FOREIGN TRADE — INVEST. SA. IN OTHER (COUNTRIES)

Top US investment team set for SA visit

HUGH ROBERTON, Political Editor

ARG 11/1/94

THE United States has announced that the first high-level American investment mission to South Africa will arrive in the country next month.

It will follow the trade mission led by US Commerce Secratary Ron Brown last year.

The investment mission will be headed by the Overseas Private Investment Corporation (Opic), which President Clinton has asked to co-ordinate US business investment in South Africa, and will be co-sponsored by the US Agency for International Development.

In terms of an agreement signed with South Africa during Mr Brown's visit, Opic will offer political risk insurance to American businesses investing in South Africa and will provide other investment incentives, including direct loans for small business projects and loan guarantees .

Opic's president Ruth Harkin said the investment mission would "focus on the business community disadvantaged by apartheid" and would concentrate its efforts on US investment rather than on trade.

The mission will visit Johannesburg from February 20 to 23, Durban from February 24 to 26 and Cape Town from February 27 to March 2, and US businessmen on the trip will be briefed on local business conditions and opportunities.

They will also meet a wide spectrum of South Africans interested in joint ventures, though most would be from the "disadvantaged business community".

Since its inception in 1971, Opic has supported global US investments of almost R180 billion.

US, UK firms may set up fund for SA equities

CT 19/1/94 Own Correspondent (74B)

JOHANNESBURG. — US investment bank Bear Stearns and UK fund manager Robert Fleming are the latest groups considering setting up a fund for foreign investment in SA equities.

It is understood that representatives from the two operations were in SA last week to start a due diligence study on the country as a precursor to taking a decision on setting up a fund. It is believed that Fleming, which manages $60bn of assets worldwide, would be the fund manager while Bear Stearns would be the co-manager of the issue.

Martin & Co senior partner Winston Floquet confirmed yesterday that talks had started, but said it was premature to draw any conclusions before an application had been lodged with the Securities and Exchange Commission (SEC) in New York.

Overseas businesses home in on Cape Flats

(74B)
CT 20/1/94

BUSINESS is alive and well on the Cape Flats and overseas tourists and businessmen are expressing interest in investing in the area.

Mr Aly Khan, who has been operating tours to what he calls "the other side" for some years, said he recently took a group of businessmen from Germany with the specific intent of looking for investment opportunities.

"What makes it so attractive is the political stability of the Cape and its environs, the good infrastructure and the availabilty of skilled labour," he said.

Mr Aslam Nordien, centre manager of the Station Plaza, said officials from the World Bank had expressed great interest on a recent visit to the area.

The Station Plaza, started in 1991 as a place where informal traders could make the transition to formal traders, has proved a great success as well as a growing attraction for tourists.

Informal

"The plaza has given informal traders an opportunity to establish themselves in the formal sector without paying excessive overheads, " Mr Nordien said.

About 110 retailers operate in the centre, which offers a variety of outlets from hardware and supermarkets to clothing and take-aways.

"The central business district of Mitchells Plain is an example of the successful combination of East and West, with the informal, formal and big business sectors trading side by side."

Municipal valuations show how land in the area has increased in value. In 1984 the valuation per square metre was R50, today it is R900. By comparison, land in central Cape Town has a valuation of R500.

Commenting on his tours to Mitchells Plain, Mr Khan said the project had suffered whenever there had been major political unrest, for example after Chris Hani's death, but that under normal circumstances they had proved popular.

"I deal mainly with British and Germans, with the Japanese showing interest in recent months," he said.

SA lures investors from US

CIPress 23/1/94

SOUTH Africa is becoming part of a "fashionable" new trend in America and 1994 could see significant inflows of American funds into the Johannesburg Stock Exchange.

Many US investment houses are researching SA and several have already set up trading desks on the JSE. Licenses are for the first time being granted to US brokers to trade on the JSE.

Guy Woolford, Syfrets portfolio manager, says that during December, foreign buying – mainly American – into an illiquid JSE, helped the All Share index post a phenomenal 18 percent one-month gain.

Sharp rises on the other world markets, like Hong Kong and Mexico, also fuelled enthusiasm for South African stocks.

Contributing to the renewed bullishness are clearer evidence that the economy has turned the corner, an improvement in the gold price, progress towards representative government and declining inflation.

"The ANC's stance on maintaining the independence of the Reserve Bank, and the possibility that the current finance minister will remain in place, are being received positively overseas," said Woolford.

Also supporting further rises in the JSE, he said, is analysis showing that after a severe recession of the kind SA has just gone through, earnings have the potential to more than double within three years of the economy turning.

Outlining the reasons for the turn in the economy, Elmien de Kock, Syfrets economist, said that the really encouraging feature of the upswing is that it is not due to stimulatory fiscal or monetary policies.

This contrasts with previous upswings in 1984 and 1988, when government spending and low or negative interest rates played a significant role.

(74B)

"This upswing is supply-side led with solid growth in exports and inventory rebuilding, which has culminated in an increase in manufacturing activity," said De Kock.

At the end of the third quarter in 1993, private sector manufacturing activity was up by 5,5 percent and fixed investment spending by 1,3 percent (both figures annualised).

"The one area that is undoubtedly lagging behind the rest of the economy is consumer spending," said De Kock.

Foreign investors snap up Sun Bop shares

(74-B)

ARG 26/1/94

Business Staff

OVERSEAS investors have been happy to snap up Sun Bop shares from nervous locals.

A recent report in the influential US financial weekly Barron's recommended Sun Bop, along with Anglo and Premier, as among the three South African shares to watch.

Thanks to the international visibility of Sun City, holding shares in Sun Bop is seen as an excellent way to benefit from the expected surge in regional tourism after the election and even, to some extent, from the large number of foreigners visiting on observer missions beforehand.

Sun Bop's occupancies in the 1993 financial year fell from 73 percent to 70 percent, the lowest level since listing in 1985, yet even at that level an operating margin of 25,4 percent was achieved.

But uncertainties remain, making Sun Bop even at R36 appear anything but a bargain.

Licensed competition from other gaming ventures looks inevitable.

But Simon Organ, a consultant to brokers Anderson, Wilson says the cost of setting up resorts acts as a considerable barrier to entry

Sun Bop has more than R2 billion of fixed assets, with a replacement cost probably far higher.

It seems unlikely that any future government will close Sun City as it is now a full service resort, rather than just a gambling venue.

But is possible that Sun Bop will be forced to sell some of its peripheral resorts to fledgling competitors.

Some of these — the Morula Sun and the Carousel — have limited accommodation and therefore lower fixed costs and higher margins than Sun City.

A future government is unlikely to accord Sun Bop such a generous tax regime.

It has been able to write off 120 percent of its hotel costs in Bophuthatswana over five years. Existing commitments will be honoured, but future terms might not be so generous.

