The document says ANC policy is to secure economic growth in a society that is politically and socio-economically stable and democratic. This is the most favourable environment for both foreign and domestic investors.

The document says that in the event of nationalisation there would be fair compensation in accordance with accepted principles of international law.

The ANC says the apartheid legislative process that governs investment at present is a major obstacle to growth and development.

ANC proposals for the interim stage include:

- Labour practices in accordance with all basic International Labour Organisation conventions.
- Investment to enhance job creation.
- Employment practices

must counter discrimination in the workplace.

● Investment must incorporate environmentally sound and clean practices and technology.

● Investment should, in particular, incorporate affirmative action programmes.

● Investment must contribute to the security of employment of South Africans.

These principles should be incorporated in the policies of a democratic government and should apply to all investors.

The ANC says that in the interim phase "we will campaign for these principles and will support the further development of codes of conduct, along with Cosatu and the SACC".

Neighbours offer SA opportunity

SITimed Cross J2716193

PROPERTY developers have their eyes on doing business south of the Sahara.

JHI subsidiary Downtown Development Corporation (DDC) managing director Dave Marais says African and other foreign markets are opening up to SA.

"Many neighbouring states suffer from a shortage of qualified people and capital. So the potential for South Africans to offer consulting services is enormous.

"Countries such as Mozambique, Zimbabwe and Zambia are finding it increasingly difficult to tap to world aid agencies because donors demand a high level of management skills to be attached to funded projects."

DDC provides consulting services for the rehabilitation of buildings, leasing, sales and valuations.

South African Foreign Trade Organisation (Safto) Africa director Paul Runge says the opportunities for SA firms to consult in Africa are huge.

Donors, such as the World Bank's private-sector arm, the International Finance Corporation (IFC), seek to stimulate free enterprise in African countries heavily dependent on aid.

Stake

The IFC and the African Project Development Facility (APDF) will consider only projects that are financially worthwhile.

The IFC will take up to a 30% stake in a joint venture to ensure the project does not go stale. It wants a partner with strong management skill.

Mr Runge says technology, skills and training can be found in SA.

Investec Property Group (IPG) has concentrated on looking for developments in neighbouring countries.

IPG managing director Sam Hackner says these efforts have been made in Botswana, Namibia, Swaziland and Zambia.

IPG commercial letting

arm Kuper has been active in Lesotho, which has a newly constituted government and is politically stable.

Mr Hackner says most retail developments are strip shops of about 6 000m². In most cases, 85% of the space is let to national retail chains and provision is made for space to be allocated to entrepreneurs from the areas.

The returns on such developments are higher than would be achieved in CBD or regional areas, taking into account all the risk factors.

"In our experience, all these developments have been solid, reliable income producers. They have been funded by private syndications and by banks."

Mr Hackner says Reserve Bank approval is required for a development outside the rand monetary area.

IPG has received inquiries from investors outside Africa. They are attracted by high yields from money placed in African countries.

Mr Marais says only countries, such as France, which have an understand-

ing of Africa and how things work are willing to invest here.

Finding the money is the hardest work: "Many African currencies are worth zilch. Institutional finance, readily available in SA from insurance companies, is non-existent in most of Africa."

"We have to find finance from multinationals that have a base in Africa, or from European-based quasi-government aid agencies and banks."

Mr Marais says a multinational operating in Africa may finance construction of

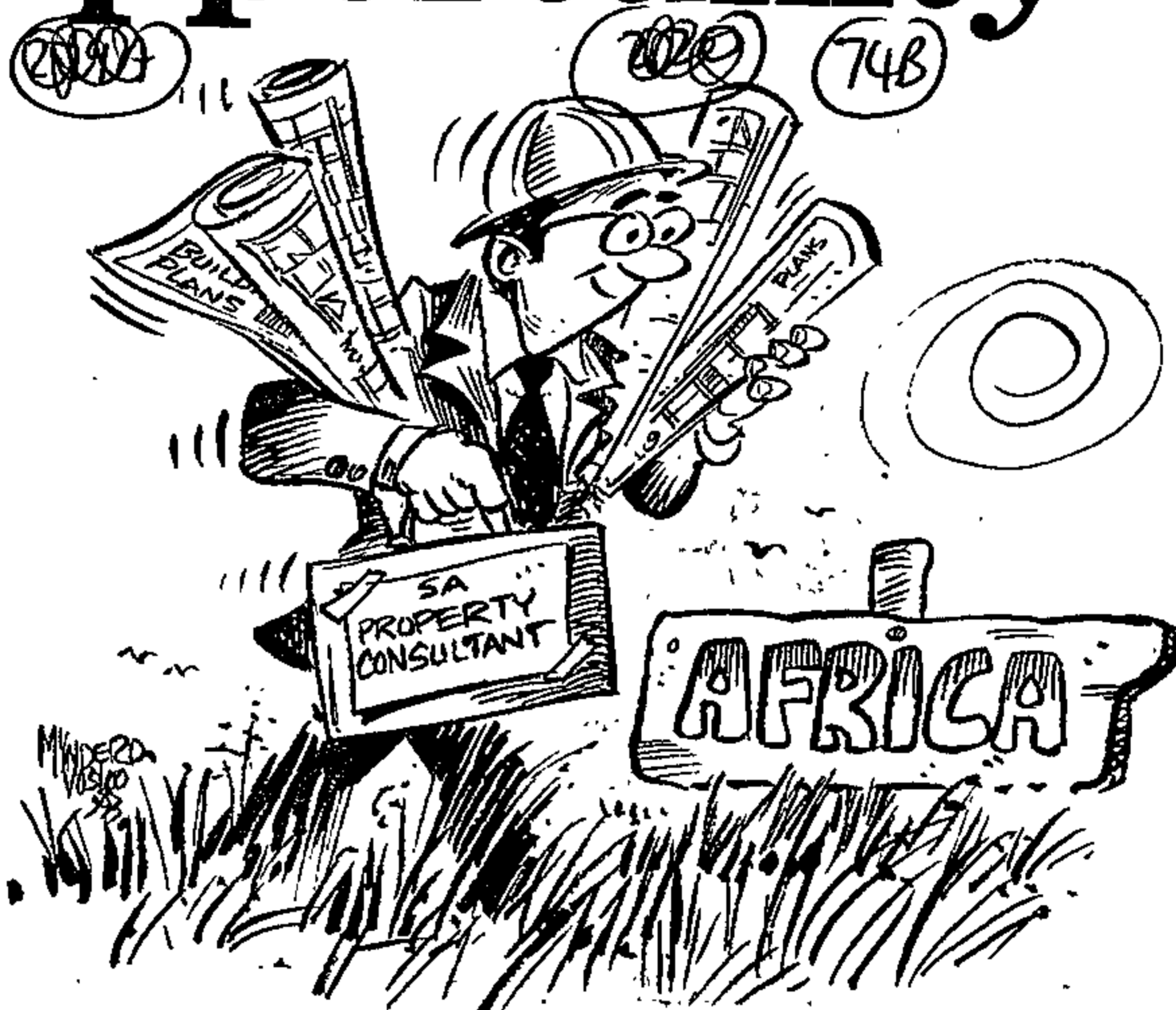
its commercial buildings as well as for blocks of flats for staff members.

However, a problem is that most of the land is held by the state which is unwilling to relinquish it.

"The state owns most of the flats that are rented out at exorbitant prices."

It may often take years to obtain land ownership in Africa.

Mr Marais says much patience is required because things do not move fast. African bureaucracy and business systems are not geared to commercial property development.



PRESIDENT F W de Klerk and ANC president Nelson Mandela do not bring an election date and a transitional executive to lay before President Bill Clinton this week, they will be wasting a modest opportunity but the sky will not fall.

Mandela will still be able to raise money for the ANC's campaign coffers and De Klerk will still get to play golf with a couple of senators and take in a show at the Kennedy Centre. He looks as though he could use the rest.

There are better choices than Washington and Philadelphia for a holiday at this time of year, but blame ambassador Harry Schwarz for that. The Freedom Medal business was his brainchild, and it was he who nagged all concerned to make it happen. At least in Philadelphia, the South Africans will have something to remind them of home. Police there have just rounded up the leaders of a particularly vicious gang that calls itself Zulu Nation.

The truth is, even if the two leaders do have an agreement for Clinton, his response is not going to be earth-shaking. The new policy Clinton wants to unveil, once you get down to the fine print, will demonstrate chiefly that what politicians bill as bold and innovative departures are often little more than simulations thereof. With regard to SA, there is not very much the US government can do in the near term that has not already been done, or whose practical implementation must await the establishment of an elected government in SA.

The administrator's plan is essentially the same as that laid out in legislation drafted by senators Nancy Kassebaum and Paul Simon. What it amounts to is this: once Mandela gives the word, Washington will assist and reward SA's "transition to democracy" by ceasing, with the ANC's permission, to be deliberately unhelpful.

The principal reward will be the dropping of the Gramm Amendment. Washington's executive director on

Cash will not flow into SA simply at Clinton's behest

Riley 29/6/93

SIMON BARBER in Washington

the boards of the IMF and World Bank will no longer automatically have to oppose all loans and facilities for SA. Indeed, the proposed legislation would have the Treasury secretary actively encourage him to lobby for such lending.

Lovely, but this does not mean the floodgates will open the next day. Before any funds begin to flow — let alone the \$1bn mentioned by the bank's vice-president for Africa Edward Jaycox — a new government in SA will have to make hard choices about what it wants from the institutions and whether it is prepared to meet their terms. And IMF and World Bank finance offers no guarantees the recipient will prosper. Just look at the track record.

Neither is it worth getting too excited about what might emerge from the G-7 summit in Tokyo next week. Clinton will urge his partners to "mobilise" resources for SA's reconstruction. No doubt there will be mention of the subject in the summit communiqué, probably closer to the bottom than the top. This would not be the first time the G-7 has spoken of the need to help SA. Hitherto the practical results have not been obvious. Even now, as Assistant Secretary of State for Africa George

Moose has admitted, "specific mechanisms" to translate the communiqué's language into practical effect have yet to be discussed.

The removal of the Gramm Amendment is the most concrete card Clinton and Congress have to play. Virtually everything else they propose will be hortatory.

There will be two main exhortations. The first will be to local and state governments to stop penalising investment in SA. The idea of trying to pre-empt local sanctions by federal *force majeure* has been weighed and abandoned, although the Kassebaum-Simon Bill does imply that federal funding for local road construction could be denied to authorities who insist on retaining contracting rules that discriminate against bidders with SA investments.

The second appeal will go to the US private sector: please go and invest. Nice words — and pragmatic, too. The federal budget has no fat left to finance official aid much above the current \$80m a year (thank goodness). But the US private sector can only help SA if SA helps itself. The US government cannot tell investors

where to put their money — although it is very good at doing the opposite — and its ability to influence investors' choices is at best marginal.

There are a number of steps the president and Congress will say they are taking to help, but most have long since been taken.

Do not be fooled if you hear Clinton pledging the active participation of entities like the Export-Import Bank, the Trade and Development Agency and the Overseas Private Investment Corporation. This is not especially new.

SA importers of US capital goods are already eligible for Exim loans and guarantees. The Trade and Development Agency recently announced that it would help Afrofinance the planning of a new penicillin plant in return for US firms getting engineering and supply contracts. The Overseas Private Investment Corporation has been anxious for some time to sign a bilateral agreement that would enable it to provide insurance cover for American investors.

Something Congress could do, but will not unless the ANC specifically gives it the go-ahead, is to stop requiring US companies in SA to register with the State Department and

submit detailed annual reports to prove that their employment practices and expenditures on social upliftment meet certain mandatory criteria.

This is the one aspect of the Comprehensive Anti-Apartheid Act Congress does not intend to repeal immediately, although Kassebaum and Simon have agreed to make elections the cut-off point rather than waiting for a new government to write its own "fair labour standards".

The retention of this policy vitiates the call for US companies to invest. The hassle factor places US firms at a competitive disadvantage in SA vis-à-vis other companies, domestic and foreign. It discourages the very kind of investment that SA most needs — the sort that creates jobs. At a deeper level, it tells US companies that involvement in SA, unlike anywhere else, is even now potentially wicked and must therefore be specially regulated.

It is up to South Africans to decide if they want this to continue. Just as they must decide whether, or when, they want to proceed with negotiations on a new tax treaty to replace that cancelled by the CAAA, whether they want to sign a bilateral investment agreement establishing the rights and responsibilities of US investors, and whether they want to describe themselves as a developing or developed country for trade purposes. The Kassebaum-Simon Bill makes SA eligible to benefit from the Generalised System of Preferences, which grants reduced tariffs to certain labour-intensive exports of developing nations.

This could help the SA textile industry, but only if congressional protectionists can be held at bay.

The bottom line is that whatever Mandela and De Klerk bring with them to the US this week, the best "reward" SA can expect for moving to multiracial rule is the normalisation of its economic relations with the US and the rest of the world. There will be no special favours.

Furthermore, as a practical matter, the normalisation will not occur until there has been an election.

Mandela calls for investment

BiDay 2016/193

WASHINGTON — ANC president Nelson Mandela delivers a powerful appeal for "massive" foreign investment in the latest issue of Fortune magazine and says he will be urging President Bill Clinton to launch a "Marshall Plan" for SA when they meet on Friday. (743)

"Our whole position is that we should forget the past. Let us concern ourselves with the present and the future. Let us build a new SA," he tells readers of the influential business publication. (743)

The appeal, in an interview with managing editor Marshall Loeb earlier this month, appears to conflict with Mandela's newly stated intention to delay calling for the removal of remaining sanctions. This has come as a disappointment to both the Clinton administration and US companies which had counted on him using his 12-day

SIMON BARBER

US tour to declare SA open for business. Ambassador Harry Schwarz yesterday questioned the political wisdom of his sanctions stance, saying the ANC was in danger of being blamed by voters for retarding SA's economic reconstruction.

In the interview, Mandela said all that was needed before he would call off sanctions was a firm election date. "We have already agreed on naming a transitional executive council."

He said: "Only 3% of those who finished school this year could find jobs in the formal sector. It is a serious situation and it can only be remedied by massive investment in our country. That is why we are keen to review sanctions."

To Page 2

Mandela BiDay 2016/193

All foreign companies would be "guaranteed" against expropriation or nationalisation, he said, pledging in addition that "they will be able to recover their profits and dividends — all of them".

No restrictions would be placed on types of investment, but the ANC was "very keen to invest in such a way that there will be a creation of jobs for our people, a generation of wealth". (743)

Priorities would be the development of a manufacturing base and infrastructure, including "ambitious housing schemes", because "these two areas will provide the most employment opportunities".

There would be no penalties for US companies that had stayed in SA despite the ANC's sanctions call. "This is not the time for us to be thinking in terms of revenge, in terms of punishing anybody. We are saying let bygones be bygones."

On the question of unbundling, Mandela said "our only interest is that there should be free competition". He hoped the conglomerates would unbundle on their own. "Although state intervention is something that is known throughout the world, we

From Page 1

would like to avoid it except where it is absolutely necessary."

One area where "state action" might be required was land redistribution. But this could be done "without nationalisation, without depriving individual owners of their land". For example, "vast tracts of barren land" owned by the SADF could be made available "to address the claims of people who were removed by force and to ensure there is equitable distribution".

In addition to investment, Mandela hoped SA would receive substantial aid from the West "in the interest of making democracy take root". He would be asking Clinton to take the lead in establishing "a form of Marshall Plan". Once its "neglected... human resources" had been developed — another area in which foreign companies could make an important contribution — SA could become "a mecca... a powerhouse for Africa".

Mandela assured US businessmen he was "neither a socialist nor a capitalist. I am a pragmatist. All I want is that the living standards of our people be raised."

For agreements to be credible they must also be enforceable, warns Robert

Kitgaard

Star 11-11-93

Build in 'arm-twisting'

PRESIDENT de Klerk and Nelson Mandela will soon be speaking with leaders of the World Bank and the International Monetary Fund about aid for South Africa. They will be asking for money and technical assistance. Perhaps they should ask for something more: "We don't need foreigners to tell us what to do, but we do need your help in guaranteeing any multiparty agreements we reach."

While the analysis indicates that investment (and exports) do respond to appropriate macro policies, the single most important factor in stimulating investment, borne out by international experience, will be *investor confidence*. This will in turn come about through the implementation of *sustainable, consistent and credible* policies on the economic front, as well as *overall political stability*.

Agreements of every kind are seldom credible without enforcement. Societies with weak enforcement mechanisms for contracts and loan repayments, for rights and laws, suffer in many ways. Business and labour, farmers and entrepreneurs, all will forgo some useful transactions for fear that, if one side fails to live up to the bargain, redress cannot reliably be sought.

that independent agents wish to undertake. A number of actors and constituencies are bargaining over the creation of a new political and economic order in SA. How can they count on any agreement they reach? How can we? And if enforcing an agreement is suspect at best, might the parties find it difficult, even impossible, to reach an agreement — even one they all would like to reach? To say that the future government will enforce a multiparty agreement is, to many people, not a sufficient guarantee.

al institutions help? Could Messrs Mandela and De Klerk ask international "third parties" such as the World Bank and the IMF to help enforce any agreements that are reached by South Africans? It should be made quite clear that what is desired is their guarantee, without international institutions becoming involved in the negotiations or attempting to influence the solutions. Might such a promise of enforcement facilitate negotiations? And thereby make any agreement reached more credible?

Everyone acknowledges that South Africa needs a credible commitment to the rules of a new economic and political order. As Democratic Party constitutional expert Colin Eglin remarked recently, South Africa's major parties "have to reach agreement on areas like socio-economic reconstruction and other development priorities, including the efficiency of the public service, otherwise there will be constant dispute at the highest level of government, making it unworkable."

The italics are unusual in starchy World Bank prose. But political scientist Barry Weingast also feels compelled to italicise in his recent worldwide survey of "The Economic Role of Political Institutions". "Providing for the security of a private market economy," he concludes, "requires a set of political institutions that *credibly commit* the State to those markets — ie, that limit future political discretion with respect to economic decisions."

It has been said that a fundamental economic right is the right to be sued, because this is essential for contracts to be credible. Part of the enabling environment for free economic activity is that agreements once reached can be *credibly enforced* or guaranteed by third parties, especially by the government. Notice that the third parties do not specify the details of commitments. Rather, through the promise of enforcement, third parties guarantee the commitments

I am not ~~sure~~ ^{sure} of the negotiations in SA. But I fear that important commitments may not be possible because the parties cannot count on enforcement. And I fear that even if negotiators do reach an agreement, it will not impress some of those who need impressing — including foreign investors and the like but, most importantly, fearful and suspicious South Africans of all races and classes. We seek a mechanism to make commitments about the new economic and political order: "credible and stable". Might international

"Enforcement" is of course a scary concept. But let's not allow the word to derail us prematurely. Sometimes it will be enough to have a third party monitor the agreement and inform everyone that it is or is not being met. Sometimes it may be sufficient to guarantee each party to an agreement that, if the agreement is violated, the international community will provide compensation. Sometimes there may need to be the threat of penalties to anyone who violates his commitments. Here one might imagine a number

A recent World Bank study of South Africa's economy suggests that a credible agreement is more important than the particular policies chosen.

I find this point fascinating but frightening. Yes, SA's negotiators must reach an agreement on good economic and political principles. This will be hard. But even if they

And it would enhance credibility, thereby spurring investment and political confidence. By all means let De Klerk and Mandela propose to international agencies a new Marshall Plan for SA. But let them also discuss guarantees and enforcement. Just as the ability to be sued enables private firms to enter into credible contracts, so may the ability to be penalised internationally enable credible political settlements to be negotiated.

of possibilities, some specific to the transgressing party and other penalties applied to the country as a whole, such as jawboning and international criticism, the withdrawal of foreign aid, or even the enactment of various mild to strong sanctions.

My qualitative point is this: "The international enforcing of political and economic agreements freely and independently made by South Africans could open up new possibilities for successful negotiations."

clauses

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And it would enhance credibility, thereby spurring investment and political confidence. By all means let De Klerk and Mandela propose to international agencies a new Marshall Plan for SA. But let them also discuss guarantees and enforcement. Just as the ability to be sued enables private firms to enter into credible contracts, so may the ability to be penalised internationally enable credible political settlements to be negotiated.

● The author, a former professor at Yale and Harvard universities, has recently been appointed a professor of economics at the University of Natal.

Billions wait for ANC nod

S Times [Bus.] 4/7/93

Business Times
Reporters

THE tide of investor sentiment has turned in South Africa's favour.

Aid and investment flows are expected to pick up after this week's indications by ANC president Nelson Mandela that sanctions could go within three weeks and the IMF signal that it would grant an \$850-million loan to SA by November.

Several foreign firms await the ANC's go-ahead before announcing their investment.

There is growing evidence of increased corporate investment from abroad.

Tube

Anglo American Industrial Corporation (Amic) announces today that it has established a 50-50 partnership with Korean industrial leader Daewoo.

Amic chairman Leslie Boyd says two areas for cooperation are SA manufacture of high-value downstream consumer goods and joint international exploitation of technology-driven markets.

One SA manufacturing project has been approved and will be announced shortly. A colour-television tube-making facility could be started in SA.



LESLIE BOYD

Mr Boyd hopes the partnership will lead to more jobs, higher foreign-currency earnings and technological developments.

Apple Computers, Chrysler, Motorola, Polaroid and Pespri are rumoured to be set to open offices in SA this year.

American Chamber of Commerce (Amcham) executive director Michelle Cohen says deals are being kept under wraps until sanctions are lifted.

"We are getting four to five serious inquiries a week from US corporations wanting to invest in SA. We get dozens of calls from not-so-serious investors checking out the mood."

Several firms are conducting feasibility studies.

International financier and author Albert Alletzhauser has bought Nationale Pers' 29% stake in Penrose Holdings for R2,2-million. This is one of the first significant investments in SA by an American in recent years.

Mr Alletzhauser expects strong interest from US investors in SA once financial sanctions are lifted.

The IMF loan, which could be in place by November, would be made from its compensatory and contingency financing facility, designed to tide member states over extraordinary pressures on their balance of payments (BoP).

Mr Mandela says SA faces such grave social problems that the ANC is considering changing its requirements to end sanctions.

He was speaking before his meeting with President Bill Clinton.

Mr Mandela cited rising unemployment, crime and violence as reasons for the policy shift. He contradicted a statement earlier in the week linking the lifting of sanctions to legislation defining the powers of a transitional executive committee.

The IMF loan could start to reverse net capital outflows by placing investor sentiment behind SA, say economists.

This would hasten the demise of the financial rand and allow relaxation of exchange controls, says Nedcor Bank chief economist Edward Osborn.

Finance Department Deputy Director-General Estian Calitz says: "Although the IMF money will be allocated for alleviation of BoP problems caused by the drought, it will not be used for a specific expenditure item."

Reserve Bank general

manager James Cross says IMF approval is an important condition for attracting large-scale foreign investment.

"Once you have the IMF behind you, you're back in the world league and can afford to run BoP deficits. This will make a big difference to the country."

Net capital outflows were nearly R10-billion in the 15 months to March this year.

Mr Cross says the outflow could go into reverse once the IMF loan is in place.

Mr Osborn says the loan will cost more than R250-million a year if interest is charged at 8%. The cost will also depend on the rand's rate of exchange.

Surplus

"This year the surplus on the current account of the BoP will be R5-billion, almost equal to the capital account deficit resulting from meeting SA's debt obligations.

"It is unlikely there will be any overall BoP payments surplus this year, thus putting pressure on reserves and reducing the likelihood of further interest-rate cuts. "This tight BoP situation will continue. The IMF loan will enable SA to withstand pressure on reserves, but it will come at a direct cost to the Exchequer.

Twenty-seven US states, 90 cities and 24 counties have sanctions against SA.

Amcham says 16 US firms have invested in SA since 1991.

FOR years, South Africa was in the wilderness — shunned by Western leaders appalled by apartheid.

The economy suffered because of sanctions, and a visit by a South African politician to Europe would trigger a wave of hostile protests and demonstrations.

But this week in Brussels it was clear the climate had changed: Police didn't have to guard minister Dawie de Villiers when he flew in for a special conference on South Africa.

But while the country is being rehabilitated diplomatically and politically, it is still unable to attract the international aid and investment needed to provide the economic anchor for successful political reform.

Speaker after speaker during the two-day Forum Europe debate, warned that South Africa must not expect Western investors and donors to shower the country with aid and capital, however worthy of reward the changes may be.

Perhaps the most sober assessment came from Martin Kingston, a director of British investment advisers Morgan Grenfell.

Reality

Mr Kingston, who regularly counsels top European companies on investment prospects in South Africa, says he remains cautious.

Unless South Africa proves it can deliver sustainable political reform, there is unlikely to be much increase in Western investment, he says.

"The reality is that there is not an endless queue of impatient, pent-up foreign capital beating at the South African door to be let in.

"It will have to be courted and cajoled," he warned.

Businessmen in Britain are more willing to invest in Azerbaijan than in South Africa, where, because of question marks over the country's political future, it is difficult to evaluate the risk of investment.

The outlook for increased EC aid is also uncertain.

European Trade supremo Sir Leon Brittan and EC Foreign Policy Chief Hans

There was praise aplenty for the changed South Africa at the two-day 'Forum Europe' conference held in Brussels this week — but little sign of increased investment or aid. JOHN FRASER reports

No foreign cash bashing on SA's door

STimes 4/7/93

(14B) (SPP)

van den Broek addressed the conference.

Both urged that the reform process be speeded up, but neither was prepared to promise much extra aid to help stabilise a newly-democratic South Africa.

Sir Leon warned that the EC was suffering from "donor fatigue".

The most obvious way for the EC to help South Africa would be by admitting it to the Lome Convention — a trade and aid accord linking Europe with more than 60 developing countries, including all of South Africa's neighbours.

Mr de Villiers said that in some respects South Africa was a developing country, despite its sophisticated financial sector, and therefore deserved special help.

However, he admitted that the existing members of the Lome Convention would be suspicious about South Africa's admission.

Current members fear that aid which would otherwise have gone to them would be channelled to South Africa instead.

The fact remains that unless South Africa can plug into the Lome Convention and exploit every avenue of aid, it risks being left behind.

The EC's aid programme to South Africa — worth about R1-billion — is Europe's largest single aid project.

But its focus is mainly on promoting democracy and helping education, rather than on directly trying to boost the economy.

However, it would be wrong to stress the negative aspects of the Brussels debate and to exclude the positive side.

The conference showed that despite the images of violence still appearing on Europe's TV screens, the EC is giving South Africa's politicians — white and black — the credit they deserve.

Convince

As long as business and political leaders of a soon-to-be democratic South Africa do not set their sights too high, there is a fund of goodwill to be tapped.

As Mark Lennox-Boyd put it: "We want South Africa to make it. And we want South Africans to know that we Europeans will continue to play our part in bringing that about."

The challenge for South Africa is to convince this British Minister and his EC colleagues that they need to match words with deeds.

If they truly want to see a democratic, prosperous South Africa, they need to give less praise — and a lot more trade opportunities, aid and investment.

□ John Fraser is a freelance broadcaster and journalist who has covered the EC for 12 years

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ALBERT
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IMF loan: Mandela angers FW

PHILADELPHIA. — President F W de Klerk and Mr Nelson Mandela were preparing to receive Liberty Medal awards from President Bill Clinton at an Independence Day ceremony here last night, embroiled in a political wrangle over the lifting of sanctions.

It was up to the ANC — and not the current government — to decide whether South Africa should receive an \$850-million (about R2,8bn) loan from the IMF later this year, said Mr Mandela.

The remarks were in line with the generally imperious tone Mr Mandela has adopted toward Mr De Klerk, at least in public, in the run-up to yesterday's ceremony.

Mr De Klerk was reportedly angered by Mr Mandela's suggestion that sanctions should remain intact until legislation to set up the Transitional Executive Council had been approved. Mr De Klerk is quoted as saying that the hungry and the unemployed in South Africa are paying for every day lost.

Mr De Klerk appeared to have outflanked Mr Mandela on the issue of sanctions by announcing after a meeting with IMF managing director Mr Michael Camdessus that the IMF and the World Bank were "impatient" to resume lending to South Africa.

He predicted that the IMF would make available nearly R3 billion from its compensatory and contingency financing facility, possibly as early as November. The loan would be on favourable terms.

Speaking on Saturday in Philadelphia's legendary Independence Hall, where the United States constitution was drafted, Mr Mandela called Mr De Klerk's views "totally irrelevant". Lending to South Africa by the Bank and the IMF could resume only when the ANC called for the removal of remaining sanctions. — Own Correspondent, Sapa-AP

● End-sanctions call likely soon — Page 2

give resistance to pressure
sure negotiators into ac-

CT 5/7/93

Boost for trade with Egypt

By Day KATHRYN STRACHAN 6/7/93

TRADE between SA and Egypt was likely to increase by 300% with the launch of a new drive to forge links between the two countries, Egyptian Businessmen's Association secretary-general Taher El Sherif said yesterday.

Speaking after a meeting with Sacob and the Johannesburg Chamber of Commerce and Industry, El Sherif said businessmen from both countries envisaged a trade axis across Africa which would allow them to make inroads into the continent.

His delegation met Acting President Pik Botha in Pretoria yesterday, and is to meet representatives of the ANC, Reserve Bank Governor Chris Stals and Trade and Industry Minister Derek Keys.

El Sherif said initial efforts would be focused on imports and exports, with later plans aimed at creating joint ventures which would be contracted to other African nations. With SA's superior construction and engineering technology and Egypt's superior expertise and skills, the construction industry in particular would be boosted by the new links, he said.

An office of the National Bank of Egypt, which was opened in Johannesburg yesterday, would also be promoted into a full banking service, he said.

Efforts to promote tourism would be intensified.

Johnson Tiles squares up to market growth

JOHNSON Tiles (Pty), in the international ceramics division of UK-based Norcros, has completed the second phase of an R8,3m investment programme over 18 months. It has earmarked another R6,2m for the upgrading of manufacturing capabilities in the current financial year.

Marketing director Chris Dickinson said: "Capital investment on productivity and modernisation projects — which will total R14,5m by the end of this year — reflects the company's confidence in the future of SA and in specific growth opportunities. "Our overall aim is to become SA's lowest-cost producer of ceramic floor and wall tiles comparable to imported Italian products."

Dickinson said Johnson Tiles had about 20% of the SA floor-tile market and 30% of the wall tile market.

Zimbabwe, SA trade burgeons

IF TRADE with Zimbabwe continued as it had over the past few months, the annual growth could increase by as much as R1bn, a spokesman for a major transport company said. Development manager for Afrolink, Peter West, said he assumed this short-term spurt in trade between SA and Zimbabwe was a result of the end of sanctions.

745
717/93

NEF compromises on foreign investment

W/maul
By REG RUMNEY 917-1517/93
OF the reports issuing from the National Economic Forum this week, agreement on foreign direct investment represents real compromise.

The report is in an addendum to the forum's long-term working group report.

Consider the different places labour, business and government may be coming from on this issue.

For labour, the issue is protection of union rights and creation of jobs. Not so long ago, the union movement, suspicious of the multinational corporations, produced a foreign investment code punitive to foreign companies.

For business, attracting outside investment is essential, even if this means tax and other incentives and special treatment (unionists would say maltreatment) of labour.

For the government, the issue is revenue and management of the economy.

The compromise is that tax incentives or relaxation of labour law should not be granted foreign firms. Instead, reasonably low and stable corporate tax rates should apply and all firms should live with the same labour laws. Further, a broad range of incentives developed under a coherent industrial policy should apply equally to foreign and local investors.

Incentives themselves are not problematic, notes the document, but incentives aimed simply at attracting foreign investment without looking at a broader industrial strategy are.

The compromises come within the acknowledgment by all three groups that foreign direct investment (FDI) is a necessity.

Labour did not agree that South Africa needed to look outside for investment capital, but there was general agreement FDI was needed for other reasons and was sup-

plementary rather than prime. The general conclusion was that low business confidence was deterring both foreign and domestic investment, and that foreign investors look to domestic investors for the signal to invest.

"Therefore the first step towards encouraging foreign investment is the creation of an economic climate which encourages and stimulates domestic investment."

The group looked at the effect of FDI on the balance of payments, and came to the conclusion that net FDI could play a role during the transition from being a net capital exporter to having access once more to international capital markets. High inflows of FDI, primarily for fixed investments and largely in the form of equity, also reduce the need for indirect loan finance and diminish the danger of a foreign debt trap. Naturally, this does not apply while the financial rand is still in force, since it is designed to neutralise capital outflows against inflows.

The NEF group recognises that the quality of FDI is more important than quantity, with the priority being the strengthening of the long-term growth potential and competitiveness.

The need to attract commercially useful technology, often brought in by transnational corporations, was identified as important. Moreover, policy should encourage transnationals to train South Africans in new technologies and encourage technology transfers in other ways, as well as transfer some of their R&D activities to South Africa.

FDI is also important, found the group, in providing access to foreign markets for our manufactured exports. As well as the obvious spin-off of funds and technology, a rapidly rising proportion of world trade now takes place within companies.

Damper on IMF loan euphoria

w/mant 9/7 - 15/7/93 (S)

By REG RUMNEY

THE euphoria over State President FW de Klerk's announcement that South Africa might get access to an International Monetary Fund (IMF) facility is overdone. (S) (S)

True, an IMF stamp of approval is a signal to foreign investors that the country is okay for investment. (74B)

It will not, says Nedcor chief economist Edward Osborn, automatically mean Reserve Bank governor Chris Stals will turn his monetary policy around and cut interest rates again this year.

The \$850-million facility enables the Reserve Bank to borrow up to this amount in times of crisis on the balance of payments (BoP).

If Stals precipitates a BoP crisis by cutting interest rates, the IMF could accuse him of engineering a situation where the loan comes into effect.

Descriptions of the facility as being for drought relief are also misleading.

If South Africa has need of the facility, it will be reflected in the accounts of the Reserve Bank as a claim on balances in New York. It will not be loaned or paid to farmers.

So it will immediately be on the books of the Reserve Bank, strengthening the foreign reserves. But it is not a developmental loan.

The importance of having such a facility, says Osborn, is that it gives foreign investors a sense that there is the safety net in South Africa of access to IMF money.

It is not clear the loan will be drawn down in September. "It may be necessary to draw it down, depending on how badly the balance of payments is affected."

It would be better to announce the facility but not actually to use it, Osborn considers. If it is granted and South Africa does have to avail itself of the money, it must be remembered that the loan has to be paid back from the exchequer account in rands.

Depending on further devaluations of the rand against the dollar and the interest rate attached to such a loan, perhaps eight percent, this could mean, say, R250-million a year coming from the exchequer account for some years to come.

Wealth tax 'a practical idea'

Star 10/1/93

(148)

FINANCE STAFF

THE often-advocated reintroduction of prescribed assets as a way to allocate funds for black housing is a poor alternative to a wealth tax, says economist Gordon Young of the Labour Research Service.

Prescribed assets amount to a hidden tax on savings, says Young.

"If the previous pattern of prescribed investments is followed, prescribed assets will be imposed on all retirement and benevolent funds. This will have a direct impact on the returns obtained by these funds.

Projects

"The pensions and lump sum payouts of all union members who participate in these funds will be reduced. Many of these are low-paid workers whose only savings are held in their retirement funds."

There is no shortage of funds for investment in South Africa, says Young. But there is a shortage of projects that yield market-related returns.

"Offer the owners of capital an adequate return with acceptable risk and they will invest

French government raking in billions

FRANCE's tax on wealth draws about F15 billion or F16 billion (between R2.9 billion and R3.5 billion) into the state's coffers each year. Most of it is used to finance the "minimum insertion allowance" paid by the state to all those whose income falls below a certain level.

This tax is very similar to the wealth tax proposed by ANC advisers.

Introduced in France in 1982 and temporarily withdrawn in 1986 when the right came to power, the tax was reintroduced in 1988 by Michel Rocard's Socialist government.

The "solidarity tax on fortunes" affects all whose personal fortunes exceed a level defined in the budget each year. In 1989, the floor was set at F4 million, and F4.43 billion was collected for the payment of a minimum allowance to 400 000 people.

There were 125 042 who paid the tax. Those with personal fortunes of more than F20 million accounted for 57 percent of tax receipts, coughing up an average of nearly F762 000 each.

Antiques, works of art, certain farming properties, income from patents and — under certain conditions — shares are exempted from the tax. But buildings, moveable assets, cash, gold, jewellery, insurance policies and furniture are all taxable. The rate of tax rises with the size of the fortune. In 1990, the rate varied from 0.5 percent to 1.5 percent (on wealth exceeding F100 million).

in infrastructure. Unfortunately, black communities cannot afford to pay market returns for much-needed infrastructure. A wealth tax, not prescribed assets, is the solution."

Young says it would be difficult to extend prescribed assets requirements beyond life offices and retirement funds. Unit trusts and investment trusts have always been exempted.

and it would be impossible to extend such regulations to individuals' share portfolios.

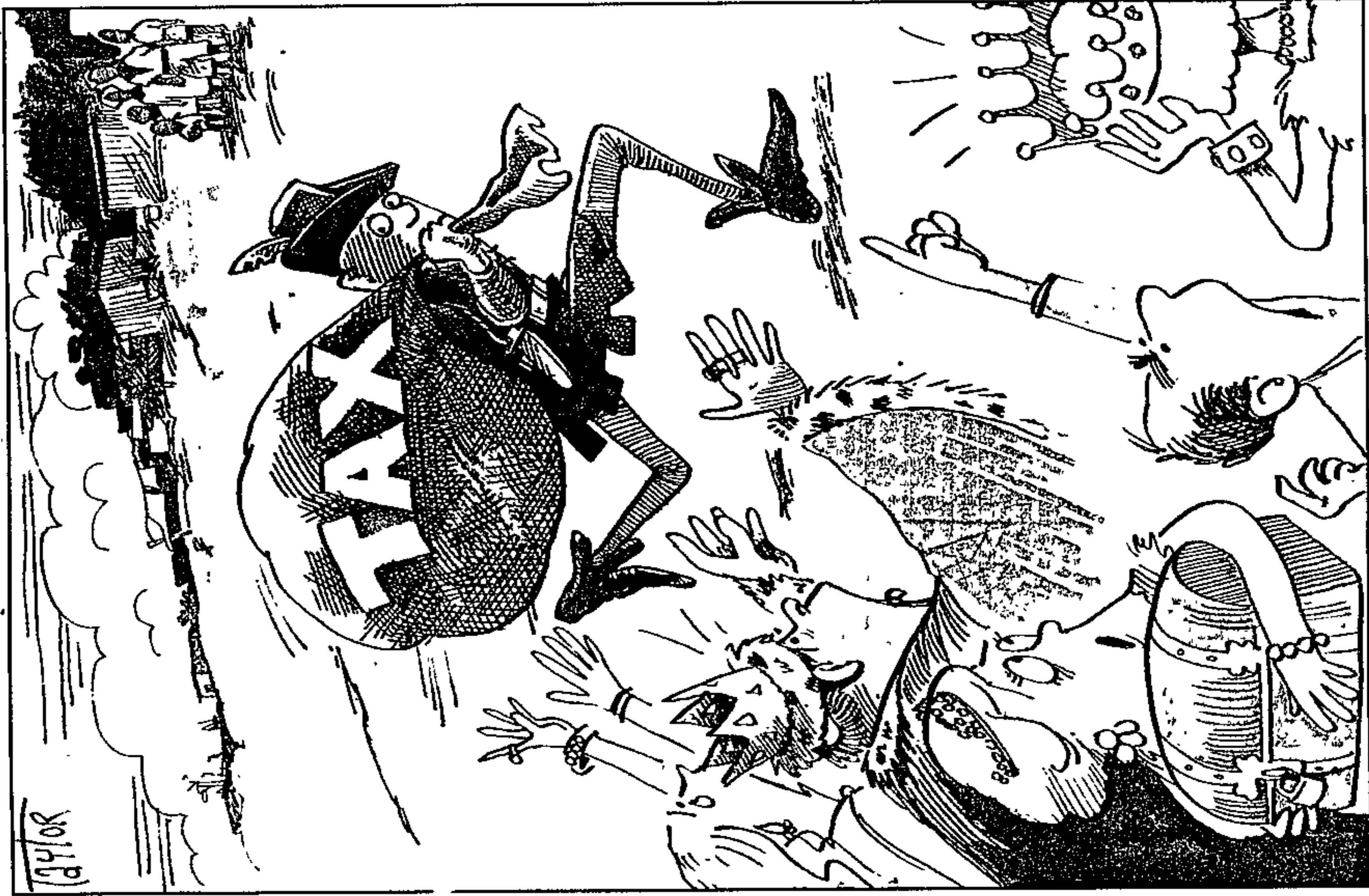
"Anyone who could afford to escape the prescribed assets net would do so. There would be a flight from the life offices — especially their retirement annuity funds — to the unit trusts. Asset investment managers would create new investment vehicles which would enable rich individuals to avoid the net.

"But poor people, ordinary workers and all who are not sufficiently wealthy to afford private investment advice will be caught in the net, and the cost of prescribed assets will be borne by those least able to afford it."

Approve

As an alternative, the Labour Research Service proposes creating a national investment board to free funds held by life offices. This board would approve a list of social investments producing market-related rates of return.

Life offices and other holders of long-term savings would be compelled to invest part of their cash flows in such investments, which would include not only social projects but also industrial, mining and property development.



Luring the dollars down south

Star 10/1/93

748

DAVID Altman makes his point by inviting you to imagine yourself in the waiting room of the United States Secretary for Commerce.

"You've come there looking for investment in your country but the room is full," he says.

"There are guys there from Eastern Europe, the Pacific Rim, Mexico.

"The Americans are looking all over the world right now. You don't just call for a lifting of sanctions and the money flows in," he says. "You have got to work for it."

Altman is the founder and MD of Made in USA, a company which has begun working on what he believes is the first step — promoting South Africa in the US as a country to do business with.

"There hasn't been a proper effort to market South Africa in the US. At the economic forum in the Cape, there were 150 overseas businessmen, of whom just 15 were Americans. We're talking about the country which is the largest consumer and producer in the world."

Altman (37) grew up in South Africa but left in 1973. He was in Los Angeles for 12 years running a marketing business.

The selling of this country, even the new model, has been complicated because "those marketing SA were the same people who had been defending apartheid."

Made in USA's immediate goal is to get American businessmen to see the country themselves.

South African-born David Altman has taken on the neglected task of persuading Americans to invest here. Chief Reporter JOHN PERLMAN spoke to him.

"In six months we have reached 130 000 companies in the US," Altman says. The vehicle has been an eye-catching information package — a small wooden packing case containing two brochures (one like an American passport) and a video on South Africa.

The focal point is a five-day "business-to-business" trade Expo starting on September 7. The package to exhibitors costs just under \$15 000 (R49 500) and includes trips to game parks, Cape Town and the Lost City. Three-quarters of the 212 spots have already been taken.

That doesn't mean they will all open factories in October, but nobody is expecting that.

"We know they will be bringing their notebooks, not their chequebooks," says Beau Timken, Made in USA's director of marketing. "But just getting them here is vital. When you come to South Africa this country sells itself. It is so important to shatter the CNN misconception machine."

Timken (27), a money manager from Ohio, was one of the information package's first converts.

It was passed on to him by a Washington-based cousin who is a lobbyist on Capitol Hill — this band of influential string-pullers were also targeted by Altman.

The game reserve and Cape Town trips might leave the exhibitors with warm hazy memories of South Africa, but Altman and Timken are not looking to sell the country on that alone. The bedrock of their sales pitch consists of hard financial facts.

"This country imports about \$20 billion (R66 billion) worth of goods a year," Altman says. "In the US, 70 per cent of growth in the economy in the past 12 months has been export-driven."

Apart from the Made in USA Expo — Altman organised a similar event in Kenya last year for 161 major South African companies — the organisation also "helps to match and marry people".

Tomorrow, for instance, Altman and Timken will host a gathering where key players in South African business, politics and labour will get to meet 20 senators and state legislators from the US.

But one of the most important things they're doing, Timken says, is challenging the despondency that seems to be everywhere. "Bad economies tend to do that."

"You can't do any work on a Monday or Tuesday here because people are too depressed," says Altman. "But I believe in the country, that people are ultimately reasonable. And we're trying to rise above that."

US investors take on a no-risk policy with SA

CIR 11/19/93

By JOAO SANTA RITA

CORPORATE America has given a clear message to ANC leader Nelson Mandela: Don't expect a rush of investments in the new SA.

Business analysts say in the short term some US companies might return to SA (some already have), but they would concentrate on selling and servicing their products rather than investing in productive infrastructure.

While organisations such as the World Bank and the International Monetary Fund will come forward with millions of dollars to help a democratic government, top US executives and analysts are now coming out in public to say what many already know: private capital is looking at SA and is having second thoughts about the country.

Mandela continues to have enormous prestige in the US and his American tour has shown that he is still capable of pulling crowds and raising money for his organisation.

But while many well-known American business personalities are ready to come out in support of fundraising for the ANC, they are much more cautious about investing their money in SA.

The *New York Times* this week warned in a business section headline that American companies are "awaiting more than Mandela".

"Executives of pension funds and endowments expressed excitement about the prospects of investing again in companies that do business in SA but it could take months if not years to gain approval to put their money back in the troubled nation," it said.

This week's violence brought the bloody images of unrest back to US television screens with commentators now under-



CROWD PULLER . . . ANC president Nelson Mandela continues to draw large crowds in the US.

lining the "black-on-black" and "tribal" aspects of the violence.

US officials and commentators have begun expressing doubts that free and fair elections will be possible because of the growing feud between Inkatha and ANC supporters. (11/19/93)

Statements by the ANC's chief economist, Tito Mboweni, that an ANC government has plans for a special tax to finance "development, repatriation and compensation" were given prominence by some American newspapers - compounding suspicions that still linger on about the ANC's economic policies.

One newspaper said many business executives were still suspicious about the fact that the ANC had been very late in "kicking the Marxist habit".

Reports of a power struggle between Cyril Ramaphosa and Thabo Mbeki for control of the ANC in the post-Man-

dela era have also been reported.

Some business executives are saying that the business community will have to wait "a couple of years" to see if the turmoil in SA abates.

Ironically, while up to now it has been to the ANC's advantage that apartheid is part of America's own racial politics, this could soon become a burden. (11/19/93)

Lobbyists and organisations which have strived in the struggle against apartheid now want to impose their own moral codes on the post-apartheid SA.

Many potential investors are openly saying that they do not want to face criticism from local organisations and will therefore turn their attention to less controversial places.

They pointed out that while the ANC has said it will agree with the lifting of sanctions once a transitional executive council is in place, many local anti-

apartheid legislators and organisations are saying that investments should only go to SA AFTER the elections.

Hundred of local legislatures and city councils have sanctions against SA and it may take months to reverse them.

Companies are unlikely to violate those laws and ordines even if the ANC gives the green light for investments.

US diplomats pointed out that Namibia had to fight huge bureaucratic battles with some US local authorities which had prohibited trade with the territory before the country's independence.

The laws remained in the books for months after Namibia's independence, forcing companies to cancel potential investment opportunities in Namibia.

William Moses, a senior analyst with the Investor Responsibility Research Centre, based in Washington, said a lot of investors had told him they did not want to be criticised for acting too quickly or prematurely.

"They don't want to be the first ones to take action. (11/19/93)

"They want to be second in going back to SA so they can assess the situation and maintain their integrity," he told the *New York Times*.

The newspaper said many universities which disinvested from companies with links with SA are now saying they want to see "tangible changes" before reversing their policies.

Jarrod Wilcox, director for international investments for a financial management company, said there were considerable risks for potential investors in SA.

He predicts economic and political turmoil after the elections.

"Those who act quickly could be hurt because of the turmoil and disruptions that will follow," he said.

NUM ready to strike

ERICA JANKOWITZ

INDUSTRIAL action at gold and coal mines was a possibility if the Chamber of Mines was unwilling to improve upon its current 7% wage offer, the NUM said yesterday. *Biday*

"If the mines' final positions are not improved substantially, the NUM will seriously consider moving to the next stage of the dispute procedure," said NUM assistant general secretary Marcel Golding. *(213)*

The NUM and the chamber meet this afternoon in a third conciliation board hearing to try to resolve the wage dispute. *(211)*

Golding called for a "credible offer which goes some way to redressing imbalances from low settlements over the past two years". Employers should not interpret the union's past acceptance of low increases as a sign of weakness. "There is a strong, defiant mood on the ground and employers should not underestimate our members' willingness to strike," Golding said. *2117193*

Chamber of Mines spokesman Adrian du Plessis said he found Golding's remarks, coming on the eve of a board hearing, to be "totally unhelpful".

He hoped "the parties would find each other" during the exchange.

Businessmen told to home in on Indonesia

Biday 12/7/93

GERALD REILLY

PRETORIA — Significant growth in the SA manufacturing industry would depend greatly on expanding trade with southeast Asian countries, particularly the vast potential market in Indonesia, Safto's Asia and Australasia manager Graham Limerick said yesterday.

Limerick headed a mission of nine SA businessmen to Indonesia this month.

He said Indonesia was an easier market to penetrate than Europe, with its tariffs and other constraints, and north America.

And there was no shortage of funds. Indonesia was well able to pay on delivery, unlike some African countries where payment delays of 18 months were common.

"Indonesia is a fabulous market. They are not the slightest bit interested in international trading." *(148)*

Limerick said it was a market which until now had been almost totally neglected by SA business and which clearly merited greater attention and exploration.

It was not an easy to do business with Indonesia which had less sophisticated

economic and trading structures than other southeast Asian countries. But once penetrated, the rewards could be enormous.

"There are 180-million people with an almost infinite demand for consumer goods and the means to pay."

The economy was growing so fast — currently at 9% a year — that there was little hope of the local manufacturing industry with its limited base catching up with demand. Imports were massive, mainly from other southeast Asian countries and Australia.

The total spent on imports in the region was around \$175bn annually. Of that, Indonesia spent \$34bn. The biggest importer in the region was Singapore with \$55bn, followed by Thailand (\$36m), Malaysia (\$39bn) and the Philippines (\$11bn).

Limerick said the recent mission had found SA manufacturing would be competitive in price and quality with most other countries trading in the vast southeast Asian market.

Small business 'the key to a wealthy nation'

Biday

2117193

JOHN DLUDLU

THE informal sector would have to be integrated into the mainstream economy to make SA a winning nation, AngloAmerican gold and uranium division chairman Clem Sunter said last night.

He told delegates at the launch of an international trade practice course that the recipe for the success of wealthy countries lay in developing small business.

Economic opportunities for township traders had to be created because full participation in the economy would lead to

social harmony. "We don't need black or white messiahs to help us. We need to make ordinary people champions." *(153A)*

Sunter said the education system had to be overhauled to respond adequately to SA's social and economic needs.

About 90% of jobs were created in small business. Schools did not prepare children to be entrepreneurs.

Nafcoc calls on investors

THE National African Federated Chambers of Commerce (Nafcoc), which caused a stir in 1986 by refusing to take an anti-sanctions stand, is now calling on investors to prepare for investment in SA.

Nafcoc president Archie Nkonyeni said yesterday organisations such as the World Bank and the IMF should start research and feasibility studies for investment in a post-apartheid SA, because "the mission has been accomplished".

Nafcoc refused to lobby against sanctions when foreign companies were disinvesting.

Nkonyeni said Nafcoc would support the call to free SA to trade with the outside world once a transitional executive council (TEC) was in place. (74B)

As a sign of things to come, World Bank Southern Africa infrastructure operation divisions chief Isaac Sam was to address Nafcoc's annual conference at Sun City on July 25 — the first time a World Bank executive had addressed black business in SA, Nkonyeni said.

CT 13/12/93

Daewoo stays out of SA car market

Biday 13/1/93

EDWARD WEST

KOREAN-based Daewoo has opted against investing in SA's motor industry in the short term because of the proliferation of car makers in SA and high import duties.

Daewoo with an annual turnover of \$30bn, has a significant share of the consumer durables market in the Far East and Europe. Daewoo's SA representative Chung Ryu said a delegation recently visited SA to explore motor manufacturing opportunities. They visited the assembly operations of Delta, Samcor, bus-builder Durabuild and held discussions with the National Association of Automobile Manufacturers of SA.

He did not rule out the possibility of introducing Daewoo vehicles to SA in the long term. (148)

Daewoo, in a joint venture with Anglo American subsidiary Amic, recently acquired a 29,9% stake in Gen-tech from controlling shareholder Powertech for R20,1m to take advantage of the growth potential of SA's white goods market.

The company was also conducting a feasibility study with Amic to make colour television tubes in SA in a joint venture. The proposed factory would cost R600m, said Ryu.

Nafcoc reversal on sanctions

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President Archie Nkonyeni said yesterday that bodies such as the World Bank and the IMF should start feasibility studies for investment because "the mission has been accomplished". *Monday 13/7/93*

Nafcoc was slated when it refused to lobby against sanctions when foreign companies were disinvesting. *(180)*

"When we took the stand in 1986, we knew black business would be hurt as well, but we felt it was well worth it if the larger

THEO RAWANA

community felt sanctions should be used to liberate black people.

"Today that process of sanctions has brought government to look at evolving a process of liberating the people and we are looking to April 27 for the birth of a new SA," Nkonyeni said. *(148)*

He said Nafcoc would support the call to free SA to trade with the outside world once a transitional executive council was in place. *(148)*

"But investors should start doing their research and viability studies now. It would not do to have investors doing research after the council is in place."

C

Star 4/7/93
US state to lift SA ban

Ramsay Milne
Star Bureau (748)

NEW YORK — Though still waiting for a formal signal from ANC leader Nelson Mandela, New York state is to take immediate steps to lift investment restrictions against South Africa.

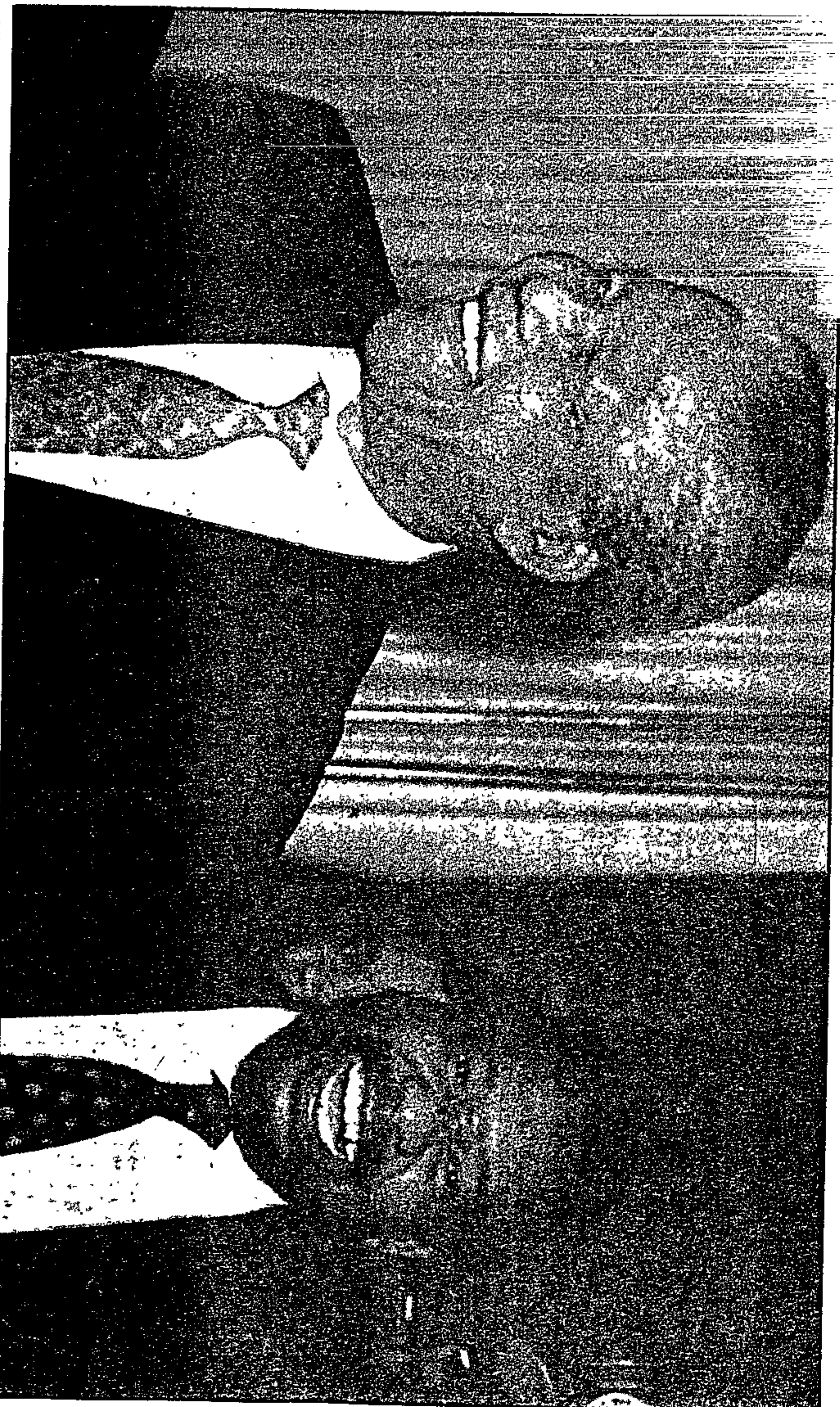
State controller H. Carl McCall, said a conversation with Mandela during Mandela's US visit had convinced him he should withdraw any shareholder resolutions that

call for restrictions on investment in South Africa.

Although these steps would be taken in advance of any ANC call to lift sanctions, McCall said he would advocate a full investment policy only when the ANC urged an end to sanctions.

He said Mandela had told him he expected the ANC to make that call within three weeks.

McCall is the first black holder of a major state post in New York.



All smiles . . . Nelson Mandela and Cyril Ramaphosa at Jan Smuts yesterday.

Mandela home and optimistic

By Kaizer Nyatumba
Political Correspondent

ANC president Nelson Mandela yesterday returned from the United States full of optimism about South Africa's future in spite of the continuing violence, and said President Bill Clinton and US businessmen were ready to help the country during the transition.

Mandela, who jointly received the Philadelphia Liberty Award with President

F W de Klerk on July 4 — US Independence Day — said his trip to the US had been an unqualified success.

Not only had he raised millions of dollars for the ANC's election coffers, but he had also obtained commitments from Clinton and important business leaders to help South Africa during the transitional period.

"I used the opportunity to ask both the president and business leaders for a massive injection of funds (into

South Africa) to help generate wealth and offer job opportunities. I asked the president to specifically encourage both the public and private sectors to invest in South Africa," Mandela said.

The ANC leader said he also briefed Clinton about discussions which had been going on between the ANC and the International Monetary Fund for the past three years about financial assistance.

● To Page 3

US state to lift SA ban

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Picture: George Mashini

Mandela upbeat on new funding

New York calls for SA investment

Biday 14/7/93

14/7/93

TIM COHEN
and SIMON BARBER

ANC president Nelson Mandela returned from the US yesterday with an upbeat message, saying he had received a positive response to his call for a "massive injection of funds" for the country and the ANC.

Positive indications also came from the US yesterday after the announcement that Mandela's discussions had prompted the official in charge of New York state's \$56bn pension fund to call for renewed corporate investment in SA soon.

State comptroller Carl McCall also said Mandela had told him the ANC would call for the lifting of remaining economic sanctions within three weeks.

Mandela adopted a conciliatory position on the Afrikaner nationalist organisations' call for an Afrikaner homeland and Zulu King Goodwill Zwelithini's fears about the future of KwaZulu, saying the ANC was sensitive to nationalist needs.

Addressing a news conference at Jan Smuts Airport, Mandela emphasised that the principal aim of his trip was to encourage investment in SA from public and private sources as soon as possible.

He had raised the matter with US President Bill Clinton, arguing in favour of a "massive injection of funds" and had asked that this be discussed at the G-7 economic summit in Japan. Clinton's response had

been "very positive" and he had promised to do everything in his power to help rebuild SA's economy.

However, Mandela appeared to be less than pleased with the single line on SA in the G-7's final communiqué which noted that progress was being made in multi-party negotiations.

Nevertheless, preparations were being made for delegations of US businessmen to visit SA, he said.

On his fundraising efforts for the ANC, Mandela said these had "exceeded our wildest expectations", although he could not say how much had been raised because donations were still flowing in.

Mandela linked the recent surge in violence to the announcement of an election date, saying the killings were a result of people's fears that they would be "totally wiped out" in elections.

He said the ANC was willing to meet Zwelithini to discuss the issues raised by the king, such as the role and future of the monarchy and the KwaZulu region's position in the process of regional delimitation.

The ANC's proposals on the new regional delimitation took into account the king's fears and also went a long way towards

□ To Page 2.

New York

Biday

14/7/93

accommodating the desires of Afrikaner nationalists.

In New York, McCall, the elected official in charge of the state's \$56bn public employee pension fund said yesterday he wanted US corporations to resume investing in SA as soon as possible. (14/7)

McCall said that based on discussions with Mandela he believed "the situation has sufficiently changed that US corporations should seek sound business opportunities that will enhance economic well-being and equality for all races in SA" (14/7)

New York state has never had a formal law barring public investment in companies that do business with SA, but has supported shareholders' resolutions calling for corporate withdrawal.

"These campaigns were highly successful and effective," McCall said. "However, to continue such a policy would be counter-productive because it would undermine the economic health of a post-apartheid SA."

BILLY PADDOCK reports that KwaZulu Chief Minister Mangosuthu Buthelezi

was not available last night and he was the only person "permitted to comment on matters related to the king", cabinet minister Dennis Madide said.

In a statement, Mandela said he noted Zwelithini's remarks on Sunday at the Imbizo held in Durban. "In his speech, His Majesty raised concerns on the role and future of the monarchy and the place of the KwaZulu/Natal region in the process of regional delimitation.

"The ANC has further noted that the king seeks clarification on ANC positions with regard to the matter. The ANC welcomes the opportunity to discuss with King Zwelithini its positions on these critical issues," Mandela said.

He said he wanted to meet Zwelithini because the ANC believed the concerns "are crucial and should be handled in a manner satisfactory to all".

The ANC was willing to send an emissary to Zwelithini within a week to make arrangements for such a meeting.

● Picture: Page 3

Port Elizabeth

WIND

New York to urge reinvestment in SA

74B

ARG 14/7/93

□ 'Sanctions could undermine health of new SA'

RAMSAY MILNE
The Argus Foreign Service

NEW YORK. — Though still waiting for a formal signal from Mr Nelson Mandela, New York State is to take immediate steps to lift investment restrictions against South Africa.

The state's controller Mr H Carl McCall said that, based on a conversation he had with Mr Mandela during the ANC president's recent visit to the United States, he would immediately withdraw any shareholder resolutions that call for restrictions on investment in South Africa.

He said that he would, in fact, encourage those companies in which the state holds stock to seek investment in South Africa.

Though these steps would be taken in advance of any ANC call to lift sanctions, Mr McCall said he would formally advocate a full investment policy in South Africa only when the ANC urged an end to sanctions.

"I am convinced and assured that the time has come to consider a reinvestment programme in South Africa," said Mr McCall.

He added that Mr Mandela had told him last week that he expected the ANC to call for the lifting of all economic sanctions against South Africa within three weeks.

Stating that the disinvestment campaign against South Africa had been "highly successful and effective", Mr McCall added: "However, to continue such a policy would

be counter-productive because it would undermine the economic health of post-apartheid South Africa."

Mr McCall, who is the first black to hold a major state post in New York, said that Mr Mandela's description of the economic conditions faced by black South Africans, who have a 48 percent unemployment rate, had convinced him to take the step.

New York's \$56 billion (about R168 billion) state pension fund holds stock in 495 of the 500-largest publicly traded companies in the US.

Under pressure from anti-apartheid activists the state had reduced its stock to 42 companies with investments in South Africa, down from 167 when the disinvestment policy started in 1985.

211

Nigeria offers investment incentives

JOHN DLUDLU

POTENTIAL SA investors in Nigeria stood to benefit from its current policy of economic deregulation, a Nigerian legal expert said in Johannesburg last night. *Biday*

Speaking at a joint investment seminar organised by local law firm Werksmans and F O Akinrele and Co of Nigeria, Akinrele managing partner Ademola Akinrele said his government was "sincere and open" regarding deregulation. *147193*

This, he said, stemmed from a realisation that Nigeria's economy needed to open up trade with other countries to achieve vitality. *(748)*

Another incentive for doing business with Nigeria was the impending resolution of the impasse following the cancellation of June's election re-

sults by the military government.

Akinrele said he believed the resolution would favour a return to civilian rule, which would spur the liberalisation of remaining trade restrictions with other countries. He added that the government "would hopefully provide far better incentives for investors".

He also outlined areas of investment and legal procedures regarding investing in Nigeria, and said the private sector was keen to do business with SA. *(236)*

Akinrele senior associate and tax specialist Oluwatoyin Olashaju said the liberal policy of exchange controls — which included unrestricted

importation of foreign capital — was part of an incentives package. Apart from the central bank, investors could also use the autonomous markets, which were freer and more efficient than the central bank.

Olashaju also outlined several concessions in the Nigerian tax system for foreigners. These included pioneer status, which offered a seven-year tax-free allowance to high-tech-based and labour-intensive projects.

To encourage infrastructural development in rural areas, the tax system allowed for a 100% tax rebate for a period of three years, she said.

Akinrele partner Sean Larkan said plans were afoot to set up an "Africa hot-line", a legal service to assist people interested in trade with African countries, jointly with Saftc.

Foreign funds pour into SA equities

Biday 16/1/93
14B

FOREIGN demand for SA shares and gilts quoted on the JSE has surged, with the net inflow nearing the R3bn mark for this year from only R300m last year.

The JSE has found favour with foreign investors for the first time in years. An initial perception that SA gold shares were underpriced and gold fever triggered by billionaire George Soros have pushed purchases of shares by non-residents to more than R2bn this year.

Last year foreigners were net sellers of SA shares to the tune of about R500m. The previous year's figure topped R4bn.

Figures released yesterday showed that last week alone R156m flowed into the equities market as gold tested the \$400 level and the JSE gold board buzzed. Reuter reported that strong foreign interest in selected SA shares took the wider market higher yesterday in steady trade.

According to JSE data, foreigners have bought R730m in gilts so far this year compared with about R785m for all of 1992. London brokers were active buyers on the bond market yesterday, taking out pockets of about R40m at a time, a dealer said.

The financial rand has failed to respond to the sharp turn for the better in foreign purchases of SA securities. Reserve Bank

GRETA STEYN
and TIM MARSLAND

Governor Chris Stals ascribed the failure of the investment unit to respond to the changed sentiment to large finrand balances non-residents held with SA banks. Reserve Bank figures showed that from a peak of almost R7bn, these finrand balances had fallen to less than R6bn as non-residents switched into gilts and equities.

Stals said the balances with the banks represented an "overhang" from the past, that would create difficulties in phasing out the finrand.

The unit has barely diverged from the R4,60 level since February, barring when it shot up to the R5,00 level after the murder of SACP leader Chris Hani. It dropped back to R4,60 within days. The unit was slightly firmer yesterday at R4,59 from a previous close of R4,6150.

Gilts traders said SA bonds were offering good value to foreigners and the stability of the financial rand over the past months was encouraging. A dealer said wild movements seen in the unit last year and early this year had scared off foreign buyers because of the effect on the capital value of the bonds.

SA's restrictive laws are discouraging investment

By Thabo Leshilo

Because of its restrictive laws on foreign investments, South Africa offered no encouragement to outsiders and would have to make radical changes to woo foreign investors.

This view was expressed by Shoul Eisenberg, one of the world's leading industrialists here on a visit. (14B)

It was time, he said, that South Africa eased its tax and import duty laws and considered offering foreign companies grants.

Eisenberg was speaking at a press conference in Johannesburg called to launch the South African Chinese Exhibition to be held in Beijing in March 1994.

Based in Israel, Eisenberg successfully urged the Israeli government to ease harsh legislation on foreign investments.

Because of his efforts, foreign investors in Israel now receive extremely advantageous trading tax terms, making the country attractive.

Noted for his willingness to invest in countries others fear to enter, Eisenberg bought a stake in Sukhulu Holdings in 1990. He also has a share in KNJ, listed on the JSE.

Deputy director of China's Ministry of Foreign Trade and Economic Corporation, Wei Jianguo, said wonderful business opportunities awaited South Africans in China.

The world's fastest growing economy, China had an "insatiable" demand for South African machinery, raw materials, chemicals, mining equipment, hi-tech goods and other products.

He said trade between the two countries had grown considerably since the China adopted its "open-door" policy 13 years ago.

Ed Pinshow, spokesman for the Times Media Exhibitions, organisers of the show, said more than 250 South African companies would take part in the exhibition. Some 40 000 Chinese decision-makers have been invited.

ANC to court foreign investment

St James (Buss) 18/7/93

THE ANC will unveil an initiative to attract investment through the formation of a "foreign investment platform" on Tuesday at a conference in Johannesburg.

"The ANC has already announced its readiness to lift the ban on foreign investment as soon as certain political milestones have been reached, including the date of an election and the formation of a transitional executive council," says ANC economic planning head Trevor Manuel in a letter inviting delegates to the conference.

"These steps are now in sight. We have already begun preparations in anticipation of these events for an initiative to attract foreign portfolio investment to this country," Mr Manuel says in his June 22 letter.

The ANC is determined to let investors in SA and abroad know that it is committed to balanced economic growth.

"We desperately need renewed investment in job-creating enterprises, in the reconstruction of black communities and in the development of poor areas. Foreign investors play an

By KEVIN DAVIE

important role here.

"What is lacking, however, is the institutional framework for directing cash flows to productive investment. We believe this question needs urgent attention."

Mr Manuel says the ANC seeks advice on how to establish the institutional framework of investment vehicles and financial instruments for development.

"Financial institutions which are able to contribute in a concrete way to the development of the necessary investment infrastructure, will be invited to participate in a foreign investment platform which will campaign overseas for foreign investment in the coming months."

The invitation has been sent to stockbrokers, merchant bankers, the life and pension business and commercial bankers.

"The conference is not directed at foreign investors," says an organiser. "We're talking to local institutions

about this issue before marketing SA as a destination."

Organisations have been asked to send two delegates to the closed conference at the Holiday Inn Garden Court at a cost of R750 a head.

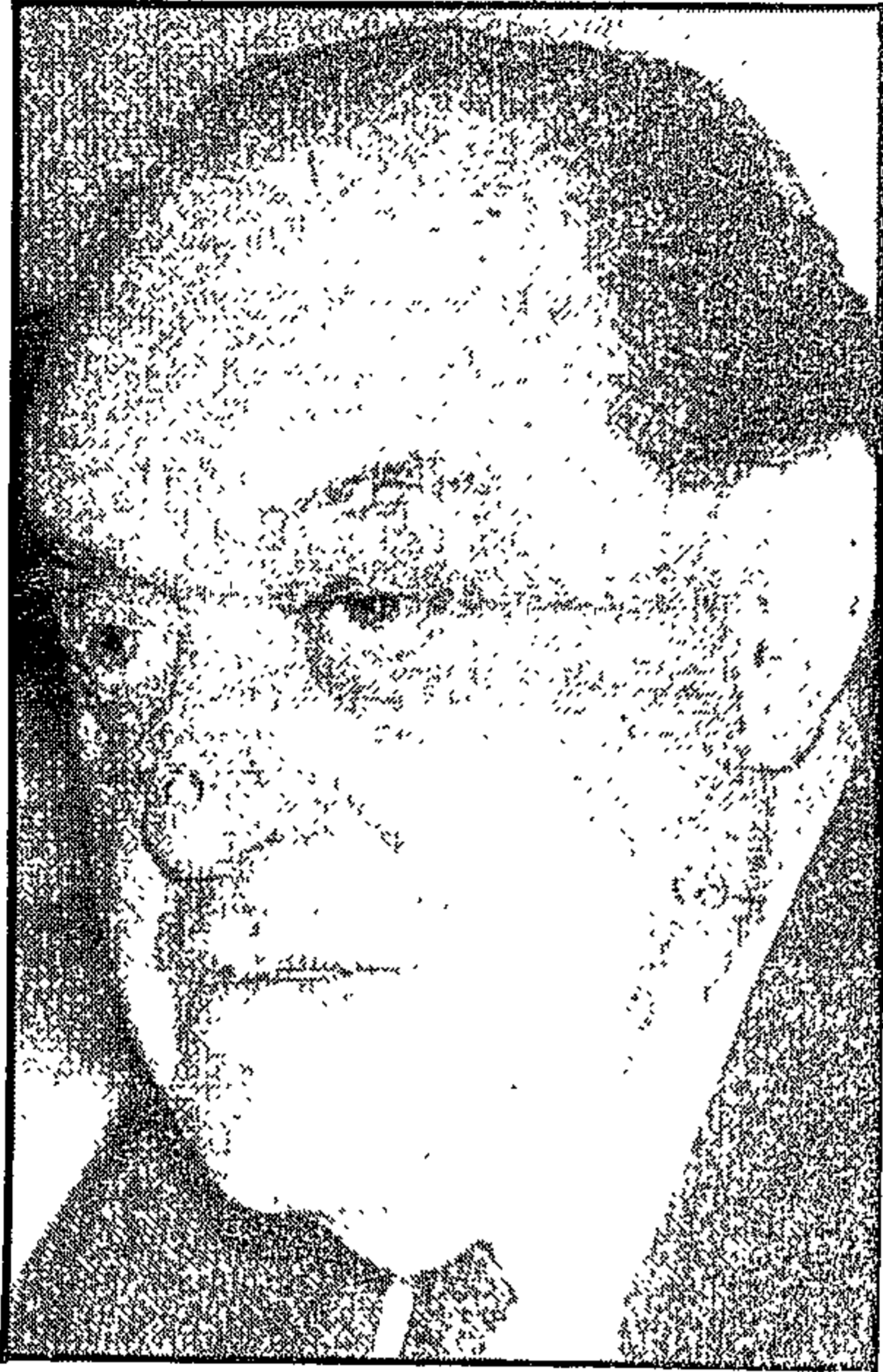
Fifty delegates had by Friday confirmed that they would attend.

Mr Manuel's letter does not list the speakers. But it promises a high-level speaker on ANC guidelines and a timetable for foreign investment.

One of the conference's aims is to "encourage the development of suitable instruments to direct foreign investment towards development", including "job creation, reconstruction of black communities, venture capital and other activities contributing towards balanced, socially responsible growth".

A trade unionist will provide a perspective of investment priorities and the role of codes of conduct.

Other issues include existing and potential investment vehicles, technical problems, such as US regulatory obstacles and the finrand, as well as existing and new institutions involved in foreign investment.



Billionaire pathfinder backs SA investment

SI Times (Buss)

18/7/93

By JULIE WALKER

SHOUL EISENBERG, who is worth an estimated \$1,5-billion, believes South Africa can attract foreign investment and reach high employment only if the Government provides sufficient incentives.

Mr Eisenberg is famous for having put money into countries where even angels feared to tread — Japan, South Korea, the Philippines and China.

He has a 15-year start on companies considering investment in China today. He believes there is room for co-operation between China and South Africa.

His visit to SA this week was to meet political and business leaders and to announce a major trade fair for 250 SA companies in Beijing. The fair is organised by Times Media, owner of the Sunday Times.

Mr Eisenberg says Chinese companies would be willing to invest in industrial ventures in SA. China is courted by the world because of its vast infrastructural needs. The Chinese Government encourages foreign investors, whereas there is little incentive for them to put their money in SA.

A proponent of the lifting of currency curbs, Mr Eisenberg believes that incentives, such as land availability, tax advantages, cheap loans and favourable raw-material import duties, should take priority over the removal of exchange control.

When most companies were pulling out, Mr Eisenberg invested in SA through KNJ-Sukhulu, the listed manufacturer and trader of industrial and consumer goods.

Sukhulu's Lou Ichikowitz met Mr Eisenberg in his adopted Israel several years ago

and they forged a friendship based on like-mindedness.

Mr Eisenberg was the moving force behind Israel's repeal of restrictive investment legislation and the country now offers attractive advantages to foreign investors.

One of his companies is the major shareholder in Israel Corporation, which has 50 subsidiaries employing 8 000 people. Its turnover is \$2,5-billion.

Mr Eisenberg is surprised that even the smallest consumer items are imported by SA which has the raw materials, labour and infrastructure to make them. He is also startled by the fact that some companies charge domestic buyers more in order to subsidise low-priced export sales.

He says SA could benefit from the technical China's expertise in small industries and manufacturing ventures. There is a ready market numbering 600-million to the north of SA

But SA needs stability and co-operation among all its people. It can be done.

In China, 90% of the people belong to a single group. But the 10% who do not number 120-million people — three times SA's population. But they are accommodated.

If Japan and Germany can succeed without any raw materials to speak of, think of what SA could do if everyone pulled together, he says.

With his record, Mr Eisenberg's interest in SA is an endorsement of its potential.

SHOUL EISENBERG . . . a moving force in Israel and an endorsement for SA's economy

Hefer denies he's quitting

By CIARAN RYAN

ABSA chairman Herc Hefer has dismissed talk that he is about to leave the bank following the resignation of Piet Badenhorst.

But speculation continues that Absa is keen to revamp its leadership image after Mr Badenhorst's disastrous court battles with sports promoter Peter Mancer.

Insiders say Mr Hefer's close ties with Mr Badenhorst and his involvement with dead oil tycoon Marino Chiavelli continue to plague the bank.

An Absa spokesman says: "Mr Hefer is not aware of any plans to remove him."

JSE rules catch Kruger short

SI Times (Buss)

By ZILLA EFRAT

18/7/93

THE investigation into the Greg Blank scam uncovered other unrelated irregular share dealings on the JSE — those by top broker Frikkie Kruger who the JSE expelled this week.

The Office for Serious Economic Offences investigation's findings were evaluated by Transvaal Attorney-General Klaus Von Lieres und Wilkau, who said there had been insufficient evidence to justify a prosecution.

The JSE followed up on Attorney-General's leads and expelled Mr Kruger, one of the JSE's best-known brokers, on Thursday after finding him guilty on 49 charges.

Most are believed to have happened when he was a partner at broking firm Frankel Kruger (named after Mr Kruger). The firm has since changed its name to Frankel Max Pollak.

Mr Von Lieres says he will now reconsider whether there is enough evidence to prosecute Mr Kruger when he receives the transcript of the JSE's internal hearings, expected to be handed to him early this week.

Mr Kruger, described as likeable "salt of the earth type of guy", joined

Frankels in 1976 but left shortly after the Greg Blank story broke in 1991. He is said to be in his mid- to late-40s.

He is believed to have a flashy lifestyle, owning a game farm in the Northern Transvaal and a big house at the coast

He is said to have made and lost millions on the JSE's floor by being a large risk-taker and with "a contrarian investment approach".

Brokers say Mr Kruger virtually ran his own business and was responsible for the bulk of the Frankel's dealings with Sanlam.

Sanlam senior general manager investments Ronnie Masson says his institution has received no information about the case.

He adds that Sanlam has done regular checks on all transactions with brokers and has, up until now, found no evidence of any irregularities. "If new facts come to light, we will, of course, take action."

The charges on which Mr Kruger was convicted by the JSE include:

- Making a secret profit out of deals on behalf of clients at the expense and to the prejudice of clients;
- Requiring clients to pay to their prejudice an excessive price for shares purchased with the excess accruing to his benefit;
- Adopting a method of dealing with clients that caused a broking firm to act in breach of its duty of good faith towards clients;
- Entering into transactions that were fictitious and which were effected to the prejudice or potential prejudice of the JSE;
- Concluding transactions on behalf of clients in such a manner that a benefit accrued to employees of the clients instead of the clients.

Mr Kruger was expelled on 39 charges after appearing before special meetings of the JSE's General Committee in June and July.

He was suspended as a broking member on six charges and a lesser sentence was imposed on four charges.

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South Korean giant likes look of new SA

SiTi vnoo CBussj 181-1193

ONE of the world's leading industrial conglomerates, South Korea's Daewoo Corporation, is eyeing South Africa as an avenue for investment.

It made its first move this month when it linked up with Anglo American Industrial Corporation (Amic) to buy an effective 29.9% stake in General Technologies from Powertech for R20.1-million. The interest will be held by a joint company, Daewoo-Amic JV.

Daewoo is also conducting a feasibility study with Anglo American into the possibility of establishing a R600-million TV tube factory in SA.

Daewoo Southern Africa director Choong Ryu says: "The study will be completed by the end of this year."

"The tube makes up 40% of the cost of a TV set. It is essential that we have a proper TV industry in SA with a view to the export market. We are also investigating the possibility of making motor components for export."

"We are looking at joint ventures in SA and anyone with a good idea is welcome to approach us."

"We are betting on the future of SA. Your country is the only hope in Africa. If it collapses, there is no chance for the rest of the continent."

"Black leaders know what direction to take and although there might be some turmoil in the future, I believe the political situation will be resolved. This

By DON ROBERTSON

is the message I have been giving my people in Seoul."

Daewoo has been in SA since 1984, operating under the name of Young Stanley to beat sanctions. It claims a 30% share of the microwave market in SA through the Mercury and Alm brands. It has a modest share of the refrigerator market through the Philips range made in South Korea.

It is also a major supplier of textiles, machine tools, vehicle components and computers.

Daewoo imports coal and aluminium ingots from SA, contributing to a bilateral trade worth about R150-million a year.

Daewoo's growth is an example of the entrepreneurship of its founder and chairman, Kim Woo-Choong. He started the company in 1967 with \$10 000. It was an importer of textiles and exporter of clothing. Sales in the first year were \$700 000.

Daewoo, the third corporation largest in South Korea, is one of Fortune magazine's top 50 industrial companies. It has a turnover of \$30-billion a year and will spend \$1.5-billion on plant, equipment and investments this year.

Research and development divisions will receive about \$1-billion.

The corporation has about 100 branches and 50 major subsidiaries in 80 countries. It employs 100 000 people.

Daewoo supplies Caterpillar with 10 000 forklifts a year. Its shipbuilding and offshore structures division is the largest in the world.

The automotive plant has a capacity of 700 000 units a year, including cars, trucks, buses and rail transport systems. The steel, metal and building division is one of the largest in South Korea.

The company exports about \$1-billion of chemicals a year.

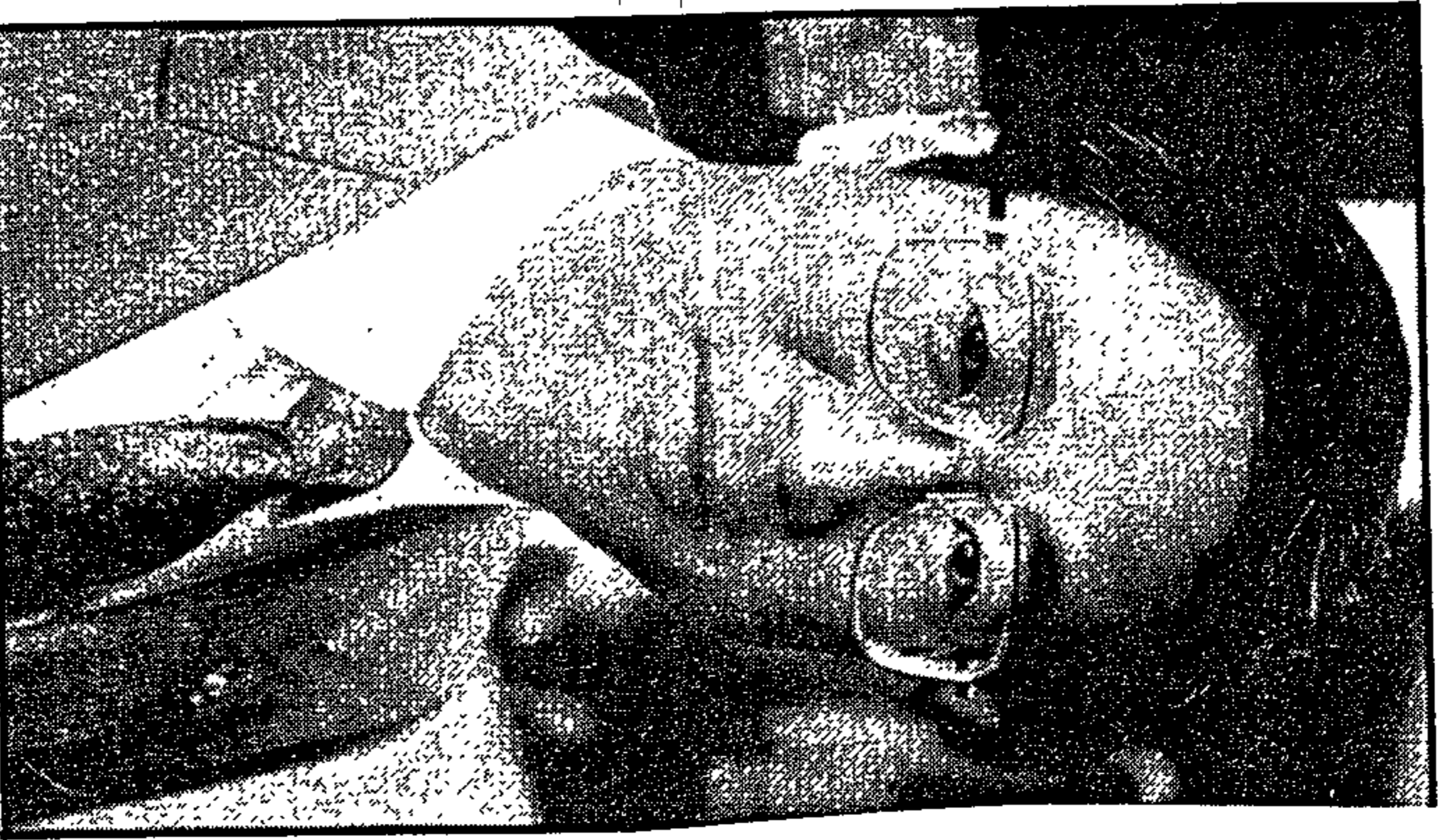
It makes TV sets, VCRs, CD players, audio equipment and home appliances. It is also involved in telecommunications, aerospace, cookware, luggage, pianos, bicycles, leather goods, toys, textiles and garments.