In any case, when Bophuthatswana becomes part of South Africa again, Sun Bop will be liable for secondary tax on companies which, with Sun Bop's low dividend cover, will add 10 percent to the tax bill.

All these factors help explain why Sun Bop has underperformed both the beverage, hotels and leisure index and the industrial index over the past two years.

In the short term, however, Sun Bop is set to show real growth, after real declines last year.

In the six months to December, earnings should increase by at least 10 percent to 103c and in the full year they are expected to rise from 192c to 210c.

This is forecast to increase to 240c in the year to June 1995 by certain analysts, but Mr Organ predicts in could reach 263c.

Sun Bop will enjoy the benefit of a full year's trading at Lost City, at which occupancies have been higher than forecast, at around 75 percent.

Attractions such as the artificial beach at the Valley of the Waves increased the number of day trippers to the Sun City resort as a whole by 25 percent in the past financial year and these numbers are holding up.

At R36,50, giving a 3,1 percent dividend yield, Sun Bop looks like a buy, but caution should be exercised by the risk-averse.

Canada welcomes SA business with open arms

BDay 31/1/94

MICHAEL ACOTT

(74B)

AFTER seven years of sanctions, Canada is actively looking for business in SA. With strong encouragement from federal and provincial governments, Canadian businessmen are aiming to get trade back to where it was in 1986.

As neither country has been high on the other's list of trading partners, restoring exports and imports to pre-sanctions values will be relatively easy. How fast trade grows after that depends as much on political developments as it does on commercial drive. Canada and other Commonwealth countries lifted trade, economic and financial sanctions last September. Since then, the Canadian government has not only been encouraging re-establishment of trade links, but has helped to publicise the fact that restrictions have gone.

Within a month of sanctions going, delegates from the SA Chamber of Business, the National African Chamber of Commerce and the Canadian trade office in Johannesberg began a series of seminars in major Canadian cities, telling businessmen about developments and trade opportunities.

A Canadian trade mission, headed by International Trade Minister Roy MacLaren, arrived in Johannesburg at the weekend. Maclaren says one of his objectives is simply to draw attention in both countries to the fact that trade doors are open again.

The delegation includes senior businessmen from Canada's computer, electronics and communications industries, the aircraft and aerospace industries, and banking and manufacturing. MacLaren is also trying to increase Canadian trade outside North America. Nearly 80% of Canadian trade is with the US.

Other missions will follow, as Canada is a trading nation. Its population of 28-million people is smaller than SA's, but its economy is nearly seven times as large. The country lives on exports, which produce one job in three in a manufacturing province like Ontario. A Quebec government mission is due next month, and senior officials from the Ontario trade ministry plan an exploratory visit at about the same time.

SA may be a distant, violent and largely unexplored market for Canadians, but officials in both countries point to the complementary aspects of the two economies, each helping to supply the other's needs, in minerals and agriculture in particular.

They also stress that each country is a regional entry point — Canada to the US and Mexico, which joined in the North American Free Trade Agreement in January, and SA to the rest of southern Africa.

SA is a larger focus of interest in Canada than potential trade would seem to warrant, and that focus is likely to be exploited by businessmen in both countries.

It is more than the former Commonwealth links, the shared colonial past or the fond memories of South African wines and brandies. Nor is it just that Canada played a prominent anti-apartheid role and is now anxious to support the emergent new SA.

There are more than 100 000 former South Africans in Canada, many of whom have risen to senior positions in business. On top of these factors, SA is a continuing international news story, which kept many Canadians aware of developments here while SA goods disappeared from Canadian shelves. The result is an interest and a curiosity which Canadians are hoping to turn into two-way trade, and in particular Canadian exports. Trade more than halved when the sanctions barriers came down, dropping from C$518m in 1986 to C$216m the following year.

South African agricultural imports were banned, ending the lucrative trade in SA fruits and wines. A shipment of SA sugar, much prized by Canadian refineries, was caught in mid-ocean. SAA and Satour were asked to close their Canadian offices.

Canada also banned South African steel imports, but left untouched the supply of South African ores and alloys it said were essential for its own steel and aluminium industries.

Direct investment in SA was prohibited. Although trade in non-sanctioned goods continued, Canadian companies dealing with SA were denied official support or financial assistance. In 1989 Canada added a ban on the export of dual use high technology goods such as computer hardware and software, telecommunications equipment, four-wheel drive vehicles, aircraft and aircraft spares. These are now at the forefront of Canada's export drive.

The result was that by 1992 SA accounted for less than 0,01% of Canadian trade, though it was still Canada's third largest African market, after Algeria and Morocco, and the biggest south of the Sahara.

For the moment the Canadians, like the hundreds of other trade missions coming to see what the new SA may offer them, will focus more on fact-finding visits than sales trips. They describe themselves as cautious and risk-averse, and many may wait until after the April election before making a move.

The Canadian economy, like SA's, was founded on agriculture and mining, and Canada is still the world's fifth largest gold producer. But manufacturing now accounts for a greater share of the economy than agriculture and mining combined.

Canada has become a leading producer of high-technology goods, from computer hardware and software to telecommunications and specialised mining equipment, aircraft, flight simulators and undersea technology such as submersibles, offshore exploration equipment and robotics.

Business organisations expect that the initial Canadian focus here will not be on direct investment, but on licensing and franchise agreements and joint ventures, including operations in neighbouring countries.

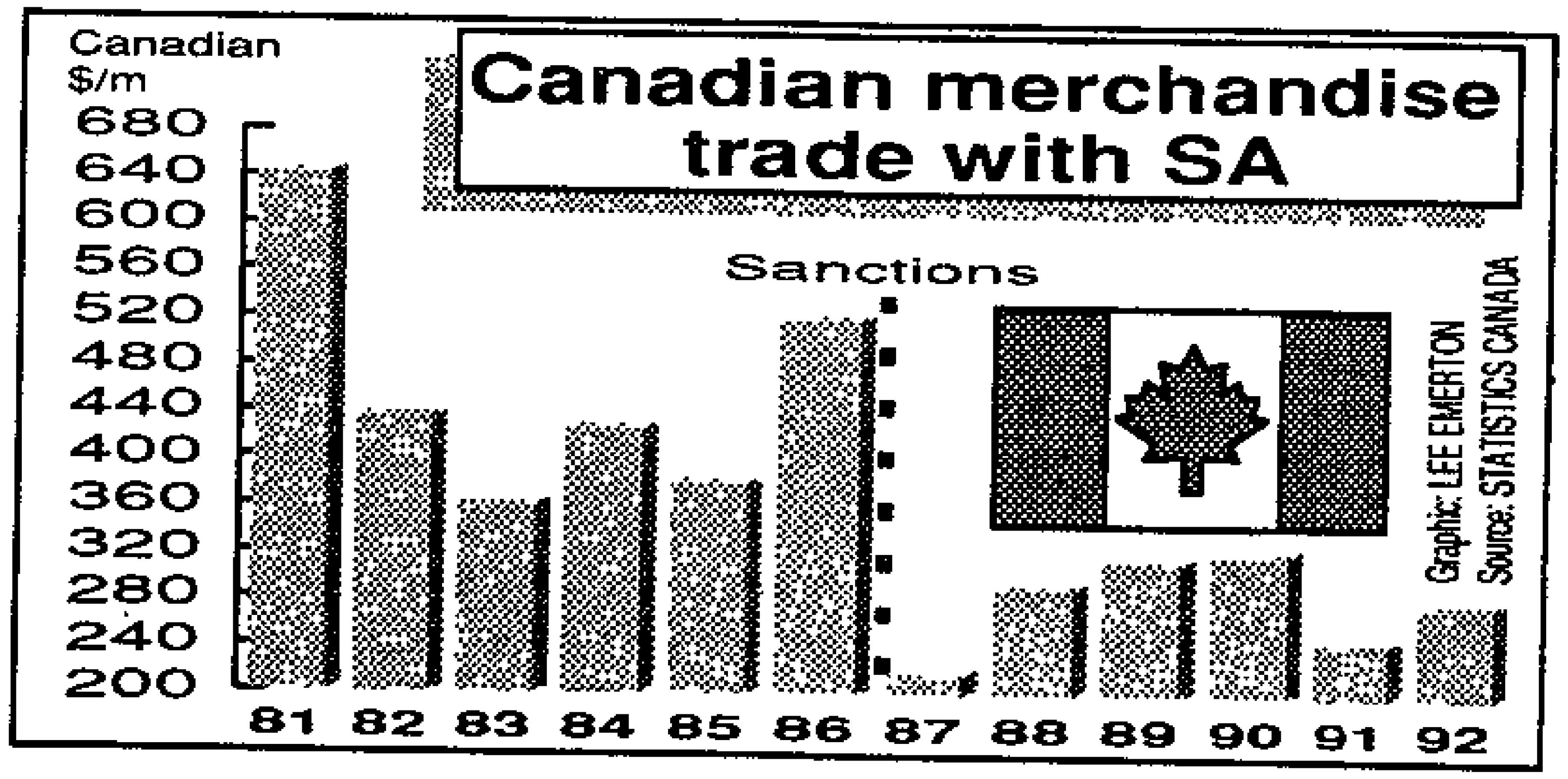
Some Canadian companies have already forged SA ties, including some major contracts, while others never left. Bombardier Regional Aircraft recently signed a R500m contract to supply 12 De Havilland Dash-8 aircraft to the new SA Express regional airline, due to start operations in March. SA Express is 51% owned by tha ANC-linked Thebe Investments, and 49% by Lardel Holdings, a Toronto company specialising in airline management.

Engineering and contruction giant SNC-Lavalin of Montreal is a partner in the Alusaf aluminium smelter project at Richards Bay, and SR Telecom has signed a contract to supply $8m worth of telecommunications equipment.

Canada's second largest engineering company, H A Simons of Vancouver, is involved in rebuilding Sappi's Saiccor plant south of Durban. It is also working with E L Bateman in Russia, and the two companies may also become involved in a project in British Columbia. Entrepreneur Byron Knelson, inventor of the Knelson gold concentrator, a centrifugal recovery system, has appointed a South African agent and is aiming at doubling his sales to large and small gold mines within three years.

SA exports to Canada are already increasing, and the first post-sanctions shipment of fruit juice concentrates, wine and steel coil has been unloaded in Montreal. Trade missions aimed at selling to Canada, and at joint manufacturing ventures there, will soon be going north.

□ **Acott visited Canada earlier this month at the invitation of the Canadian government.**



The outflow of capital from South Africa, particularly in the last year, has caused concern because of its likely impact on economic growth at a critical time in the country's history. ***Derek Tommey*** *dissects the problem*

Star 9/2/94

Closing the door on the flight of cash

74 B

South Africa's record capital outflow of R15 billion last year has caused considerable concern in political and business circles as it could seriously retard economic growth.

The outflow has raised many questions about how it came about, what it is doing to the economy and how it can be brought to a halt.

Here are some of the answers.

■ What is actually happening?

The main cause of the capital outflow is foreign investors, including corporations, withdrawing funds from South Africa.

While this is an unwelcome development there is nothing illegal about it. South Africa prides itself on allowing foreigners to take out profits whenever they want to do so.

This not only encourages them to leave their money here but also to invest more. It also seems that foreign organisations which have lent money to companies here are also calling up their loans, which they are perfectly entitled to do.

The current outflow is also the result of what can be termed normal capital flows — such as the sharply increased dividends paid by the gold mining industry last year. These dividends probably amounted to about R2 billion for full year and a large proportion would have gone to investors overseas.

It is possible some local residents are trying to get more money abroad by using fraudulent means. But the amount involved is unknown and is regarded as unlikely to have had a major impact on the reserves.