It once operated the world's largest textile factory.

The resource development division is investigating uranium and coal projects in Canada, coal in Swaziland and various oilfields. It recently completed a road network in Botswana.

Engineering, construction, architecture and civil works and information systems make up the rest of the group.

Although his company ranks as one of the biggest in the world, Mr Woo-Choong is not among Fortune's wealthiest people. He recently donated his entire shareholding in Daewoo to welfare organisations in South Korea.



CHOONG RYU: Anyone with a good idea is welcome

Gibraltar taps into SA business

THE Gibraltar government has officially opened its doors to SA business by starting an information bureau in Johannesburg.

Bureau head Michelle Sawyer said in a statement yesterday her government saw the local business community as "virtually untapped", with the country having a wealth of entrepreneurial and investment capacity.

The office, to be known as the Gibraltar Information Bureau, was the first of its kind to be opened in Africa, Sawyer said.

"Gibraltar has a lot to offer. To export-oriented businesses the British dependent territory provides a gateway to massive EC markets, easy entry to north African markets and the huge potential of Spanish-speaking South American markets, and even mainland China."

Among the incentives for potential exporters in SA were Gibraltar's low tax rates, no exchange

controls and what she termed "sound investor protection" legislation. Investors could also expect to live in a politically stable and "virtually crime-free environment" where the English language, currency, fiscal and legal systems were entrenched. (143)

A bureau investment guide said labour costs in light assembly and the financial services sectors were generally low in Gibraltar compared with other countries.

The country's trust laws were an added benefit for investors. Trust income created in Gibraltar was exempt from taxation if the trustees were resident in the territory.

"Trusts are also not required to register, there is no minimum capital requirement, no tax if the trust is formed for non-residents and has no locally-derived income."

Light industry was attracted to

development projects in Gibraltar by "generous tax concessions" and by preferential (often duty free) access to EC markets.

There were three types of business vehicles available, each offering a different tax regime. These were resident companies, which were taxed on worldwide income at a 35% rate on adjusted assessable profits; tax exempt companies, Gibraltar's principal offshore vehicles which did not pay corporate tax, stamp duty or withholding tax; and qualifying companies, which were subject to tax at a negotiated rate of 2%-18%.

Qualifying companies were not allowed to conduct business with Gibraltar residents and should have a paid-up share capital of not less than £1 000.

By 1991 there were about 40 000 offshore companies registered in Gibraltar. Foreign firms were now also being encouraged to establish a physical presence.

Trans-Natal, Sasol eye Italy's Agipcoa.

Biday 2017193

ANDY DUFFY

SA's largest coal exporter Trans-Natal and petrochemicals group Sasol have taken the first steps toward bidding for part of Italy's Agipcoa company. (148)

The groups have officially expressed an interest in the state-owned company, which was put up for sale earlier this year as part of Italy's privatisation drive.

Unconfirmed reports also said Gold Fields Coal and several smaller SA coal companies were in the running. (148)

It is understood the interest is focused on Agipcoa SA, which has an export quota through the Richards Bay Coal Terminal, and 35-year coal reserves. Agipcoa SA has an unofficial price tag of at least R100m. Analysts believe that should Sasol buy Agipcoa SA, this could scupper the plans put forward by the Coalex consortium, of which Sasol is the lead member, to build a R700m rival terminal to Richards Bay.

Trans-Natal has said that in the current market conditions, its earnings growth would come only through acquisitions.

Gold Fields Coal's efforts to boost exports have been held back because it has no quota at Richards Bay. The company was unable to confirm its interest. (148)

Agipcoa, which is a subsidiary of Italy's

ENI energy corporation, operates in the US, Italy, South America and Australia.

It set up in SA in 1991 with the effective takeover of Kangra Coal Corporation, which gave it two mines — the 500 000-ton capacity Strathrey pit and the 1,2-million-ton capacity Spitzkop mine — and estimated reserves of 450-million tons. The deal also secured it an annual export allocation at Richards Bay of 1,13-million tons, which rose to 1,5-million tons this year.

Trans-Natal MD Dave Murray said the company had still to decide if it would make a formal bid for Agipcoa, or how much it would want to spend. The Gencor company also had to determine how the cash would be raised. "We'd worry about that when we got there," he said. "It depends how much it would be."

According to analysts, a deal between Agipcoa and Sasol could end plans for the South Dunes terminal. The petrochemical group teamed up with seven other coal companies last year, including Gold Fields Coal, Anglovaal and Agipcoa, to build the terminal as a means to exploit the coal

□ To Page 2

Agipcoa

Biday 2017193

□ From Page 1

exports market.

Sasol declined to be drawn on how much it would be prepared to spend, but said it would "evaluate the economics of this (Agipcoa) acquisition as and when full details became available". (148)

Several smaller SA coal companies are also thought to be interested in Agipcoa SA, though Amcoal and Anglovaal Collieries say they are not involved. (148)

The Italian government, which is acting through US merchant bank JP Morgan, has called on potential bidders to name a price

for Agipcoa, either as a whole or split into its geographic components. (215)

Agipcoa MD Johan Jooste-Jacobs said although a single deal would be the simpler option, "the question is whether there's anyone with the appetite to do that".

At least 20 groups from around the world are thought to have expressed an interest in Agipcoa before the first deadline expired last month. Those shortlisted will be called to begin preliminary due diligence next month. The Italian government wants the sale completed by end-September.

Star 20/7/93

Aid for SA urged

WASHINGTON — Sir Robin Renwick, the British ambassador to the United States, has made a strong plea for economic assistance to South Africa so that it can succeed as a democracy and play a unique role in generating economic growth in the region.

In an address in Washington, Sir Robin, a former ambassador to South Africa, spoke of the importance of consolidating democracy in many parts of the world. (14B)

In South Africa, he said, enormous efforts had been invested in helping to secure the elimination of apartheid.

"We now have to help South Africa succeed as a genuine democracy with political freedom guaranteed not just for the short term and for the next election, but thereafter.

"And we've also got to try to ensure that the country is given the economic assistance it will require to enable it to play a role no one else can play in helping to generate economic growth in the rest of southern Africa.

"If we want them to go back, we'd better start now, and the key to any real return of investment in South Africa is going to be renewed access to the World Bank and, above all, the IMF." — Sapa.

'Urgent need for united front'

Business joins ANC in bid to lure investors

BLDay 21/7/93

743

GRETA STEYN

THE ANC has invited SA business to join forces with it in hammering out a strategy for foreign investment — a move aimed at presenting a united front to US investors later this year.

The ANC initiated discussions with business at a conference in Johannesburg yesterday which was attended by major corporations, institutional investors, banks and stockbrokers, including Anglo American, Sanlam, Old Mutual and Absa.

ANC economics head Trevor Manuel said: "We must work together to show SA is a tradeable and marketable product. The ANC invites everyone interested to join in the process over the next couple of weeks."

He endorsed a suggestion by a working group at the conference to form a representative steering committee as a matter of urgency to establish "a platform to market SA as an investment destination".

The urgency arose because a series of conferences spotlighting SA as a trade and investment partner for the US will be held from September in the US and Cape Town. Manuel said the contact with US businessmen presented "a window of opportunity" which SA should utilise by being prepared and demonstrating a united front.

Yesterday's conference took place against a backdrop of political stalemate, which Manuel said was delaying the ANC's call for a lifting of sanctions. A foreign investment strategy would be implemented only after a lifting of sanctions.

Former Perm MD Bob Tucker, reporting back for the working group that proposed forming a committee, said the priority would be to define the range of

investments that could be promoted as a joint effort between the ANC and business. "The platform for investment should define the range where we all agree to go out and market SA. It should exclude extreme positions on the left and right." An example of extreme left, he said, would be investments that were aimed only at social upliftment without providing a return to the investor. It would be up to the committee to set benchmarks, leaving a range where business and the ANC could work together in partnership to promote investments. However, there should be no policy to stop South Africans from marketing investments outside the defined range.

The foreign investment platform would also take up economic policies that affected foreign investment with policymakers.

Manuel emphasised that "social investments" and commercial investments should not be two separate categories. However, it was not ANC policy to prevent foreign investments that might not meet certain social criteria.

Suggestions were put forward by stockbrokers Simpson McKie, the LOA's independent development unit and consultants Alexander Forbes. It was also noted that an interest rate fund in the same stable as the equity-based Community Growth Fund would be started up by Old Mutual. Other issues that were discussed included currency risk and the role of the financial rand as deterrents to investment, the need for government guarantees and the profile of SA's institutional borrowers.

Crulife 'not likely' to pay a dividend

B1 Day
CHARLOTTE MATHEWS

CRUSADER Life Assurance Corporation (Crulife) ordinary shareholders are unlikely to receive a dividend for the year to June 30 as the company will have to make provision against the possible diminution of its investment in UK-based Pegasus Assurance Group. 21/7/93

In a statement today, Crulife said the modest profit indicated in Pegasus's monthly accounts for the year ended December 31 1992 was based on a misstated determination of embedded value. The finalised annual statements indicated Pegasus had made a loss of £441 000.

Crulife executive chairman — and CE of Crulife's holding company Anglovaal Insurance Holdings (Avins) — Dave de Beer, said Crulife sold its interest in Pegasus to Avins when the merger and creation of Avins took place. At that stage it was difficult to determine the true value of the Pegasus interest and it was taken over at Crusader's cost price, with Avins holding a put option in the event that the value of the investment declined. (14B) (63)

Crulife said the deterioration of the current value of Avins's investment in Pegasus was exacerbated by Avins's inability to follow its rights at extremely low prices, due to the "current inflexible exchange control regulations adopted by the SA Reserve Bank". The result was an excessive dilution of the holding and an inability to participate fully in the future development of the investment.

If Avins exercised its put option against Crulife, Crulife would acquire an investment at a price considerably above its realistic value. De Beer said a decision to exercise this option had to be taken by the Avins board.

The possible loss to Crulife had not been calculated, De Beer said, but it could be R10m. There was some uncertainty whether the put option would be exercised at all and as there was a six months notice clause that the potential loss would be reflected only in future accounts.

The announcement of Crulife's results for the year to June was likely to be made

□ To Page 2

Crulife B1 Day 21/7/93

□ From Page 1

in early September. It said business conditions during the second six months of the financial year had been more difficult than in the first half, with higher policy lapses. New business from the credit protection area was higher than in the first half and production had been satisfactory on the individual life side. (14B)

De Beer doubted whether the recent decline in the share prices of Crulife and Avins was on rumours about the Pegasus investment as this was not widely known.

"The rumours in the market were of a general nature. We might, had it not been for Pegasus, have said nothing and just let the matter settle down," he said. (63)

No rush by US companies anxious to reinvest in SA

Star 22/1/93

748 233

By Claire Gebhardt

If sanctions are lifted next month — as Nelson Mandela suggested at the weekend — which foreign firms would invest in SA?

Conventional wisdom says very few, but the ANC is bullish.

The ANC's optimism following Mandela's recent fund-raising trip to the US is infectious, but the reality is that the instruments for foreign investment are sadly lacking — no matter how willing the participants, observers said yesterday.

Though there is widespread talk of direct investment by Americans after elections on April 27 — among them Apple, Pepsi, Heinz and Sara-Lee after major deals were put on hold last year — few have done so,

apart from computer companies Digital Equipment Corp and Lotus.

Other companies said to be high on a list of possibles include Fortune 500 company Proctor & Gamble and hamburger giant McDonald's, whose presence is always a positive rubber stamp.

A McDonald's spokesman, approached by The Star yesterday, said there were no plans to open in SA "at the moment", though that didn't rule out a future entry.

Yet several multi-nationals, who disinvested in 1987 after negotiating "buy-back clauses" which lapse after five years, are said to be anxious to return.

Tuesday's ANC workshop on Foreign Portfolio Investment gave some indication of the urgency behind the drive to attract investment.

Conferences

Some 300 business people, the cream of SA's financial crop, were invited by Trevor Manuel, the ANC's head of economic planning, to concentrate their minds on new financial instruments for development.

A series of investment conferences in September/October this year to coincide with the 48th annual meeting of the IMF is being targeted to sell SA overseas.

Sources for new foreign funding include US pension and endowment funds, many of which were in the forefront of the dis-

investment drive.

Sceptical businessmen suggested that the delay in the lifting of sanctions was a face-saving attempt by the ANC, which had belatedly realised that no investment was in the offing.

An American said: "By January US companies will be allocating their asset portfolios and unless there is consensus among the ANC, the trade union movement and the churches about the lifting of sanctions, money is just not going to come into SA. No US company wants problems with its workers."

"We also question where \$4 trillion of pensions fund money can go, apart from the JSE and bonds. A lot of money is going that route because of the high returns, but it's going to do nothing for the country."

"If unbundling takes off, US companies could be prepared to do buy-outs for blacks, though only on a commercial basis with dividend paybacks over, perhaps, 15 years."

"On the positive side, most companies are looking to grow markets in developing countries and SA is a stepping-stone for the rest of Africa. If there's no money, we could barter."

American Chamber of Commerce's Michelle Cohen says US companies are holding back because they're afraid they will come in at the politically incorrect time. They'll then face flak from their shareholders and pension funds.

Violence scaring off investment, SA told

□ Warning by leading European MP

TOS WENTZEL
Political Staff

A PROMINENT member of the European parliament has warned that prospects for overseas investment in South Africa remain bleak because of continuing violence.

Sir James Scott-Hopkins, a British member of the parliament since 1973, said in Cape Town yesterday that a crackdown on criminal and political violence and more clarity on South Africa's political and economic future were needed to reassure potential investors.

He will report to the foreign affairs committee of the European parliament and to British Prime Minister John Major on his return. European businessmen have also asked for his impressions.

Sir James, who has been meeting business and political leaders over a wide spectrum, said there appeared to be more optimism in South Africa now than on his last visit in 1988.

With apartheid gone, white-black tensions had eased. Unfortunately, there was now increasing violence, often black on black, which put off investors.

A crackdown on violence and more political and economic clarity would have to be agreed on by the main political leaders.

The country had to be seen to be getting on top of the problem of violence. Any country could live with a certain level of violence but in South Africa this had become far too high.

There were indications that South Africans were becoming hardened to the situation.

Things could come right if the violence could be dealt with and agreement reached on a new political dispensation with strong federal elements. With the date for an election having been fixed, South Africa was on a political roller-coaster which would be difficult to stop.

Opportunities for development in the country with the help of foreign investment were tremendous. But clarity was needed on the economic policies of various parties, especially the African National Congress.

His advice to potential overseas investors would be to "hang fire" until towards the end of the year — but he foresaw that some of them would in the meantime explore possibilities here, Sir James said.

ARG 22/7/93

74B

MP

Syfrets outlines new investment strategy

Business Staff

JOHANNESBURG. — Mining shares will offer the best value in the present environment, says Guy Woolford, the new manager of Syfrets Growth Fund.

Mr Woolford, speaking at a Press briefing here yesterday, said the rand was likely to remain structurally weak for the remainder of the decade so no portfolio manager could afford to ignore rand hedges.

Among the larger shares, he said, De Beers and Richemont looked undervalued.

Mr Woolford said the fund, under its highly rated portfolio manager Tony Gibson who recently left to join Coronation Syndicate, had an aversion to mining shares which constitute 25 percent of the fund compared with their weighting

of about 46 percent of the overall index.

Mr Woolford said that the Growth Fund would continue to draw on 20 core companies for its main investments, which include Anglovaal and JCI in the mining house sector, Liberty, Metpol and Stanbic in the financial sector and consumer shares such as SAB, Tiger Oats, Premier and Saffren, soft drink shares ABI and Suncrush and the retailers Clicks, Edgars and Foschini.

But it would also look for opportunities in the undervalued second liners.

The weighting of gold shares in the fund is a low seven percent, which will be increased as Mr Woolford says the gold price is going to be held up by the surge in jewelry demand which has taken place over the past five years.

Once gold gets through the \$400 support level the price could make a really dramatic gain.

More than R20 billion had been committed to major capital projects which will be spent over the next three to five years and though foreign companies were expected to win between 30 and 40 percent of the tenders it would boost engineering, construction and electrical shares.

Syfrets Gilt Fund manager Rob Nichol said he had moved into bonds with a life between seven and 12 years.

These now accounted for almost 71 percent of the fund, compared with 31 percent in the March quarter.

The Gilt Fund had the best return for the quarter in the industry, which was 4,54 percent.

Foreign investors go for unit trusts

TOM HOOD
Business Editor

FOREIGN investors are beginning to put money into South African unit trusts, mainly gold and mining funds.

This was disclosed by Old Mutual's unit trusts manager Mr Selwyn Feldman.

However, he does not expect to see much overseas money going into general funds because of the huge variety available in Britain and the US.

The number of funds in the industry could double to 100 over the next decade but it was unlikely ever to reach the 3 947 currently trading in the US, where total assets approximate those of the life assurance industry.

The comparative figure in South Africa was only 5 percent. "We can truly talk of a fledgling industry," he said in a review of the company's performance last quarter.

Assets of Old Mutual's unit trusts passed the R4 billion mark last month for the first time, reflecting inflows of cash

and the performance of the portfolios.

Close to R900 million a year had been attracted in new investments over the past three years.

However, repurchases are also rising as people cash in their investments.

Net sales amounted to R292 million for the 12 months to June 30. Gross sales were to R925 million but repurchases absorbed 68 percent (R632 million) of this.

In the June quarter, repurchases of R221 million equalled almost 80 percent of new sales of R280 million, leaving only R59 million flowing into the funds.

Out of an industry total of 51 funds, Old Mutual owned seven after the launch of its growth fund in April.

Mr Feldman said the company was likely to add to the number over the next year or two and maintain its leadership in terms of range of funds.

While the authorities wanted more organisations to offer unit trusts and increase compe-

tion, he believed the high cost of computers would limit the number of new entrants and that funds would largely be managed by financial institutions.

Old Mutual had increased its computing power and had more than enough systems capacity to cater for the expected increase in business which would flow from its 4 000 sales representatives and independent brokers over the next five years.

A major growth area was the cash flow of black investors, who accounted for a growing share of Old Mutual's client base and were using unit trust investments to educate their children, buy houses and finance their retirement.

Most popular fund in Old Mutual's stable is still the Investors' Fund, with 82 percent (R3,5 billion) of total assets, followed by Top Companies (4,7 percent), Income Fund (3,2 percent) and the Industrial Fund (R112 million). Smallest fund is the gold fund, with only R63 million of assets.

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Star 22/1/93

Syrets outlines new investment strategy

By Stephen Cranston

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SA leaders not helping economy

Star 24/7/93

THE recent public squabbling between ANC leader Nelson Mandela and President de Klerk in the United States has affected financial market sentiment, says Syfrets in its latest Economic Quarterly Review.

Syfrets economist Elmién de Kock says: "It does not bode well for a unified and strong interim government — the main requirements of a country in transition."

Ignored

Although the AWB's storming of the World Trade Centre did not affect investor sentiment, the Government's handling of the affair and the behaviour of other private armies have nevertheless added to uncertainty.

In the short term, the high level of violence and the volatile financial

US spat deters investors

POLITICAL squabbling does not bode well for a strong and unified interim government — which is needed to enhance market sentiment, among other things, writes our Financial Reporter.

rand could also cause setbacks in the financial markets.

Overall, argues De Kock, political events such as these cannot be ignored in the economic equation.

They have, for example, exacerbated short-term capital outflow — which in turn restricts

the Reserve Bank's room to manoeuvre on monetary policy, as it delays an easing of interest rates. (748)

Second-quarter statistics will probably show declines in net foreign exchange reserves.

An outflow of some R3,25 billion was recorded in the first quarter — 41 percent more than the R2,3 billion outflow registered for the whole of 1992.

However, De Kock notes that the outflow on the capital account should diminish with the advent of a Transitional Executive Council and better political prospects next year.

"Elections on April 27 1994 seem certain, and this factor, combined with definite progress on a Transitional Executive Council, bodes well for the future and for financial markets," she says.

During the first quarter 0,8 percent growth was registered on the back of recoveries in agricultural production, mining production and inventory restocking.

Consumer spending



also showed a real gain of 0,3 percent despite a continuing decline in personal disposable income.

De Kock describes this slight uptick as "a bit of a surprise" given the severe downturn in the second half of 1992.

Syfrets forecasts no growth in economic activity this year, but a mild recovery in 1994.

With an improved world economic outlook, exports will probably

lead the upswing on the back of a weakening rand.

Fixed investment spending, though coming off a low base, should also show better growth as projects in the pipeline get under way.

However, consumer spending, labouring under reduced wage increases and a heightened tax burden, will lag the recovery.

On the equity markets, De Kock says the unex-

pected rise in the gold price has propelled share prices to levels not justified by the unimpressive earnings forecasts for the next 12 months.

"On a dividend yield and earnings yield basis, the all share, all gold, financial and industrial indices have never been more expensive," says De Kock.

"We maintain our recommendation of a cautious stance on equities."

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ANC plan to court foreigners

SITimes (Bus) 25/11/93

By KEVIN DAVIE

THE outlines of an ANC-endorsed investment strategy were identified at a conference it called in Johannesburg this week.

A committee of ANC economists and businessmen was formed to develop the

investment platform for presentation to foreign investors later this year. (14B)
The ANC backs "socially responsible" investment op-

portunities, such as the Syfrets-managed Community Growth Fund, Old Mutual-managed Community Income Fund, the IDT's Collateralised Housing Investment Paper (Chips), the Community Banking Project, the

Land Investment Trust, the Inner City Housing and Upgrading Trust and the Investment Development Unit-Eskom's Electrification Participation Notes.

These and other investment vehicles will probably be presented at conferences coinciding with the annual meetings of the IMF and World Bank in Washington at the end of September.

Indications are that there will be no attempt to dissuade investors from other investments in SA.

ANC economics head Trevor Manuel describes the initiative as an attempt to "truly market our country".

Support for new investment will, however, remain linked to the establishment of a transitional executive council and agreement on a firm election date.

An ANC paper says: "Apartheid deliberately starved African townships of property developments, especially commercial and industrial projects. Now it is surely necessary to plough large sums into such areas to enable them to catch up."

"More than one proposal for property funds to finance commercial and industrial developments in black areas is under discussion in various quarters.

"Funds specifically targeting inner-city development should also attract attention."

The paper says reform of the JSE is needed if it is to fulfil its role as raiser of capital.

"Very large companies find it easy to raise capital on the JSE and equity is very cheap for them. But smaller companies find it both difficult and expensive to attract equity capital."

The Industrial Development Corporation (IDC) is criticised for unbundling and delisting subsidiaries Indsel and Natsel.

"The move will make it impossible for the IDC to raise private sector capital for future joint developments.

"Here is a case of unwise, unilateral, restructuring which appears to serve no useful purpose, but will remove two potential capital-raising vehicles from the ambit of a new government."

The Americans are coming!

STINCO 25-1-1983

THE end of United States sanctions will be unofficially marked by a watershed expo of blue-chip American companies in Johannesburg in September.

The African National Congress and the US government have given their blessing to the show, which will open its doors less than a month after sanctions are due to end.

Billed as the largest-ever expo of American products in Africa, the "Made in USA" show will open at the World Trade Centre on September 7.

The US Department of Commerce is co-operating in the venture and 10 state governments will send delegations. Most of the remaining sanctions in the US are those imposed by state authorities.

The "Made in USA" expo will also be attended by more than 150 US companies, their local subsidiaries or local distributors of US products.

Exploratory

Organiser and backer of the expo, marketing consultant David Altman, said several more large corporations were expected to commit themselves to the expo once ANC president Nelson Mandela announced the end of US sanctions.

An "exploratory exercise" after years of crippled trade between the US and South Africa, the expo is expected to attract 30 000 local and southern African visitors during its five days.

Exhibitors will include the Export-Import Bank of the US, which has undertaken to give credit guarantees to credit-worthy South African companies for the

BY CLAIRE ROBERTSON

purchase of US products, according to Mr Altman. But the bank's brief — and client list — may turn out to be more limited.

The Export-Import Bank will be specifically encouraged to expand support for "black-owned" South African business in terms of a bill being readied for introduction in the US as soon as sanctions can be lifted.

Private sector firms that have signed up for the show include several who made the Fortune 500 list of top US corporations this year, including AM General, Johnson & Johnson, Kellogg, RiceLand Foods, and Tinken.

One of the more surprising exhibitors is the state-supported Centre for Innovative Technology based in Herndon, Virginia, a state whose governor, Douglas Wilder, is a firm ally of the ANC and who pressured colleges in his area to divest stocks in firms with links to SA in 1991.

The centre is involved in the transfer of new technology to about 180 companies. The 10 states whose State Trade Development Agencies are to attend include Texas, the second largest exporter state in the US. Together, these states are home to almost 100 of the top 500 corporations in the US.

The expo received a glowing letter of approval from ANC secretary for international affairs Thabo Mbeki.

The letter reflects ANC attempts to channel new investment into the country towards black business, echoed by an aggressive drive to promote black business by Thebe Investments, a corporation originally set up by Mr Mandela and ANC deputy president Walter Sisulu, and an exhibitor at the show.

But traditionally "white" business interests have also booked stands, including the Standard Bank, SAA, the Johannesburg Chamber of Commerce, and the Afrikaanse Handelsinstituut.

The US firms coming to the expo have been promised not so much in the way of lucrative investment opportunities, as a chance to grab a larger slice of the R64-billion South African import market. South African imports from the US are worth about R7,7-billion a year.

Efforts will be directed not at increasing imports by cash-strapped South African companies, but by offering them a chance to replace those from Europe — and from cost-hiking middlemen — with cheaper, more accessible, US products.

Gateway

The initiative seeks to ride a wave of export-orientated business in the US, where 70 percent of all new growth is expected to be export driven, and where President Bill Clinton recently urged US industry to concentrate on exports.

The show also promises traders a gateway to sub-Saharan Africa and its estimated R176-billion import market. Initiatives have gone out to 100 000 business people in 34 African countries.

Si Times [Buss] 25/7/93

US quitters returning in force

By ZILLA EFRAT

THE number of United States companies with non-equity links in South Africa has jumped from 184 to 405 in the past two years, says the Washington-based Investor Responsibility Research Centre (IRRC).

Sources say Peterbilt, one of the biggest US truck-makers, has signed a joint-venture agreement with an SA firm. Said to be signing a similar contract is Gaylord Inc, America's largest kitchen-exhaust system manufacturer.

The IRRC says 27 US companies have opened offices, established subsidiaries or placed employees in SA.

Five have returned after quitting in the mid-1980s and 10 are in the

computer business.

Advanced Logic Research, one of America's top 10 computer manufacturers, and electronic payment systems group Hypercom have opened offices in SA. (148)

Bicontinental Corp -- involved in international trade, engineering, construction and the oil and gas industries -- will open one this month.

Sources say executives from Pepsi are in SA and that Proctor & Gamble, its products already on SA's shelves, is conducting due diligence exercises.

Global Marketing, a fertiliser maker, and Herrington Corporation, which owns the excess inventory of 300 US companies, are believed to be scouting SA markets.

Eaton, one of the world's largest truck gearbox and axle manufacturers, is giving SA's Drivetrain technical and marketing assistance.

The American Chamber of Commerce's Michelle Cohen and Goldman, Judin & Werner partner Michael Judin, an adviser to US firms, reports greater American interest in SA. (149)

Miss Cohen says most companies come to her when they are close to agreement. These visits have risen.

Sanctions

Star 27/1/92
to end

shortly

- Mbeki

By Jon Qwelane

SUN CITY — Economic sanctions will be lifted next month, ANC director for international affairs Thabo Mbeki said last night.

Addressing the 29th annual conference of the National Federated African Chambers of Commerce and Industries, Mbeki also disclosed that he was recently summoned to a meeting by Finance Minister Derek Keys and told foreign banks were now discussing rescheduling South Africa's debt and the ANC had to play its part.

Mbeki said next month would see the introduction of a transitional executive council. (230)

For the first time members of disenfranchised communities would become part of government and that placed a heavy responsibility on them. (148)

Mbeki said businessmen, especially those with capital and expertise should remain in South Africa after next April's elections and help make the new order work efficiently.

He said the lifting of sanctions was a challenge to local investors in particular. "Because, when all is said and done, no foreign investor will readily take the plunge when local investors stay out," he said.

The ANC had looked around when Keys asked for help with the rescheduling of debt and it had to admit that there were no people to send to foreign banks to help in the negotiations, Mbeki said.

Business lauds move

Sowetan 28/7/93

BUSINESSMEN have cautiously welcomed the eminent lifting of all remaining sanctions against South Africa. "We need to start laying the foundations of reconstruction," said Mr George Negota, the National African Federated Chamber of Commerce and Industry's tax committee chairman.

Negota said he saw the announcement as a response to the rapidly deteriorating economic conditions.

On Monday night, ANC head of in-

ternational affairs Mr Thabo Mbeki announced that sanctions would be lifted next month after the establishment of the Transitional Executive Council.

However, Mbeki warned that the envisaged step would not automatically see foreign investors flocking to the country.

"There are some people in this country who believe that our economic problems will be solved by foreign investment. That is wrong."

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Star 21/1/93

Taiwan extends a hand to Mandela

(115) (148)
ESTHER WAUGH

TAPEI — Taiwanese Prime Minister Dr Chan Lien says his country is ready to aid SA's economic reconstruction.

Speaking at a dinner in honour of ANC president Nelson Mandela, Lien said: "If there is anything my government can do to help, all you need to do is to give the word. We are ready to give assistance to a new South Africa because we believe in you, your wisdom and your statesmanship."

It is the first visit by an ANC delegation — which has traditionally had stronger ties with China — to Taiwan.

Speaking at the dinner, attended by Taiwan's top businessmen and industrialists, Lien said he was convinced a democratic SA, with its rich natural resources and potential for development, should be able to attract foreign investment.

"While there may be at present a lot of violence, foreign exchange control coupled with dual exchange rate, and absence of an environment conducive to free competition, there is nothing that cannot be

corrected with a commitment to free market economy and judicious macro-economic policies on the part of a new government under your wise leadership."

Unfortunately, constitutional negotiations were still continuing. Insufficient progress at the negotiating table did not allow for cementing the bond between the two countries with the agreement of a series of bilateral protocols, Mandela said.

Substantial sums

He anticipated that a Transitional Executive Council would be in place by "early September at the latest" and the ANC would then pro-actively campaign for the lifting of trade and economic sanctions.

Mandela said: "South Africa will require substantial sums of both foreign direct and portfolio investment. We will turn to you, the successful business community of Taiwan to present the opportunities."

Concern has...

SITunes [Russ]
Star 11/8/93

Japan steps up SA drive

By ZILLA EFRAT

JAPAN's giant corporations — they rank among the world's largest — are poised to make major investments in South Africa.

Some deals have been struck, joint ventures and wholly owned operations are being discussed and an agency of the Ministry of International Trade and Industry (Miti) has opened an office in Johannesburg. Miti is the arbiter of Japanese economic policy.

Japanese corporations are particularly interested in mining and minerals beneficiation for export.

Other interests include telecommunications, television tube manufacture and the motor industry.

Japanese spokesmen confirm that several majors, including Mitsubishi, Itochu and Mitsui, are looking at SA projects.

Nippon Denko has signed an agreement with Samancor that could lead to a multimillion-rand ferrochrome project. Trading house Marubeni and Plessey SA have entered a telecommunications deal.

Itochu Corporation, the trading house which claims the highest sales in the world, is examining about five projects related to mining and manufacturing.

Itochu SA general manager Susumu Akimoto says he cannot disclose details. Much will depend on progress made by Itochu in negotiations with its SA partners.

The telecommunications project involving Plessey and Marubeni Corporation, which ranks among Japan's top four trading houses, is Marless Communication Technologies.

Managing director Masahiro Nunome says Marubeni is closely connected to Japan's major telecommunications players.



SHUJI OKITA: Mitsui looking around

He says the strategic investment will lead to technology transfer to SA and exports to the world market were Marubeni has established subsidiaries and networks.

Investment in telecommunications manufacturing in SA will follow when all sanctions go, he says.

It is believed that Nippon Express, Japan's largest freight forwarding company, will establish an office in SA with Renfreight.

Renfreight declines to comment, but says it has had a successful relationship with Nippon Express for many years. (148)

Focus

Mitsubishi Corporation is talking to potential partners about minerals. It also has an eye on other projects.

It is examining several recently completed feasibility studies. General manager Masaki Miyaji says the go-ahead will depend on political stability in SA.

He says: "In principle, we are interested in SA's minerals industry and several projects are being studied. They include chrome, granite, manganese, titanium, platinum and coal.

"A major focus is adding value to minerals in SA, rather than importing them unprocessed into Japan."

Mitsui SA general manager Shuji Okita says his group, one of Japan's

top 10 trading concerns, is looking at joint ventures, but has no concrete plans.

Mitsui is seeking partners for some of Japan's big industrial players.

The Japanese Government opened a metal mining agency in SA in April. Its function is to collect data about mining in SA and its neighbours.

Simon Organ, director of Nichi-Nan-A Kenkyusho, a consultancy which advises on Japanese investment in SA, says he is aware of fairly advanced interest in minerals.

He believes Japan will emerge as a major source of capital and technology.

He says interest lies in beneficiation and partnerships which enable Japan to export technology to SA and secure raw materials.

Many Japanese companies have long-standing trade relationships with SA and these would be vehicles for joint ventures.

"In the Japanese corporate world, relationships are the key to doing business."

Mitsui's Mr Okita, who is also president of the Japanese Chamber of Commerce and Industries, says minerals are of particular interest are chrome, manganese, vanadium, nickel and titanium and on the processed side, ferrochromium and ferroalloys.

TV tube manufacturing and the motor industry in SA are also targeted for joint ventures.

But Mr Okita says the business climate both in SA and abroad is not favourable for investment.

Before the Japanese economy became overheated, there was a large surplus of funds for foreign investment. This has now shrunk to minimal levels and several joint-ventures feasibility studies in SA have been suspended.

Mr Okita says SA's political instability has resulted in many Japanese companies adopting a "wait-and-see" attitude.

Mandela in middle as two Chinas lay claim to be rightful rulers

SI Times (BUS)

1/8/93

By KEVIN DAVIE

ANC president Nelson Mandela, visiting Taiwan this weekend, is now centre stage in the 40-year struggle between the Taipei and Beijing governments.

Both China (People's Republic of China) and Taiwan (Republic of China) are wooing the ANC as part of their struggle that began in 1949 to claim to be the legitimate government of China.

Most countries afford diplomatic status to China (population 1.2-billion). But SA is now the most significant country which has diplomatic links with Taiwan (20-million).

China and SA have established missions in both countries, but full diplomatic links will not be possible while Pretoria recognises Taipei.

Some diplomats believe that an ANC-dominated government might wish to switch allegiances. But others argue that the ANC has had almost no relationship with Beijing.

As part of Beijing's assertion that it was the true leader of world communism, it backed rival liberation movements to those supported by Moscow. So the ANC was supported by the Soviet Union and China backed the PAC.

Factories

A courtship began in recent years as Mr Mandela and senior ANC officials visited China.

Although some diplomats argue that an ANC government would move with other nations and recognise China, Taiwan's ambassador, I-Cheng Loh, believes that economics will decide the issue.

Taiwan does not monitor direct foreign investment in SA (every Taiwanese citizen is allowed to take out NT5-million (about \$190 000) a year without clearance). There are 285 Taiwanese-owned factories in SA, mostly in regional growth points.

Figures from the Board for Regional Industrial Development show that foreign investors placed R558-million in the scheme in the past two



TAIWAN'S I-CHENG LOH: Economics will decide issue.

years. The Taiwanese invested R328-million, the next biggest national investment being R70-million from the UK.

Taiwanese factories in SA employ between 40 000 and 45 000 people.

Mr Loh says Taiwanese investment in SA is by small investors: "We have tried hard, but have not managed to hook any big fish."

Taiwan is a big fish in terms of SA's trade, being its fifth-largest trading partner. But SA is a minnow in terms of Taiwan's trade.

SA trade has slipped since 1990 from 1.3% of Taiwan's total to an expected 1% this year.

Taiwan's trade last year was \$153-billion, its chief partners being the US, Hong Kong and the EEC.

Mr Loh doubts that a new SA government will attract Taiwan's big fish.

"The Chinese go out and invest for cheaper wages, to be close to source material or to get around quota restrictions.

"Your wages are higher, much higher than in South-East Asia. You have resources such as gold and diamonds, but we don't have expertise in them."

Mr Loh says that where projects, such as the proposed naphtha cracker off Mossel Bay, have been studied, high input prices have made other destinations like

Texas more attractive.

He says Taiwan wishes China well in its economic reform, but believes the mainland economy is severely overheated. He thinks the bubble will burst.

SA's direct trade with China (\$232-million in 1992) has been boosted by the export of VW Jettas last year and this year. But this export is likely to dry up because China intends producing its own Jettas in a joint venture with VW.

SA's total trade with China is estimated at \$1.3-billion if business going through Hong Kong and Singapore is included. This puts China in sixth spot behind trade of \$1.7-billion with Taiwan, but Mr Loh doubts these estimates.

"Safmarine now calls at mainland Chinese ports. I can't think of any trade which is cleared through Hong Kong."

Taiwan and China have recently had talks through front organisations on possible reunification.

Mr Loh says if the mainland reforms sufficiently to allow a true market economy ("not a socialist market economy with Chinese characteristics") and free political activity, reunification will be possible.

"We will win an election and there will once again be one China," he says.

Popular US steakhouse chain for SA

WASHINGTON — A popular American steakhouse chain is set to launch franchises in George and Cape Town over the next few months and has plans to expand all over South Africa

Star 3/8/93
748
with 35 to 40 branches over the next six years.

Austin's, an upmarket Texas-style rib, steak and seafood restaurant chain based in Fort

Lauderdale, Florida, has estimated that each of the franchises will gross between R8 million and R10 million a year — of which it will take 5 percent. — Star Bureau.

Foreign rush on SA's law firms

SI Times (Buss)

LEGAL firms are swamped with business from foreign companies wanting to invest in South Africa. 8/18/93

Several contracts, most of them small, have been signed. But some big deals are about to be struck.

Firms reporting a leap in the amount of work include Werksmans, Edward Nathan, Bowman Gilfillan, Spoor & Fisher and Goldman, Judin & Werner.

Displaying their customary discretion, however, lawyers will not name the parties involved. They say interest is largely from the US, Europe and Asia. Foreigners are looking at most of SA industry.

Electronics is a favourite. Mining ventures are being considered by American, Canadian and Japanese companies.

Goldman, Judin & Werner partner Michael Judin says a "herd mentality" appeared after the seriousness of political talks was realised and a date for an election set.

Werksmans senior partner Tony Behrmann says his firm has received 50 to 60 tasks from abroad since January.

"This is tremendous consid-

By ZILLA EFRAT

ering the lack of interest before."

John Janks of Werksmans says many foreign companies looked around SA last year. This year many deals have been signed.

Legal firms report that most of their foreign work still involves agreements for licensing, technical transfer, distribution and the opening of offices. (143)

These are the safest ways for foreigners to enter SA because they do not involve much money.

Many ventures could develop into much more.

Edward Nathan senior partner Michael Katz says some deals involve "quite material" investments and joint ventures.

Some property deals involve much more than R10-million.

Bowman Gilfillan managing director Michael Doherty says his firm has attracted some "big players" from abroad. Several deals have been put together, some of which have not been announced.

Webber Wentzel partner Peter Arthur knows of a couple of large investments which will be announced when the political climate is right.

They involve companies considered large in world terms and which have taken a long-term view of SA.

But Mr Arthur says large investment will not be made to any great degree until after the elections and a drop in violence.

He says foreign investors are concerned about the threat of nationalisation. Many believe SA is about to "go up in smoke".

Deneys Reitz partner Kevin Cron says most foreigners are expressing an interest only in doing business in SA. Many are waiting for stability.

But several US firms which quit SA in the 1980s "have been seen around town looking up old contacts and getting the feel of things".

Lawyers say SA's attractions include a sound infrastructure and a fairly large domestic market. It is also seen as a springboard into Africa.

Beijing's eager to get close to Pretoria

Red China wants to widen its influence in South Africa but traditional ties with Taiwan are a stumbling block, reports **Iden Wetherell**

74B
11/11/93-12/18/93

COMMUNIST China is pressing the government for full diplomatic recognition but, out of deference to Taiwan, Pretoria is playing hard to get.

South African trade sources in regular contact with Beijing said China had recently been putting out feelers to Pretoria. "China would be prepared to send an ambassador tomorrow if it could," one source said.

He added, however, that Taiwan's role as the single largest investor in South Africa and fifth-largest trade partner weighed heavily in the balance.

The disclosure coincides with the visit to South Africa of a top-level fact-finding mission from the People's Republic of China and Nelson Mandela's ground-breaking trip to Taiwan which, according to the African National Congress, raised R33-million for election campaign purposes.

Trade between China and South Africa, valued at US\$250-million in 1992 and set to double this year — but unofficially thought to be worth US\$1.3-billion — has become an important item in Chinese foreign policy calculations.

At one level, diplomatic relations with the Far Eastern giant already exist. Pretoria has a senior diplomat, Les Labuschagne, heading a team of

officials in Beijing which includes representatives of the Department of Trade and Industry. Their mission is cryptically called the South African Centre for Chinese Studies.

China also has a shadow embassy in Pretoria, similarly dubbed the China Centre for South African Studies. Both centres carry diplomatic status and issue visas.

Mandela's Taiwan visit has raised Beijing's anxiety level about future diplomatic relations. While it had been confidently predicted an ANC government would quickly move to recognise Beijing, Chinese officials now worry that recognition could be delayed or complicated by the ANC's new intimacy with Taiwan. But Mandela is believed to have told his Taiwanese hosts that diplomatic recognition of Beijing was inevitable.

Taiwan has historically cut all ties with any country recognising its arch-rival on the mainland. But South Africa's importance as a regional giant and a new flexibility in Taipei indicate some accommodation might be reached.

When South Korea recognised mainland China recently, Taiwan maintained its powerful presence in Seoul. This could be a precedent for Taiwan's relations with South Africa, reckons Dr Chris Alden of the Department of International Rela-



Trade off ... Director-General of the SA Foundation Kurt von Schirnding with Zhao Xueli, leader of the visiting Chinese delegation

tions at the University of the Witwatersrand.

"Taiwan will lose the diplomatic recognition it so covets in return for guarantees of some sort of unofficial representation that will satisfy its requirements," Alden said. Mandela is reported as having already offered the Taiwanese guarantees on their investments in South Africa.

China's overtures to Pretoria are undoubtedly designed to cement burgeoning trade relations. If business through intermediaries is included, trade with China is estimated to be worth US\$1.3-billion a year, placing China in sixth place

behind Taiwan among South Africa's trade partners.

Chinese companies are already represented in South Africa by the Great Wall Group, sponsored by the Chinese Ministry of Foreign Trade and Economic Co-ordination (Moftec), with offices in Bedfordview. The group is believed to have made investments in South Africa worth R11-million.

Moftec officials visited South Africa to launch the Great Wall Group earlier this year and will return in October for an exhibition of Chinese products in Johannesburg at the Standard Bank Arena. Some

250 South African companies are exhibiting in Beijing in March 1994. In November 1992 Chinese provinces were instructed by the central government to increase purchases from South Africa, a China business source said. Twice a month a container ship owned by the Chinese state company Cosco leaves Port Elizabeth fully laden with South African-made Volkswagen Golfs. Even when import restrictions were imposed recently to cool China's over-heating economy, South African VWs were specifically exempted, the businessman said.

In addition to formal trade with China, South African exports to third countries such as Taiwan, Singapore and Hong Kong find their way into China. Of South Africa's US\$1-billion trade with Hong Kong, 75 percent is known to end up in China.

Despite South Africa's growing ties with Beijing, the Taiwan government is confident that relations with a future dispensation here have now been placed on a sure footing.

Jerry Chen, spokesman at Taiwan's embassy in Pretoria, said Mandela's visit would "lay solid foundations for future relations". Mandela's visit had provided the ANC president with new insights into Taiwan's capacity to provide technical expertise and training and his government was hoping to maintain diplomatic ties in the future, Chen said.

The visiting Chinese delegation met officials of the Department of Foreign Affairs yesterday.

SA in drive for S E Asian trade

Business Editor

SA is pulling out all the stops to increase its penetration of the South East Asian market — still growing at a rate of between 8% and 11% a year while the rest of the world is in recession or struggling slowly out of it.

The Minister of Finance, Derek Keys, has confirmed that he will open the SA trade fair in Singapore on August 31.

He will go on to deliver the keynote address at seminars on "Doing business with SA" in Kuala Lumpur and Bangkok.

746 CT 16/8/93
Meanwhile Stef Naude, director general of the Department of Trade and Industry, will lead a high level trade delegation of business leaders representing 12 top companies to Singapore, South China, Malaysia and Indonesia.

US 'biggest' in SA trade

PORT ELIZABETH. —
The United States has
displaced Germany as
South Africa's major
trading partner, accord-
ing to news reports.

CT1618193
Dawid Jordaan, a
spokesman for the De-
partment of Trade and
Industry, said here at
the weekend the main
reasons for the change
were the lifting by the
United States of sanc-
tions against South
Africa and large-scale
maize imports. (74B)

The American econo-
my was also recovering
more rapidly than the
economies of South Afri-
ca's other main trading
partners and there was
likely to be a sharp in-
crease in exports to the
United States in the
near future.

Malaysia to forge ties with SA after 30 years

(74B) CT16/8/93

KUALA LUMPUR. — Malaysia is to send a trade mission to Africa early next year ahead of an expected global move to lift economic sanctions on Pretoria, a senior minister said.

Kuala Lumpur is also planning to establish a trade office in Johannesburg, said Minister of International Trade and Industry Rafidah Aziz after talks with visiting Tanzanian Minister for Industry and Trade C D Msuya here.

Rafidah, whose ministry is to spearhead the mission that would target Tanzania, Namibia and nearby African states, said the aim was to re-establish contacts after 30 years of severed ties.

"The mission would

also study the potential for Malaysian businessmen to participate in development projects there," she said.

Malaysia severed diplomatic relations with

South Africa more than three decades ago.

It started air links last year and allowed free travel between the peoples of the two countries in 1991.

□□□

(74B)

A Mauritian trade delegation will introduce a range of products to SA include fabrics, clothing, lingerie, swimwear, leather goods, foodstuffs, toys and handicrafts during a visit to Cape Town and Johannesburg from August 30 to September 3, Mauritian consul-general M I Dossa said yesterday.

CT 17/8/93

SA making new effort to get EC trade treaty

Own Correspondent

JOHANNESBURG. — South Africa is to revive efforts to secure a trade treaty with the EC during the visit to South Africa this week of the European Commission vice-president, Sir Leon Brittan. Similar negotiations last year failed to get off the ground.

Sir Leon, who plays a key role in formulating and implementing EC external trade policy, arrived yesterday at the invitation of Trade and Industry Minister Mr Derek Keys.

CT 17/8/93

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Mauritius looking up-market

Star 18/8/93

74B

HOPING to find a niche market for its up-market clothes, Mauritius wants better trading terms from SA.

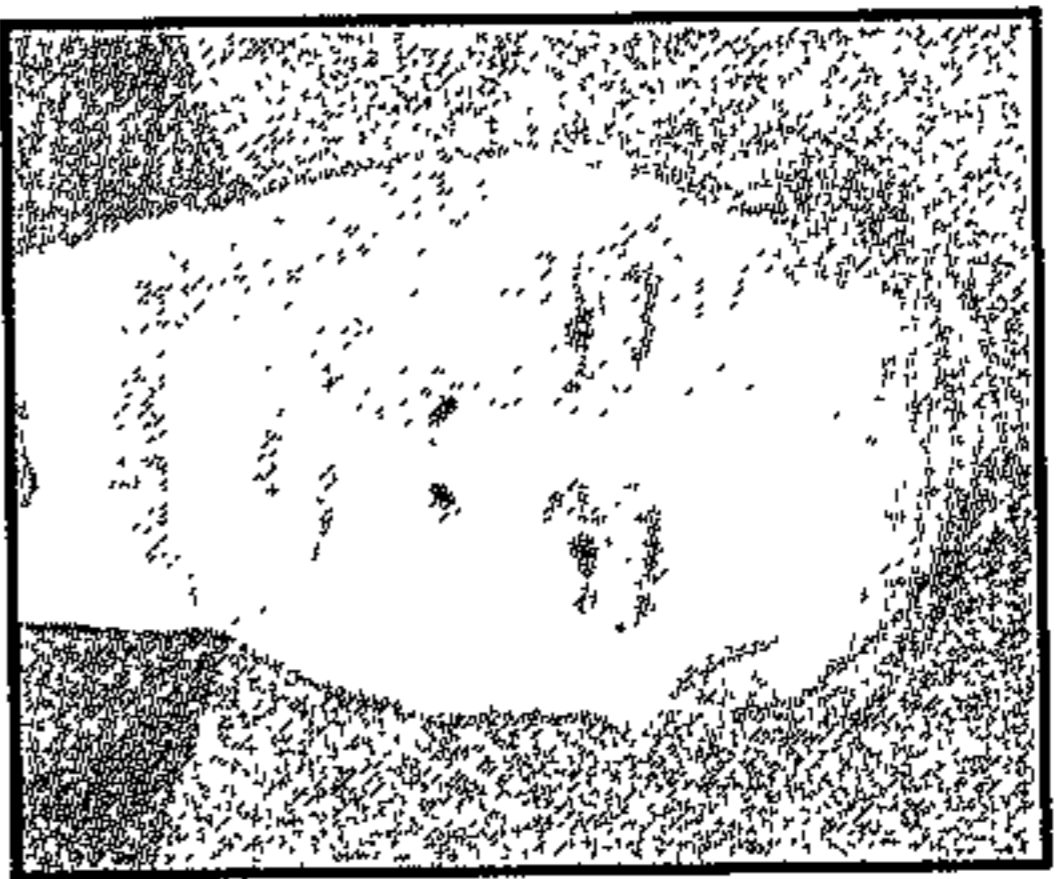
BY JOHN SPIRA

Port Louis — South African consumers can look forward to paying lower prices for certain up-market clothing items.

The proviso is that a high-powered delegation from the Mauritius Export Development and Investment Authority (MEDIA) meets with success when it visits Johannesburg and Cape Town at the end of this month.

Chand Bhadain, MEDIA's chief executive, says his organisation will be taking 20 Mauritian manufacturers to South Africa to meet large local retailers with a view to selling Mauritian garments to them at competitive prices.

"South Africans are already



Bhadain ... hoping to correct the trade imbalance.

buying Mauritian-manufactured garments from Europe. They're paying high prices for the up-market European labels and the circuitous route via which those garments reach them. It has to make sense to import the same goods direct from Mauritius.

Accompanying the delegation will be the Mauritian Minister of Industry and Industrial Technology, Jean Claude de l'Estrac, who, along with Bhadain, will

be meeting high-ranking South African government officials with a view to finding ways and means of partially redressing the trade imbalance between the two countries.

According to Bhadain: "At present, Mauritius is importing R300 million worth of merchandise from South Africa. In contrast, it exports a mere R5 million to your country."

"A principal reason for the distortion is that Mauritius doesn't enjoy the same international trade privileges in South Africa as South Africa enjoys in Mauritius. We will be raising this thorny issue with the South African government during our visit."

Bhadain believes that in due course South Africa could replace Europe as the main customer for Mauritius's Export Processing Zone (EPZ), which offers attractive tax and similar concessions to approved companies.

He notes that since 1985, when the EPZ was first estab-

lished, growth has been dramatic.

More than 600 companies employing 90 000 people have taken advantage of the EPZ facilities, resulting in a major expansion of Mauritian exports, 75 percent of which are textile-related.

Growth has been such that manufactured goods now earn 40 percent of the country's foreign exchange, with sugar, formerly the top earner, contributing 35 percent.

Of the 600 EPZ companies, only six are South Africa — the result, says Bhadain, of South Africa's foreign exchange control regulations.

"A relaxation of those regulations would enable South African companies to establish manufacturing bases in Mauritius (with the attractive concessions afforded by the EPZ) and participate in the EC privileges which Mauritius enjoys.

"Additionally, they would have an edge on the new markets we have been opening up in the Far East."

Leading US legislators hope to recommend speedy lifting of curbs

Sanctions team coming

Star 18/8/93

BY PETER FABRICIUS
STAR BUREAU

Washington — A high-powered delegation of American state legislators is due to arrive in South Africa tomorrow on a fact-finding mission aimed at preparing for the lifting of state sanctions and the start of new investment.

The legislators are members of the Eastern Regional Conference of the Council of State Governments (ERC-CSG), which represents state legislatures of eastern states.

Alan Sokolow, director of the ERC-CSG, is leading the delegation to South Africa. He said if the delegation liked what it found it would return to the United States and use its influence to persuade state legislatures to speed up the repeal of sanctions. Some members of the delegation might also have enough influence to persuade investors to go into South Africa, he said.

Leaders

The delegation members will be guests of the Southern African Forum and will meet a wide range of leaders over the next two weeks.

RENEWED US investment at stake as state legislators arrive to assess situation.



The delegation, mostly Democrats, includes New York Assembly Speaker Saul Weprin; New York State assemblyman Robert Wertz; Massachusetts senator W Paul White, chairman of the Senate Banks and Banking Committee; Massachusetts representative Stephen J Karol; and Connecticut state representative Barbara Ireland.

Sanctions are still on the statute books of 166 American states, counties and cities.

But the process of repealing them is expected to begin as soon as a Transitional Executive Council (TEC) is in place in South Africa. That depends upon the pace of negotiations. Predictions were that a TEC would be in place next month, although ANC secretary for foreign affairs Thabo Mbeki seems to believe it might happen only in October.

In a recent letter to the Los Angeles city council, urging it

to grant an exemption to its sanctions legislation for a company with South African links, Mbeki said the ANC would officially call for the lifting of remaining sanctions when a TEC was established in "September-October".

Sanctions monitors say it could take a while for sanctions to be removed from the statute books once the go-ahead is given.

Some state legislatures meet only every two years. Many legislatures with sanctions in place have begun to investigate lifting them, but the process does not seem to be far advanced.

Boom needed

Sokolow said that the delegation would be meeting leaders in politics, government, business and religion in all the main centres to try to get a sense of how the process of democratisation was going and what Americans could do to help it.

He said for South Africa to become a successful society it would need an economic boom — and that would require the involvement of America and other industrial countries.



'Bankers' tapped phones'

BY CHERYL HUNTER

Banking group Absa paid more than R54 000 to private investigators for tapping the telephones of personnel, the Johannesburg Magistrate's Court heard yesterday.

Wim Trengove, defending former Allied managing director Kevin de Villiers, said Absa chief executive Danie Cronje, his predecessor Piet Badenhorst and other executives were involved in a surveillance operation during the Absa takeover of Allied in 1991.

De Villiers (45) and his former assistant Patrick Roman (31) have been charged with fraud or attempted theft and perjury following their alleged attempt to develop a scheme under which Roman would be entitled to a 12-month period of notice.

Trengove said the home and business phones of both men

Seven American franchises on their way to SA

SEVEN American-based franchises are coming to South Africa. *S Times*

By TERRY BETTY

They are Service Master, computer learning centre New Horizons, Ceiling Doctor, Form You 3 weight-loss and aerobic centre, skin-care and cosmetics company Judith Sans International, Perma Glaze and communication service centre Mail Boxes. *(Buss)*

Surefire Corporation chief executive Chris Dunn, South African representative of the seven, says that other US, British and Australian franchises will follow.

Mr Dunn says the combined turnover of the seven US franchises is about \$6-billion a year. *(143)*

"An educated guess is that the combined financial contribution of these franchises to the SA economy over the next five years will be more than R1-billion."

Spread

Service Master is one of the largest franchisers in the world with more than 8 000 franchisees and an annual turnover of \$3,5-billion.

Projections are that the seven will open 1 950 outlets in SA, generating R180-million turnover in the first year.

Mr Dunn says the franchises will be affordable. Most will allow half the fee to be paid up-front, the balance spread over three years.

The all-in cost of a franchise, including start-up costs, such as equipment and in some cases fitting an

outlet, will range from R25 000 to R300 000.

Franchisees will have to pay the franchise holder between 3,5% and 6% of net turnover. *2218193*

Mr Dunn says the master franchise licences will be sold to large businesses and others who can afford them. The deals will be broken down into affordable territorial licences. *(122)*

Mr Dunn says Perma Glaze is a low-cost franchise. The product is a synthetic porcelain glaze that contains powdered glass and has a molecular structure similar to real porcelain.

Service Master provides several different opportunities. For example, one will offer customers a plant operation and maintenance programme, and high-quality management control.

A maintenance division will provide management of systems for diagnostic and therapeutical-clinical equipment.

If this sounds too technical, also on offer will be a food management and laundry and linen service.

Mr Dunn says that because the franchisers are based in America, the agreements have been drawn up in accordance with International Franchise Association (IFA) rules, which are designed to protect the franchisee to a greater degree than SA regulations do.

US companies lobby for more investment in SA

SIMON BARBER

Biday

WASHINGTON — A coalition of leading US multinationals has established a Washington-based "advocacy organisation" to press for expanded US investment in SA.

Formation of the US-SA Business Council, chaired by Johnson and Johnson vice-president Al Cooper, was announced on Friday, and immediately hailed by ambassador Harry Schwarz as "a major step in the trade and investment relationship between SA and the US".

Members include such SA veterans as Dresser Industries, Caltex Petroleum, Colgate-Palmolive and Deere & Co, newcomer Digital Equipment Corp, plus a number of companies, among them banks and investment firms, which are preparing to re-enter the market but have asked to remain unnamed. 2318193

The new group will operate under the aegis of the National Foreign Trade Council (NFTC), which represents more than 500 of the largest US companies that operate internationally. (14B) (2318193)

US business would have an important role when "job-creating investment replaces sanctions as the priority of the ANC and its allies", said NFTC vice-president Dan O'Flaherty.

The group will stress "the contribution which expanded bilateral commerce can make to stable democracy and sustainable economic growth in SA".

Member companies have agreed to use their own lobbying resources to press for the repeal of federal, state and local sanctions when the ANC gives the go-ahead. O'Flaherty estimated that up to a quarter of the 150 jurisdictions with anti-apartheid laws would ignore the ANC's call.

Another priority will be the quick repeal of the federal fair employment code for US companies in SA. The council will oppose any attempt to establish such codes at the state or local levels.

"This is the signal that US business is prepared to expand its presence in SA," said Michael Christie, Washington director of the SA Foundation.

He noted that the NFTC carried a lot of weight in Washington and had "solid experience" with the SA issue. "It is particularly well placed to advocate US government policies and programmes that will facilitate investment in SA and to present a coherent US private sector perspective to the new SA."

The NFTC is hosting a conference on SA investment in New York next month to coincide with the IMF/World Bank annual meetings.

Madagascan, SA trade (74B) set to surge

JOHANNESBURG. — Trade potential between South Africa and Madagascar is on the increase, as the large Indian Ocean island emerges from an era of social and political turmoil, according to news reports. (125/8/93)

The freight-forwarding and transport operation, Africalink, said that since the end of sanctions South Africa has been getting an increasing share of Madagascar's import demand.

South African exports to the island increased by almost 32% in the first two months of this year, compared with the same period in 1992. Exports this year are expected to total more than R90m.

Madagascar was one of the first African nations to openly welcome South Africans after reforms.

US urged to 'invest in SA now'

74B

ARG 25/8/73

□ Vital boost for new government

PETER FABRICIUS
The Argus Foreign Service

WASHINGTON. — South African ambassador to the United States Harry Schwarz has urged US investors to decide now to invest in South Africa, arguing that no investment decisions made now will benefit the present government politically.

Addressing the African-American Chamber of Commerce and the New South Africa Trade Association in Los Angeles, Mr Schwarz said that every day that investment was delayed and every item of trade that was hindered, would make the new government's "monumental" task more difficult.

Because of time-lags, the benefits of investment decisions made now would be felt by the people of South Africa only after the elections due in April next year.

South Africa was an investor friendly nation offering opportunities for profits. What made South Africa different and

more attractive to investors were:

- Sophisticated institutions such as the stock market, banking, commerce, industry and mining.

- An environment in which the US businessman would operate "virtually as if he were in his own country".

- Incentives for new industries.

- The financial rand which allowed the US investor to buy assets and introduce dollars at better terms than the normal currency.

- The needs of the South African community, which were an opportunity to investors.

- A gateway to the 100 million-person marketplace of Southern Africa.

- An improving economy with inflation under control, the recession statistically ended and gold and other commodity prices rising.

- An intact infrastructure of transport, power and other industrial needs.

Mr Schwarz said he realised that there was now little interest in foreign aid and great demand inside the US.

Foreigners net buyers of SA (74B) equities

JOHANNESBURG. — Foreigners were net buyers of SA equities in the week to August 20, breaking five consecutive weeks of net selling, the JSE said yesterday.

Purchases of R179m were R37,5m above sales of R141,5m. A net outflow of R45,9m was registered in the previous week.

In gilts, however, foreigners were net sellers of stock for the first time since mid-May.

Purchases of R88,8m were countered by sales of R154,7m, resulting in the biggest outflow in one week this year of R66m. The combined markets reflected an overall R28,4m (R24,8m) outflow in the week.

Foreigners have been net buyers of equities to the tune of R2,31bn in 1993, with gilts attracting a net R891,3m.

● Meanwhile, on the JSE yesterday, gold shares lost their sparkle on the back of a weakening gold price.

The gold board lost 32 points to 1 756 while the Industrial Index rose seven points to 4 624. The Overall Index shed six points to 4 045.

Heavyweight De Beers rose 25c to R87 while associate Anglos added 50c to R144,75.

A weaker financial rand helped boost Richemont which gained R1,25 or 3% to R42,75.

In oil shares, Engen lost 50c to R37,75 and Sasol shed 50c to R19,75.

Leisure company Kersaf lost 75c to R30,25.

In gold shares, Vaal Reefs lost R5,50 to R348 while marginal mine Lorraine shed 35c to R11,50.

Mining house Gold Fields shed R2 to R87.

● The JSE yesterday suspended the listing of Vlakfontein Gold Mining Company Ltd.

FW woos Chilean investors

Star 26/8/93

■ BY CHRIS WHITFIELD
POLITICAL CORRESPONDENT

Santiago — President de Klerk yesterday moved firmly to woo potential investors from Chile, one of the economic success stories of Latin America.

In meetings with President Patricio Aylwin, other leaders and businessmen, he repeatedly emphasised steps being taken to ensure South Africa would be a stable and attractive venue for investors after the installation of a new government next year.

He also indicated that South Africa would ease trade and

tariff restrictions once it had access to the International Monetary Fund and the World Bank. (SAPPA)

Another step included the announcement that visa requirements for all Chileans visiting South Africa on business or holiday would be lifted.

Addressing businessmen at a breakfast yesterday, he said South Africa had in the past been struggling for survival and this had led to trade and tariff restrictions.

This situation would change with access to the IMF and World Bank and he hoped South Africa would be able to compete freely in the interna-

tional market.

He said it was clear that when South Africa took the "next step" in its constitutional development, "the last internationally imposed financial restrictions would fall away" and access to the IMF would become available. (TLB)

De Klerk suggested that the multiparty nature of the government of national unity would give rise to "an almost abnormal period of stability".

De Klerk and the seven South African businessmen travelling with him also met Chilean Minister of Economic Affairs Alejandro Foxley.

FW in Paraguay trade talks ^(HB)_(74B)

From ANTHONY JOHNSON

ASUNCION. — President F W de Klerk and President Juan Carlos Wasmosy yesterday committed South Africa and Paraguay to exploring "every possible way" to expand bilateral trade and investment.

The two leaders agreed at a series of private discussions and working meetings to pro-

mote joint ventures, commercial and industrial missions and business meetings between the two countries.

The business delegation accompanying the presidential entourage began meetings yesterday with Paraguayan government ministers and business leaders.

In a joint declaration the

two presidents noted the need for closer and more effective co-operation in preventing crime.

Earlier Mr Wasmosy welcomed Mr De Klerk with a 21-gun salute and a bear hug when he arrived at the airport here.

Mr De Klerk is the first head of state received by Mr Was-

mosy.

Mr De Klerk laid a wreath at the Pantheon in honour of Paraguayan heroes. Last night he was decorated with the Mariscal Francisco Lopez order.

Mr De Klerk reciprocated by awarding President Wasmosy South Africa's Order of Good Hope. CT27/8/93

Fortune editor says investors want political green light

BIDAY 2/9/93

MARCIA KLEIN

US COMPANIES were not likely to invest in SA until given the political green light and certain assurances, Fortune magazine managing editor Marshall Loeb said yesterday.

Loeb, in SA to address an Ernst & Young directors' forum, said the country, loaded with minerals and strategically located, stood a better than average chance of becoming one of the world's economic powerhouses in the next 10 years. However, this would happen only if SA "did things right".

A major precursor to growth was investment. Most US companies would be hesitant to enter SA until the ANC made a clear and unambiguous statement which asked for investment without the prospect of expropriation or nationalisation.

Most US companies "did not want to be punished at home by local groups" which advocated sanctions.

Loeb said it was incumbent on all SA political parties that a clear declaration was made welcoming foreign businesses and banking institutions and assuring them of personal security and a reasonable amount of financial security in terms of non-expropriation or nationalisation.

Violence had to be curbed. "Many will want to know that SA does have elections, that a multi-racial government is installed, and that things go well for a while."

Loeb said SA should send a multiracial delegation to make door-to-door visits to Fortune 500 companies, making it clear that there was in fact a new SA, that it would be relatively peaceful, and that there would be opportunities for investors.

SA was competing with Latin America, Asia and others for investment, and it had to sell its

advantages and attributes.

Loeb said SA had the right ingredients, including resources, diversity of population, strategic location and minerals. It also had underdeveloped industries, like tourism, which could be expanded.

Merely exporting commodities was not enough. SA companies had to add value.

Commenting on international business trends, Loeb said for all its problems, the US was doing well in terms of restructuring its industries to become more efficient. This had not been without pain.

Many companies around the world had become "big, bloated and arrogant". Companies had to learn "to manage small".

The secret of success was for firms to constantly reinvent and renew themselves, and to create structures within corporations which would manage smaller units as if they were independent.

The net result was that more jobs were created, more goods and services were invented, shareholders were well rewarded, and customers benefited.

The huge challenge was to create jobs, which would lead to demand for all sorts of goods and services. The job of modern economies was to create jobs as well as goods and services.

Countries should not stand in the way of technological developments, as they were bound to be defeated, he said. "We have to make technology a servant and friend rather than a master and enemy."

In SA, the computer could be "a marvellous teaching tool" which would help uplift people.

Switched-on Telemetrix makes handsome gains

BIDAY 8/9/93

MARCIA KLEIN

TELEMETRIX, a supplier to the international telecommunications and networking industries, improved earnings in the six months ending June on the back of good performances from major divisions GTI, Zetex, and Trend.

The group, listed in London and Johannesburg, and in which Altron has a 6% stake, reported earnings of 3.8p from 1.7p a share in the previous year after adjusting for exceptional costs now taken above the line in terms of UK accounting standards.

Turnover rose 31% to £61.5m (R314m) from £46.8m, and operating profit doubled to £7.9m from £3.9m.

Chairman Arthur Walsh said net cash resources had risen to £6.6m from £1.2m at the December year-end.

GTI, the US-listed manufacturer of networking products and electronics components for the computer, communications, electronics and semi-conductor industries, produced a strong performance. This was largely due to higher sales and earnings from its computer networking subsidiary Valor.

In rand terms, GTI's sales rose to R217.9m (R168.4m), while operating profit rose 72% to R33.3m (R19.4m).

Walsh said it was unrealistic to expect this rate of growth to be sustained at such high levels.

GTI had increased its stake in Valor to 97.2% by the acquisition of 6.4% of its capital, financed by a public offer of shares. This reduced Telemetrix's effective interest in GTI to 58.3% (60.6%).

Zetex, the UK semi-conductor manufacturer, reported strong sales in the UK and US, and increased operating profit by 50% to R6.1m (R4.1m).

Since the interim stage, Zetex bought plant and equipment in the former East Germany from the German government. This would "enhance development of new products for the group's worldwide customer base".

Trend, which was restructured, improved its operating profits by 175% to R3.6m (R1m).

Walsh said additional capacity had been created in Valor to meet growth in orders from the networking and communications markets. Demand for Zetex's specialist semi-conductors remained strong.

Walsh said new products introduced by Zetex and Trend would contribute to sales in the second half. Order levels for the group for the first two months since end-June had been higher than for the same period last year.

Mandela in bid for investment

By SIMON BARBER

WASHINGTON. — With agreement on a transitional executive and an end to sanctions imminent, ANC president Mr Nelson Mandela is preparing to launch a major bid for international investment in a trip to the US. (100) (748)

The trip is timed to coincide with the World Bank and IMF annual meetings at the end of the month.

The ANC has confirmed in writing that Mr Mandela has agreed to deliver the keynote address at a conference on institutional investment in post-apartheid South Africa here on October 1.

He is also expected to speak at World Economic Development Congress here on September 25, said Mr Madala Mthembu, a spokesman for the ANC's office here.

President F W De Klerk is currently scheduled to give the closing address.

The World Bank/IMF meetings officially begin on September 27, and Mr Mandela may use the opportunity to see bank president Mr Lewis Preston and IMF managing director Mr Michael Camdessus, and to have meetings with key finance ministers.

The UN General Assembly will also be in full swing in New York. CT8/9/93

Deal raises hope for investment

748

CT 9/9/93

Own Correspondent

JOHANNESBURG. — The drive to raise foreign finance is likely to get a boost this month when agreement is signed on \$5 billion in foreign debt caught in the standstill net.

The Reserve Bank indicated yesterday that it was possible to make a deal even before government, ANC and business representatives left for the United States later this month to market the country to the international financial community.

A source close to the negotiating team said consensus had been reached between the major political players. This followed months of delay while South Africa's creditors waited for approval from the ANC and other key political organisations.

Bankers said the conclusion of a deal effectively ending the debt standstill would play a major part in unblocking new foreign finance.

Creditors implement strict rules in dealing with standstill countries. An agreement would spur them to raise the limits, unlocking new private finance to bolster dwindling foreign reserves.

The flow of funds would be boosted by the ANC's call for the lifting of sanctions. This should give SA access to IMF and World Bank funds.

Capital flow to SA 'soon'

CT 9/9/93 (74B)

From CHRIS BATEMAN

LONDON. — Commonwealth economic sanctions against South Africa could be lifted even before the heads of government meeting in Cyprus next month and World Bank loans could begin flowing "within weeks".

A "delighted" Commonwealth Secretary General, Chief Emeka Anyaoko, described the TEC agreement as "very good news indeed".

Upon hearing that Mr Nelson Mandela had called for the lifting of sanctions by the month's end, a top British economic expert on South Africa, Dr Jonathan Leape, predicted that the World Bank could begin loans to South Africa "within weeks".

The Swedish government will almost certainly lead the way today by lifting its trade ban on

Swedes to lead the way today

South Africa.

Swedish Prime Minister Mr Carl Bildt told an all-party committee on foreign affairs in Stockholm yesterday: "It seems one of the conditions we set up has been met." His government will decide at its weekly meeting today.

The European Community is expected to lift the ban on nuclear co-operation when a second session of Parliament — possibly early in November — is expected to breathe life into the TEC, together with a complete set of transitional structures and an

interim constitution.

Last to go will be the EC and UN arms-related measures.

Chief Anyaoko said that he would not be announcing any decision until he had completed his consultations with members of the Commonwealth's Ministerial Committee on South Africa.

But he confirmed there was a "definite possibility" of lifting trade and industrial sanctions before the Commonwealth heads of government meet in Cyprus on October 22.

Dr Leape, director of the London School of Economics' Centre for the Study of the South African Economy and International Finance, predicted that violence in South Africa in June and July would "all but wipe out" foreign investment for the third quarter of this year but conceded that the TEC agreement would lead to a boost in the final quarter.

Drive to attract *Sowetan 9/1/93* investors

LOCAL business and political leaders will add their voices to an ongoing campaign aimed at attracting United States investors to South Africa at a conference to be held in New York on September 27. (74B)

The conference will come just days before the annual meetings of the International Monetary Fund and the World Bank.

Finance Minister Mr Derek Keys, who will be in the US for the IMF and World Bank annual meetings, will deliver an address while ANC secretary-general Mr Cyril Ramaphosa will speak on "South Africa, platform for foreign investment".

US Assistant Secretary of State for Africa Mr George Moose will inform the South African contingent how the world views the economic and political situation in this country.

The notion of black economic empowerment will also be high on the agenda with the head of the ANC's economics department, Mr Trevor Manuel, and community leader turned businessman Dr Nthato Motlana leading the way. The conference is organised by a local stockbroking firm and the Washington-based National Foreign Trade Council.

SA facing Asian competition for funds

Violence deters foreign investors

Star 13/9/93

AN end to sanctions would not in itself attract much-needed foreign capital

BY NEIL BEHRMANN

London — The lifting of sanctions and renewed access to the IMF, World Bank and other institutions will not in themselves be sufficient to attract large amounts of foreign capital to South Africa.

Businessmen say international investors would place funds in long-term SA projects only if violence abated and prospects of growth improved.

John Montgomery, London representative of the South Africa Foundation, says: "Foreign businessmen are concerned about the degree of violence.

"There remains plenty of interest in SA, but businessmen are unlikely to risk long-term capital unless it becomes more peaceful."

Foreign capital would be forthcoming only if the international community had economic guarantees, notably repatriation of dividends and capital.

Moreover, foreign businessmen still require good returns on investment. Besides violence, they are concerned that profitability will not be hindered by strikes, low productivity, excessive tax, inflation and recession.

So a new government must not only be democratic, but believe in free enterprise.

If it fails to do so, foreign businessmen will regard SA as yet another "African country with a dismal economic future," Montgomery says.



Causing concern . . . the sort of action taken by black students at Wits university.

Among emerging regions, Asia is attracting the bulk of foreign capital.

According to the World Bank, annual growth in East Asia averaged 7,7 percent a year between 1980 and 1991. Sub-Saharan Africa's annual growth was 2,1 percent.

Investment as a percentage of gross national product (GNP) was 35 percent in East Asia in 1991, against only 16 percent in Sub-Saharan Africa.

Population growth in Africa was twice that of Asia, while inflation was three times the level.

The economic gap between the two regions has widened in the past two years.

Thus international companies would avoid South Africa if it perceived any shift to lower standards.

With this in mind, the killing of American student Amy Elizabeth Biehl, appeals for Africanisation regardless of skills, and the destruction of Wits University property are being viewed with concern.

The murder of Biehl received considerable media at-

tention in the US, Europe and elsewhere and could easily discourage investment — both human and capital — particularly if there were other examples in the future.

Reports that black supporters of the ANC are concerned that the movement's leadership is being dominated by whites received prominence in the London Sunday Times.

Understandably, many blacks believe capable black thinkers are not in power because of apartheid.

On the other hand, foreign investors believe the movement desperately needs skills and know-how for government and economic management, regardless of race colour or creed.

Foreigners sympathise with blacks who have received a poor education.

Nevertheless, there is great concern that black university students have wilfully destroyed vital property of their own academic institutions.

Lower university standards would symbolise decline elsewhere.

Foreign investors ruled out for 93

CF 14/9/93
(74B)

Business Staff

FOREIGN investors cannot reasonably be expected to make any sort of move into SA "until at least the second half of next year", when the situation may be more settled, says Santam GM, investments, Roy Justus, in his quarterly economic review.

"Until then we must expect the economy to be flat, following the trend of the recent past.

"Unfortunately I cannot see how we can finance growth from existing resources inside the country.

"Significant financial growth can be achieved only through capital inflows."

Justus thinks the inflation rate could fall to 7% or 8% and stay at that level during the first half of next year.

"But as far as the longer term trend is concerned things are much more difficult to predict.

"It is unlikely that the inflation rate will be held at this lower level, allowing for the likelihood that a new government will strive to satisfy the expectations and aspirations of the majority of the people in this country."

Justus thinks the value of the rand will decline by about 15% ohs.

Low oil prices Keep PPI down

CT 15/9/93

BY AUDREY D'ANGELO
Business Editor

OWER world crude oil prices helped to keep the producer price index (PPI) down in July in spite of the weakening of some other imported components.

The year-on-year rise was 6,3% compared with 6,4% in June and all below the 9,3% reported in July last year. But the monthly rise was 0,7% compared with 0,4% in June.

This was due mainly to a month-on-month rise of 0,9% in the local component compared with a fall of 0,1% in the imported component.

The locally produced component of the PPI rose by 6,7% year-on-year compared with 6,3% in June and 9,7% in July last year. The imported component rose by 4,5% year-on-year compared with 6,8% in June and 7,5% in July.

last year. With a base of 100 in 1990, the index for all commodities rose to 129,1% in July compared with 128,2% in June and 121,5% in July last year.

Economists said it was encouraging that the PPI remained so low, indicating that inflation remained under control and that the weakness of the rand had not yet fed through.

Old Mutual economist Johannes commented: "We were surprised by the decline in the imported component. It indicates that the fall in the price of crude oil was greater than the depreciation of the rand."

"The rise in the local component of the PPI cancelled this out, resulting in a small rise in the total figure. This was due partly to the fact that the rise in some local components was only estimated in previous months and was actually measured in July."

Southern Life chief economist Mike Daly said the figures were in line with expectations. The PPI had declined consistently since reaching a peak of 8,3% in February.

The year-on-year drop in the imported component was partly due to the fact that there had been a surge in July last year, so that it was measured from a high base. But the PPI was under tremendous pressure from competition in the market place which kept SA prices down.

Boland Bank chief economist Louis Fourie said the figures showed that inflationary expectations were now below 10%. Overseas PPI figures were also low and the risk of imported inflation would become even less when the rand stabilised.

Nedbank economist Mr Edward Osborn said a fall in fruit and vegetable prices, resulting from the end of the drought, helped to limit the month-on-month rise in the local component.



NEW MARKETS... Twelve members of a trade mission from the Cape Chamber of Industries (CCI) to Argentina and Chile met for a final briefing this week. They were, front row from left, Joan Melvin of clothing company Val Hau et Cie; mission leader Dave Pocock of clothing company R A Manufacturing; CCI deputy director Colin Boyes. Back row, from left, James Godfrey representing Sondor Industries (his colleague P Weir will actually go on the mission); Noel Lawrence of SA Fine Worsteds; Richard Thomas of Meshcape Industries; Ivan Miller of Illumina; Basil Marais of WJM International Trading; D C Schwartz of Consani Engineering; Kees Vermeulen of JKC Agencies; David Walton of clothing firm Melia Holdings and Ian Human of engineering firm Powdermet. Two other mission members, L Bouckaert of textile firm Bouckaert-Sonen and D le Roux of L R Plastics are not in the picture.

Picture: ANDREW BROWN

In seek of new S American markets

THERE is a growing realisation among Western Cape manufacturers that they will have to seek out new markets aggressively.

Colin Boyes, deputy director of the Cape Chamber of Industries, said yesterday. Boys has organised a two-week trade mission to Chile and Argentina, leaving on Sunday.

"With the assistance of the SA embassies in Buenos Aires and Santiago, business appointments

have been made with import agents, principal representatives and local manufacturers in both countries," he said.

"The spread of companies taking part in our trade mission gives a fair profile of the Western Cape with three engineering, three textile, three clothing, two plastics, one electrical and one general.

"The indication is that, given the rapid economic growth cur-

rently being achieved in both Argentina and Chile, SA companies stand to do well in these markets.

"And the trade mission, closely following President F W de Klerk's visit, is well-timed."

Boyes pointed out that SA companies must become globally competitive as the remaining sanctions end while protective tariffs will gradually be removed. This means that new markets throughout the world must be penetrated.

World bank urges rand depreciation

Own Correspondent

JOHANNESBURG. — World Bank economists have renewed their call for SA to depreciate the rand — in sharp contrast to Reserve Bank governor Chris Stals' stance.

A World Bank study on SA trade policies published last month said the rand should be fixed at a lower rate than the market-determined level as an incentive for SA's manufactured exports.

The view that the rand should depreciate has been expressed in other

World Bank reports and a number of SA economists, including Old Mutual's team, have supported the call.

The study said: "The east Asian experience suggests it is preferable to err on the side of undervaluation rather than on the side of overvaluation. To encourage industrial exports, the value of the rand must be maintained at a level that ensures their competitiveness."

Using the exchange rate as a trade policy tool would enable SA to scrap trade interventions, eliminating import duties and export subsidies si-

multaneously, the World Bank said.

While that would be the preferred long-term solution, the first step towards helping SA exporters was to give them access to cheaper imported inputs.

SA had to enable exporters to pay world prices — rather than inflated domestic prices — for their inputs. While the easiest way to achieve that would be to eliminate all import tariffs on these goods, such a move would be too drastic. Other ways to achieve the aim of lowering exporters' input costs in-

cluded exemptions from import duties for exporters and rebates on excise duties. While SA already had a system in place to refund exporters, it was highly flawed.

A cumbersome permit process to import at world prices contrasted with the Korean system "where such requests are decided within hours", the study said.

The World Bank said SA's rebate scheme should be independent of any suggestion that exporters first shop locally for inputs before import-

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Economy top of US agenda for De Klerk, Mandela

Political Correspondent

PROMOTING international investment will top the agendas of both President De Klerk and ANC leader Nelson Mandela when they visit the United States next week.

Both leaders are to address the World Economic Development Congress in Washington. Mr. Mandela is also expected to call for the lifting of remain-

ing sanctions at a specially convened meeting of the UN Special Committee Against Apartheid in the UN General Assembly hall on September 24, according to a UN spokesman.

Mr. De Klerk is to meet UN secretary-general Boutros Boutros-Ghali in New York on September 23 and will deliver the closing keynote address at the

Washington conference on September 25.

Mr. De Klerk has a range of meetings in the United States and, on his way home, in London with businessmen, bankers and other leaders "with a view to promoting South Africa's economic interests", according to a government spokesman. He will also have discussions with British Prime Minister John Major in London.

Mr. De Klerk, who will be accompanied by his wife Marike, leaves South Africa on September 23 and returns on September 28.

Mr. Mandela is scheduled to visit the United States for at least a week and a number of European countries — expected to including Portugal, Belgium, and Britain — after his US trip. **ARZ 16 9 93**

Canada gets ready for SA business

SI Times [Buss]

19/9/93

By ZILLA EFRAT

SOUTH Africa's business with Canada is picking up.

Many Canadian companies are considering entering the SA market, says Michael Judin, a senior partner at Goldman, Judin & Werner.

Mr Judin is negotiating a deal with one of Canada's biggest companies which could involve "a substantial investment" in SA.

SNC-Lavalin, one of Canada's largest engineering firms, has formed a joint venture with Murray & Roberts company Engineering Management Services. Called Alpron, it is the management company for the Alusaf project.

Two other large engineering firms said to be opening offices in SA are HA Simons and NLK Engineering. Both serve the paper and pulp industries.

Several Canadian trade missions will visit SA this year — with Canadian Government support if sanctions have been lifted.

Canadian commercial

officer Bruce Fraser says the embassy in Pretoria notices greater interest from exporters looking for opportunities in SA.

Fourteen Canadian firms will exhibit at the SA International Trade Exhibition (Saitex) in October.

Louis Burke, president of Montreal-based Interexpo which organised their entry, says some of them hope to establish themselves in SA.

Their products and services include airborne surveys, automatic casting equipment and electronic safety equipment.

Among the companies are SNC-Lavalin and Canadian Kenworth Trucks through a Zimbabwean joint venture.

Another exhibitor will be KL Burke & Associates, which specialises in investment, joint ventures and technology transfer.

A SA-Canada Chamber of Business, affiliated to the SA Chamber of Business, was formed this year and held its

inaugural meeting a month ago.

Air Canada has opened a sales office in Johannesburg and Canadian Airlines International has appointed a representative in SA.