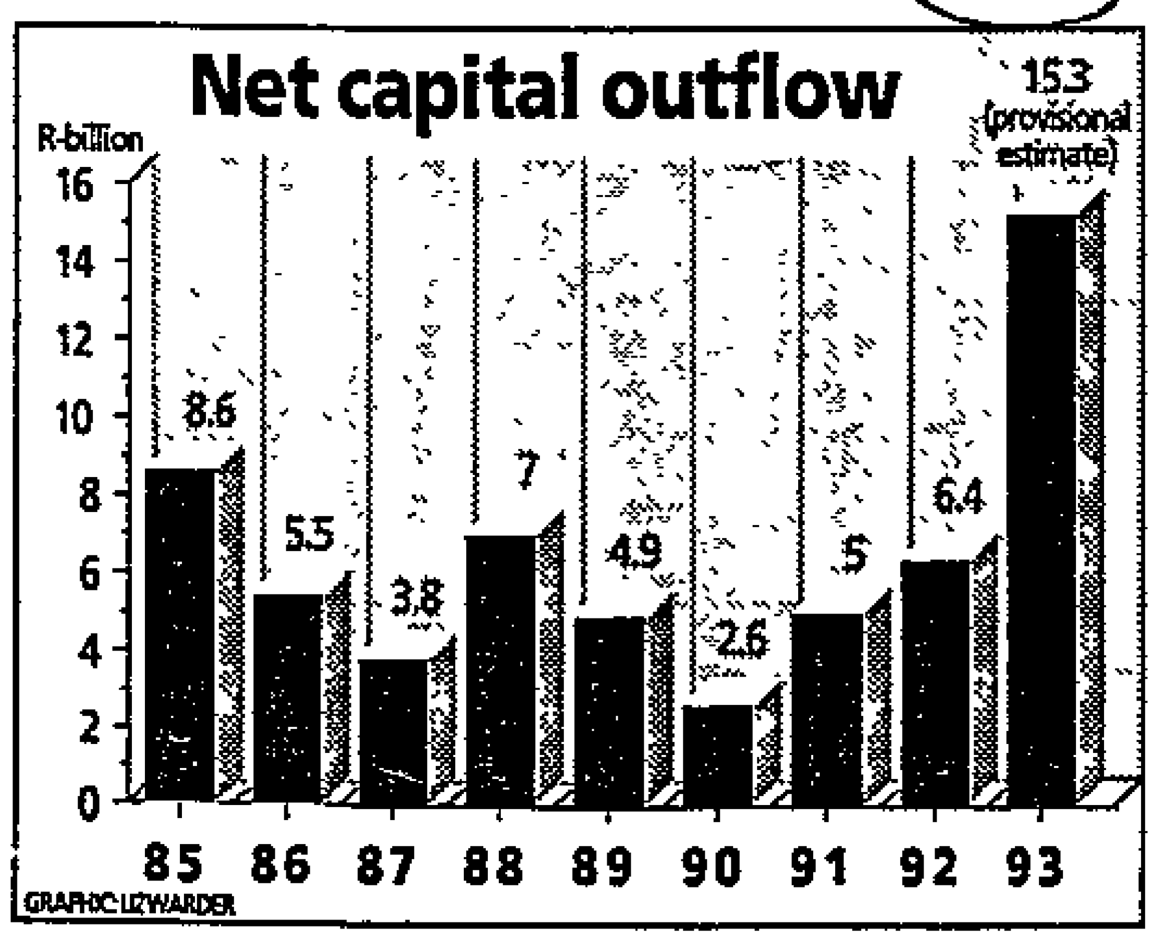
It has been suggested that many firms have exported money overseas by illegally understating the value of exports and overstating the value of the imports and leaving the cash differences between the stated prices and true prices abroad.

This could be happening, but such practices affect the trade account and not the capital account. And at the moment the trade account is looking extremely healthy. Accordingly the amount of money leaving the country in this way seems small.

In the past some people have been able to get fairly large sums of money out of the country by "round-tripping" using financial rands.

This is done in a number of ways but the final outcome is always to exchange financial rands for the more expensive commercial rands. Several people have been caught doing this, suggesting it is not an easy way to export money.

Some of last year's outflow could be the result of people who are travelling abroad taking their full travel allowance with them and leaving the unspent part behind when they return. However, the annual allowance (R19 000 last year) does not go far overseas, so the amount unspent is probably not that great and is unlikely to have amounted to more than a small proportion of the capital outflow.



■ US funds have recently invested large sums of money in South African gold shares. Why has this not offset some of the capital outflow?

These purchases have been made with financial rands or FRs. Foreigners receive FRs when the sell their South African investments. FRs cannot be changed into foreign currencies and can be used only to make new investments in South Africa. It can be seen that financial rand transactions, either buying or selling, have no effect on the foreign exchange reserves.

However, financial rand transactions can increase or reduce the amount of money in circulation. It is estimated that foreigners bought R5 billion worth of shares through the financial rand last year.

Therefore they injected that amount of money into the economy. This is a sizeable sum and could have gone a long way to offsetting the depressing effect of the capital outflow on the economy.

■ Why is capital flowing out of the country?

The simple answer is widespread fear of what the future holds. Many people, both overseas and in South Africa, believe their money could be at risk if it is left here.

The ANC is expected to win overwhelmingly in the election later this year. With its lack of experience in government, there is concern at its ability to govern successfuly a country with a first world economy such as South Africa.

This has led to fears in business circles here and abroad that this country could encounter serious economic problems after the election.

Although there has been a capital inflow through the financial rand, this is believed to have been almost entirely the result of speculative buying by US funds seeking quick profits. Consequently, these investments could be ended as quickly as they were made.

■ What is the effect of the outflow on the economy?

The outflow reduces the amount of money available to finance economic activity. It could lead to higher interest rates and constrict new investment. If the exchange reserves are at a low level, it requires curbs on economic activity to curb imports and stop reserves falling further.

Fortunately for South Africa, the Reserve Bank has been able to avoid taking restraining action. Helped by the financial rand inflow, the Government deficit and some money creation of its own, the Reserve Bank has been able to offset the crippling effects on the domestic economy of a major capital outflow.

Economists say that the Reserve Bank is managing the situation extremely well. They are also praising it for its management of the exchange reserves. The current extremely low level of the reserves normally would be a major cause for concern.

But the Reserve Bank has let it be known that it has substantial foreign resources available to safeguard the reserves, and this has greatly reduced fears that the bank may introduce measures to safeguard them. On the other hand, the bank might not be able to stand by and not act in the face of a further huge capital outflow.

■ How can the outflow be stopped?

The cause of most of the the outflow seems predominantly political. Therefore a political response is required. Although the Government could further tighten exchange controls, these are already fairly stringent.

Any move to stop companies repatriating loans and profits would severely damage South Africa's reputation for paying its debts.

Instead, what is needed is a convincing statement by the ANC that will help restore confidence in the future of this country. This statement could take many forms, but basically what is needed is a promise that it will interfere as little as possible in the economy and in the process of wealth creation.

'New future' turns

Foreign interest in SA 'high' at forum

CT 31/1/94 (74B)

From JIM JONES

DAVOS — Foreign business interest in SA has strengthened sharply in the past year, to judge by the number of people at Saturday's panel presentation by leading SA politicians, unionists and businessmen at the 1994 annual meeting of the World Economic Forum in Davos, Switzerland.

In 1993 a smaller conference room was barely filled. This year, latecomers had to stand. And the general response to the panel indicated there is a rising conviction that the country could be an appropriate target for investment.

The ANC's Trevor Manuel set out to allay concerns about the future government's ability to meet the expectations of SA's less-privileged majority. Expectations were modest, he said, citing the example of an informal settlement near Durban where residents were more interested in having access to clean water and proper sanitation than in owning "double-storey houses".

Delivery, at least for the first two years of the government of national unity, would be financed within budget, with the emphasis on improving efficiencies rather than on throwing more money at problems, he said. Manuel foresaw a partnership between government and business.

Cosatu's Sam Shilowa emphasised the message by stating organised labour's view that the question was not whether the SA economy should be opened up, but how labour could help shape it.

Shilowa said an important point of agreement to have emerged from the National Economic Forum was the debunking of the myth that macroeconomic policy was the exclusive province of government and business. Labour had an equal part to play.

The convergence of views in the forum on what was needed and what could be done to develop SA's economy to its full potential was emphasised by Murray & Roberts' David Brink.

But Development Bank chairman Wiseman Nkuhlu said that while some businesses were taking the initiative in black advancement, broad performance remained far from satisfactory

On a macroeconomic level, Finance Minister Derek Keys was upbeat. He mentioned the conclusion of the latest debt repayment agreement, and the collaboration by all important negotiating parties in preparing for the recent $850m IMF loan and SA's final offer on GATT.

Political considerations, the panel agreed, might prevent the ANC from putting forward a precise economic manifesto.

But Keys said that once the government of national unity was formed, SA would seek funds on international capital markets.

ANC acts to restore foreign confidence

CT 3/2/94 (74B) (44)

Own Correspondent

JOHANNESBURG — The ANC yesterday moved to restore foreign investor confidence by meeting US merchant bank Morgan Stanley, and, on its advice contacting the Wall Street Journal and the Financial Times to clarify its position on mining and mineral rights.

ANC mineral and energy department head Paulo Jourdan said: "We have been frantically contacting papers to correct the harmful interpretations that were placed on the release of our mining policy," he said.

He said he had also met members of the mining industry and a series of joint sub-committees had been set up to look into "areas of common concern, which does not mean only areas of conflict".

He pointed out that the sixth draft of the reconstruction and development programme did not include last-minute changes inserted by the NUM after Cosatu's caucus the day before the conference. Nor did it include the changes made at the conference.

"These were not substantial changes and the key problem was the interpretation placed on our policy."

He stressed that the ANC had no intention of nationalising or expropriating mineral rights or mining companies. It also had no intention of establishing a state-run marketing bureau to fix mineral prices.

In the seventh draft dated January 28, which Jourdan produced yesterday, it was clearly stated that the ANC was committed to extensive consultation with mining houses, trade unions and foreign investors before implementing any changes in the industry.

This commitment has also been a feature, expressed countless times over the past few months, of the ANC's position on its programme and stated by Jourdan prior to the release of the RDP.

Jourdan said mineral rights would eventually fall under state control.

"This does not imply the nationalisation of mines or necessarily the nationalisation of mineral rights. The reversion of ownership of minerals to the public domain could be achieved over a long time period using incentives or disincentives (taxes) such as was done in Swaziland," he said.

This was also done in Australia and Canada, which were highly successful mining economies, he added.

"We believe the reversion of mineral rights to the state can be achieved without disruption and in such a way so as not to impair the ability of the industry to continue to produce and expand.

The method of transfer will be devised in close consultation with all stakeholders including the unions and all mining companies, not just the chamber members," Jourdan said.

Record high on JSE as foreigners buy

CT 5/2/94

(74B)

By ARI JACOBSON

FOREIGN buyers led the JSE Industrial Index to a record level yesterday backed by a gold price setting its sights on the $390 an ounce level.

Underlying the economic considerations was a more positive political outlook as "the collective conscience of the market" seems to have decided that an all-encompassing solution will be found before next weekend.

Shortly after the official close, the Overall Index had risen 88 points to 5 021, the All Gold Index gained 20 points to 2 015 and the Industrial Index was up 100 points at 5 822.

A senior trader pointed out that "there is a new level of madness in the market and nobody knows how to gauge the top of the market".

The gold price was firmer again yesterday, closing in London at $388,35 while in New York last night it closed almost unchanged.

Old Mutual's senior portfolio manager Adrian Allardice confirmed that foreigners had pushed the market yesterday, focusing on industrials and mining financials.

"I see the market as volatile rather than precarious," said Allardice, implying that the market would trade in a range instead of falling out of control.

Stockbroking firm O' Flaherty's Des Mayers was far less optimistic, saying that the local and world share markets may gain in the short term but he warned "the bubble could burst in the medium term".

Looking ahead on the futures market, all the indices "were very strong" on the day, according to Futurelines Andy Pfaff who added that he was not at all perturbed at the state of the market.

Frankel, Pollak's gold analyst felt that bullion would continue to be "hemmed" by technicals around the $390 an ounce level and would stay above $370 on fundamentals of demand and supply.

"I see the yellow metal trading in this range for sometime," he said.

Diamond share De Beers was a big buy on the day, ending 450c or 4,1% higher at R113,25 after some 58 000 shares worth R6,6m changed hands in 70 deals, while associate Anglos rose 600c (2,8%) to R214.

"Its a function of the foreigners coming back to buy our shares," said Mayers.

Featuring strongly on the gold board, Vaal Reefs gained 400c to R429, Western Deep collected 390c to R171,90 and Dries picked up 75c to R55 a share. Lightweight Loraine jumped 100c or 6,8% to R15,75.

Among key industrials traded, Barlows rose 50c to R31,25, SA Breweries collected 100c to R92,50, Remgro jumped 150c or 4,5% to R35. However, international conglomerate Lonhro dropped 15c to R11,35.

Closing gold prices

(In $ an ounce)

NEW YORK:
386,30/386,80

LONDON:
388,10/388,60
Fixing am: 387,67
Fixing pm: 388,50

ZURICH:
387,50/390,50

— Reuter

No perks for investors — ANC

Business Staff 74B

THE ANC is certainly not endearing itself to potential foreign investors.

Following hard on the heels of its controversial mining proposals, it is proclaiming there will be no special incentives to attract foreign capital.

In Newsweek's back-page interview, the head of the economic policy unit, Trevor Manuel, says the ANC "can't stand back and say we'll give investors whatever terms are asked for". ARG 8/2/94

In the interview, headlined "No Adam Smith fans here", Mr Manuel says: "In order to attract investment, some countries drop all manner of legislation and offer lengthy tax holidays.

"But if you expect domestic investors to pay tax, then you should expect foreigners to pay tax as well.

"You need to have one set of rules, they need to be transparent, and they need to attract investments on that basis," Mr Manuel says.

He outlines proposals for the reform of the tax system, which he describes as fairly "regressive".

"Even the IMF notes the absence of social-service taxes, and that would be the kind of tax the wealthy would pay.

"A reconstruction levy could be on luxury goods," he says, adding that taxes on alcohol and cigarettes could be raised.

"Then there are things like capital gains taxes, which don't exist in South Africa.

"I don't believe these are out of sync with the basic tenets of tax systems around the world."

Referring to the role of the State in the economy, he says: "The very least the State should do is to create an enabling environment, but the State should also be permitted to take up the slack in some areas where it deems fit after close consultation.

"Nationalisation is maybe one of a half-dozen instruments of State involvement."

Africa 'keen to invest in SA'

748

ST 14/8/94

JOHANNESBURG. — African entrepreneurs were anxious to do business with South Africa, African Business Roundtable secretary general Esom Alintah said last week here.

Alintah is in South Africa to encourage local membership of the African Round Table ahead of its annual meeting in March.