Canada's sanctions, the same as those of other Commonwealth countries, prevent the export of high-tech goods and equipment to the SA armed forces. They also ban the import of SA agricultural products, coal, iron and steel.

Mr Fraser says trade promotion and export credits are denied by the Canadian Government for anyone wishing to deal with SA.

He expects the removal of the embargo on agricultural products to pave the way for SA sales of food, wines and beverages to Canada.

Canada used to be the largest foreign market for SA brandy.

Mr Fraser is unaware of any Canadian companies that have carried on business with SA during sanctions.

Canadian investment in SA was small.

ANC scares off phone investors

S/Timeo [Buss]

By CIARAN RYAN 19/9/93

FOREIGN investors, poised to invest R1bn in SA's cellular phone network, have delayed involvement in the project following the row between the Government and the ANC over attempts to issue two cellular phone licences.

Vodacom, a venture between Britain's Vodafone and Telkom, has stopped investment until the dispute is resolved. It has already spent R50-million in preparing for cellular phones. (74B)

Each licensee is expected to spend more than R1-billion on development.

Vodacom chief executive Alan Knott-Craig says: "Our international partners are getting nervous and if they see a hostile climate they could pull out." America's Computer Sciences Corporation (CSC), a top telecommunications software provider, has threatened to scrap a multimillion-rand investment in

management systems for telephone operators if the ANC is obdurate.

Also at risk are 80 000 jobs to be provided by the cellular-phone business.

The ANC claims the issue of licences amounts to unilateral restructuring. It says cellular phone technology is inappropriate for SA and expensive. It wants Telkom to remain a monopoly and says cheaper technology is available.

There are suspicions that the ANC is trying to delay the issue of licences until sanctions are lifted to allow US and Scandinavian companies to tender.

Vodacom, 50% owned by Telkom, 35% by Vodafone and 15% by Rembrandt, is due to receive one licence. M-Net and UK partner Cable & Wireless are tipped

to get the second.

Tim Lowry, who heads Cable & Wireless in SA, says the licence issue is "a litmus test for international investment in SA. If the licences are not issued, it sends a bad signal to foreign investors. There is no shortage of countries competing for foreign investment and SA cannot afford to spoil its chances now."

Cable & Wireless had invested R50 million and two years of work in preparing for the launch of cellular telephony in SA. Mr Lowry says his company will review its involvement in SA if the licences are not issued.

SA Chamber of Business senior economist Bill Lacey regrets that the issue has become politicised.

He says it is important that the current impasse be resolved so as to provide a positive signal to investors.

NEWS ANC's biggest financial backers are taking a very keen interest in SA

Sowetan 21/9/93

Looking to the future

Swedes are asking questions about funding

the ANC. Kaizer Nyatumba reports:

South African multi-party negotiators at the World Trade Centre continue to grapple with the country's interim Constitution, political and business leaders in Sweden have begun to look beyond this year and to make preparations for the future.

The ANC's biggest financial backers over the years, Swedes have taken a very keen interest in this country and have followed developments here very closely.

There are at least three reasons for this interest: that country's continuing massive financial support for the ANC, the Swedish business community's staunch opposition to sanctions against this country, and a pervasive belief that a politically stable and economically strong South Africa would serve as a motor for the entire Southern African region.

Although Sweden lifted trade sanctions last week following agreement on the Transitional Executive Council (TEC), investment sanctions are still in place until the TEC is up and running, as recommended to Stockholm by the ANC.

And this the Swedish business community—which believes itself disadvantaged compared to other countries—does not like.

“My organisation thinks it is hypocritical when an organisation asks more from Sweden than from another country, and then says ‘hold on with sanctions’.”

“My constituency is very annoyed,” said International Council of Swedish Industry executive director Mr Ake Magnusson.

And then there is the question of the continuing funding for the ANC by the Swedish government, which some parties within the ruling Moderate Party-led coalition now want terminated.

In a country which is consensus-driven and has a proud history of neutrality, many

Business and political leaders will have to work hard to ensure political stability and economic growth in South Africa

Since Swedish law forbids the funding of political parties in foreign countries—which largely explains the ANC's reluctance to become a political party before the election—many politicians agree the substantial financial backing given to the ANC will have to go.

There is also consensus that the money—which constitutes a third of the Swedish government's final package for South Africa, distributed among SA non-governmental organisations through the Swedish Internal Development Agency—should not be lost to SA.

Instead, it will be transformed to developmental aid to benefit all South Africans. The view held by many Swedes, including Foreign Affairs Minister Under-Secretary of State Mr Lask-Ake Nilsson, is that support for the ANC should be cut off a few months before the election.

But according to Magnusson, many Swedish businessmen are not happy with the fact that the ANC continues to receive taxpayers' money.

However, he himself understood the need not to cut off aid to the ANC during the transition, arguing that it was important “to see to it that the ANC does not collapse as an organisation”.

(FLB)

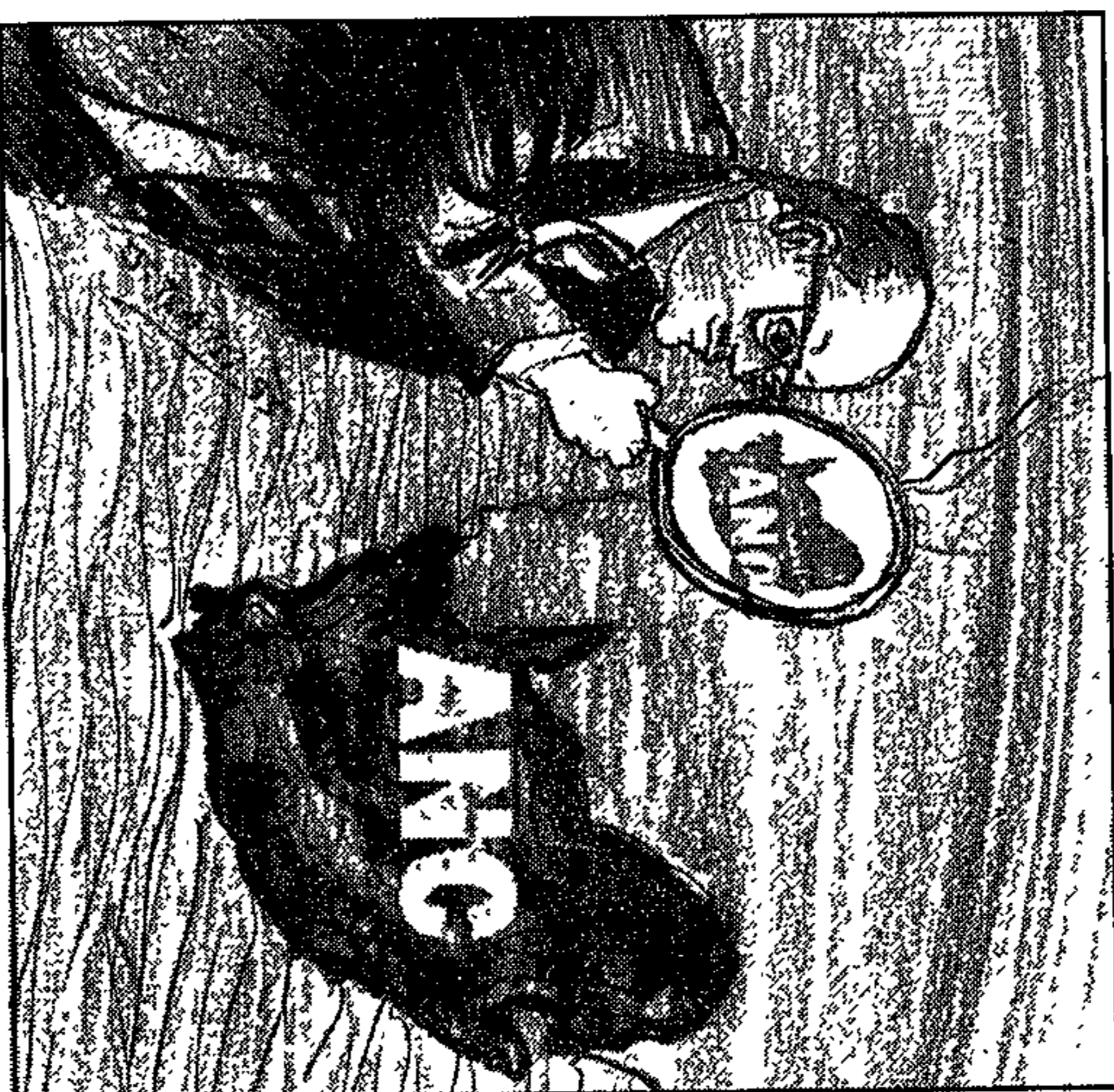
“The majority feels that a solution to this issue should cause the least damage to the ANC. We are proud to have been one of the major donors. We are in no bloody hurry to review the situation,” said Karlsson.

Although trade sanctions have now been lifted, many thought only those companies which had a presence here before the punitive measures against Pretoria were adopted would rush back in an attempt to recapture lost ground.

The majority of Swedish companies, they said, would adopt a wait-and-see attitude for the first few years. South Africa, Nilsson predicted, could later become Sweden's “major economic partner and even competitor in some markets”.

Magnusson said South Africa had “one of the most sophisticated mining systems in the world”, and it was therefore important for Swedish mining companies to have a presence here.

Magnusson said: “The business community sees in some of your companies good business partners. You are regarded as an honest country and as one of the few countries in Africa where one can do business under fairly normal business practices. One does



not need to bribe one's way through.” However, Magnusson emphasised that South Africa was not exactly an investor's haven.

Business and political leaders here would have to work hard to ensure political stability and economic

growth. And Karlsson had unsolicited advice for the ANC:

“Deregulation in industry is very important and there should be no nationalisation. You have to create a more effective and more efficient economy.”

Wesgro: Bid for business partners

CT23/9/93 (74B)

By AUDREY D'ANGELO
Business Editor

WESGRO is about to start an intensive marketing campaign aimed at finding overseas partners for joint ventures in the Western Cape.

Its executive director, David Bridgman, said yesterday that it had decided on an aggressive marketing push now, without waiting until after the election, because of the danger that SA might become a forgotten country once it was out of the limelight.

This had happened to Namibia and Zimbabwe. "We are at least receiving attention now and we think we should start our campaign before people lose interest in us and we drop off the map."

Bridgman pointed out that there was violence, danger and uncertainty in many other countries. Even former safe havens for investment, such as West Germany, had now become "a financial nightmare" for some investors.

"I have heard of companies closing down all their plants there."

Bridgman said he thought the UK was the only European economy likely to do well in the next few years, with manufacturers from France and Germany, in particular, relocating operations to areas where overheads were lower.

"In the 1980's a lot of low-cost manufacturing was shifted away from Western Europe to South East Asia. That was all right in the good times, but now in the bad times plants in Western Europe are being closed.

"Western European labour has largely priced itself out of the market and I think they will have to get accustomed to 10% unemployment."

Although unskilled labour was not cheap in the Western Cape, skilled labour was much cheaper here than in Western Europe.

"At artisan level we are competitive. In the clothing industry we cannot compete in making T-

shirts but we can in making men's suits."

Bridgman said Wesgro would be "fishing in France and Western Germany" in particular and joint ventures with local partners seemed the most likely way to attract investment.

But to do this Wesgro needed a portfolio of specific proposals. "We must be able to tell potential investors about specific opportunities and put them in touch with prospective partners."

Asking local business people in search of overseas partners to fill in proposal forms, Bridgman said: "What we are seeking is a preliminary sketch of potential projects.

"These might be wholly new business opportunities or an expansion of an existing business. Extensive detail is not necessary for us to canvass initial interest overseas."

Proposal forms are available from Wesgro's offices on the third floor of the City Hall in Darling Street or Tel 45 3201.

Top bankers rebuff black entrepreneurs

ARCT 24/9/93 (285) (748)
RAMSAY MILNE, The Argus Foreign Service

NEW YORK. — A group of top-level South African "development entrepreneurs" seeking American support for education, health and rural development programmes for blacks has been rebuffed by three of the biggest banks in the United States — J P Morgan, Chase Manhattan and Citibank.

The rebuff to the group, led by Wiseman Nkuhlu, head of the Independent Development Trust and the Development Bank of Southern Africa, is regarded as a discouraging sign for South African businesses hoping that the lifting of sanctions will lead to the immediate funding of commercial enterprises vital to South Africa's economic recovery.

Professor Nkuhlu said of the banks: "They simply expressed very cynical views about the violence taking place in the country and said they did not consider this an opportune time for opening the doors to investment in South Africa."

Call for

By JOAO SANTA RITA

A FEW hours after calling for the lifting of sanctions against SA, ANC leader Nelson Mandela travelled to Washington to call on world business leaders to invest in the country.

At the same time he defended his organisation's talks with the Afrikaner Volksfront, but ANC leaders travelling with Mandela denied the organisation had accepted the idea of an Afrikaner State.

Speaking at the World Economic Development Congress in Washington on Friday, Mandela warned that his call for international investment did not mean his future government would blindly accept orders from the International Monetary Fund and World Bank.

Urgent measures will have to be adopted soon to put an end to violence but, sounding almost like a government official, Mandela blamed the media for a distorted image of SA.

"Violence remains a problem that must be solved as a matter of urgency to ensure the transition to a democratic society," he said. An ANC government would leave no stone unturned to ensure that the problem of political and criminal violence would be "addressed effectively".

It was not true, however, that the country as a whole was engulfed "in an escalating spiral of so-called black on black violence".

According to Mandela the media tends to distort the picture.

Mandela urged business leaders to seize the moment and look afresh at investment, trade and other economic opportunities in SA.

However, he added: "We are determined to handle our own economic affairs in such a way that any support doesn't impact negatively on our national sovereignty or our capacity to address the irregularities inherited from apartheid," he said.

Mandela defended the ANC's talks with the rightwing, saying he was convinced that "in all sections there are

ANC urges business to seize the moment

(74B)

men and women committed to peace".

At a later press conference, ANC economics head Trevor Manuel added that in meeting General Constand Viljoen's Afrikaner Volksfront "the challenge is to maximize the stability of our country".

The ANC had to take into account the fears of organisations like the AV because ignoring them would be "fueling conflict in our country".

Manuel added, however, that although the ANC supported regional government it was of the opinion that "regions based on ethnicity or the racism of the past are not a basis for the future".

Although there was a need to talk to organisations like the AV "to ensure that they understand what their future is in a democratic society", statements that the ANC was committed to the establishment of an Afrikaner homeland "go contrary to the grain of every policy statement by the ANC".

"It is blatantly untrue," Manuel emphasised, adding that the ANC was willing to continue talks with the AV.

President FW De Klerk was due to address the conference last night. Mandela will return to Washington on October 1 to address another economic conference.

Yesterday top ANC officials refused to say why Mandela left it to the UN to decide on oil sanctions.

Mandela reportedly told journalists that "it was a sensitive question".

In Washington Manuel refused to elaborate. "You have heard the president's reply," he said.

C/Press 26/9/93
investment

US kingpins hedge on new SA investment

CT27/9/93 (74B)

NEW YORK. — Major US firms remain unconvinced about investing again in South Africa.

Despite the lifting of sanctions by the US, Canada and other Commonwealth countries at the weekend, several top companies interviewed expressed uncertainty as to SA's short-term prospects.

"It's not really clear to us whether it would be attractive to think about investing in South Africa again," said a spokeswoman for Ford Motor Co, which once had a large presence in South Africa.

Eastman Kodak has sent a team to South Africa to assess business conditions, spokesman Paul Allen said.

"The other situation we need to monitor ... is that states and local municipalities have limits on purchases from any company doing business with South Africa," Allen said.

Xerox Corporation said it didn't plan to return to South Africa.

"We don't have any such plans," Xerox spokesman Judd Everhart said.

But software manufacturer Microsoft

said it opened a sales office in South Africa in January, eight years after withdrawing from the country, under pressure from employees.

"We consider that the time is right to be back in South Africa," Microsoft spokesman Christine Santucci said. "We decided that back in January, and now we feel more confident than ever that that is the case."

CPC International, a New Jersey-based food processor with extensive overseas operations that divested its businesses in South Africa in 1987, said the moves toward majority rule have renewed its interest.

"Now that the political situation has changed, we are eager to be actively involved again," said Gale Griffin, director of corporate communications for CPC.

New York City mayor David Dinkins appeared at a news conference with Mandela and announced he was calling for a repeal of the city's anti-apartheid law, clearing the way to millions to be invested in SA.

In Philadelphia, finance director Ste-

phen Mullin said the city council will probably look at the issue soon.

The city council in Los Angeles, the second largest US city, moved quickly to repeal an anti-apartheid ordinance. Councilman Zev Yaroslavsky, who authored the 1986 law, introduced the motion to delete it.

"When Los Angeles passed its anti-apartheid ordinance, many of the cities, counties and states followed suit," Yaroslavsky said. It's clear that the sanctions have had an effect on South Africa."

A vote is scheduled for next week.

● Meanwhile, the European Community said on Saturday it would consider further steps towards improved relations with South Africa.

South Africa is keen to forge a formal cooperation agreement with the EC, since about half of South Africa's trade is done directly with EC states, with Germany and Britain the leading trading partners.

● New Zealand moved into line with its Commonwealth partners on Saturday, announcing it would also lift economic sanctions against SA within the week. — Business Staff and Reuter

Investment doors *Sowetan* 27/9/93 thrown wide open

Sanctions have to be kept in place until SA has set in motion the machinery for a transitional government.

African National Congress

By **Themba Molefe**
Political Correspondent

■ SWIFT REACTION *Bill Clinton*

keen to send trade mission to SA:

INTERNATIONAL INVESTMENT doors to South Africa are beginning to open — and really fast, it seems.

Reaction from Pretoria's trading partners came within hours after news of Parliament's approval of the Transitional Executive Bill hit world headlines last Thursday.

Therefore African National Congress president Mr Nelson Mandela's subsequent address to the United Nations calling for the lifting of remaining sanctions, was a mere formality.

On the other hand, the Pan Africanist Congress and Azanian People's Organisation have reacted by warning that lifting of sanctions was premature.

PAC secretary-general Mr Benny Alexander said the UN and United States should ignore Mandela's calls, saying they "should not economically prop up an aggressive government".

In spite of this objection reaction has been swift US President Bill Clinton is to send Commerce Secretary Ron Brown on a trade mission to South Africa as major states in the country lift sanctions, unlocking billions of dollars in potential investment. Canada will remove its trade investment and financial sanctions immediately, External Affairs Minister Perrin Beatty said on Saturday.

In London Commonwealth secretary-general Chief Emeka Anyaoku said all remaining sanctions against South Africa would be lifted immediately.

The lifting of economic sanctions comes at a time when South Africa had lost almost R5 billion in investment since 1985 when the US introduced its sanctions. Almost 500 000 jobs had been lost and the Gross National Product dropped by R24 billion.

Unemployment is at the 46 percent level and living standards *per capita* have dropped.

The successful struggle to isolate South Africa dates back to 1962.

This is the countdown to the demise — almost — of National Party rule through economic, cultural and financial sanctions:

1962: The first attempt by the United Nations to implement an arms embargo against South Africa was made by way of a General Assembly resolution calling for measures to bring about the abandonment of apartheid. The measures included boycotting all South African goods and refraining from exports to South Africa, including all arms and ammunition.

1963: South Africa's membership of the Economic Commission for Africa was suspended. The UN Security Council called for an embargo on the sale and shipment to South Africa of arms, ammunition, military vehicles and related equipment. The resolution was of a non-mandatory nature.

1974: A British parliamentary committee called for a "code of practice", pressing for African job advancement, to be implemented by British companies operating in South Africa.

1976: The British move was followed by the Sullivan Code initiated in the United States by American civil rights campaigner the Rev Leon



Bill Clinton wants to send Commerce Secretary Ron Brown to South African on a trade mission.

All remaining sanctions should be lifted immediately.

74B

Chief Emeka Anyaoku

Sullivan who had earlier urged US companies to withdraw from South Africa.

1977: The UN Security Council unanimously adopted Resolution 418, providing for a mandatory arms embargo against South Africa. A committee was appointed to monitor the implementation of the resolution.

1985: Total isolation of South Africa in sport was set in motion by the adoption of a United Nations convention against apartheid in sports. The convention prohibited direct sporting contacts with South Africa and urged "third parties" not to compete against sportsmen and women who had played against South Africans.

Limited oil embargo

In the same year the European Community member states adopted a limited oil embargo which restricted exports of crude oil produced or brought into free circulation in EC countries.

The Commonwealth adopted sanctions against South Africa, including an embargo on oil, at its heads of governments meeting in Nassau (Bahamas) in 1985.

The United States promulgates the Comprehensive Anti-Apartheid Act, making it illegal for any American company to invest in South Africa.

1986: The UN Security Council further strengthened the mandatory arms embargo against South Africa.

A UN inter-governmental group was established to monitor oil shipments to South Africa, following the adoption of UN oil embargo resolutions almost every year since 1979.

1987: A US State Department report published in May 1987 said 25

industrialised democracies had imposed various economic sanctions on South Africa to urge the SA government to abandon apartheid.

Common sanctions imposed by South Africa's trading partners included:

A ban on new investment in South Africa by 20 countries;

A ban on imports of gold coins (Krugerrands) by 18 countries;

A ban on imports of South African steel by 17 countries, and

A ban on new loans to South Africa by nine countries.

By November 1987, the UN convention against apartheid in sports had been ratified by 22 of its 71 signatories. It was opposed by many Western countries, notably Britain and the United States.

1988: A Commonwealth study group reported in Toronto that the refusal of banks to lend new money to South Africa had severely stunted its economic growth.

World Bank figures showed South Africa's economic growth performance in recent years had been among the worst in the world.

It was also reported that the economic recession of the mid-1980s had been the most savage slump for South Africa since World War 2.

1990: A summit meeting of the European Community, held in Dublin, decided all sanctions against South Africa, including the oil embargo, would remain in force.

1992: The ANC said sanctions needed to be kept in place until the South African government had set in motion all the machinery for a transitional government.

Foodcorp in venture with US group

FOODCORP and US-based food group Pillsbury have entered into a multimillion-rand joint venture agreement which represents the first major investment in SA since last week's call by the ANC for the lifting of sanctions. **BIDAY**

Financial details were not disclosed but Foodcorp CE Dirk Jacobs said the vehicle for the venture would be new company Pillsbury Brands Africa (PBA). **28/9/93**

Pillsbury and Foodcorp would each hold 50% of PBA, with Foodcorp having management responsibility. Pillsbury would pay R76m for its stake in PBA, which would then acquire Foodcorp's Table Top operation for shares and cash. Foodcorp's **(748)**

MARCIA KLEIN

liquidity would improve by R90m on conclusion of the deal.

PBA would manufacture and sell Pillsbury products — Green Giant vegetable products and Pillsbury frozen dough products — throughout southern Africa.

Pillsbury, based in Minneapolis, is part of UK-based international food, drinks and retailing conglomerate Grand Metropolitan, which has annual sales of more than \$14bn. Its products include Haagen-Dazs and Burger King. Drinks division International Distillers operates in 45 countries.

Jacobs and Pillsbury International

To Page 2

Foodcorp **BIDAY 28/9/93** From Page 1

president John Speirs said yesterday the two groups had been talking for two years in anticipation of the lifting of sanctions.

PBA would use Foodcorp's infrastructure, capability and distribution. Pillsbury would inject its brands and technology, product development and formulations.

With the Foodcorp infrastructure, the new company would be able to manufacture a significant range of Pillsbury products "without making a substantial capital investment in new plant or equipment", Jacobs said. The venture would boost the local frozen vegetable market, "which has become somewhat generic in recent years". Significant labour opportunities were envisaged.

Speirs said many Pillsbury products were completely new to the SA market.

PBA would be operational in about six months. In the first phase, a dedicated canning plant would be added to an existing plant in Port Elizabeth. The second phase would probably involve Pillsbury's chilled prepared dough products. A variety of products would be tested on the SA market. **(748)**

Speirs said Pillsbury was "making a very fast start in this marketplace", and would be "among the first in a wave of American companies that are certain to be investing in SA".

The joint venture would enable it to build its brands in an area which had significant growth potential.

Keys urges investors to return

74B
AT 30/9/93

Own Correspondent

WASHINGTON. — Finance Minister Mr Derek Keys appealed here to the international financial community yesterday to return to South Africa with the same zeal that characterised its flight from the country during the sanctions years.

In his statement to the IMF, Mr Keys described foreign funding as "a crucial element" in any future South African economic strategy.

He also promised sound economic policies in a new South Africa and underlined the "co-operative spirit and sense of financial responsibility" that already existed in the country.

More trade doors Star 1/10/93 swinging open (74B)

Global momentum for renewing economic and diplomatic ties with South Africa speeded up this week after ANC leader Nelson Mandela's pleas for an end to sanctions.

China said yesterday it would resume trade and economic links.

The China Council for the Promotion of International Trade said it would take steps to accelerate bilateral direct trade and economic co-operation.

The lessening of political tension has already allowed for a limited resumption of "back door" trade, and official Chinese publications have predicted South Africa will probably become China's largest trading partner in Africa this year.

Trade between the two states is estimated to have hit \$250 million during the first half of 1993 — equal to the entire 1991 figure — and could reach between \$400 million and \$500 million this year, with China importing large amounts of South African iron ore.

Stronger trade links between South Africa and Ire-

land were cemented earlier in the week with the official opening by London Ambassador Kent Durr of the Ireland/SA Trade Association in Dublin.

Durr was confident that formal diplomatic relations would soon be established.

There has been a steady improvement in trade between Ireland and South Africa since 1992.

South African wine exports to Ireland grew by 2 000 per cent in 12 months and Irish exports to South Africa increased from 29,5 million to 39,6 million Irish pounds between 1991 and 1992.

In Jordan, the chairman of the Middle East/Southern Africa Business Association, Mamdu Abu-Hassan, welcomed the establishment of diplomatic ties with South Africa.

"The long-awaited decision by Jordan and South Africa to establish diplomatic ties will contribute to realising the enormous business potential which exists between South Africa and Jordan and the rest of the Middle East," he said. — Sapa-Reuter, London Bureau.

Full diplomatic relations on the cards

China resumes trade with SA

Star 1/10/93

74B

■ BY NORMAN CHANDLER
and SAPA

China is to resume trade and economic relations with South Africa after a 33-year break.

A spokesman for the China Council for the Promotion of International Trade announced yesterday that ties were being resumed because multiparty negotiators in South Africa had reached agreement to set up a Transitional Executive Council and because of Nelson Mandela's appeal to the international community to drop economic sanctions.

China broke off trade ties in July 1960.

The move on trade and economic ties by the Chinese government is almost certain to lead to Pretoria's strong ties with Taiwan being downgraded.

It is understood that SA and China have already held low-level negotiations on the issue.

At present China is represented by the Chinese Centre for SA Studies. SA's interest office in Beijing was recently formally

AFTER an absence of 33 years China resumes economic ties with SA — at the possible detriment to relations with Taiwan

opened by Deputy Foreign Minister Renier Schoeman.

Diplomatic sources say China, having developed important trade links with SA over the past year, will make its move for the establishment of formal diplomatic relations in the middle of next year.

Beijing has signalled its intentions by buying, at a cost of more than R4 million, four adjoining houses in the Pretoria suburb of Arcadia, as well as a large house in Waterkloof understood to have been bought as the ambassador's residence.

A formal diplomatic agreement between SA and China will almost certainly lead to SA distancing itself from Taiwan, which is regarded by China as

part of its territory.

"Since the founding of the People's Republic of China (PRC), 157 countries have established diplomatic relations with China. All recognise that there is only one China. The PRC government is the sole legal government of China, and Taiwan is part of it," sources said.

A Chinese spokesman confirmed that in terms of international law only China could be recognised and that Taiwan had no right to represent China in the international community, nor to establish diplomatic ties or enter into official relations with foreign countries.

■ South Africa and Swaziland yesterday agreed to establish full diplomatic relations.

Proposed by Swaziland, the arrangement involves the exchange of ambassadors between Mbabane and Pretoria. At present both countries have trade representatives.

Swaziland and South Africa have enjoyed reciprocal trade and customs union agreements for many years.

ARG 1/10/93
745

Top paper tells US investors of 'bargains' in SA

RAMSAY MILNE, The Argus Foreign Service

NEW YORK. — With big United States investment firms looking hungrily at South Africa, the Wall Street Journal has warned that many American investors are in danger of missing some of the best bargains by grabbing shares in the "old familiar South African names" in mining and gold stocks, such as De Beers and Anglo American.

It urged investors to look instead for opportunities in other sectors, notably companies with interests in food, printing and publishing (in particular Johannesburg Consolidated), telecommunications and tobacco.

Foreigners bought R95 million worth of shares on the Johannesburg Stock Exchange with financial rands last week, bringing total foreign purchases to R2,2 billion so far this year.

The Journal, regarded as America's most influential business voice, said the new bullish view in the United States of South Africa's prospects was that the lifting of sanctions would stimulate the economy, enabling the black population to load up on consumer products and prompt South Africa's big conglomerates to export goods and services to other parts of the world.

"Of course, South Africa's volatile currency and tumultuous political environment could easily take foreign investors on a roller-coaster ride," said the newspaper.

"But analysts say the long-term future for South African stocks looks bright."

New York ready to do business with SA

NEW YORK. — New York State would invest in South Africa, but it was too early for details, said governor Mario Cuomo.

He was speaking after meeting ANC president Nelson Mandela for more than an hour in his office at the World Trade Centre in the city.

Mr Mandela appealed at the United Nations last week for the lifting of economic sanctions against South Africa. (74B) ARG 1/10/93

As the 10th largest economy in the world, New York State would assist to rebuild South Africa, a country which abounded with "wonderful possibilities", Mr Cuomo said.

He said it was too early to finalise details, but, with Mr Mandela, he had discussed the State of New York and public companies doing business with South Africa.

"We are admiring of what you have done in South Africa, and out of love and self-interest, we look forward to doing business with South Africa," Mr Cuomo told Mr Mandela. — Sapa.

Mandela urges US to invest, warns of wasteland

NEW YORK. — Nelson Mandela has warned that South Africa might be reduced to a "wasteland" unless economic sanctions are quickly lifted and new investments pour in.

The African National Congress president appealed to New York Governor Mario Cuomo for help in encouraging investment in South Africa, a nation he called "the most violent society in the world today."

Mr. Mandela said most of South Africa's black population lacked decent housing, running water, sanitation, electricity, schools and medical facilities.

Illiteracy had reached unacceptable levels even in urban areas and there was 50 percent unemployment.

Any delay in lifting sanctions "might reduce our country to a wasteland," Mr. Mandela said after talks with Mr. Cuomo at the governor's World Trade Centre office.

Mr. Mandela said the deterioration of the South African economy had resulted in an outburst of crime in addition to politically motivated violence.

"There is no atmosphere to attract investors," he said.

Mr. Cuomo pledged the support of New York state, which he said was statistically "the 10th largest economy in the world."

"South Africa has to be given a chance to rise up to the level of full partner of the rest of the nations."

Last week, Mr. Mandela told the United Nations that the international community should lift economic sanctions against South Africa, except for an oil embargo that should remain in place until a democratically elected government took power.

The United States has agreed to lift its remaining sanctions, and the European Community announced plans to do the same on Monday.

Mr. Mandela said: "We hope in due course to be able to tell the world that the stability required by investors is secured and the violence has been stopped."

"There can be no permanent political settlement if we don't face the economic question." — Sapa-AP.

Wesgro launches R7,5m promotion drive into Europe

By ARI JACOBSON

WESGRO launched a massive promotion drive into Europe yesterday, with R7,5m funding over three years, aimed at boosting investment in the region according to Wesgro's GM marketing Dave Muirhead.

Muirhead, speaking at the agm yesterday, said that the countries targeted would be the UK, Ger-

many, Italy and France and the focus would be on reaching specific investors through direct mail, advertising and networking.

"We plan to sell and sell hard," he said.

He pointed out afterwards that the investment team from Wesgro flies to Europe on Friday and had "many meetings set up with companies that have shown a real in-

terest in investing in the Western Cape."

Muirhead added that in October alone the Western Cape would be amplified overseas because of two major overseas conferences in Brussels and London and Wesgro was participating in two business missions from SA to Europe.

"We are also presenting the case for the Western Cape at several

seminars and exhibitions in different European cities.

Muirhead said that the advertising campaign was underway but pointed out that such a campaign was costly "to advertise in the Economist (a weekly) is over R40 000 a time."

"Direct mail is the most effective way of reaching specific individuals," he said.

Muirhead said that a lack of investment was part of the problem in the country and added "we must take advantage of the limelight in SA to help carry the message to the right people."

Farrier, Africa Institute for Policy Analysis (AIPA) executive director Bax Nomvete said that the strategy SA should adopt in Africa was to aim at "preferential trading in select products".

US mutuals will trade with SA-linked firms

From SIMON BARBER

WASHINGTON. — US mutual funds specialising in "socially responsible" investments have announced they will resume buying the stocks and bonds of companies that do business in South Africa, but only if the companies abide by an ANC-approved code of conduct.

The funds include the Calvert Group, with \$1,4 billion (about R4,76bn) in seven portfolios; the Dreyfus Third Century Fund, with \$530 million (about R1,8bn); Working Assets Common Holdings, with \$238m (about R809m) and the Parnassus Funds, with \$80m (about R272m).

CT 7/10/93 (74B)
In a statement, the funds declared: "Our challenge is now to indentify South African ventures that will generate profits and stimulate economic growth in South Africa."

It was unclear how the funds will monitor compliance with the code, which requires firms to recognise workers' collective bargaining rights, provide worker training and education and promote black business.

At present, all US firms with more than 25 employees in South Africa are required by federal law to demonstrate that they are meeting social responsibility standards, considerably more stringent than those set by the SACC, the ANC and Cosatu.

Business Report

10

THURSDAY, OCTOBER 7 1993

It pays to advertise ...

Foreign purchases of gilts on JSE 'quadrupled'

By KELVIN BROWN

JOHANNESBURG. — Foreign purchases of gilts on the JSE quadrupled after ANC president Nelson Mandela called for the lifting of sanctions in Washington last month. (746) (7110) 93

The JSE's latest trading statistics show that the value of non-resident purchases of bonds rose to R628m last week from R157m before Mandela's call.

The pick-up in foreign interest led to a strong bull run, with yields on the F168 and R150 breaking through the 13% level. Dealers said this was reflected in the significant strengthening of the financial rand, which rose from R4,5350 to the dollar before Mandela's call to R4,1850 last week. This saw the discount be-

tween the commercial rand and firrand narrowing to 17,36% last Friday from 24,19% at the end of the previous week. The JSE figures also showed a doubling in foreign purchases of equities, which rose to R209m (R91m).

Foreigners prevented from investing in SA in the past were attracted to the gilts market because the returns were higher than in their own countries, traders said. The average return on US bonds was about 6% compared with the 16% available through the firrand on SA bonds last week. This has dropped to about 14% since the strengthening of the firrand.

Traders also noticed a change in the trend of foreign activity in the past week. Since the lifting of sanctions, the Europeans — who have always been in the local market — have become sellers of bonds to new entrants from the US and Far East. Dealers said foreigners continued to show interest yesterday, but not as keenly as on Tuesday. The capital market was also slightly weaker on the back of profit-taking. In late afternoon trade the Eskom 168 was at 12,770% from an overnight 12,740%, while the R150 stood at 12,790% from 12,740%. The firrand closed marginally weaker at R4,1550 from R4,1300.

Dealers were optimistic that rates could fall through the 12,7% level in the next few days, if foreigners continued to buy.

SHIPPING

New trade link With Far East

748
MISC 9/10/93

FAN SHIFFMAN
Shipping Correspondent

SHIPPING line Malaysia International Shipping Corporation (MISC) inaugurated its new service to South Africa this week when their 374 teu container ship Bunga Melati arrived in Cape Town.

The new service will be operated by two fully cellular vessels offering a departure from Cape Town every 19 days. The 17-knot vessels will call at Cape Town, Durban, Colombo and Singapore. Singapore will be used as the hub port

■ A Malaysian shipping company has started a new service to South Africa adding to the already fierce competition.

from where MISC has frequent feeder services to Malaysia, Taiwan, Hong Kong, Japan, Korea, Indonesia, Korea, the Persian Gulf and the Indian sub continent.

At a function in Cape Town last week to launch the new service, MISC's marketing manager Zbul Amin of Kuala Lumpur, who was on his first

visit to South Africa, said that the shipping line had a reputation for operating fast regular services which would be marketed at Southern African customers at competitive rates.

With sanctions being lifted by Malaysia and other Far East countries, huge new markets would open for trade opportunities with South Africa, he said.

MISC was entering the South African route at the right time and was in a position to help with opening trade opportunities for Pacific Rim countries looking to do business with South Africa.

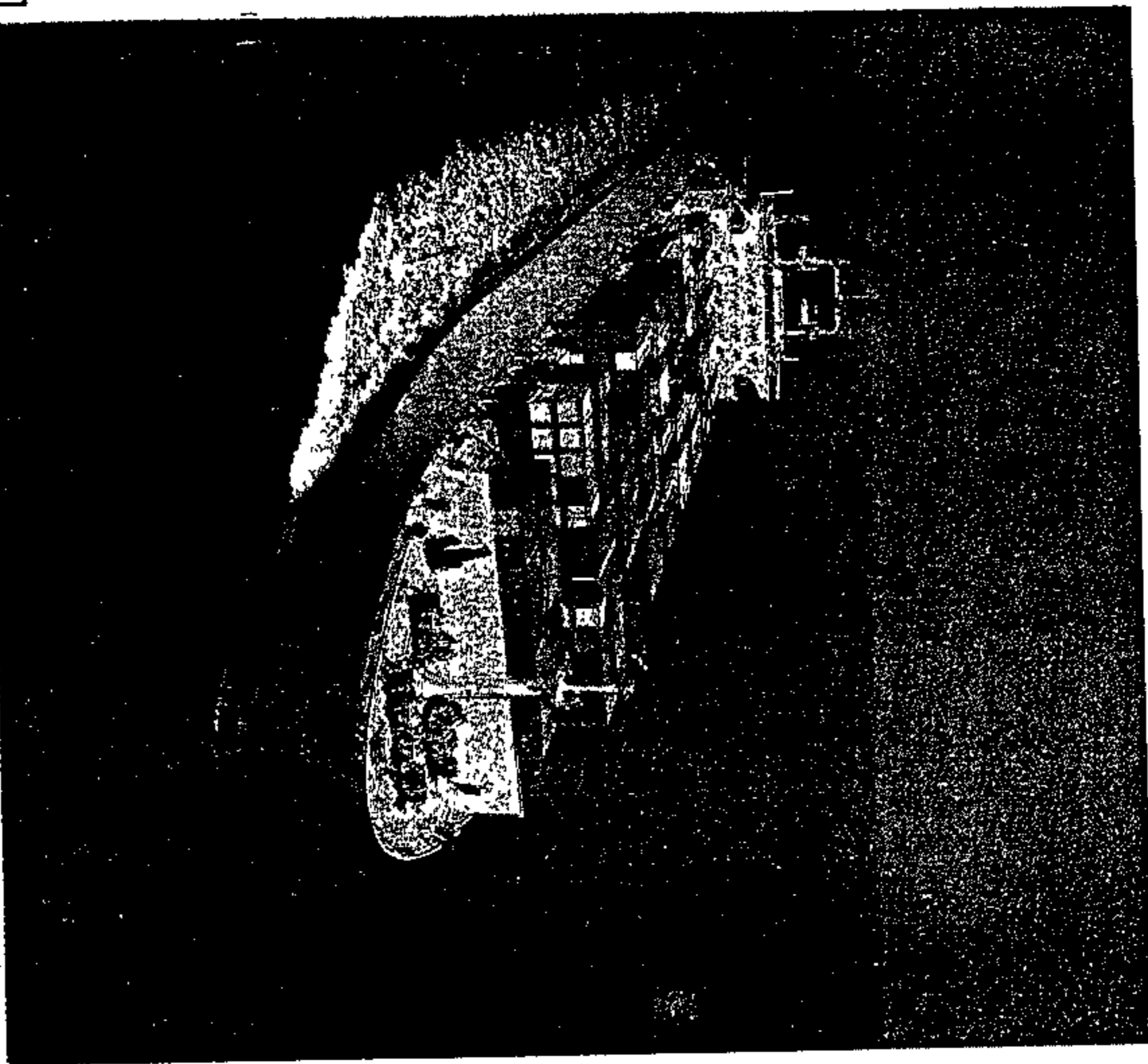
Malaysia International Ship-

ping Corporation began operating in 1970 with two ships, and today has a fleet of 51 vessels of which 17 are fully cellularised container ships.

This newcomer to the already overtonnaged Far East route could cause further intense competition between existing shipping lines trading on this route.

Rates have already been slashed considerably and those shipping lines offering regular reliable services will be operating at an advantage.

Indications are that the national shipping lines of Pakistan and India are also keen to open trade links.



NEW LINK: Malaysian International Shipping Corporation began its new South African service this week. Above is the Bunga Melati, one of the company's 17 container vessels.

CALL TO THE CUNE ON THE EAST ON THE WARD'S FINEST CRUISE LINERS

ROYAL VIKING LINE

Shipping

By **AUDREY D'ANGELO**
Business Editor

SETTING up an assembly operation in Barbados or entering into a joint venture there could give SA manufacturers unlimited access to the vast US market, says Lawson Nurse, CE of the Barbados Investment and Development Corporation.

Barbados Prime Minister Elliott Sandiford arrived in SA last week for talks with State President F W de Klerk aimed at attracting investment and tourism to his island.

His trump card is that, like other Caribbean islands, Barba-

Opportunity knocks for SA in Barbados

dos will enjoy the same benefits as Mexico in the new North American Free Trade Area (Nafta) for at least an initial period of three years.

Lawson Nurse, who will be a member of a trade delegation from Barbados visiting SA shortly, explained in an interview in the island's capital, Bridgetown: "If only 35% of a product is assembled here it can get into the US duty free and with no import restrictions."

Nurse said Barbados had a stable currency linked to the US dollar, no racial tensions and a highly educated workforce.

"We have a 98% literacy rate, which is higher than the US or Britain. We have free, compulsory education modelled on the British system up to university level."

"Education at our own university is also free and there are bursaries for study at universities in the US and UK."

ET 13/10/93

Incentives for SA companies to start a manufacturing or assembly operation there include a 10 year tax holiday for those who export their entire production. Nurse said raw materials and machinery could be brought in duty free by companies manufacturing exports. Work permits were available for managerial and supervisory staff.

"Factory space is available at subsidised rates. Lease rates are between \$3 and \$5 per square

foot per annum. There is also a training grant for companies who train their work force."