SA, Taiwan sign taxation deal

748 CT 15/2/94

PRETORIA. — Finance Minister Derek Keys and his Taiwanese counterpart Chen-Kuo Lin signed a double taxation agreement in Pretoria yesterday in what was described as a breakthrough for the business communities of both countries.

Keys said the agreement established an environment in which South African investors in Taiwan and that country's investors in South Africa were not subjected to taxation in both countries.

In its years of isolation, South Africa had long battled to sign such agreements. So far it had signed with 14 countries, with ten others on line for signing, he said.

"For foreign enterpreneurs to invest in the country, the tax position must first be clear and attractive."

According to a Finance Ministry statement there are two internationally recognised bases for imposing income tax: the residence basis, under which a country taxes its residents on their total income derived anywhere in the world; and the source basis, under which a country taxes all income arising in that country, whether received by a resident or a foreigner.

A foreign company operating in South Africa could find its profits taxed locally and in its home country.

"This double taxation is a major disincentive to investment in a foreign country and it has prompted the international practice of signing of double taxation agreements between trading partners," the Ministry said.

The statement further said a double taxation agreement established rules to determine when the country of source had the right to tax and when the country of residence had the right to tax.

"To achieve international information, the Organisation for Economic Co-operation and Development has developed a standard model agreement which is followed almost universally," the ministry said.

The agreement signed yesterday followed the basic principles of the standard model, although, as with most other double taxation agreements, it also aimed to accommodate specific arrangements in the taxation systems of partipating countries — Sapa

CT 15/2/94

'Japanese may invest billions'

(145)

Political Staff

JAPANESE companies were poised to invest billions of rands in South Africa provided the new government followed the right economic policies, President F W de Klerk said yesterday.

Both Mr De Klerk and African National Congress president Mr Nelson Mandela said in reply to questions at the International Press Institute conference in the city that investor confidence was necessary for economic growth.

Mr Mandela, however, said the South African business community would not meet developmental challenges on its own and state intervention would sometimes be needed, although job-creation was the ANC's highest priority.

"We are convinced that left to its own devices, the South African business community will not rise to the challenges that face us.

"While the democratic state will maintain and develop the market, we envisage occasions when it will be necessary for it to intervene where growth and development require such intervention," Mr Mandela said.

● **Call for defence of media — Page 4**

US investors 'involved in riskier countries than SA'

74b

ARG 17/2/94

☐ Delegation prepares to visit 'to consider partnerships'

HENRI du PLESSIS
Staff Reporter

SOUTH Africa is not considered to be at the top end of the list of political risks for American investors, a leading United States investment seeker has said.

American financial experience in Africa as a whole was very good, said Ruth Harkin, president of the Overseas Private Investment Corporation (Opic).

American businesses, seeking investments in "emerging democracies", were involved in many more risky areas of the world, she said.

Mrs Harkin cited Gaza and the West Bank in the Middle East, as well as the former members of the Soviet Bloc, as "much riskier" propositions.

She was speaking in a direct satellite link-up between Washington and Johannesburg, Cape Town and Durban yesterday.

The US Information Service provided the link-up to allow local businessmen and journalists to fire questions at her.

Mrs Harkin is preparing to lead a group of US businessmen and venture capitalists to South Africa to interview local business people with a view to forming partnerships.

The delegation is expected to arrive in Cape Town on February 26.

Opic is an American government-sponsored organisation which helps US businesses link up with businessmen from countries where there is little or no US investment.

Mrs Harkin said Opic helped with investment by offering loan guarantees to Americans wishing to invest overseas, direct loans to small businesses and insurance of American foreign investments.

The organisation has a R750 million insurance fund behind it to assure the American part of investments and would expect a business to have at least a 25 percent US investment component before considering help.

Criteria for Opic aid to US investments in South Africa would depend on whether a business was founded in the country's disadvantaged communities, the feasibility of the project, the creation of jobs, training for employees and "can we make money", Mrs Harkin said.

A trade mission, led here by US commerce secretary Ron Brown last year, had already borne fruit and deals were expected to be signed soon, she said.

South Africa was considered a good proposition, as it had a good infrastructure, more sophisticated resources and a greater market than a place like Gaza, she said.

Opic planned to be involved in South Africa over "a very long term".

The future is looking rosy for this civil servant

S1 Times
20/2/94
(74B)

AS South Africa's civil servants ponder their fate under the new government, one former official with 32 years service has his future mapped out.

By PETER MALHERBE
In Zurich, Switzerland

Less than a year ago, Gerhard Croeser was the country's director-general of finance, earning R220 000 a year. Then, in a move which raised more than a few eyebrows, he resigned and was appointed roving financial ambassador for South Africa, with the specific task of keeping creditor banks happy and encouraging potential investors.

He moved from Pretoria to Zurich with his wife, Hanlie, a director in the finance department. She simply got a transfer from Pretoria and now has an office next to his.

At face value, the Croesers have landed on their feet. They have well-paid jobs with access to international financiers, a government home in one of Zurich's plushest residential suburbs and offices in a quiet city centre square.

The set-up, it is said, has the approval of the ANC, so it appears their future is secure, unlike some of their colleagues back home.

Mr Croeser has been at his desk in Switzerland for five months, in which time he has visited a number of European capitals, been to the United States and slotted in a December trip back to South Africa.

Last month he accompanied Finance Minister Derek Keys and ANC economics big-wig Trevor Manuel to the economic forum at the nearby Swiss resort of Davos.

And he will shortly be visiting Japan and the Far East.

But the question still being asked is whether the former director-general's job has more to do with looking after himself than South Africa.

Mr Croeser admits his appointment has sparked speculation.

"People always want to know why I left."

The answer, he says, is pretty straightforward. There was a strong need for someone to handle international banks and financiers concerned about the situation in South Africa and to publicise investment opportunities. The person needed to have credibility among bankers and a financial background.

"I believed I could serve the country in this capacity.

"Derek Keys and myself took the decision, but I suppose the initiative was mine."

He says this meant he had to formally retire from the finance department — securing his pension in the process.

Mr Croeser is particularly sensitive about the financial aspects of his new posting.

The cash portion of his package is R100 000 less than he was receiving as director-general, he says, and he has slashed costs at the Zurich office.

He removed the mobile phone from his official car, got rid of the chauffeur and moved to cheaper premises in the city — saving a few thousand a month.

The special finance office in Switzerland was set up by Mr Croeser and former Finance Minister Barend du Plessis in 1985 at a time when South Africa went in to the debt standstill. The office was attached to the embassy in Berne, with the main aim of dealing with the 486 creditor banks around the globe. For easier access to the main Swiss banks and the airport, the office was later moved to Zurich.

But it was only on Mr Croeser's arrival that the post was formally upgraded to that of an ambassadorship — giving him equal status with South African ambassadors around the globe.