Sandiford's visit was organised by Harry Schwarz, SA ambassador to Washington, and Rudi Webster, Barbadian ambassador to Washington.

The delivery flight of South African Airways (SAA) new Boeing 747 from Seattle was diverted to Barbados to fetch him. The two ambassadors also joined the flight at Bridgetown.

Schwarz said trade links with Barbados offered "huge" opportunities to SA manufacturers and producers.

Sandiford is pressing for the nonstop SAA flight to Miami to land in Barbados. But Mike Myburgh, CE of SAA, said last week he did not believe passenger numbers would be sufficient to justify this.

Airlines already serving Barbados include British Airways and Air Canada. The island is a popular tourist destination in Europe, the UK and North America and has sophisticated international hotels.

744B

CPA lays out new jobs plan

Municipal Reporter

THE Cape Provincial Administration has become the first government department to tackle affirmative action head-on with a policy of preference — "all factors being equal" — for black and coloured male candidates and for women.

This is according to CPA director-general Mr Herbert Beukes, who said yesterday that nobody need lose his or her job now that an affirmative action policy had been adopted.

According to statistics quoted in the CPA's staff journal, the racial breakdown of the CPA's 58 432 employees is 44% coloured, 33,2% white, 22,5% black and 0,1% Asian.

The racial breakdown of the Cape's six million residents is 45,6% coloured, 22% white, 31,6% black and 0,74% Asian.

Apart from making the racial composition of its staff reflect that of society, the CPA had to look at "the rung of the ladder" where staff members found themselves, Mr Beukes said.

It was also important to address the managerial echelon to avoid criticism about "not making people part of its decision-making process".

According to the CPA policy, blacks will be more readily appointed, but "no prohibition or restriction is intended on appointing coloureds" even if the number of coloured staff is considered adequate.

The CPA director said the most sensitive area was likely to be in promotions, and that the experience of white employees might have to be weighed "adroitly" against other considerations.

Upbeat Mandela woos UK investors

Own Correspondent

LONDON. — "South Africa is open for business" was the message brought to British investors yesterday by ANC president Mr Nelson Mandela, SA Finance and Industry Minister Mr Derek Keys and UK Trade Minister Mr Richard Needham.

Speaking to hundreds of businessmen here at a Confederation of British Industry conference, Mr Mandela made an unequivocal statement on security guarantees for investors and Mr Keys said the main parties were poised to achieve consensus on economic objectives and policy.

Mr Mandela played up the commitment to make it easier for new companies to enter the market through proposed anti-trust laws and corporate unbundling and trade reform.

And he underlined the message on the eventual need to abolish exchange controls, remove South Africa from the list of debt-rescheduling countries and encourage investors.

"All companies, whether domestic or foreign, will be subject to the same policy environment," he said.



SHAKE ON IT . . . British prime minister Mr John Major and ANC president Mr Nelson Mandela shake hands at 10 Downing Street yesterday. Report — Page 2

Picture: AP

"We will guarantee the security of all investment against expropriation and ensure that companies are free to repatriate after-tax profits and proceeds accruing as a result of the sale of their business activities in SA."

South Africa, ANC chief negotiator Mr Cyril Ramma- attacks were connected in Africa after the PAC 16:00: Pilsa Orlas 16:05: Saun van Jonquieres 14:30: Maths (8): Duff

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Far from the heart of Germany

By TERRY BETTY

INVESTING in South Africa is no longer a priority for German industrialists.

Association of German Chambers of Commerce and Industry (BHWI) foreign trade department head in Bonn Liesel Quambusch says: "Companies with any inclination to invest have already done so. As for new investment, you are competing with the rest of the world."

German companies consider expanding abroad because the cost of production at home is too high. But many believe that the cost of production is even higher in SA where productivity is lower than in Germany.

Some that have invested in SA, such as Bosch and Volkswagen, face unrest and labour problems. They say SA-made products are uncompetitive.

ANC national chairman Thabo Mbeki and representatives of the Columbus aluminium smelter project visited Germany last month to seek potential investors. But they were competing with delegations from Sudan, Hungary and most Latin American and Asian countries.

Dr Quambusch says: "All of them seek funds and assurances they will not be forgotten as we concentrate on the former East Germany."

She adds that there is no list of who should receive investment preference. But Colombia and Sudan have good cases for investment.

German industrialists say they are sympathetic to SA and are monitoring politics here. But when it comes to hard cash, they are evasive, saying SA has many problems to settle before it can attract capital.

SA may be the gateway to Southern African trade, but most nations in the area cannot pay for the goods they need, say Germans.

SA's biggest competitor for the attention of German industrialists is the former East Germany where the cost of reconstruction and reunification has soared beyond expectations.

Before unification, the West German Government estimated the value of the industry in East Germany at Dm500-billion. It has since discovered it to be worth a negative Dm200-billion. Not only is industry virtually worthless, but damage to the environment will cost vast sums to repair.

To finance reconstruction every West German had to pay an extra 7.5% income tax in the 1991-92 fiscal year.

This was intended to be a one-off tax, but it will be reimposed in 1994-95.

The extra tax will finance about 15% of reconstruction and the government will borrow the rest.

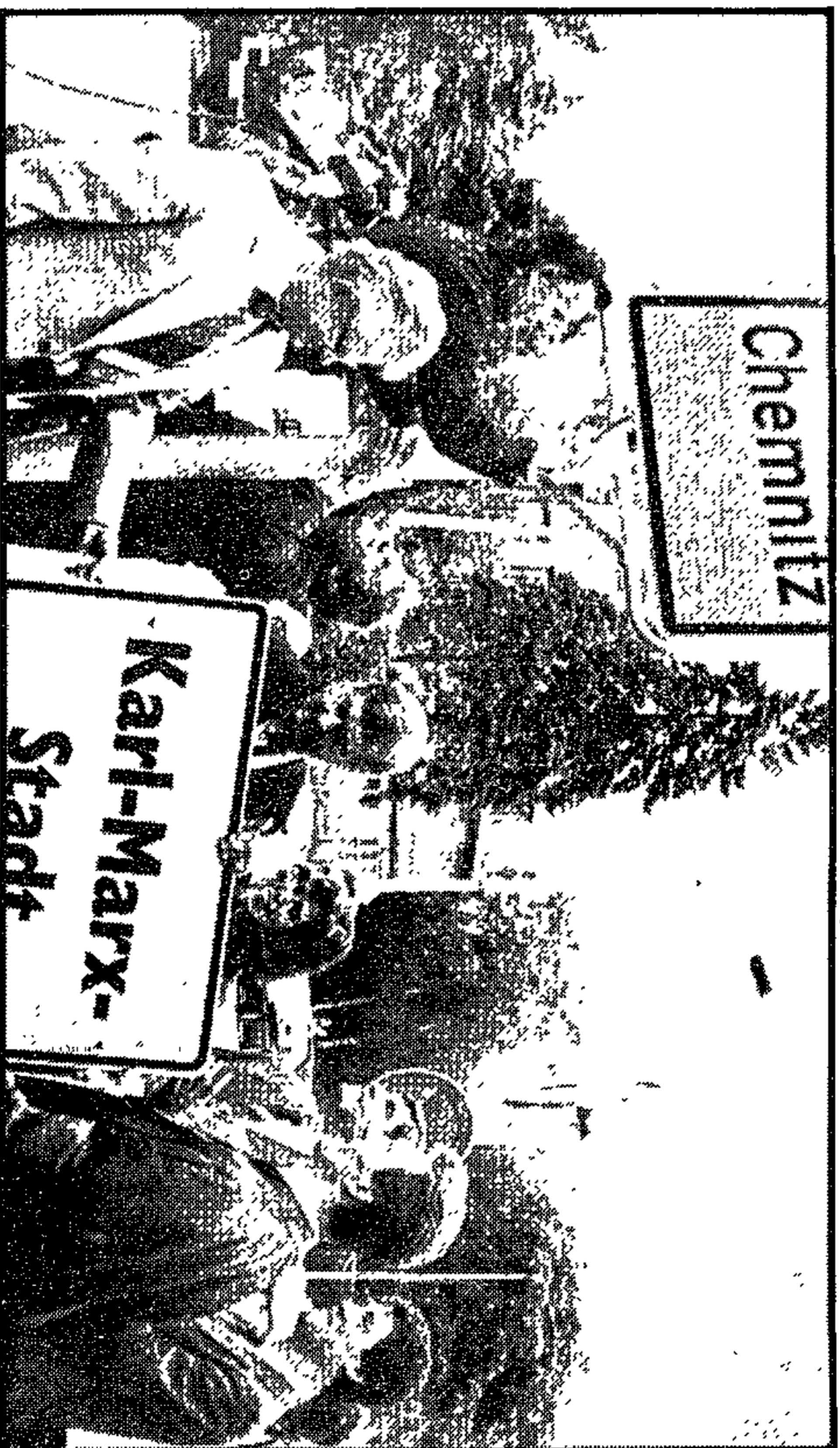
Rebuilding of basic facilities has started, the telephone system and roads being the first to be upgraded.

Much technology in the east was hopelessly outdated. For instance, the telephone system could not handle fax machines.

Treuhandanstalt, which has been established by the federal government to privatise the state-owned companies in the east, has had to virtually give them away in return for the promise of investment and keeping people in jobs. So far Dm172-billion has been committed to investment in the region. About 1.4-million jobs have been secured.

The companies were sold free of debt. The value of debt assumed by the government is about Dm270-billion.

Apart from the financial costs, the social costs of reconstruction have been



NAMES CHANGE EASILY: Chemnitz gave up Karl Marx while Germany gained the consequences of his ideology

enormous.

A tour guide in Dresden, a former East German city, says that although party members realise communism has ended, they are unhappy with the consequences.

The guide had been a party member. She also worked for the party, as did her husband, a defence official. Their party positions probably gave them access to perks denied other members of the population. Her rent was the equivalent of only

Dm100 a month. It is now Dm700.

Schooling was free and food was cheap. The state cared for the children. They went to school in the morning and spent the afternoon in youth centres.

The tour guide worries whether she can afford a tertiary education for her three children.

Parents have to take more responsibility for themselves and their families, something they find hard to do.

Many children, accustomed to the rigidity of communism, do not know how

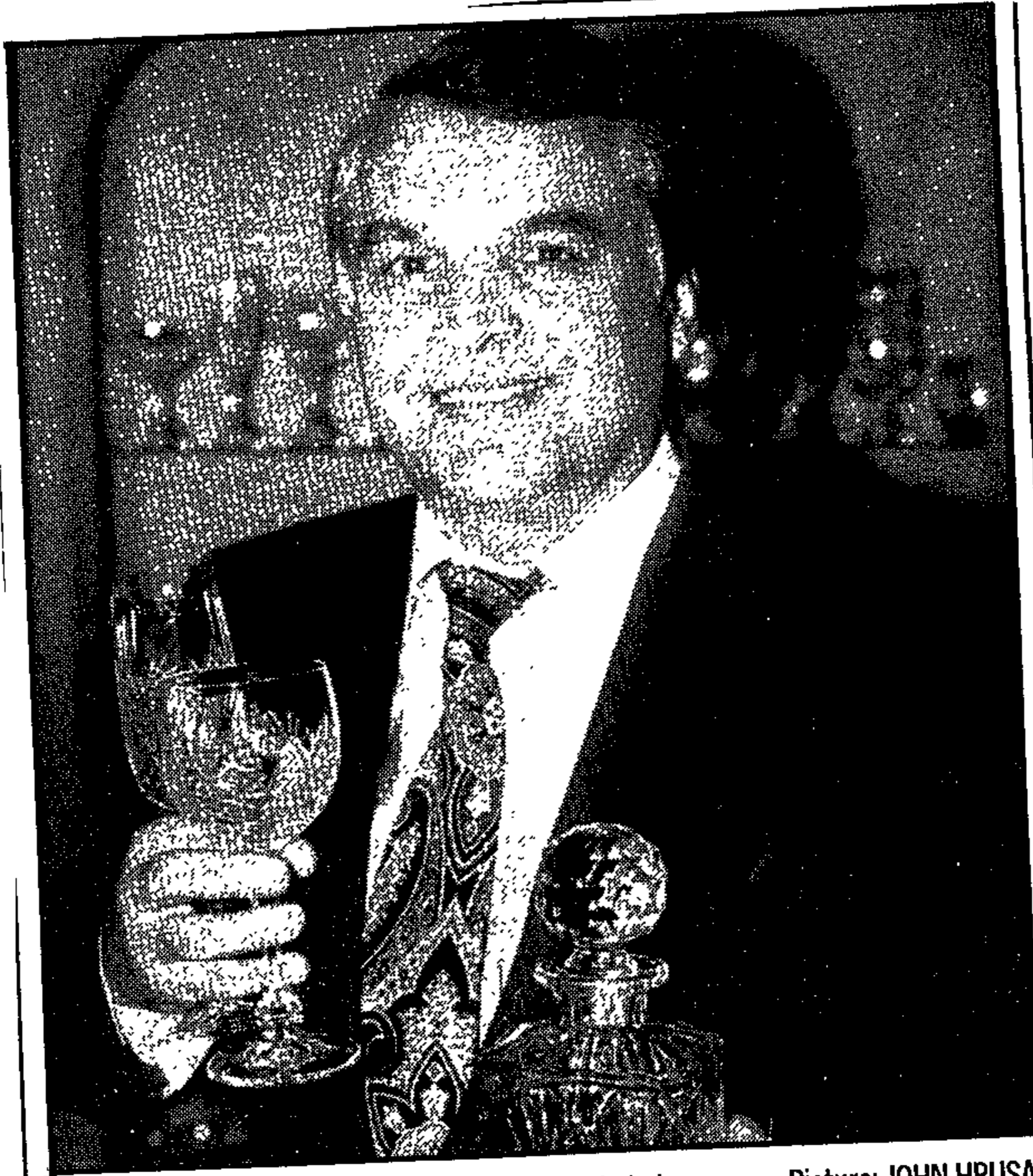
to handle freedom.

Their parents are not adept at controlling them and the children are turning to vandalism and crime, which they confuse with freedom and the right to do anything that was forbidden under the old regime.

A German journalist believes that if a referendum were held now, only 50% of Germans in the east and 80% in the west would agree to reunification, which has not turned out to be as easy as was expected.

STIMES (RUSS) 17/110/93

448



IVAN FRIMMEL: Free of Czechs and communist imbalances Picture: JOHN HRUSA

Slovakia seeking new ties

SI Times (BUS) 17/10/93

By ZILLA EFRAT

ONE of Slovakia's largest private trading houses, Martimex, is aiming at the South African market.

Its representative, Slovakia-SA Trading Company's Ivan Frimmel, says Slovakia's advantage is its low-cost labour — average monthly pay is R350.

A total of 230 Slovakian motorcycles and 56 tractors are on their way to SA and Mr Frimmel believes they could be 25% cheaper than competing products.

His job is to select agents for Slovakian goods, which include handcut glass, steel, diesel engines, hydraulic motors and pumps, construction equipment and machinery, forklifts and machinery for the forestry industry and railway construction.

Mr Frimmel says one of Slovakia's major challenges since separating from the Czechs is to assert itself on the world market. Most of its marketing was done by Czechs in Prague.

"After independence they kept their markets and ours."

Slovakia's engineering industry, its biggest revenue earner, has been hard hit by the disintegration of the Soviet Union, to which it sold large amounts of weapons.

Mr Frimmel says Slovakia's engineering

sector is "highly developed, contrary to what a lot of people may say" *(it is running at a quarter of its capacity.)*

The largest industrial sectors are chemicals, rubber, machinery, iron and steel. Food is also an important product.

Mr Frimmel says the change from socialism to a free market has left its mark on Slovakia. Chaos rules as people scramble for property in the wake of a privatisation programme. Unemployment has risen and farm output fallen.

Like other former socialist countries, Slovakia faces rising crime, pornography and prostitution.

It has been slower than the Czech Republic in gaining foreign investment, but the influence of Western management is being felt.

Mr Frimmel says many industries have been streamlined and are producing efficiently.

(FUB)
"Slovakia does not have to revamp its factories. It has to revamp the attitude of the people. They have been brainwashed for 45 years," he says.

ANC to lose out on trade?

C Press 17/10/93

(74B)

THE ANC's buzzword of yesterday, nationalisation, might return to haunt it for years to come as would-be investors look elsewhere to plough in their money.

This much is clear from the German Federation for Industry and Commerce, that country's equivalent of the SA Chamber of Business, which has made it clear that any decision to increase investment will be decided solely on the basis of sound business principles.

"Sound economic policies. Not sympathies or emotions. Investors do not base their decisions on anything else. They want to know their money is safe and they will make a profit. Unfortunately, that is the only criterion," said GFI's foreign trade head Dr Liesel Quambusch.

The large German businesses are already established in South Africa, and the major question, she said, is to do with increasing investment.

The GFI, which represents 83 chambers of industry and commerce in Germany, is the lifeline between German industry and politics.

Recently the ANC's

The lure of potential profit and not sentiment will attract foreign investment to SA. As News Editor CHARLES MOGALE discovered on a trip to Germany, competition out there for the foreign investment buck is very tough.

Thabo Mbeki and Trevor Manuel met with the GFI in Bonn and, according to Quambusch, made sensible undertakings regarding their government-in-waiting's economic policies.

"They know that their economic policies have to be acceptable to the world. They know exactly what the economy should be like. The problem is, won't they change?"

While the twosome's presentation of the ANC's case might have elicited some sympathetic audience, the Germans remain sceptical.

"We have no guarantee that an ANC government will not be pressured to engage in the wrong policies. They have not told their followers that it is going to be a long process before things are right. People think they are going to the northern suburbs of Johannesburg after the elections.

"I fear the ANC will be tempted to give in to the pressure and fiddle with the economic system," said Quambusch.

ANC president Nelson Mandela and Finance Minister Derek Keys were in London this week pleading for investment in SA, and pledging guarantees.

Mandela promised UK businessmen political stability in a new SA, while Keys told them that in spite of political differences, the six main parties in the country were vying for consensus regarding economic policy.

Their appeal, coming shortly after Mandela's call at the United Nations for the lifting of all economic sanctions against SA, still has to sink into German minds.

As Quambusch pointed out, SA will have to compete with dozens of other countries eager to attract foreign investment. She dismissed sentiments that investors are waiting eagerly on the fringes, just dying to invest.

On the contrary, they have to be attracted and persuaded.

According to Quambusch, besides investment in SA, other aid to disadvantaged communities

came through Cosatu and the Kagiso Trust. There was, she said, unhappiness about the manner in which the funds (an undisclosed amount) were used.

Scepticism arose from the realisation that the funds were apparently not used to train people in skills that would earn them a living.

SA's case in Germany is not made easy by the low productivity of the local workforce. According to Volkswagen officials, South African productivity levels are among the lowest in the world.

At the company's plant in Wolfsburg, the productivity rate is 20 vehicles per worker per year, while in SA one worker produces only seven vehicles in a year.

A clear message to SA was that if investment was decided on sympathy and emotions, the Germans would look towards the east where their 30-million brethren, reunited with them three years ago with the fall of the Berlin wall, are struggling to catch up.

■ Charles Mogale travelled to Germany as a guest of the German government and the Arbeitskreis Information (an organisation of 12 German companies doing business in SA).

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By RUDOLF GRUBER

THE call by Nelson Mandela for the lifting of sanctions against South Africa was welcomed in Germany, but caused less stir in banking and business circles than many might have supposed.

This is because sanctions as a cause never had the popular following in Germany which it came to have in the United States and Scandinavia. Apartheid found favour with nobody, but few had confidence in the capacity of sanctions to effect its removal without doing irretrievable damage to the economy and thus to the prospects of the very people such measures were intended to serve.

Accordingly, no German company disinvested during the sanctions era, and German banks resumed their lending to parastatals and corporate borrowers after the repeal of apartheid legislation in 1991.

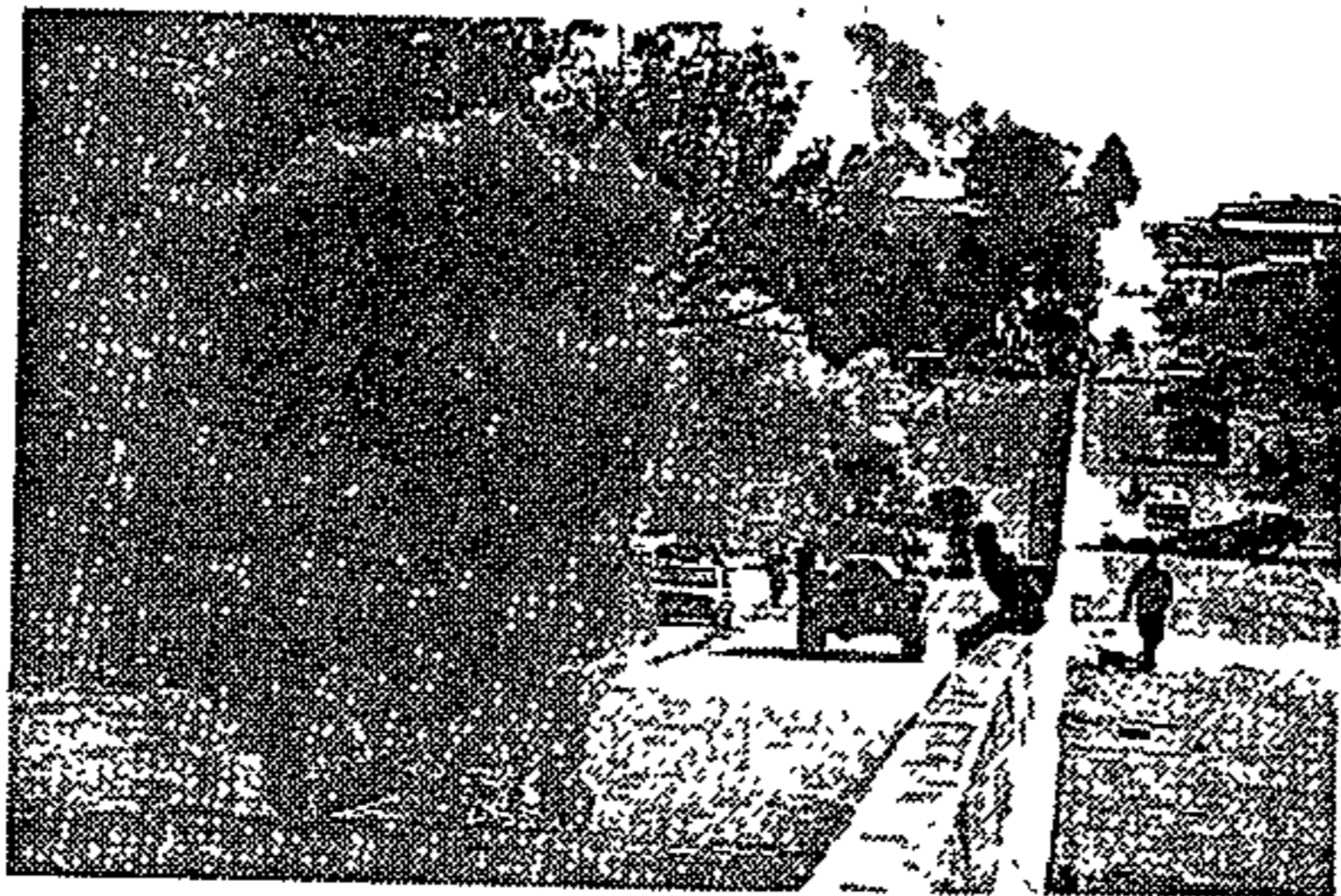
Taken bans

With the exception of token bans on the import of gold coins and crude steel, no impediments were placed in the way of trade. Nuclear technology and armaments could admittedly not be supplied to Pretoria, but this prohibition applied to all crisis regions.

Apart from such exceptions, no restrictions were placed on bilateral trade. Germany was consequently for many years South Africa's leading trading partner, and is likely to remain a key player even after the United States and Japan have returned unhindered to the fray.

With economic relations already virtually normal, the call by Nelson Mandela for the re-

German investors likely to hold back



VIOLENCE... A precondition for added investment is likely to be that violence and crime are brought under control.

sumption of trade and investment links, though politically and psychologically important, is unlikely to have any measurable effect for the time being.

Recession

The same applies to investment decisions. According to figures compiled by the Bundesbank, direct net investment by German companies in their South African subsidiaries total DM129 and DM107-million (R268-m and R222-m) respectively for the years 1991 and 1992.

With existing plant grossly underused after four years of recession and still no revival of demand in sight, there is little point in adding to the surplus capacity.

Anyway, despite the imminent installation of the TEC, the political outlook remains highly

unsettled and uncertain, and few entrepreneurs will make any move before elections have been held and the composition and policies of the new government have been assessed.

Even then, a precondition is likely to be that violence and crime are brought under control. With a murder rate that claims one victim among every thousand inhabitants, there is actually strong disincentive to risk capital and the lives of seconded personnel in a situation in which the return on investment is anyway questionable.

Attractive

While such considerations carry their own weight and would apply irrespective of the lifting of sanctions, the decision to hold back is made easier by the existence of very attractive propositions elsewhere.

(74B) CT/18/10/93
Apart from the new federal states between the Elbe and Oder rivers, the reform economies of Eastern Europe — Hungary, Slovakia, Poland and the Czech Republic — take pride of place. Their share of new foreign investment by German companies rose from 0,5% to 1989 to 6,5% in 1992.

Geographical proximity and cultural compatibility, no less than the low cost of labour relative to its skills, explain this fixation. German entrepreneurs are not alone in their assessment, moreover.

From a low start of \$446-million (R1,49-bn) in 1989, the flow of investment capital had swelled to \$4,5-billion (R15-bn) in 1992, and totalled \$8,3-billion by the end of last year. Since the very process of development creates new opportunities, this trend can be expected to accelerate and continue.

Having nothing comparable to offer at present in terms of growth prospects, South Africa can only be the loser in any contest for investment capital with Eastern Europe.

The prospects for enhanced development aid from Bonn are slim. The Bundestag did urge the government on March 12 last year to do everything possible to underpin the reform process in South Africa by funding socio-economic development, and the responsible minister has

twice been to the Republic to take stock of potential projects.

Nonetheless, such is the combined burden of reunification and recession on the exchequer, that the resources put in prospect for his ministry in 1994 have already been pegged at the current level of DM8,45-billion (R17,6-billion), and will anyway have to be shared with a host of needy newcomers such as the successor states of the Soviet Union.

Palestine

Then there is Palestine. No German cabinet can ignore the special responsibilities which rest upon it for helping to ensure that the Israeli-Palestine accord works. The EC has already pledged \$600-million (R2,01-bn) for this purpose in the coming year, and Bonn will have to find its share, nominally 28% of that amount.

Thus the best that can be hoped for is that Germany will be able to hold unchanged its present flow of aid.

The conclusion may be unpalatable, but at least it is unambiguous. South Africa cannot count on bonanzas from outside, whether from Germany or elsewhere. Instead, it must put its own house in order, and make its way to a better future by thrift, discipline and diligence.

□ Rudolf Gruber is Bonn director of the South African Foundation

SA regime 'still killing opponents'

ARG 20/10/93

274

□ 10 000 have died since 1990 — Amnesty

GARNER THOMSON
The Argus Foreign Service

LONDON. — The South African regime continues to imprison, torture and kill its opponents despite moves toward a political settlement, the human rights group Amnesty International claims.

But it says "the opposition ANC was itself found responsible for torture, ill-treatment and executions in its detention camps over a 12-year period in the late 1970s and 1980s."

The organisation had since accepted full responsibility for the abuses.

Political killings and "disappearances" worldwide now pose the greatest threat to human rights this decade — and the international community is failing to stop them, Amnesty reports. Even in countries struggling to achieve political reform, such as South Africa or Cambodia, the 1990s have seen "horrific levels" of killing and cruelty.

"While military dictatorships

and authoritarian regimes were once the main culprits, increasingly governments supposedly committed to human rights are gunning down or abducting their opponents as deliberate policies of repression," the organisation reports.

Since 1990, when the process to end apartheid began in South Africa, about 10 000 people have been killed as a consequence of the actions of the security forces or, more frequently, as a consequence of the actions of armed groups acting with their acquiescence, the report says. Added to this, is "a growing body of evidence" linking hit squads responsible for political killings with covert police and military operations.

"Dozens of leading opponents of the apartheid system have been gunned down in their homes or on the streets. Middle and high ranking members of the ANC, the SACP and the trade unions, members of the ANC's military wing and other returned exiles have been, and are still being, assassinated by

hit squads composed of elements within the security forces or killers acting with their acquiescence."

Amnesty alleges security force involvement in two well-reported killings — that of trade union organiser and former political detainee Hlalanathi Sibankulu and human rights activist David Webster.

It remarks: "Human rights activists in many parts of the world risk death and deprivation of liberty for standing up for what they believe to be right. It is often only because of their courage that human rights crimes become public knowledge — the very reason why they become victims of the violations they are trying to stop."

Amnesty blames political killings and disappearances on governments reacting to their authority being challenged, and calls for immediate international action to end the abuses.

Amnesty is also asking armed political groups to uphold their obligation to respect basic human rights standards.

Don't wait until April, Mbeki tells investors

ARG 20/10/93 (148)

JAMES TOMLINS
The Argus Foreign Service

PARIS. — ANC No 2 Thabo Mbeki has urged foreign businessmen to invest in South Africa without waiting for the April 27 elections.

Interviewed by Figaro-Eco, he was asked whether, in view of the violence in the country, investors would be better advised to wait for the outcome of the elections.

He replied: "It is untrue to say that the whole country is ravaged by violence, for 85 percent of the people are not touched by it. So investors need not hold back on this account."

"What is certain is that after April the police force will be at the command of a much more representative government. This will enable it to act with greater legitimacy, which is not the case at present."

Asked whether the ANC planned to break up large pri-

vate enterprises, Mr Mbeki said: "It is important for South Africa's economy to be so organised that it is competitive. At present, it is dominated by four or five large conglomerates, and this might harm the competitive drive. We are therefore planning to adopt an anti-trust and anti-monopoly law."

"Privatisation is an instrument of policy, and not a policy in itself. Certain public enterprises like Eskom will not be privatised so that they can continue to provide inexpensive services."

"Basically we have no problems over privatisation. But we do not want it to buttress the power of the big conglomerates. They have the funds to buy shares in the newly formed companies, which would give them a measure of control. Eventually, when wealth is spread out more, privatisation can take place."

US to urge training of civil servants

ARG 20/10/93

PETER FABRICIUS
The Argus Foreign Service

WASHINGTON. — A United States Congress sub-committee has approved legislation which would urge international financial institutions such as the World Bank and IMF to fund programmes to train government officials for the new South Africa.

The proposed legislation was introduced yesterday by black Illinois congressman Bobby Rush as an amendment to the South African Democratic Transition Support Bill which will lift remaining federal sanctions against South Africa and empower US agencies to assist the transition to a new government.

The bill with the Rush amendment was approved by the sub-committee on international development, finance, trade and monetary policy.

Foreign investors want stability, says Dhlomo

MICHAEL MORRIS, Political Correspondent

SOUTH Africa was poised to play a role in the global economy, but would have to enhance its economic competitiveness, a South African Chamber of Business convention heard today.

Executive chairman of the Institute for a Multi-Party Democracy Oscar Dhlomo told the convention the challenge for South Africa was to ensure it had an attractive economic environment to draw foreign investment and create growth and jobs.

"Growth will not occur without a major inflow of foreign investment," Dr Dhlomo said.

"What is seldom realised in South Africa is just how hard we will have to compete for such investment.

"The money will go to countries where the returns are best and the investment is safest."

(74 B) APR 20/10/93

Strike 'threat'

to investment'

Manuel warns of consequences 'as bad as Umtata raid'

APG 22/10/93 (748)

DENNIS CRUYWAGEN Political Staff

THE Congress of South African Trade Unions' planned general strike on November 15 would undermine investor confidence in South Africa in the same way the raid on Umtata had, says African National Congress finance spokesman Trevor Manuel.

The trade union federation has called the strike to protest against clauses limiting workers' rights in the draft constitution.

At a lunch in Atlantis yesterday, where guests paid R200 each to listen to him, Mr Manuel said the ANC was trying to resolve the matter in a mature manner.

It had met Cosatu on Monday and more meetings would be held.

"We'd like to avert the idea of a national strike."

It was bad enough to return from abroad after talking to investors about the need to invest to ensure stability and peace and then to read about the SADF raid on an Umtata house.

This had undermined confidence in South Africa.

"In a sense the strike could have the same effect. That's why we are saying let's see how we can resolve this issue," Mr Manuel said.

He added that the petrol price issue had to be resolved before December.

By ignoring the National Economic Forum's recommendation to scrap the 7c a litre increase, the cabinet had sided with Energy Affairs Minister George Bartlett. But it also set "a scene for conflict".

Asked about interest rates, he said the ANC was debating how independent the Reserve Bank should be from the Ministry of Finance.

"In the medium term we need an independent Reserve Bank," Mr Manuel said.

Affirmative action also needed to be applied at the bank where the only black workers were sweepers.

Mr Manuel warned personnel recruiting agencies to stop misrepresenting the movement's views on affirmative action.

Affirmative action was not only for people who were "black" or Xhosa speakers as certain advertisements put it, but applied to all sections of the disadvantaged community, Mr Manuel said.

See page 5

Insurance for foreign investors

74B

58

ARC 23/10/93

■ AMERICAN companies are not rushing to return to South Africa but will soon be able to do so with little risk.

ALIDE DASNOIS
Business Staff

FOREIGN investment in South Africa should get a filip soon when investors are given access to international insurance against political risk, a senior World Bank official has said.

World Bank vice-president Timothy Thahane told Weekend Argus that investors would soon be able to apply for insurance under the Multilateral Investment Guarantee Agency (MIGA).

MIGA, established in 1985 as an affiliate of the World Bank, provides insurance against political and currency risk to investors.

South Africa has not been list-

ed as eligible for non-commercial risk insurance but the government has applied for a change in status.

Mr Thahane said the application was certain to be approved.

"This means that investors who want non-commercial risk cover can apply to MIGA," he said.

He said access to MIGA should boost foreign interest in South Africa. "We have already had enquiries from companies wishing to invest here"

But so far, foreign companies have hardly been falling over themselves to move into South Africa since the lifting of sanctions.

Many American companies will not consider investing in the country until state and local governments with which they do business — and which helped force more than 200 US companies to leave SA in the 1980s — have lifted sanctions.

Weekend Argus Weekend Argus correspondent Ramsay Milne re-

ports from New York that the Connecticut State legislature has just voted to lift its 10-year ban on investing state money in companies doing business in South Africa — only the third such state to do so.

The Ford Motor Company, which sold its assets in South Africa in 1988, says that whatever the political situation, the South African car market is too depressed for it to make money by building or buying factories here.

General Electric, Procter and Gamble, Citibank and Kodak are equally unenthusiastic about returning to South Africa immediately. Mobil, which had \$400 million (R960 million) in assets when it left in 1989, does not plan to come back.

The Investor Responsibility Research Centre, a Washington monitoring group, says that at least 28 American companies have gone into South Africa since July 1991 including 11 computer or software companies. Fifteen of the 28 are privately held.

Datakor wins Mexican prize

SI Times (Buss) 24/10/93

74B

COMPUTER group Datakor has beaten the world's best to scoop a multi-million rand Mexican tender for information technology products — the largest of its kind in the world this year.

Datakor won the R150-million contract from the Mexican Government to provide systems and hardware it specially designed for a welfare programme.

The systems will be used in Mexico's Conasupa Trust feeding scheme which is fast attracting international attention.

The deal's value is almost double that of South Africa's total trade with Mexico last year of R71-million. The order will take 18 months to complete.

It is the world's biggest order for intelligent microprocessing chips this year and the largest one SA has received for information technology products and services.

The award caused a bit of an upset. Datakor — the dark horse — pipped 17 companies to the post.

Competitors included Philips, a Japanese alliance and a Spanish consortium which had the benefit of a common language and cultural ties.

About 8,5-million Mexican families, especially pensioners and the poor, depend on Conasupa Trust.

Datakor operations director Bert Roux says the project, entirely subsidised by the Mexican Government, runs on a free-market franchise system.

By ZILLA EFRAT

Those entitled to benefits can obtain rations at 16 800 Tortia shops and 12 500 milk-food depots.

Each family has a daily ration of 1kg of vitamin-enriched tortillas. Discounts on food and milk are provided, depending on the degree of need.

Suppliers of tortillas and other products are paid by the 2 500 Conasupa branches.

Mr Roux says: "To enhance the success of the Conasupa project, Datakor was able to add value to the existing system and ensure integrity of the transactions."

The solution was to provide each beneficiary with a smart card — similar to an ATM card with a microchip in it for storing information and doing calculations. This is augmented by centrally controlled computer systems.

Datakor chairman Nic Frangos attributes the success to the company's innovation and its ability to grasp the complexity of problems, mobilise its resources and react quickly.

Datakor's total involvement in the contest, including several knock-out rounds, lasted 16 weeks.

It was placed on a short list of seven after its initial proposals were evaluated. At this stage, it took its systems into a "laboratory environment" where they were subjected to a host of tests.

The "shoot-out" was between four companies. Each was given two pilot sites monitored by Conasupa officials and a couple of weeks to install its equipment.

Mr Roux says: "When it came to the reconciliation process, Datakor's solution proved superior to the others, right from the initial transaction to the settlement process."

Datakor has faced tough trading conditions in the six months to end September and its results, to be released next week, are unlikely to show any improvement in attributable earnings.

But Mr Frangos says: "Deals like the Mexican one are likely to take the pressure off from some declining sectors in the market where margins are tight."

Mr Roux says: "The deal makes Datakor SA's largest player overnight in the fast-growing smart-card market."

The order increases the group's throughput so it can reduce unit costs in producing smart cards and terminals.

Smart-card applications are growing and Datakor expects to bid for other projects elsewhere.

Mr Frangos says the order will involve reasonably high SA content. But Datakor will decide in the next 10 days whether some manufacturing or assembly will be done in Mexico, which offers attractive incentives.

Datakor already has a joint venture in Mexico which Mr Frangos formed a few months ago with Mexican friends.

He says: "With the establishment of the North American Free Trade Association, the logical way for a SA company to enter the zone is Mexico because of the similarities between the two countries."

FRENCH INVESTMENT
 FW 29/10/93
Kicking the tyres

There may be only about 60 French companies operating in SA, but that number is likely to increase dramatically over the next few years. In the past two years alone, French investment has totalled an estimated R1,7bn, which represents the largest amount of foreign investment from any country.

Next month's heavyweight 40-member mission from the Confederation of French Industries & Services, led by the influential French businessman Francois Périgot, will signal the next important step to ever-closer links between the two countries. Périgot is known in France as *le patron des patrons*, the boss of the bosses, according to Desmond Colborne, Paris director of the SA Foundation. "As president of the confederation he is at the apex of a pyramidal structure of 1,5m French companies. (74B)

This month the powerful Paris Chamber of Commerce & Industry sent its fourth trade mission in two years. The 40 delegates, all representatives of medium-sized companies from the Parisian chamber and the Hauts de Seine Chamber of Commerce, spent time in Johannesburg, where they exhibited at the Saitex trade fair, and Cape Town in an effort to establish SA contacts.

"The small scale and fragmentation of our own business organisations make it difficult to grasp the scale and reach of these two

French institutions," Colborne says. Indeed, except for Japan's Keidanren and Italy's Confindustria, no other employers' groups have such an important role in their country, he adds.

The French, with the world's fourth-largest economy, have good reason for wanting to invest in SA. They see a country that offers a fairly good infrastructure, a potentially lucrative market for their exports and a foothold for doing business in southern Africa (France is already the number one foreign presence in the rest of Africa). As for South Africans, dealing with France means doing business with the world's third biggest importer.

Says Colborne: "Helping France's commercial thrust will be a new commercial counsellor in SA, Dominique Bon, from the top drawer of France's administrative elite."

Last November saw the establishment of Ocsaf, an organisation aimed at aiding co-operation and investment between the two countries. (74B)

Says Francois Allais, Ocsaf's representative in France: "Considering we have been operating for only a year, we have made significant progress in establishing Franco-SA links. Seven projects, mainly joint-ventures, are already up and running."

Even before Ocsaf, a number of agreements had been signed. French national electricity supplier EDF announced a joint venture with Eskom; BRGN, a Paris research and geology company, became involved with

Gencor; Société Générale bought out the International Bank of Johannesburg; and Alcatel, the electronics giant, linked up with SA's Altech. (74B)

Though many of these investments have been quite small, they do indicate that the interest is there. Says Société Générale's Gilbert Ferstler: "We feel that it is important to have a local partner so that we can feel the market." He also points out that SA is seeing just the first phase of French investment; if those companies that are pioneering

French investment in SA are successful, other more cautious companies will follow.

The most important calculation for any foreign investor is timing, and in the past the French have been a bit slow to react to SA's changing political climate. Nevertheless, the lifting of sanctions and the top-level meetings the French government has had with both President FW de Klerk and ANC president Nelson Mandela seem to have galvanised French business into action.

They recognise that SA is already becoming

TAKING A BREAK

Marina Bidoll is on leave. Her *Infotech* page will resume after she returns.

ing a more competitive market and that, if they want a slice of the action, they must act now. ■

FW upbeat on SA investment

Star 29/10/93

74B

■ BY CHRIS WHITFIELD

At least R25 billion of domestic investment was already "in the pipeline" for SA, President de Klerk said yesterday.

Addressing the Financial Mall Investment Conference in Johannesburg, he gave an upbeat assessment of SA capacity to attract investment.

"Indeed, our own domestic investors are already on the move.

"According to recent estimates, at least R25 billion in new and production-oriented in-

BUSINESS confidence is improving despite violence and uncertainty, says president

vestment is already in the pipeline," he said.

"Despite the violence and constitutional uncertainty, business confidence is improving, almost as though the private sector has discounted the anxieties of the present and has fixed its

vision on the opportunities of the future."

He said Cosatu's high minimum wage policy was on the table for discussion in the National Economic Forum (NEF).

Investors "who know to what extent other countries have achieved high growth rates on the basis of flexible labour markets" would be pleased that the issue was being grappled with.

The NEF was also giving attention "to the way World Bank activity in SA should best be structured", he said.

Naught for our comfort

In recent weeks, State President F W de Klerk, ANC President Nelson Mandela and Archbishop Desmond Tutu have been about the world appealing for new fixed capital investment. They have returned not quite empty-handed, but with so little that it is not worth computing.

Of course, investment decisions are not made instantaneously. Investors need time to consider options and weigh up risks. But even then, certain events of the past week suggest that little hard cash, if any, will be forthcoming in the foreseeable future.

Foreign investors, you can be sure, have watched the cellular telephone debacle with great interest, if not growing dismay. Both the Nats and the ANC have contrived to send a clear message to investors abroad: that nationalisation is unlikely in the life of the coalition government. Despite what they may say, however, nationalisation (which is inevitable in a mixed economy) is a real and immediate possibility.

And if nationalisation is not overt, then the need for black empowerment means that new investors will have to offer substantial portions in their investments here to "black business" — whatever that might mean. It does not matter that black business cannot pay for participation; what counts is that black participation is now obligatory.

That sort of economic logic won't right any of the wrongs of apartheid. It will simply place a greater burden on the economy and make it much more difficult to achieve the required levels of growth and job creation.

The Nats began with a fundamental mistake with cellular phones. They applied the sort of economic logic that governed the introduction of TV set manufacture in the Seventies. An arbitrary number of licences was made available, when no control whatsoever was needed. And the licences were given to friends of those in the Union Buildings who gave certain undertakings.

There is no overwhelming technical reason why cellular telephone operators need to be controlled or licensed. If frequencies have to be limited, the most effective way of distributing them would be through public auction, not patronage. By not following that route, the Nats have polluted another area of economic endeavour that should have been left to private initiative.

The message to the outside world is clear: government has not yet given up interfering in business; and, as one party loses influence, it will hand over to its successor the means to go the same unfortunate and mistaken way.

For all De Klerk's vision and courage in dismantling apartheid, he has allowed the petrol price to become a highly politicised issue. Ostensibly, the rationale for avoiding deregulation in the fuel industry was to pro-

tect Sasol and Mossgas. But the matter has become even more politicised, resulting in the irony that these economically artificial enterprises, perceived as children of apartheid, may be destroyed anyway.

As with the cellular telephone debacle, the Nats have handed the ANC the means of perpetuating their own economic folly. And it appears that they can depend upon the ANC to practise the same parody of economic freedom that they themselves did during the apartheid years.

ANC secretary-general Cyril Ramaphosa's threat of nationalisation in the cellular telephone matter and his subsequent remarks on how the shareholding should be divided among aspirant shareholders, will not have been lost on foreign investors.

Of course, running a close second to the Nats and ANC in frightening off foreign investors is Cosatu. It is threatening a strike and other disruptions to achieve ends that have already been the subject of general discussion and negotiation. It is not what Cosatu demands that is at issue, but its means of achieving it.

The FM, too, would not like to see civil servants given a tenure that is both undeserved and economically destructive. But we are not prepared to condone a line of resistance that risks the life of any citizen to achieve that end. Logic and equality are more likely to prevail in a civilised society which observes the rule of law.

Democracy does not mean taking to the streets whenever a union's demands are thwarted, especially when the process of legal negotiation has not even been attempted to secure those demands.

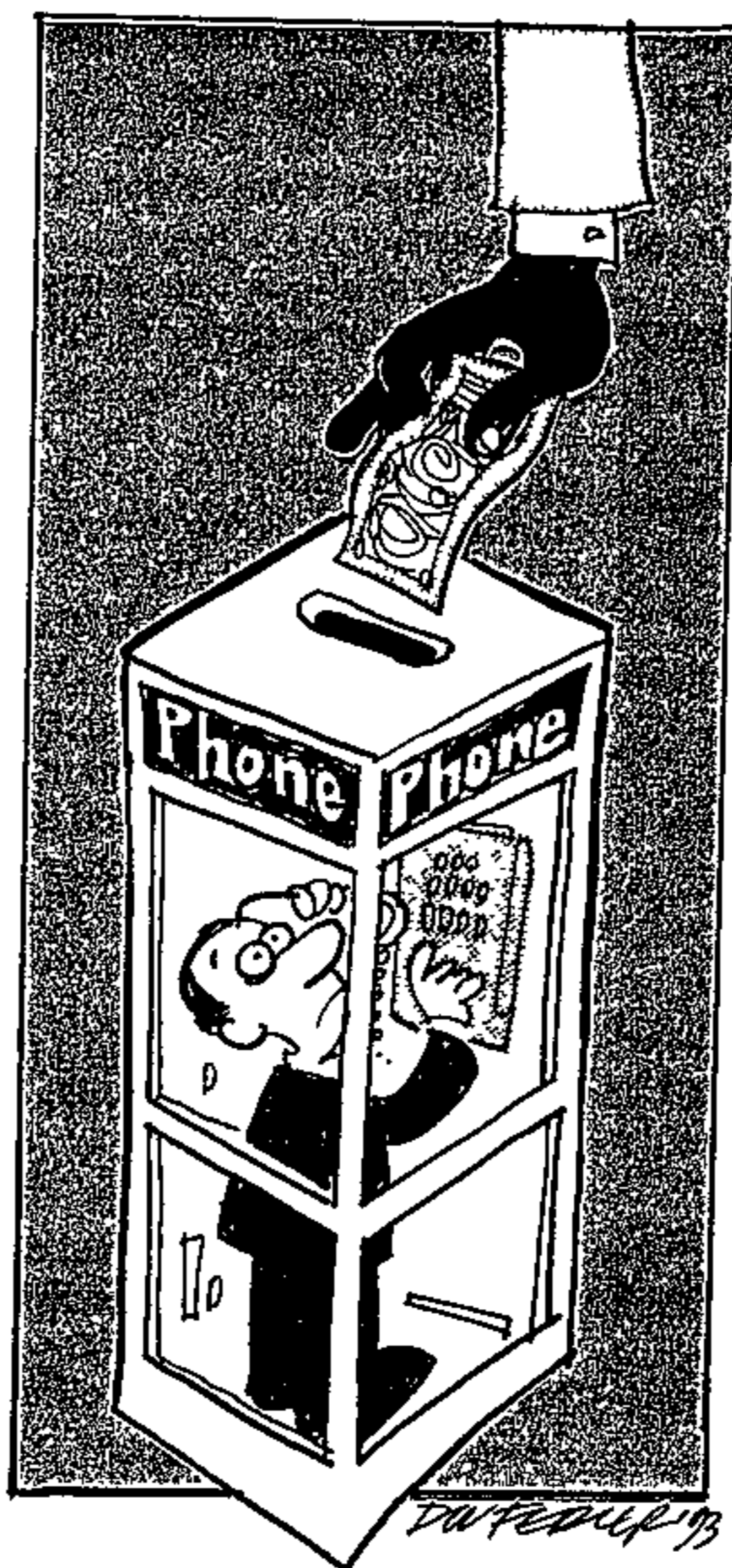
And democracy does mean that, at times, defeat has to be accepted. Union demands are not, and never have been, synonymous with democratic rights.

If French farmers take to the streets and slaughter British lambs, it does not mean that their actions are democratic. Indeed, if that is Cosatu's idea of democracy, as its new general secretary Sam Shilowa claims, then plainly it is an organisation that will relish the sound of tumbrils rolling down Von Brandis Street.

The key to encouraging foreign investment is not what leaders say when they are abroad. What potential investors watch is how those leaders conduct themselves at home. This week the Nats, the ANC and Cosatu again dismally failed that critical test.

Cosatu's Marcel Golding told fund managers in Washington this month that his union would participate in government and management with responsibility and foresight.

Does anyone out there believe him now?



New York set to invest in Eskom's township electrification bonds

NEW York city is considering investing in Eskom township electrification bonds, US Investor Responsibility Research Centre director Meg Vorhees says.

Speaking in a Worldnet discussion at the weekend arranged by the US diplomatic mission, she said the city was one of few examples where social objectives were playing an important role. With the exception of New York and church pension funds, most investors were looking at risk and return, and not at social investment. The message to emerge from the satellite link-up with the US was that Ameri-

cans would proceed with extreme caution in the months before the election. After the election, economic concerns about the deficit would become more important while political stability would remain paramount in determining a willingness to invest. Panellists discounted the view — prevalent immediately after the lifting of sanctions — that moral obligation would see funds flowing to SA.

T Rowe Price Associates vice-president David Wallack said his company was looking for a 30% a year return to compensate for all the risks, which were mainly political. The investment bank, which has funds under management of \$50bn, saw "enormous potential" in investing in SA.

Unbundling was a trend welcomed by US investors, he said, because it would improve JSE liquidity. A major problem in investing in equities in SA was the shortage of scrip. In a highly illiquid market, it was difficult to buy and sell large volumes without disrupting the market.

Asked how SA should go about creating a more liquid stock market, New Jersey state director of investment Roland Machold said the highly concentrated business sector should become "independent". Wallack echoed the view, saying unbundling had already begun. He noted the ANC embraced a policy of antitrust and predicted that "large financial and mining houses" would be forced to unbundle.

Machold said equities were more important to US investors than bonds. However, the bond market was usually the first point of entry for foreigners because it was easier to get into than the JSE.

Machold said US fund managers preferred to look after their own foreign investments rather than pay someone in the country to do the management.

The trend in world markets was away from mature, First World economies with low risk and low return. Fund managers which had "won the first prizes" had invested in instability and those countries — Argentina, Turkey, Chile and Mexico — had rewarded them with 40-100% returns.

Machold said the franchisees entering SA were "the first-people on the beach". Others would follow and build on their success — subject to political judgments.

GRETA STEYN

Blyden

11/1/93

more liquid stock market, New Jersey

state director of investment Roland Machold

preferred to look after their own foreign investments

subject to political judgments.

European bankers wary of SA move

BIDAY 21/1/93

Own Correspondent

CAPE TOWN — Bankers in London are more favourably disposed towards investment in SA than those in Frankfurt or Switzerland, according to a survey carried out by Volker Stoltz, German MD of the international public relations company Shandwick.

He said that 81% of London bankers had plans to invest in SA compared with only 20% of German and Swiss bankers.

The survey was carried out in January and showed that no country in southern Africa was considered a good risk. But in a rating of one to six (one for extremely good and six for extremely bad), UK bankers rated Botswana's economic climate at 3, SA's at 3,4 and Namibia's at 4, compared with Zimbabwe's at 4,6, Zambia's at 5, Mozambique's at 5,7 and Angola's at 5,6. (748)

German and Swiss bankers rated Botswana at only 3,7, SA at 3,6 and Namibia at 4,2.

But their view of Zimbabwe was slightly better than that of their British counterparts. The Germans and Swiss give it a rating of 4,3, Zambia 4,7, Mozambique 5,3 and Angola 5,4.

Looking to the next five years, London bankers were more positive than their German and Swiss counterparts about the whole of southern Africa — except for Zimbabwe.

Over that time the British bankers gave Botswana a rating of 2,7, SA 2,9, Namibia 3,2, Zimbabwe 4,5, Zambia and Angola 4,7 and Mozambique 5,1.

This compared with the European ratings of Botswana and SA at 3,9, Namibia 4,4, Zimbabwe 4,2, Zambia and Angola 4,9 and Mozambique 5,1.

"The City of London has lost all confidence in Zimbabwe," Stoltz said. "But the climate for investment in SA today is better in London than in Frankfurt and Zurich. This fact has to get SA attention. Creditors have to be cultivated should more money be needed in Europe."

He warned that the whole of southern Africa including SA was seen as "not sufficiently competitive".

The bankers' replies showed that SA's problems were mainly political and 21% expected positive economic developments and good prospects. Most of them saw SA as the locomotive for southern Africa.

Discussing criteria for investment in SA, Stoltz said: "The political stability of the country is the basis of any financing and 28% of all bankers are stressing this."

Other factors include productivity, free movement of capital, a good return on investment, government support, free competition, infrastructure requirements and a competent civil service.

US academic Joel Stern said, on Radio SA yesterday that fears of penal taxation, and foreign exchange controls, were major deterrents to US investment in SA.

● See Page 17

London bankers bullish on SA

By AUDREY D'ANGELO

Business Editor

BANKERS in London are more favourably disposed towards investment in SA than those in Frankfurt or Switzerland, according to a survey carried out by Volker Stoltz, MD in Germany of the international public relations company Shandwick, (Plc).

He said in Cape Town, on a visit to the group's SA associate, De Kock & Kerckhoff, that 81% of London bankers had plans to invest in SA compared with only 20% of German and Swiss bankers.

The survey was carried out in January this year and shows that no country in southern Africa is considered a good risk. But in a rating of 1 to 6 (1 for extremely good and 6 for extremely bad), UK bankers rate Botswana's economic climate at present at 3, SA's at 3.4 and Namibia's at 4, compared with

Zimbabwe's at 4.6, Zambia's at 5, Mozambique's at 5.7 and Angola's at 5.6. German and Swiss bankers rate Botswana at only 3.7, SA at 3.6 and Namibia at 4.2.

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"But," he emphasises "The climate for investment in SA today is better in London than in Frankfurt and Zurich. This fact has to get South African attention."

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● US academic Joel Stern of Columbia University said on Radio SA yesterday that fears of penal taxation, and foreign exchange controls, were major deterrents to US investment in SA.

He said the high, progressive tax system and fears that it would be used for redistribution of wealth worried possible US investors. And they did not like the dual exchange rate.

Investment

Power blocs 'hold up investment'

(74B)

ET 2/11/93

JOHANNESBURG. — The concentration of corporate power was holding up the inflow of foreign investment, ANC economics chief Mr Trevor Manuel said here last night.

"We must now work for capital inflow into South Africa," he told a Small Business Development Corporation conference. "The prognosis for this looks very good . . . but it cannot end up chasing a few overheated shares."

He criticised the huge control of white conglomerates on the Johannesburg Stock Exchange.

"An economy which is perceived to be owned and controlled by a little white enclave will not be able to find itself on a sustainable economic growth path," he said.

He urged increased domestic competition and repeated the ANC's support for anti-trust legislation to ease the concentration of equity ownership.

"We cannot whinge about a lack of international competitiveness and yet have no competition at home."

In addition, he said it was vital that affirmative action policies were introduced to redress not only management distortions but equity control.

"Delays in an affirmative action programme will cost the country dearly," he said. — Sapa

Exchange control slammed

□ Premier chief says foreign investment will overheat JSE

CLAIRES GEBHARDT

DURBAN. — Exchange control should be scrapped immediately to accommodate a surge of foreign investment, urges Premier chairman Peter Wrighton.

He said the JSE was in danger of overheating because the most companies were too tightly held and illiquid to sustain large "buy" orders in the wake of the lifting of sanctions.

"The net result is an unsustainable and dramatic increase

in share prices, which is in no way supported by trading fundamentals," he said.

He wanted exchange control relaxed as soon as possible to enable South African institutions to invest offshore and sell some of their South African stock into the market.

"Not only do potential investors find it difficult to obtain shares, they have to pay highly inflated prices for them.

"Unless something is done overseas investors will lose interest in South Africa as an ex-

(74B) ARG 4/11/93
citing emerging market, undoing a great deal of the hard work companies have put into raising their profiles in Britain, continental Europe and United States."

Echoing his concerns, Jon Bergtheil of leading British stockbroker James Capel said in London recently that if South Africa received its full global investment weighting, it would take about six years, using the complete turnover of the JSE, to get invested.

"South Africa probably quali-

fies for about 1 percent of total investment funds," he said.

President of the JSE Roy Andersen said foreign exchange control was the biggest single factor contributing to the market's lack of liquidity.

Other major causes, he said, were:

- The 1 percent marketable securities tax;
- The unclear basis of taxation on the sale of shares; and,
- The loss of the small or private investor as a result of the tough economic climate.

JOBS

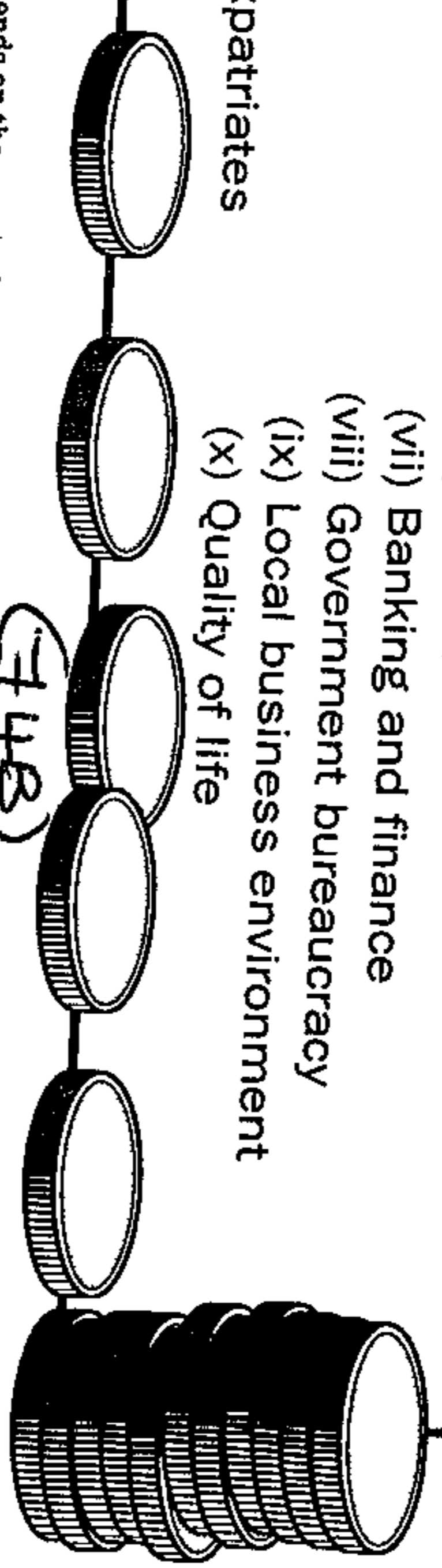
With limited capital available and many opportunities to choose from, foreign investors can afford to be choosy about where they spend their money, writes **J GATESAN**, a senior official at Malaysia's Industrial Development Authority.

The best of all possible worlds for investment

10 checkpoints for foreign investment

- (i) Political stability
- (ii) Economic strength
- (iii) Attitude of welcome
- (iv) Government policies
- (v) Equity guidelines
- (vi) Employment of expatriates
- (vii) Exchange control
- (viii) Infrastructure
- (ix) Labour
- (x) Banking and finance
- (xi) Government bureaucracy
- (xii) Local business environment
- (xiii) Quality of life

Graphic: ROMA KRISCH



The project died at the immigration desk.

Government officials who come in contact with foreign investors should be made aware that they are bringing benefits to the nation. Of course, they seek profits. But the fact that they choose one country above another is a factor in the officials' favour. The newcomers will provide jobs, increase the nation's income and bring many other advantages.

GOVERNMENT POLICIES: Foreign investors are concerned about all government policies that could affect business, particularly under these headings:

Equity guidelines: In simple terms, "How much of my business can I own?" This is a critical factor and the investor's attitude to ownership will differ depending on the type of project.

Immigration officer: "What is the purpose of your visit to my country?" German: "I am looking at the possibility of investing and doing business here."

Immigration officer: "Why? What is wrong with your country?"

Consider the case of an African country whose government launched campaigns to attract foreign investors. A potential investor from Germany changed his mind after this confrontation at the airport:

Immigration officer: "What is the purpose of your visit to my country?"

German: "I am looking at the possibility of investing and doing business here."

Immigration officer: "Why? What is wrong with your country?"

Confidence if he knows that a bank from his country or a multinational-type one is in the country he is looking at. He may be shy of dealing with strange native banks. These banks may be excellent, but in the initial stage it is a matter of confidence.

BUREAUCRACY: It does not matter how efficient a government thinks its investment machinery is. What is critical is the perception of businessmen, especially those already in the country.

Do businessmen think government officials are their friends in their efforts to operate efficient businesses, or do they believe they have to get projects off the ground?

Are investments being made in spite of government or because of government support?

What is the extent of bureaucracy, not only at the national or central levels, but at district or local council levels?

An efficient national-central government machine could find its efforts at expediting project approvals defeated by bureaucracy at the implementation stage of the project, at district and municipal levels. Thus governments may be able to show impressive records of project approvals, but after a few years nothing much on the ground.

BUSINESS ENVIRONMENT: This expansion covers a multitude of factors, including the availability of lawyers, secretarial services, accountants, architects and building contractors for sophisticated factory buildings. Indigenous consultants and others are required for a project.

Another question would be the availability of joint-venture partners. Must the partner come from a select group of people, related to or having connections with government

authorities and leaders for projects to succeed, or is the potential investor free to choose as his partner someone he can trust and who is prepared to work hard?

Finally, are the indigenous businessmen investing in their own country or are they holding back or moving funds abroad? Do they know a secret that the foreign investor does not about the pitfalls of investment in their own country?

QUALITY OF LIFE: This may be last, but it is not the least consideration. The factor is taken for granted by many living in developing countries and accustomed to whatever their environment has to offer. What the indigenous people accept as normal and what long-term expatriates accept as part and parcel of their life in this foreign land can be a culture shock for foreign staff members.

It must be appreciated that though the investor may put up money for a project, he is often not the one who has to uphold himself from his familiar environment and run the project.

Whether it is the owner-investor-manager who will run the project, or a highly qualified professional, the final decision will often be left to the wife or to family consideration of education for children, medical and health facilities, housing and safety.

It must be kept in mind that with less equal in several developing countries, the quality of life aspect may well carry the day in attracting a foreign investor.

This is an edited version of a paper presented to the Foreign Direct Investment Policies in Africa conference held in Gaborone by the Washington-based Multilateral Investment Guarantee Agency.

but depends on the country's raw materials, his attitude may be governed by their availability in neighbouring countries offering equal or less favourable investment environments.

Employment of expatriates: "Once I know how much I can own, who will look after the project and especially my personal interest in it?"

A developing country wishing to attract a project may think it has enough skilled and capable managers and technicians, who, given sufficient training, can run a factory. But that is not the issue. The key issue is who will look after the foreign investor's interest in the long run, regardless of availability of native personnel?

It is important that governments allow for one or several permanent "foreign posts" in any project funded from abroad.

Exchange control: Simply put, "How easy is it to bring my money into the country and, more importantly, how easy is it to repatriate my profits and my capital?"

Nobody will dive into a pool from which he cannot emerge. In countries

World's top execs for conference

BRUCE CAMERON
Business Staff

CHIEF executives of some of the world's most powerful businesses jet into Cape Town this week bringing with them the hope of billions of rands of foreign investment.

And close on their heels will be some of the most influential people in the oil business, including Kuwati Oil Minister Ahmad Ali-Baghli.

South Africa's senior politicians and businessmen including President De Klerk, ANC president Nelson Mandela and former chairman of Anglo American Gavin Relly will welcome them to the city.

The first of two conferences focusing on international investment starts on Wednesday, to be followed on November 30 by a conference on investment in sub-Saharan oils and minerals.

Next week's conference will be chaired by one of the leading United States critics of apartheid and prime mover behind sanctions, former congressman Stephen Solarz, who is now American ambassador-designate to India.

The conference, three years in the planning, has been organised by the CEO Institute in New York to bring chief executives from more than 50 major international companies from around the world to South Africa.

The companies represent almost every manufacturing sector from food to computers, as well as the financial sector and some of the giant Japanese conglomerates including Mitsubishi and Mitsui.

Many of the world's best-known industrial names will be represented including IBM, Ingersoll-Rand, Kelloggs, Asea Brown Boveri, Nestlé, Rhone-Poulenc Rorer, Sema, Siemens, DHL, FMC Corporation and Motorola.

CEO President Richard Burns told the Argus he was confident "that this intimate gathering of the world's business leaders and political decision makers will create many new opportunities for investments and co-operation".

He saw the timing as important coming at "a critical time in South Africa's transition to a post-apartheid democracy".

"We are committed to assisting the process of building a new system based on free market principles."

The CEO Institute organises conferences around the world and attracts the most controversial and important speakers available.

The conference is being sponsored by the African Business Round Table, AIG Trading Corporation, Coopers & Lybrand, Edward Nathan & Friedland Inc, Eskom, SG Warburg, South African Airways, Standard Bank and Telkom.

South Africa's most influential representatives have been brought together to convince the foreign executives of the need for investment.

Speakers at the two-day conference include Mr De Klerk, ANC national chairman Thabo Mbeki, Barlow Rand chairman Warren Clewlow, National Sorghum Breweries chairman Mohale Mahan-

■ To page 3

kend Argus, November 13/14 1993

Big business jets in

■ From page 1

yele, Anglovaal chairman Clive Menell, Finance Minister Derek Keys, ANC secretary-general Cyril Ramaphosa, ANC economics spokesman Trevor Manuel, Reserve Bank governor Chris Stals, Constitutional Development Minister Roelf Meyer, trade unionist Alec Erwin, Manpower Minister Leon Wessels, Kwacha Healthcare chairman Nthato Motlana, Independent Development Trust chairman Wiseman Nkuhlu, former director-general of Finance and now special finance ambassador Gerhard Croeser, Mozambican Finance Minister Eneas da Conceicao Comiche, Standard Merchant Bank MD Jacko Maree and Chamber of Mines chairman Bobby Godsell.

Sixty speakers from 20 African countries, Japan, the United States, the Middle East and Europe will address the second conference.

Guest of honour will be Congolese President Pascal Lissouba. Keynote speakers will be Mr Mandela and Mr De Klerk.

The Cape Sun Hotel has been chosen as the venue for both conferences.

General manager Simon Morpuss said special security measures would be in place.

ANC tries to woo foreign big bosses

BRUCE CAMERON Business Staff

IN spite of hitches at the World Trade Centre, the African National Congress turned the full blast of its charm on about 250 potential foreign investors in Cape Town.

Due to speak last night at a high-powered conference organised by the New York CEO Institute was one of the ANC's key negotiators, national chairman Thabo Mbeki, but he could not make it because of the hiccups in the interim constitution negotiations.

Instead delegates found at their tables at the welcoming banquet letters from president Nelson Mandela.

In his letter he anticipated decisions thanking them for "your decision to invest in our country . . ."

Mr Mandela gave them the assurance that "we can also confidently say that our capacity to become a very competitive trading partner, if measured in real terms, is vested in our total commitment to building a peaceful society where investments will be safeguarded by legitimate democratic order".

At the last minute ANC Western Cape chairman Dr Allan Boesak and ANC economics chief Trevor Manuel were brought in to replace Mr Mbeki.

In their speeches they sought to reassure the potential investors who came from the United States, Europe and Japan that their investments would be safe; the ANC would follow reasonable policies; and that the violence in the country was overrated.

Dr Boesak spelt out a litany of past evils of National Party and white minority rule including strong criticisms of National Party economic policies.

He said against this the ANC was showing showing tremendous maturity in agreeing to a government of national unity which should stabilise the country.

The ANC was committed to policies of "certainty, predictability, transparency and accountability".

He said the future depended on two factors — political stability and economic growth.

The ANC's message to all South Africans was to build a sound democracy while it looked to both local and foreign investors to build the economy.

He rejected arguments that South Africa was another Bosnia, Somalia, Lebanon or shared the economic despair of the former USSR.

"Violence is not engulfing this country. It is contained to two areas — Natal and the eastern Transvaal.

"We are not engulfed in the dark night of despair. We are at the dawn of a new day."

Mr Manuel spelt out the advantages of South Africa from its sound financial and political infrastructure to its geographic location at the crossroads of the major economies.

'American business will invest if . . .'

BRUCE CAMERON
Business Staff

AMERICAN businessmen will invest in South Africa if the elections are successful, the new constitution takes root and the country moves forward concentrating on the future rather than the divisions of the past.

This is the view of arch anti-apartheid critic and former United States congressman Stephen Solarz who is in Cape Town for an international conference on investment in South Africa.

Mr Solarz, the former chairman of the United States House of Representatives sub-committee on Africa, said the promise he had held in 1991 of a multi-billion dollar internationally-backed aid package "big enough to finance a historic turning point" had dimmed.

Mr Solarz, who is awaiting

US Senate confirmation as the next ambassador to India, said since he had announced the possibility of the package he had lost his seat in congress as well as his ability to deliver.

The United States was now also focusing on reviving its own economy. One of the victims in the change of emphasis in policy was foreign aid which had been sliced by 20 percent.

Although the prospects of direct cash assistance in South Africa had "significantly diminished" because of US fiscal difficulties this would not preclude multilateral assistance for South Africa with the United States providing loan guarantees and favourable trade terms.

"I think the industrial democracies are concerned about the survival and success of a parliamentary democracy in South Africa. They realise that for a

new government to satisfy the expectations of the people who were excluded in the past a growing economy will be required.

Foreign investors for most part "will want to wait a little while to see how things develop. The pace of interest will quicken if the political calendar continues to move forward.

"In general terms I am more hopeful about the future of South Africa than the future of Russia or China. You have the ingredients for success although there are a lot of problems and pitfalls. I think there is a will to succeed on both sides."

Mr Solarz said the change in South Africa was extraordinary and he was "overjoyed" for the country.

"I am pleased peaceful change has come about without the cataclysmic confrontation between

racism many of us feared.

"It is as welcome as it is unexpected. It took tremendous courage on the part of all sorts of people, in particular Mr De Klerk and Mr Mandela."

Mr Solarz said the position was similar to that described by one of the founders of the United States, Benjamin Franklin, when he had said on the eve of the American revolution: "We either hang together or we hang separately."

Mr Solarz said with hindsight he would still have supported sanctions to rid South Africa of apartheid.

He always accepted the strength of the argument that blacks would suffer more as a result of sanctions than whites.

His view however was sanctioned "clearly played a constructive

role which induced the leadership to believe the prospects for South Africa would be much better with fundamental change than the status quo."

He was not claiming sanctions alone were responsible for the fall of the apartheid. Another factor, among others, included the collapse of communism which removed the basis of the total onslaught philosophy.

Mr Solarz said he was particularly pleased with one of his achievements which was the formation of an education scholarship for black South Africa.

Millions of dollars had been spent on educating hundreds of black South Africans in the United States, 90 percent of whom had returned to make a significant contribution to the development of the economy.

ANC 18/11/93

(748)

Anti-apartheid champion whistles a different tune

Star 19/11/93

■ BY BRUCE CAMERON

Cape Town — US businessmen will invest in SA if the election is successful, if the new constitution takes root and the country moves forward, concentrating on the future rather than the divisions of the past.

This is the view of arch-anti-apartheid champion and former US Congressman Stephen Solarz, who is in Cape Town for an international conference on investment in South Africa.

Solarz, the former chairman of the US House of Representatives sub-committee on Africa, said yesterday the 1991 promise he had made of a multi-billion dollar internationally backed aid package "big enough to finance a historic turning point" had dimmed.

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"The industrial democracies are concerned about the success of a parliamentary democracy in South Africa.

"They realise that for a new government to satisfy the expectations of the people who were excluded in the past, a growing economy will be required." (74B)

Foreign investors for the most part would want to wait and see how things developed. The pace of interest would quicken if the political calendar continued to advance.

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Solarz said that with hindsight he would still have supported sanctions.

He had always accepted the argument that blacks would suffer more as a result of sanctions than whites.

His view, however, was that sanctions "clearly played a constructive role which induced the leadership to believe the prospects for SA would be much better with fundamental change than the status quo."

Warning on whites-only investment

Business Staff

FOREIGN investment should be aimed at empowering blacks, an international investment conference in Cape Town has been told by leading black businessmen.

The conference, organised by the CEO Institute from New York, is intended primarily to give more than 250 potential investors — attending from the United States, Europe and Japan — a better insight into opportunities in South Africa.

In the session yesterday, National Sorghum Breweries chairman Mohale Mahanyele and

74B ARG 19/11/93
Kwacha Healthcare Group chairman Nthato Motlana warned that if foreign investors entered into partnerships only with white South Africans there could be negative consequences for the investors.

Dr Motlana said he was disappointed by the multinationals so far.

Although 74 percent of the population was black, it owned less than one percent of total issued shares on the Johannesburg Stock Exchange.

"Unless you develop the 74 percent you will have a problem."

Both speakers assured delegates there was unlikely to be any vindictiveness against foreign companies which had ignored the sanctions call.

But they could not say whether a new government would favour those companies which did heed the call for sanctions and disinvestment.

The call for economic empowerment of blacks was backed by US Ambassador to South Africa Princeton Lyman, who said a US delegation this month would highlight the need to empower blacks.

W Cape 'an investment Mecca'

748
19/11/93

THE advantages of Cape Town as a location to serve multi-billion dollar markets in West and Southern Africa were listed by Wesgro CE David Bridgman at the CEO Institute conference at the Cape Sun yesterday.

He told delegates that the food processing and beverage industries, clothing and higher value textiles, packaging, metal fabrication, requiring semi-skilled labour, transport related industries, a wide range of bio-medical and electronic technology-based industries, pharmaceutical and health care industries, insurance and investment "and of course tourism" were among activities which did well in the Western Cape.

The Western Cape "has just been identified in a World Economic Forum survey as one of the 10 best regions in the world for economic investment.

"The Western Cape was the only region on the African continent on this list."

New York using its clout to boost investment in SA

Pressure put on top 100 companies

BRUCE CAMERON, Business Staff

THE city and the state of New York are using their considerable financial clout to encourage Fortune magazine's top 100 companies to invest in South Africa.

The city and state led the battle to impose sanctions and force disinvestment, using the billions of dollars in pension fund money and city contracts to force the top 100 companies and the financial sector to take a tough line on South Africa.

The pressures contributed to Chase Manhattan Bank in New York calling in its South African debt in 1986, leading to South Africa's financial crisis and the declaration of a moratorium on debt.

The debt squeeze was the toughest of all the sanctions that South Africa faced and was a major factor that forced the economy into the longest recession since union in 1910.

The city and the state of New York are now poised to use their considerable financial muscle to put pressure on the same companies to get involved again.

New York City mayor David Dinkins

has sent a special emissary — commissioner Wallace L Ford, head of the city's department of business services — to the international investment congress being held in Cape Town by the New York-based CEO Institute.

In an interview, Mr Ford said the city and state of New York had supported the African National Congress when it called for sanctions. They had also been the first institutions to lift sanctions after ANC president Nelson Mandela announced the end of the sanctions period last month.

The city and state had encouraged potential investors to attend the Cape Town conference, "which is the first major post-sanctions investment conference."

Mr Ford said the initiatives would not necessarily result in immediate substantial investment but the companies knew the feelings of the shareholders and this "could do a great deal of good".

Even though Mr Dinkins would be leaving the office of mayor in January, the present administration had firm indications from the incoming one that it would pick up the policy to encourage investment in South Africa.

Brewery at odds with customs about duties

Business Staff

THE Department of Customs and Excise has been accused of attempting to destroy the fledgling National Sorghum Breweries (NSB) attempt to challenge the South African Breweries' virtual monopoly of the clear beer market.

Chairman and chief executive Mohale Mahanye told an international investment conference in Cape Town that if the department's proposed measures succeeded, NSB initiative would be destroyed and the SAB monopoly would be maintained.

In an interview Professor Mahanye said the department had called a meeting earlier this week at which NSB was told it would be expected to pay duty on manufacture of the beer and no longer after the sale of the beer.

This would place tremendous cash flow pressures on NSB which Professor Mahanye doubted it could survive. The department had also told the NSB that it was removing an incentive regulation under which small brewers effectively paid 50 percent less excise duty than SAB.

The department's deputy commissioner Isak Coetzee denied the allegations.

He said: "We are looking at the simplification of the tax collecting procedures."

This was being done in consultation with the industry, he said.

SAB spokesman Adrian Botha said: "We believe the government is looking at ways of collecting excise more effectively. We are not aware that any decisions have been taken."

top out and... lar, analysts

Investors told of (74B) 'social objectives'

MARC HASENFUSS
Business Staff

FINANCE Minister Derek Keys and ANC economics chief Trevor Manuel have told international investors that social objectives are of prime importance in the new economy.

The speakers shared the platform in the early morning session of the CEO Institute's Southern African Emerging Markets Forum in Cape Town today.

Mr Keys said it would be critical for economic policies to respond to social objectives. "An economic policy that does not consider social objectives will not be valid."

He stressed that there was nothing as important as putting people in the job market to work.

Responding to a statement that South Africa could alleviate poverty by rapid growth rather than redistribution of

wealth, Mr Manuel pointed out that sustained economic growth for all could not be achieved while the economy was 'held by only a few hands.'

"We need to open up the economy to create new ownership and control."

He said economic policy should look at creating opportunities to empower communities — which was a necessary condition for growth.

Looking at informal trading, Mr Keys believed the sector would continue to flourish. However, he expressed some reservations about the limits of deregulation in the sector.

Mr Manuel said the informal sector was a survival mechanism, and most in it would prefer to be employed in the formal economy.

He said the sector needed to diversify from the retail and service sector base.

Fewer Britons jobless in October

LONDON. — The number of jobless Britons dropped by 49 000 in October — its biggest fall in four-and-a-half years — to a seasonally adjusted 10,2 percent. The total 2 855 100 unemployed people was the lowest since September, 1992, and a government spokesman said the improvement showed Britain was leading Europe out of recession. Unemployment was at 10,3 percent in September, 1993. — Sapa-AP.

Wool prices align with Australia's

PORT ELIZABETH. — Wool prices slipped at this week's sale in Port Elizabeth and the market indicator for Merino closed at R11,73c/kg. This was seen as bringing South African wool prices more in line with Australia's, which appeared to have peaked, Wolex economist Johann Bornman said. Next week 15 600 bales would be offered. — Sapa-AP

ARC 19/11/93

Too much rhetoric, too few hard facts, say CEO delegates

Business Editor

14B

REPRESENTATIVES of the ANC and National Party, and senior SA businessmen, pulled out all the stops to show this country's advantages to prospective investors at the international CEO Institute conference at the Cape Sun this week.

And Reserve Bank governor Chris Stals assured them that exchange controls would gradually be lifted, starting with non-residents, as soon as circumstances made it possible.

CTZ0111193
But some of the visitors from Brit-

ain, Europe and the US, complained that there was "too much rhetoric and too few hard facts".

British businessman Howard Stanworth, who lives in Texas and knows SA well, commented: "They wanted facts about the policies of the next government which would be impossible to give at this stage."

A lawyer from Zaire, who has lived in SA for two years, said: "The information we have been given seems very superficial."

Hancke Scheepers, national chairman of Coopers & Lybrand in SA, said: "People complained to me

that there was too much about the need for upliftment.

"They do not want to invest in upliftment, they want to know what is in it for them. But they are quite happy to know that an investment that will bring good returns will also have a beneficial social consequence."

Ken Costa, a director of international investment banking firm S G Warburg, said: "I have heard that black is beautiful. But the most beautiful black is the black at the bottom line."

Costa said that there was plenty

of international capital available—the only question was where it should be directed and what returns it would bring.

SA was "a re-emerging market—and by a stroke of luck it is coming back just as the rest of the world is taking an interest in emerging markets."

The capital available for investment in these amounted to billions of dollars—it was constantly growing.

If SA attracted a fraction of that there would be a remarkable

change in its ability to solve its problems.

But, Costa warned, competition for investment was intense. Exchange control was a matter for concern—something would have to be done about it, and about the illiquidity of the JSE.

Direct investors were likely to be looking for partners in their own line of business.

But, Costa warned, attempts to regulate investment to achieve social objectives would turn money away. He hoped democracy in SA would lead to liberal capitalism.

Exchange controls (74B) can't go yet — Stals

EXCHANGE controls could only be eased when foreign exchange reserves improved and there was political stability, Reserve Bank governor Chris Stals said.

Addressing the CEO investors' forum yesterday, Stals said it was unlikely exchange controls would be lifted until "the new government has some stability and credibility" *et 20/11/93*

"If we had higher foreign reserves to support the transition, I would advise the government (to lift controls) immediately," Stals said.

And Dr Japie Jacobs, special economic adviser to the Department of Finance said yesterday the financial rand system could not be scrapped immediately because R8 000m was waiting to leave SA.

"If we lift the finrand, we will close the foreign exchange market in one day," he said.

Dr Jacobs was speaking at a workshop at The Strand, organised by Stellenbosch University.

The government was committed to scrapping the finrand within two years, he said. — Business and Political Staff

Full diplomatic relations resumed

Trade hopes as SA, India sign protocol

Star 23/11/93

New Delhi — South African Foreign Minister Pik Botha expressed the hope yesterday that the establishment of full diplomatic ties with India would lead to increased trade between the two countries.

Botha signed a protocol in New Delhi earlier yesterday with his Indian counterpart, External Affairs Minister Dinesh Singh, resuming, for the first time in four decades, full diplomatic relations between South Africa and India.

The agreements signed clear the way for the establishment of consulates and embassies in each other's countries after 39 years of no diplomatic contact.

Following the signing of full diplomatic ties, Singh told Botha: "It is our hope that there will be close co-operation between India and South Africa, and that we shall be able to work together as very friendly countries."

Botha left India last night to return to South Africa after a week-long trip abroad in which he visited Tunisia, Bahrain and Pakistan.

In his visits to the four countries, he has raised the idea of an Indian Ocean rim grouping



Shake on it . . . Pik Botha seals the protocol with counterpart Dinesh Singh in New Delhi. PICTURE: AP

(74B)
of states along the lines of the North American Free Trade Agreement and the Asian Pacific Economic Forum.

Botha discussed this with Pakistan's Prime Minister Benazir Bhutto and Indian Prime Minister Narasimha Rao.

The envisaged grouping could include east African countries, some Persian Gulf states, Pakistan, Bangladesh and India.

A potential stumbling block

to Botha's initiative could be the poor relations that exist between India and Pakistan.

While in the Pakistani capital Islamabad at the weekend, Botha and Bhutto agreed that South Africa and Pakistan would soon sign a protocol re-establishing full diplomatic relations.

In Bahrain last week, Botha officially opened South Africa's first embassy in the Gulf region. — Sapa.

Investment should aim at black empowerment

Star 28/11/93

74B

~~74B~~

■ BY BRUCE CAMERON

Cape Town — Foreign investment should aim at empowering blacks, leading black businessmen told an international investment conference in Cape Town last week.

The conference, organised by the CEO Institute of New York, was intended primarily to give potential US investors a better insight into opportunities in SA.

It was attended by more than 250 potential investors from the US, Europe and Japan.

National Sorghum Breweries chairman Mohale Mahanyele and Kwacha Healthcare group chairman Nthato Motlana warned that if foreign investors entered into partnerships only with white South Africans and not blacks there could be negative consequences for the investors.

Motlana said he was disappointed by the multinationals so far.

Although 74 percent of the population was black,

they owned less than one percent of total issued shares on the JSE.

Both speakers assured delegates there was unlikely to be any vindictiveness against foreign companies that had ignored the sanctions call.

They could not say, however, whether a new government would favour those companies that did heed the call for sanctions and disinvestment.

The call for empowerment of blacks was backed by US Ambassador Princeton Lyman.

Highlight

He said the visit later this month of US Secretary of Trade Ron Brown with a delegation of businessmen would highlight the need to empower blacks.

The first day of the visit would concentrate on dialogue with black businessmen.

He expected there would be a significant commitment from African

Americans not only to invest, but also to influence institutional funds to put money into South Africa.