On his forays into other countries, Mr Croeser is often accompanied by his wife. He deals with the major banks, while she is responsible for the smaller institutions.

"It works well," he says.

Mr Croeser has little reservation about having to serve a new government after April. He describes himself as a technocrat and claims he has never been a member of any political party or the Broederbond.

"If there was an ANC government tomorrow I would serve them equally happily."

The relationship he has built up with Trevor Manuel could serve him particularly well.

In any case, he [illegible] another three years to [illegible] on his contract.

SECURE . . . former finance director-general Gerhard Croeser in Switzerland Picture: PETER MALHERBE

SA can expect 'wall of money'

(74B)

By ARI JACOBSON

FOREIGN investors representing a staggering $1 trillion dollars (about R3,4 trillion) stopped off in the Cape yesterday, as part of the investment roadshow undertaken by stockbrokers Frankel Pollak Vinderine.

"For the first time in many years foreign investors are here with cheque books and are executing orders worth millions of rands," said managing director of Frankel Pollak Vinderine, Mr Sidney Frankel.

"To give you some idea of the magnitude, with the funds available from US delegates, we could buy Italy," quipped the vice-president of international fund manager Merrill Lynch, Mr Warren Myers. CT 19/2/94

The investment conference, held in Johannesburg at the beginning of the week, was the starting point for 80 foreign delegates from 26 cities worldwide to savour the country. The end point for the whistle-stop tour was the closing dinner, held in the city last night.

All those canvassed were literally "spellbound" by the country's beauty and the business opportunities available in South Africa.

Industrial giant Premier group's chairman Mr Gordon Utian said: "There is the realisation that South Africa has the potential to be a major player on world markets."

Politics remains a major concern, but almost all of those interviewed have already invested, to some degree, in this country's share market.

He added: "A wall of money is going to hit this country — a billion dollars has been earmarked or raised already."

Mr Myers was more circumspect, saying there is a 35% chance of failure.

He admitted that tens of millions of rand had already been invested in this country, by his firm.

"It would be a dream story, if this wonderful country produced the sort of politics that create a good economy," he said.

World Bank, Opic on SA investment missions

CT 21/2/94 (94B)

Own Correspondent

JOHANNESBURG. — World Bank and US Overseas Private Investment Corporation (Opic) officials flew into SA at the weekend on missions which could lead to millions of rands being pumped into the economy.

The World Bank team, led by Junaid Ahmad, will study SA's urban reconstruction and financing needs.

The main focus of the study will be on the fiscal implications of unifying cities and adjacent governments. It will consider how much finance is needed to upgrade formerly black areas, over and above what can be generated from the existing tax base.

The Opic mission was the first high-level, US government-sponsored investment mission to SA, president Ruth Harkin said. She said the 10-day visit would be concluded with the announcement of two new ventures valued at millions of rands.

"We share with SA's leaders a belief that private foreign investment will play a fundamental role in creating jobs and building a stable economy in the new, post-apartheid nation," said Harkin.

Opic was helping US businesses to invest in SA by providing political insurance and loan assistance.

The delegation will visit Johannesburg, Cape Town and Durban to seek out black partners in different sectors, notably housing, construction, consumer products, telecommunications and health care.

Opic signed an agreement with Finance Minister Derek Keys last November.

Harkin said before leaving the US that the corporation would be flexible in using its instruments in SA.

Normal premiums would apply despite the perceived political risk. Harkin has stressed that the purpose of the mission will be investment rather than trade.

'50 UK firms invest in SA'

JOHANNESBURG. — Almost 50 British enterprises have made new investments in South Africa and many other UK firms were looking to enter the country, British Consul-General John Doble said here yesterday. (74B)

He said however that British companies were concerned about political uncertainty and social unrest. CT 22/2/94

Doble was speaking at the launch of the first official, government-sponsored SA trade delegation in about two years to the UK. It arrives there tomorrow for a 10-day visit which will include meetings with UK importers, chambers of commerce and government officials.

The South African delegation is made up of small to large enterprises, especially black business with the involvement of senior officials of the National African Federated Chambers of Commerce and Foundation for African Business and Consumer Services.

SABRITA president and mission leader, Blitz Bieber, said South African companies had been criticised for not actively promoting exports to Britain, traditionally a major trading partner.

The trade mission is being sponsored by the trade and industry departments of both SA and Britain. — Sapa

SA gained '$1,7bn in 133 investments'

CT 14/2/94 (74B)

Own Correspondent

LONDON. — About 133 investments in SA worth a roughly estimated $1,7bn (excluding portfolio investments) had taken place in the period from the end of 1989 to mid-1993, research findings presented to a parliamentary committee showed last week.

Evidence was presented to a Trade and Industry committee inquiry into trade with Southern Africa by London School of Economics' Centre for the Study of the SA Economy and International Finance's research officer Jonathan Garner.

Garner cautioned that his estimates were subject to a "substantial margin of error" but noted that they demonstrated that, contrary to popular belief, there had been a number of investments in SA.

Inward investment had been highly concentrated in a small number of sectors. Of the 92 inward investments for which a well-defined sector could be identified, 56 (61%) had been in four sectors — motor and electronics with 19 or 21% each, chemicals with 10 (11%) and building with 8 (or 9%).

"Econometric analysis suggests that the level of tariff protection and the existence of special government investment incentive schemes have been the key determinants of this sectoral breakdown.

"However, it should also be recognised that SA has chosen to offer incentives in sectors in which the majority of direct investment takes place worldwide."

The UK had been one of the four major investors — in terms of numbers of investments made — in the last three years, with most coming from Germany, and then the US followed by France. All four had been responsible for 69% of the investments made into SA during this period.

However, UK companies had also been among the largest recent disinvestors from SA. Pilkingtons had sold its stake in Glass SA to Plate Glass & Shatterprufe Industries for about $200m, Hanson sold its lime operations for $170m, Blue Circle Industries its 42% stake in Blue Circle to Murray & Roberts for $150m, and Reckitt & Colman its food interests for $40m.

Garner said his preliminary assessment showed that outward investment by SA conglomerates exceeded by a substantial margin the flow of inward investment in the period 1990 to 1992.

Investment bonanza for SA

ARG 5/2/94 (74B)

BRUCE CAMERON
Business Editor

AN investment bonanza of hundreds of millions of rands is due to pour into South Africa within weeks with the imminent listing on the New York Stock Exchange of a company dedicated to investing in southern Africa.

In a joint news release, the South African advisors to the fund, life assurance giant Sanlam and merchant bankers Investec, have announced that a preliminary offering prospectus for the Southern African Fund Inc. (SAF) has been filed with the United States Securities and Exchange Commission — the body controlling stock exchange dealings.