He said that investment could also include foreign fund managers channeling money into social projects, including housing and electrification, where good returns were guaranteed by the government.

Lyman said there was an active campaign under way in the US to get rid of outstanding sanctions.

Gerhard Croeser, former director-general of finance and now roving ambassador dealing with financial matters in Europe, appealed for patience on trade barriers.

He said proposals had been made to the Gatt which had been agreed to by all the main political parties. But this package had recently been turned down.

It would be difficult to reach agreement on a new package with all the players, he said.

The main factor was the protection of jobs.

America seeks investment insurance set-up with SA

PETER FABRICUS

The Argus Foreign Service

WASHINGTON. — US Commerce Secretary Ron Brown says the US government expects to sign a major investment insurance and finance agreement with South Africa next week which will boost US investor confidence in the country.

The agreement between the SA government and the Overseas Private Investment Corporation (Opic) would be the first tangible benefit flowing from the enactment this week of the South African Democratic Transition Act which repeals the residue of US federal sanctions against South Africa.

Mr Brown said at a briefing yesterday he hoped the Opic agreement would be signed

□ Scheme to 'boost confidence'

while he was in SA heading America's first presidential trade and investment mission, representing major US multinationals, smaller firms and government.

And there are hopes that some US firms might use the mission to announce specific investment plans.

Discussions were also being held for an agreement between SA and the Export-Import Bank (Exim), another government agency which provides or insures credit for US exporters to SA, Mr Brown said.

Opic spokesman John Haber confirmed yesterday that the Opic agreement would probably be signed in SA by Opic vice-president Charles Toy, a member of Mr Brown's mis-

sion.

He said the agreement had been approved by the South African economic technical committee (ETC) the multi-party forum which vets all major economic policy.

SA ambassador Harry Schwarz, who has been negotiating with Opic, said he was hopeful the Opic agreement would be signed while Mr Brown was in SA, but noted that there were still two outstanding problems relating to exchange control and taxation.

He hoped they could be resolved so that SA could secure an important agreement which would provide equity capital, loan capital and guarantees for US investors in SA.

Opic reduces the risks of for-

elign investment by insuring US investments against political violence, inconvertibility of currency and expropriation.

It also offers direct project loans to small businesses, guarantees loans for larger loans and provides investor support.

Opic president Ruth Harkin recently said that she intended making US investment in SA a top priority as part of the Clinton administration's effort to promote democracy there.

Opic would focus on encouraging US investors to locate in black communities. After signing the agreement, Opic intended to conduct its own mission to SA early next year with about 24 US potential investor firms.

Opic also planned to expand its Africa Growth Fund to SA, offering equity capital there for selected US investment.

ARF 28/11/93

(74B)

Meeting may spur oil deals

Staff Reporter

THE biggest gathering of sub-Saharan oil and mining ministers is to take place in the city next week — where behind-the-scenes meetings could clinch substantial foreign investment in Southern Africa. *CT 26/11/93*

Kuwaiti Oil Minister Mr Ali Ahmad Al-Baghli will be one of 60 high-profile guest speakers. He will be accompanied by several senior Kuwaiti officials.

More than 500 delegates from 25 countries will attend the conference at the Cape Sun Hotel. *(74B)*

Cape tops for world investors

CT 27/11/93

748

By AUDREY D'ANGELO
Business Editor

THE Western Cape has been identified as the best place in the world for direct foreign investment — apart from the north of England — in an influential international publication.

World Link, the magazine of the Zurich-based World Economic Forum, carries a list of the top 10 regions for direct foreign investment in which the Cape takes second place.

The list was compiled by consultants Plant Location International, which is based in Brussels, at the request of the magazine.

The Cape is in second place after the north of England. It is ahead of Shenzhen in China, North Carolina, Buenos Aires, the Czech republic, Chile, Mexico, Yucatan, Turkey and Southern Vietnam.

An elated David Bridgman, CE of Wesgro, which has started an intensive campaign to market the Western

Cape in Europe without waiting for the April election, said 47 European companies were already considering projects here.

Plant Location rated the regions according to seven criteria. These were:

- The contribution they made to national economic strength in their own countries.

- The region's international outlook, to what extent its companies were involved in regional trade flows and how attractive it was to foreign investment.

- The quality and availability of financial services.

- The quality and availability of human resources and the extent to which businesses were managed profitably and responsibly.

- The extent to which the infrastructure served the needs of business.

- The extent to which the region's special events and activities have been successful.

- The cost competitiveness of the region's total package.

Big firms ^(74B) streaming to S Africa

ARCT 30/11/93

□ Sharp rise in one year

PETER FABRICIUS, The Argus Foreign Service

NEARLY 100 more multinational companies have direct investment or employees in South Africa today than a year ago, says the Investor Responsibility Research Centre (IRRC) based here.

There are now 28 more American and 70 non-American multinational companies with direct investments or employees in South Africa than a year ago, says the new edition of the IRRC's *International Business In South Africa*.

The IRRC monitors sanctions against South Africa.

The 70 increase in non-American companies is the biggest annual jump since the IRRC began tracking non-American multinationals in South Africa in 1988.

The 28 increase in American companies is bigger in percentage terms than the non-American rise but has brought the level of United States involvement barely past its November 1988 level — 139 companies today compared with 138 then.

But the 139 companies represent a 34 percent increase over the low point of American involvement — 104 in November 1991.

The IRRC now counts 717 multinationals with direct investment or employees in South Africa — 168 of them German and 164 British.

The IRRC distinguishes between these companies which have a direct investment in South Africa and those which have "non-equity" links — such as licensing and distribution agreements — with South African companies.

The increase in American companies with non-equity links has been much greater over the past year — 189 more companies, bringing the total to 445.

Among non-American companies, the net increase has been 126 over the past year, bringing the total to 429.

The greater increase in non-equity involvement reflects wariness about South Africa.

The IRRC notes that many American companies not in South Africa have shown an interest in the country but remain wary because of the political situation, "especially the violence and the political intransigence of the black and white right wing".

Many are awaiting the April elections before investing or placing employees in South Africa. Some are still hampered by remaining state and local sanctions, although these are rapidly falling away.

This has led many companies to take the less risky route of establishing non-equity links with South African companies. These were not prohibited by American sanctions.

The IRRC figures show that American companies observed sanctions more strictly than other multinationals and for longer.

For non-American companies the disinvestment trend reversed itself at the end of 1990, when it reached a low of 433 companies.

Over the next year this number increased by 21 companies or five percent. During the same period the number of American companies with direct investment or employees in South Africa decreased by 10 companies or nine percent to the low of 104.

Over a longer span American companies also disinvested more.

SA oil offer ^(74B)
to foreigners
CT 301193 (153)
Staff Reporter

MR Nelson Mandela and Mr Trevor Manuel yesterday invited foreign investors to tender for licences for oil and mineral rights off the West Coast next year.

Opening the sub-Saharan Oil and Mineral Investment conference in the city, Mr Mandela said licences for mineral and energy rights would be offered on an open tender basis next year.

Investors wary of sub-Saharan Africa

748
48
AUG 30/11/93

□ 'Need to streamline, retrain bureaucracies'

BRUCE CAMERON
Business Staff

MANY potential investors believe that "sub-Saharan Africa is a basket case and South Africa is going down the tubes."

Goldfields chief executive Robin Plumridge emphasised this was not his opinion, but he added: "If one is realistic, one has to concede that sub-Saharan Africa has not lived up to its great potential over recent decades."

"We have been bedevilled by political and social dogma which in its application has led to deteriorating decisions."

Mr Plumridge was addressing an international conference on Sub-Saharan Oil and Minerals in Cape Town.

He said an economic sub-Saharan trading bloc could not survive unless it understood it was part of a highly competitive global village.

The region had to make difficult choices about the development of long-term relationships. He advised the region should no longer look to Europe but east and west to Asia and Latin America where "we find the great success stories of recent years".

There were a number of lessons and unpalatable truths that could be learned from the two areas. These included:

- The financial muscle will seek to invest in those projects and those countries where the greatest security and potential reward is offered;

- A host country for foreign investment must have as a primary pre-condition stable and legitimate government which can maintain law and order and "which respects the sanctity of contract" and will not seek to change the rules of the game at the slightest whim; and

- Political violence and un-

controlled criminal activity were not compatible with rapid economic development.

Mr Plumridge said the command structures which had permeated all sub-Saharan African countries had to be swept aside and governments had to recognise "their primary economic role is to create a framework which will enable the entrepreneurs of the world, whether large or small, local or foreign, to develop their economic activities in a competitive and responsible manner."

Bureaucracies had to be streamlined and retrained.

He said standards barely affordable in the first world could not be set as preconditions with the region, particularly when they were a disguised way of protecting industries.

There was also a need to recognise the 'acute shortage' of high level professional, technical and financial skills.

Signing paves the way for multimillion rand inflow

ARLT 1/12/93 (74B)

US investment agreement hailed as a 'giant step'

MICHAEL MORRIS
Political Correspondent

MULTIMILLION rand investments are expected to flow from the far-reaching Overseas Private Investment Corporation (Opic) agreement signed between the United States and South Africa.

Opic, a US government foreign assistance agency, already has plans for an investment mission of its own, with representatives of between 20 and 25 United States companies.

The agreement, signed at the Reserve Bank in Cape Town yesterday by visiting US Secretary of State for Commerce Ronald Brown and South Africa's Finance Minister Derek Keys, provides for loans, loan guarantees, political risk insurance and other financial support for American investors.

The deal, endorsed by the multiparty economic technical committee, was hailed by Mr Brown as a "giant step" that would lead to a "significant increase in investment and commercial relationships between the US and South Africa".

Mr Brown, whose top-level investment and trade delegation is nearing the end of a five-day mission, said the Opic agreement would increase the "comfort level for US investors and people doing business in South Africa".

It had the potential to make a difference to the standard of living of all South Africans.

Mr Keys described the deal as a model example of government activity in the economy.

"Our economic plans for the future depend on a thriving private sector, and the role for a



MEETING US ENVOY: President De Klerk and US Commerce Secretary Ron Brown after their meeting at Tuynhuys yesterday. Picture: ASSOCIATED PRESS.

government that wants that is to concentrate on creating the environment for investment, and then getting out of the way to let the private sector get on with it.

"Opic seems the ideal example in creating a safe and more confidence-inspiring environment for the private entrepreneur."

He said it would "greatly help in promoting the flow of US investments" into South Africa.

ANC economics head Trevor Manuel acknowledged that the deal would send "signals of confidence" to the business community. The ANC supported it because "we want to see investment flow"

Opic president Ruth Harkin said in a statement: "This agreement will stimulate US investment in South Africa, with emphasis on the disadvantaged community."

● Since 1971, Opic has supported investments worth nearly \$60 billion, (R200 billion), generating \$26 billion (R87 billion) in US exports

Fund to stimulate black business

Massive boost for development aid

Star 11/21/93

■ BY BRUCE CAMERON

Cape Town — Billions of rands in foreign and local money is about to be unleashed for social and economic reconstruction and affirmative business action, ANC head of economics Trevor Manuel announced yesterday.

Plans include:

- Establishing a special fund in co-operation with US fund managers to fund social infrastructure development and the stimulation of black business.
- An initiative to be announced "within days" by a major, unnamed South African life assurance company to release millions of rands for socially responsible development projects.

SOCIAL and economic reconstruction projects in South Africa will benefit from billions of rands of foreign and local money (74B)

■ A post-election, international, special reconstruction bond to allow foreigners interested in SA to help fund development.

Manuel announced the plans at a breakfast of the Independent Business Forum in Cape Town.

Visiting US Secretary of Commerce Ron Brown, who made an unscheduled appearance at the

breakfast, announced it was the intention of President Bill Clinton to move rapidly to provide economic assistance and advice to ensure economic as well as political equality.

He said a special section of an investment agreement under the auspices of the American foreign assistance agency, the Overseas Private Investment Corporation, scheduled to be signed by himself and Finance Minister Derek Keys yesterday would make provision for affirmative action investment by US businessmen.

Manuel said a new government would also do everything it could to encourage foreign and local investment.

SABC to get new blood

Star 11/21/93

■ BY JACQUELINE MYBURGH

The SABC Board is expected to announce the appointment of four new senior executives at the corporation tonight.

The appointments are likely to be finalised during the monthly meeting of the board today.

Two of the positions will be new. One is that of assistant to group chief executive, Wynand Harmse, and the other is an assistant to the chief executive: television, Quentin Green.

It is not yet known who the new executives will be, but sources

indicated that some top journalists and media specialists are in the running for the jobs.

The board was criticised in some quarters earlier this year for renewing Harmse's contract for another year and not introducing new blood at management level.

Other positions to be filled are those of chief director: personnel and manpower which became vacant last month when Dan Esterhuyse died in a aircraft accident, and a chief director of radio — vacant since Carel van der Merwe left.

SA to give India mobile clinic

Cape Town — South Africa was going to supply a mobile surgical theatre to India for use in the area hit by the recent earthquake, the chairman of the House of Delegates, Dr Bhadra Ranchod, said yesterday.

Speaking in debate on the Administrations' Adjustments Estimate, he said the unit would be paid with contributions of R500 000 from the Administration and R500 000 from the Department of Foreign Affairs.

The unit had been acquired and was in the process of being shipped. — Sapa.

39 held after cave raid reveals guns

Star 11/21/93

■ BY DIRK NEL
NORTHERN TRANSSVAAL BUREAU

Pietersburg — Police have arrested 38 men and a woman in a cave in the Strydpoort Mountains, south east of Pietersburg for allegedly conspiring to disrupt the coming election and the illegal possession of firearms.

SAP spokesman Major Arno Vogel said four men claiming to be commanders of the group were evidently members of the Azanian National Liberation

Army (Azanla), the armed wing of the Black Consciousness Movement of Azania.

Journalists taken to the cave yesterday were shown where detectives had found an AK-47, an R1 rifle, a Z88 pistol and large amount of ammunition.

Police received a tip-off from hikers who had explored the cave and found evidence of the presence of the fugitives.

The 39 were arrested on Monday and are being questioned.

The cave in the Donkerpoort

area, about 70 km from Pietersburg, is obscured by dense bush. The group had put a steel door at the entrance. (Sapa)

Another passage from the entrance leads into several large chambers, and the living quarters used by the group is about 800 m into the cave.

The general secretary of the Harare-based Black Consciousness Movement of Azania, Mpontsheng Kgokong, said he was unaware of the existence of the alleged training camp.

MULTINATIONALS will not come back in force to South Africa, predicted Kessel Feinstein senior tax partner Ernest Mazansky. He was speaking at a recent Grant Thornton International panel discussion on international business perspectives on South Africa in a post-sanctions era.

South Africa has significant attractions for investors in comparison to African countries and even Eastern Europe. This was a common observation by panellists, who included speakers from the US, Britain, Australia and Europe.

Yet South Africans are still waiting to see the flood of foreign direct investment. One of the reasons often put forward is political violence and instability.

Looking to the future, Mazansky noted that the necessary political stability outside investors are waiting for did not mean South Africa had to be as calm as Switzerland.

He reeled off a list of what investors wanted: a reasonably stable environment, a stable tax system, a reasonably open exchange control system, economic strength, a local market for products of local subsidiaries, a not too frustrating bureaucracy, a reasonable infrastructure, and a not too expensive but fairly skilled labour force.

Of these, Mazansky said, we could at least offer reasonable infrastructure.

Mazansky said the multinationals would not return in force because they were largely risk-averse, slow-moving organisations. They will want to sell their goods here, and will look for joint ventures, and franchises. They will want sales forces rather large organisations.

South Africa also offered largely greenfield projects. It was a fertile area for entrepreneurs and did offer a gateway to Africa.

Hence the mid-size entrepreneur would be attracted to invest here rather than the multinationals.

Despite the pros, however, only the British speaker seemed entirely positive about the prospects of renewed investment.

GTI managing partner David McDonnell said British government policy was to encourage investment in South Africa now. The Confederation of British Industries too was enthusiastic about British investment in South Africa.

Don't expect the big boys

wm 26/11-2/12/93 (748)

South Africa should be trying to attract mid-sized entrepreneurs, not the multinationals, a conference on foreign investment was told. **Reg Rumney** reports

The reason was South Africa's familiarity. The similar legal system and way of doing business inspired trust and confidence.

Nonetheless, he said, most potential UK investors would watch and wait over the next six months. South Africa would have to demonstrate political stability and sensible economic policies.

South Africans should avoid making the familiar unfamiliar, he said, by changing the legal and tax system. "There is enough uncertainty already."

Also, reports that South African businessmen were exporting their own capital were not an advert for foreign investment. He said South African businesses should not be

reluctant to stress the advantages of investing now.

Earlier, GTI managing director Bob Kleckner had suggested South African businessmen take an active approach and undertake market research to identify specific industries and companies likely to come into South Africa and do presentations to them spelling out the busi-

ness environment.

Kleckner restated the familiar reasons for delays in US investment: lingering state and local sanctions, fierce competition from countries in Latin America and Eastern Europe for foreign investment and abiding uncertainty about the economic policies of the new government.

Kleckner said the African National Congress could do a lot to entice foreign investors by making it plain South Africa had a set of economic policies favourable to foreign investors. He said the influence of the statements of ANC president Nelson Mandela should not be underestimated in attracting foreign investment.

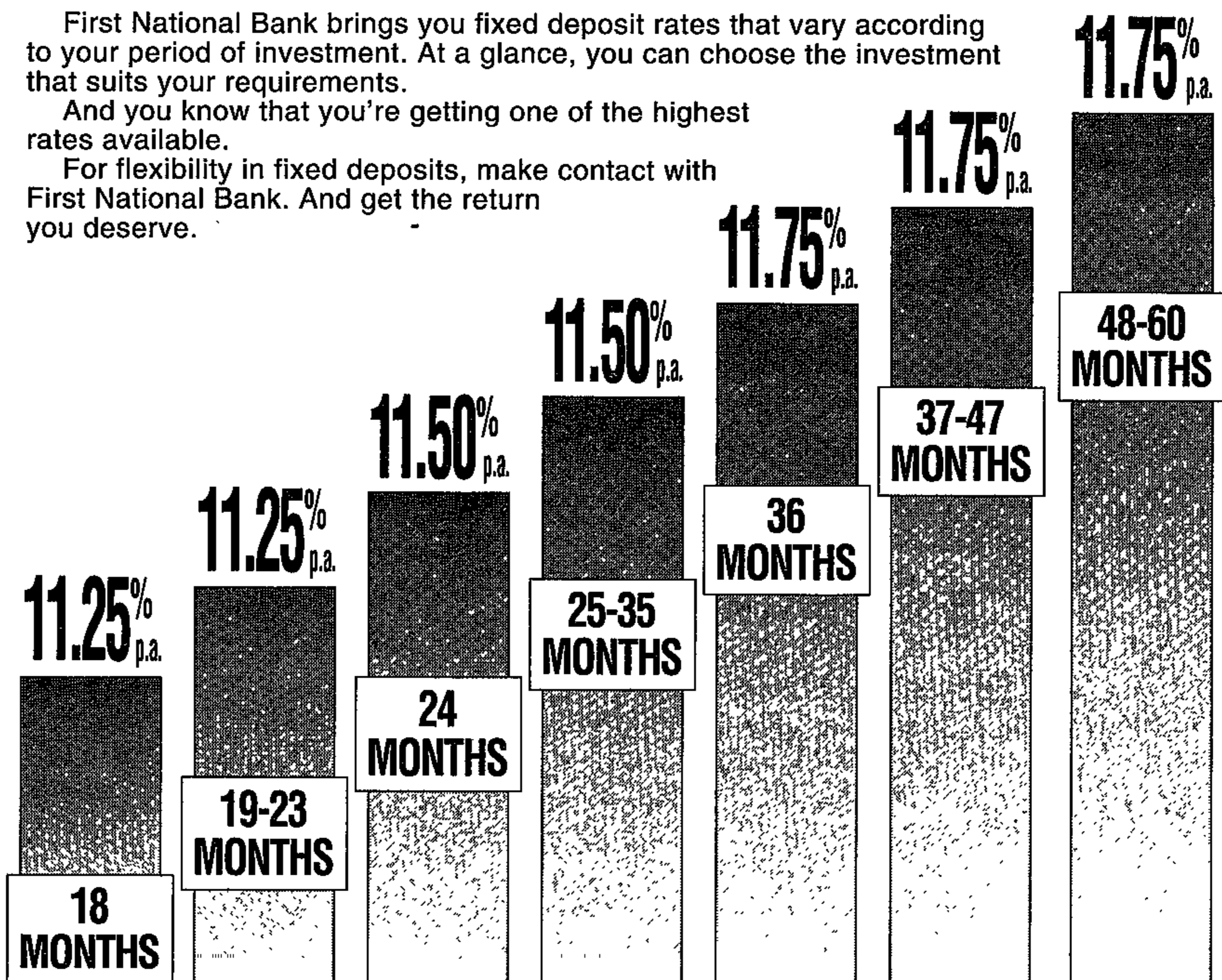
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Go to school with Dr Byte

Watch out for next week's PCReview for details of hands-on software courses offered by columnist Mish Middelmann

PCReview



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Historic treaty with US paves way for investment inflow

Star 11/21/93

Billion-dollar boost

BY CHRIS WHITFIELD
POLITICAL CORRESPONDENT

Cape Town — South Africa and the United States government's Overseas Private Investment Corporation (Opic) yesterday sealed an historic billion-dollar treaty which could significantly boost US investment in South Africa.

The agreement was signed in Cape Town by US Secretary of Commerce Ron Brown and Finance Minister Derek Keys — surrounded by members of South Africa's multiparty Economic Technical Committee (ETC).

It is the first such agreement since the lifting of sanctions by President Clinton and the American Congress just last week. The Opic pact provides investment incentives to US companies and marks a breakthrough in South Africa's return to the world economic community.

Brown said the deal set the stage for significantly increased investment by US companies in South Africa. It also recognised that economic changes should go hand-in-hand with political change.

Important

The agreement offers political risk insurance and investment financing programmes to US businesses planning to operate in South Africa. US exports to South Africa totalled \$2,4 billion (R7,2 billion) last year, making it America's most important export market in sub-Saharan Africa.

Welcoming the deal, Keys said it would help the Government to fulfil its role of creating the right environment for investment in which private enterprise could thrive.

ANC economic planning head Trevor Manuel, at the ceremony as part of the ETC

DEAL marks a major breakthrough in SA's return to the world economic community

(F4B)

group, said the organisation wanted to see more investment coming to South Africa.

Brown said: "One of the essential elements of my mission is the encouragement of the black private sector in South Africa to be fully involved in the economic life of this country."

Opic is a US government agency designed to promote American investment in developing countries. It offers a variety of financial services to encourage economic growth and investment in the countries in which its programmes are operational. These include: medium and long-term project financing; insurance against political violence; "invertibility" of currency or expropriation; and services including feasibility studies and investment missions.

Brown also suggested that negotiations between South Africa and the US on the General Agreement on Tariffs and Trade (Gat) — marked by some tough bargaining about South Africa's status — were progressing and could end favourably for South Africa.

Meanwhile, President de Klerk last night told the Sub-Saharan Oil and Mineral Conference in Cape Town that an "economic accord" could be in place in South Africa before the April 27 election.

In effect, this would elevate the economic debate above party politicking and set a course for constructive growth and economic stability.

► **Boost for development aid** — Page 5

MULTATIONALS will not come back in force to South Africa, predicted Kessel Feinstein senior tax partner Ernest Mazansky. He was speaking at a recent Grant Thornton International panel discussion on international business perspectives on South Africa in a post-sanctions era.

South Africa has significant attractions for investors in comparison to African countries and even Eastern Europe. This was a common observation by panellists, who included speakers from the US, Britain, Australia and Europe.

Yet South Africans are still waiting to see the flood of foreign direct investment. One of the reasons often put forward is political violence and instability.

Looking to the future, Mazansky noted that the necessary political stability outside investors are waiting for did not mean South Africa had to be as calm as Switzerland.

He reeled off a list of what investors wanted: a reasonably stable environment, a stable tax system, a reasonably open exchange control system, economic strength, a local market for products of local subsidiaries, a not too frustrating bureaucracy, a reasonable infrastructure, and a not too expensive but fairly skilled labour force.

Of these, Mazansky said, we could at least offer reasonable infrastructure.

Mazansky said the multinationals would not return in force because they were largely risk-averse, slow-moving organisations. They will want to sell their goods here, and will look for joint ventures, and franchises. They will want sales forces rather than large organisations.

South Africa also offered largely greenfield projects. It was a fertile area for entrepreneurs and did offer a gateway to Africa.

Hence the mid-size entrepreneur would be attracted to invest here rather than the multinationals.

Despite the pros, however, only the British speaker seemed entirely positive about the prospects of renewed investment.

GTI managing partner David McDonnell said British government policy was to encourage investment in South Africa now. The Confederation of British Industries too was enthusiastic about British investment in South Africa.

Don't expect the big boys

wm 26/11-2/12/93 (74B)

South Africa should be trying to attract mid-sized entrepreneurs, not the multinationals, a conference on foreign investment was told. **Reg Runney** reports

The reason was South Africa's familiarity. The similar legal system and way of doing business inspired trust and confidence.

Nonetheless, he said, most potential UK investors would watch and wait over the next six months. South Africa would have to demonstrate political stability and sensible economic policies.

South Africans should avoid making the familiar unfamiliar, he said, by changing the legal and tax system. "There is enough uncertainty already."

Also, reports that South African businessmen were exporting their own capital were not an advert for foreign investment. He said South African businesses should not be

reluctant to stress the advantages of investing now.

Earlier, GTI managing director Bob Kleckner had suggested South African businessmen take an active approach and undertake market research to identify specific industries and companies likely to come into South Africa and do presentations to them spelling out the busi-

ness environment.

Kleckner restated the familiar reasons for delays in US investment: lingering state and local sanctions, fierce competition from countries in Latin America and Eastern Europe for foreign investment and abiding uncertainty about the economic policies of the new government.

Kleckner said the African National Congress could do a lot to entice foreign investors by making it plain South Africa had a set of economic policies favourable to foreign investors. He said the influence of the statements of ANC president Nelson Mandela should not be underestimated in attracting foreign investment.

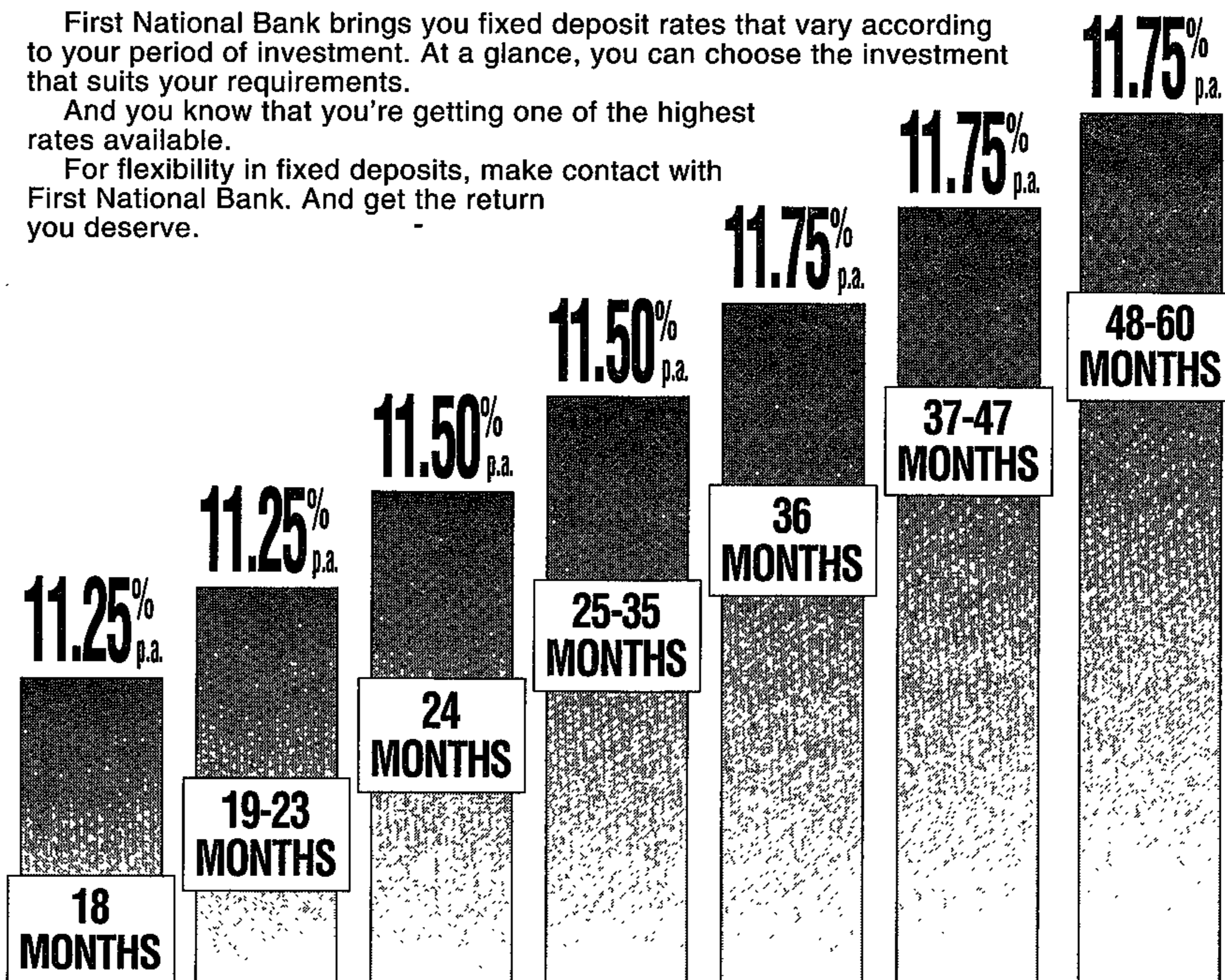
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Foreign groups investing in SA

BY PETER FABRICIUS
STAR BUREAU

Washington — Almost 100 more foreign companies have direct investment or employees in South Africa today than a year ago, according to the Investor Responsibility Research Centre (IRRC) based in Washington.

There are now 28 more American and 70 non-American multi-national companies with direct investments or employees in South Africa than a year ago, the 1993 edition of the IRRC's International Business in South Africa says. The IRRC monitors

sanctions against South Africa.

The IRRC now counts a total of 717 multinationals with direct investment or employees in SA, 168 of them German and 164 British.

The IRRC distinguishes between these companies which have a direct investment in SA and those which have "non-equity" links, such as licensing and distribution agreements, with South African companies.

The increase in US companies with non-equity links has been much greater over the last year, 189 more companies bringing

the present total to 445.

Among non-US companies, the net increase has been 126 over the last year, bringing the total to 429.

Wariness

The greater increase in non-equity involvement reflects wariness about South Africa. The IRRC notes that many US companies not in South Africa have shown an interest in the country but remain wary because of the political situation. Many are awaiting the April

elections before investing or placing employees in South Africa. Some are still hampered by remaining state and local sanctions although these are rapidly falling away.

This has led many companies to take the less risky route of establishing non-equity links with South African companies. These were not prohibited by US sanctions. The IRRC figures show that US companies observed sanctions more strictly than other nationals and for longer.

For non-US companies the disinvestment trend reversed it-

self at the end of 1990, when it reached a low of 433 companies. Over the next year this number increased by 21 companies, or 5 percent. During the same period the number of US companies with direct investment or employees in South Africa decreased by 10 companies or nine percent, to the low of 104.

Over a longer span US companies also disinvested more. From 1984 until this year, 212 US companies sold or closed their South African subsidiaries or offices, compared with only 204 from all other countries combined.

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'Funds will soon flow into Africa'

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CFZ/12/93

Business Editor

HUGE sums of money owned by Africans overseas are likely to come flooding back when their owners think the time is right, says Colin Goodwin, president of the Meridien BIAO network of commercial banks in sub-Saharan Africa.

And investment from the US is likely to encourage local investment, too.

Goodwin was speaking at the Sub-Saharan Oil and Mineral Investment Conference at the Cape Sun this week.

He said the key to investment from overseas was "the current interest by the worldwide investment community in emerging markets.

"In the first half of this year US investors alone placed more than \$4bn in emerging markets.

"This trend is equally strong in Europe and is accelerating."

So far, Goodwin said, this trend has passed Africa by. "At the recent IMF/World Bank meetings in Washington one of the numerous documents circulated was a booklet on emerging mar-

kets which contained detailed reports on about 40 countries seen as interesting targets for the investment community. Only one of these was in sub-Saharan Africa.

"But there are signs that Africa is now starting to get on this bandwagon."

Goodwin said that getting risk capital from domestic sources might be more difficult but "the greater use of African savings in productive investment is the best way for the continent to achieve real long term growth from the grass roots up.

"My definition of African savings includes the funds which are ready to come home when the circumstances are right. The amounts are large.

"Last month the Bank of Zambia estimated that Zambians have \$500m in bank accounts abroad and Zambia is far from being the largest or richest country south of the Sahara."

Some of these funds were legitimate, owned by Africans working abroad. Africa had no shortage of cross border entrepreneurs, who promoted business outside their own countries.



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these townships.

On funding of parties

WE would certainly not give cash directly to a political party. But what we will do is give help in kind to parties not using violence. To help them to contest the election — things like office machinery and communications equipment. If they fulfill the criteria of being a party that at least has a modicum of support but most importantly doesn't espouse violence, we would certainly consider helping them.

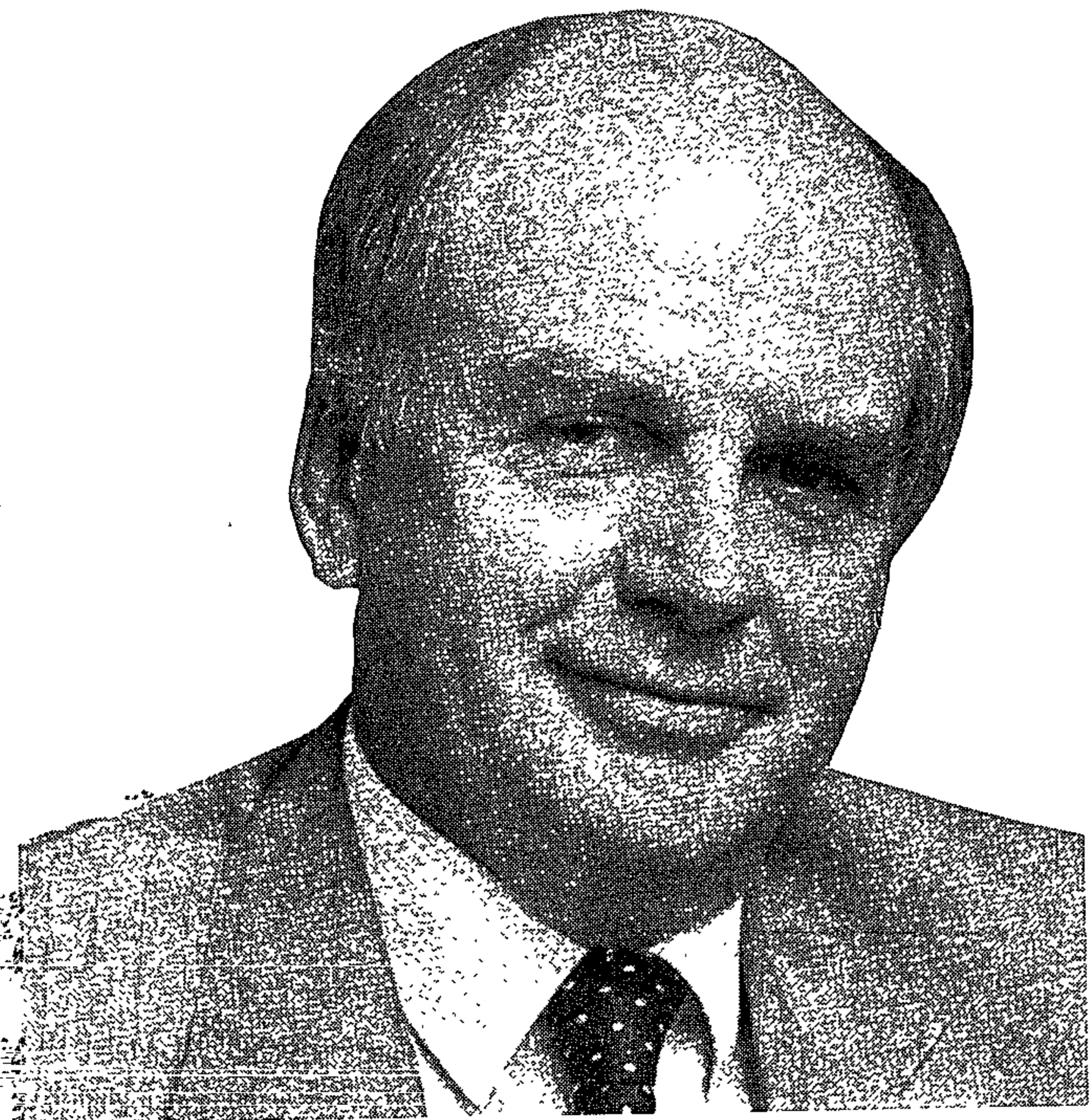
On the limits of foreign influence

WE have to be clear about the limits of our ability to influence events here. This is not, as you know, by any stretch of the imagination a colonial situation.

So the idea that the British could in some way involve ourselves directly is out of the question, in my view. It is for South Africans to negotiate the new constitution.

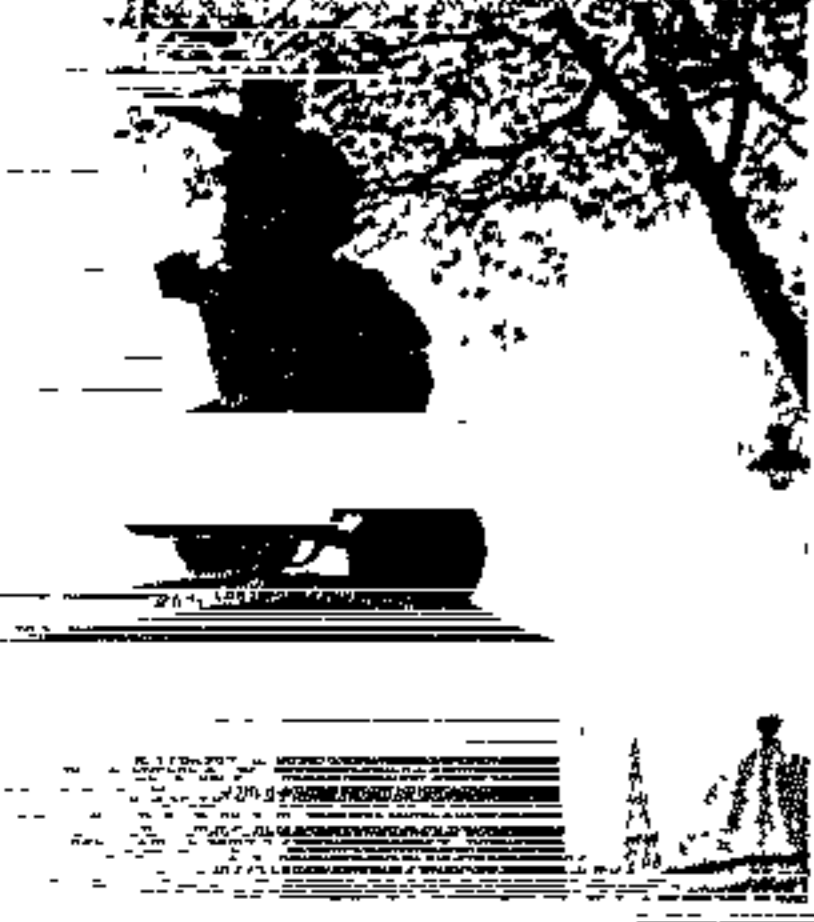
But what we try to do is to ensure that they are in touch with each other, that they are all involved. At the moment this is not the case and it is a source of concern to us that there are important leaders who are outside the process.

We are in touch with every single one of them. I go to Ulundi, for example, very regularly — I should think something like every six weeks or so, sometimes more often. And we try to ensure that all the players understand why it's so important that the process and the election should be inclusive. We make suggestions from time to time about how things should be done.



ABOVE: Sir Anthony Reeve: LEFT: Westminster.

■ **“TRADE and investment in South Africa involves some R30-billion of British money a year — that makes us the largest investor in this country.”**



By and large prior to February 1990 it was a question of asking, requesting, demanding sometimes, the South African government to do things — to scrap the apartheid system, abolish repressive legislation, release prisoners and so on.

Now all that's been done. So post-February 1990 our role changed rather significantly.

Since I've been here, which is two and half years, our role's been increasingly to facilitate. To bring people together, to get them to talk to each other, and to assist the people of South Africa in practical ways. When I came here it was still a relatively rare thing to see people from opposing ends of the spectrum talking to each other.

Generally I felt there was — certainly among whites — relatively little preparedness for the changes which lay

ahead.

On special projects in SA

WE'VE tried to give assistance and help to all sorts of people in this country through our aid programme. But also in specific areas. For example policing — we've got several senior police officers here in this country now, which again would have been unthinkable a couple of years ago, helping with the Commonwealth group, the EC group.

We have a chief inspector, a lady, who is organising with the training of marshalls at marches, ANC marshalls, IFP marshalls, even senior police officers are attending.

She is explaining how in Britain we now organise marches of that kind to ensure that they don't result in violence. So we try to do practical things all the time whenever we see an opening.

One of the striking things

that's happened here in my time has been the opening up to the international community, especially on the part of the government. They were initially, I think it's fair to say, pretty resistant to the notion that foreigners should be allowed to teach them anything.

On aid programmes

WE are still very much focused on our township projects. There is an aid programme which amounts to R57-million bilaterally, and another R57-million through the European Community.

But in addition to that we have what we call the township attaches — at any one time we've got about 150 of these small projects going on in townships right across the country. One result is that we give people what they want, but it also helps us to keep in touch with what is going on, and what people think in

On practical interventions

ONE recent example: when Mr Mandela was in London a few weeks ago, he had a meeting with the prime minister. We discussed a whole range of issues, but one particular thing was relations between the ANC and the IFP.

Mr Mandela said he would be very interested in any suggestions we could make about how he could reassure other people — especially the IFP — about the ANC's intentions.

And after some thought we suggested that perhaps a statement by him in public, saying that the ANC would abide scrupulously by their commitments entered into in negotiations, might actually have some positive impact. Mr Mandela was good enough to respond to that, and he made such a statement a few days later.

That's a small example of the way in which we try to be helpful.

I wouldn't overstate the importance of these efforts, but if you add it all up I think it has some impact.