The announcement is likely to send the Johannesburg Stock Exchange soaring to new highs when it opens on Monday.

Trading in the shares is expected to begin later this month after the commission declares the registration statement "effective".

Although no figures have been released yet, it is understood that the fund aims to raise hundreds of millions of rands for investment in the region, with the bulk coming to South Africa.

The fund will be the first United States-registered company concentrating its investments in the region.

The SAF investment manager is Alliance Capital Management LP, one of the largest investment houses in the United States managing funds totalling more than $111 billion (R377 billion).

The amount ot money available and the number of shares on issue will become clearer towards the end of the week after initial testing of the market.

Sanlam's senior general manager Ronnie Masson, was confident of success.

He said dedicated-country funds were extremely popular at the moment and emerging markets also were attracting attention.

Mr Masson said Alliance Capital Management had been in contact with all the major players in South Africa and the African National Congress had given its approval.

Some of the money would be earmarked for investment in development projects in South Africa.

SAF would invest in shares of listed and unlisted companies as well as government stocks.

The SAF will be obliged to invest only in the southern African region making the money far more stable than other foreign investments, which foreign fund managers shift around the world in huge volumes on a daily basis.

US Africa fund raises R775m on first issue

CT5/2/94 (74B)

Own Correspondent

LONDON. — International investment bankers Morgan Stanley of New York yesterday revealed that initial cash raised for its new Africa Investment Fund totalled R775 million, nearly four times the target of R204m.

The fund, of which 50% will be invested in South African equities in its first year, may increase, as Morgan Stanley Asset Management can issue more shares.

"It has been a very good issue," said Ms Marianne Hay, the manager of Africa Fund, in New York.

"We have to remember that many institutions have yet to be cleared to invest in South Africa following the end of sanctions."

● The Southern Africa Fund, set up for foreigners to invest in South Africa and neighbouring countries, is about to be listed on the New York Stock Exchange and trading is expected to begin this month.

'Right-wing anger at dangerous pitch'

CT5/2/94

By DAN SIMON

THERE is "deep concern" in the Afrikaner Volksfront (AVF) that frustration among Afrikaners is reaching "dangerous levels", an AVF spokesman said yesterday.

The AVF's Mr Stephan Maninger said the AVF feared the spate of bombings in the western Transvaal and Free State could escalate along with a rise in Afrikaner "frustration".

Saboteurs the ANC alleges to be right-wingers have staged 27 attacks in the past nine weeks.

Mr Maninger said some AVF members were "out of control".

He said the AVF feared the wave of sabotage could increase as "frustrated Afrikaners" had lost faith in their leadership's ability to reach a negotiated settlement ahead of April 27 elections.

Saboteurs have been targeting ANC-linked sites, including offices and homes, and economic targets such as rail links and electricity pylons.

In Thursday's attacks:

● A bomb exploded at the gate of the Potchefstroom farm belonging to ANC member Mr Jan Serfontein.

● A bomb destroyed a community hall used mainly by the black community in the far Western Transvaal town of Groot Marico about 11.30pm. Damage was estimated at R80 000.

● A home-made pipe bomb caused damaged to toilets at Delareyville taxi rank.

No one was hurt in the attacks.

Police said two people were slightly injured on Wednesday when a blast damaged an ANC office near Ottosdal in the western Transvaal.

Trade union offices in Klerksdorp and in Harrismith, in the Free State, have also been bombed recently.

Last month nine AWB members, detained under Section 29 of the Internal Security Act, appeared in court in connection with acts of sabotage on the West Rand and in Pretoria. The case was postponed.

Lieutenant-Colonel Ray Harrald said from Pretoria

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Millions pour in — for love and money

74B WM 4-10/3/94

Investors are lookig to put their cash into South Africa — for differing reasons, reports **Reg Rumney**

THE difference between two recent announcements of million-dollar investment developments, both incidentally at the Carlton Hotel, was marked.

The Africa Growth Fund II, with two small-business joint ventures, was outlined to a roomful of local and foreign reporters to the accompaniment of flashguns.

The fund is backed by the Overseas Private Investment Corporation, a United States agency, which announced the formation of the fund at the end of a 10-day mission of more than two dozen business executives and government officials to South Africa.

The announcement of the listing of the US-registered Southern Africa Fund on February 25 was a low-key affair by contrast.

Both involved similar if not equal sums, the Southern Africa Fund starting with $100-million and the AGF II with the other joint ventures bringing in altogether around $95-million.

Which is more important for South Africa?

The salient differences are that the Southern Africa Fund was raised from individual investors and is motivated by profit rather than social motives.

That 50 000 ordinary US investors have put money into the fund is a vote of confidence in the economic future of the country. Around 80 percent of the fund is likely, initially at least, to be invested in South Africa, with the balance in neighbouring countries.

The Opic-backed $70-million Africa Growth Fund is aimed at fostering mainly small and medium-sized businesses in "disadvantaged communities", that is, for blacks. The sums mentioned are deceptive, since it is hoped the $70-million will leverage several million dollars more of investment, and the joint ventures promise to be the first of many, since according to Opic president Ruth Harkin the mission found many more business opportunities than expected.

Harkin: more joint ventures to come

It will produce immediate schemes to create jobs and businesses.

The Southern Africa Fund will invest most of the money directed towards South Africa into shares of companies listed on the Johannesburg Stock Exchange.

Norman Bergel, managing director of Alliance Capital Management International, will be the investment manager of the fund. Sanlam and Investec will advise it, with the Merchant Bank of Central Africa acting as a consultant for non-South African investments.

While the participants in AGF II — companies like Coca Cola and institutions like the Rockerfeller Foundation — expect to merely get their money back, the emphasis of the Southern Africa Fund is different.

In the eyes of Alliance, South Africa represents an enormous growth value for investors as an emerging market.

Price earnings ratios on the JSE of around seven compare with PEs of 24 in other emerging markets. The political risk attached to investing in South Africa is part of the discount, Bergel points out.

Most of the money will at first go into the JSE, targeted at recovery stocks, consumer stocks, companies involved in infrastructural development, leisure companies, and companies looking to export to Africa. Up to 35 percent will go into liquid instruments, including unlisted companies and perhaps joint ventures, but this will take time.

Alliance has $10-million of the $115-billion it has under management in emerging markets. South Africa could be the destination for investment from its other funds as well, such as its Global Privatisation Fund, which would consider investing in Iscor.

And while Alliance is sensitive to demands for black empowerment, Bergel made it clear that its investments will be made on commercial and financial grounds.

As a mark of South Africa's acceptance in the global financial community, Merrill Lynch and Smith Barney Shearson, two of the largest brokerage houses in the US, spearheaded the selling of shares in the fund.

Just as important is the message such a fund sends to the future government, according to Bergel.

"The message is that it has support from the international financial community. But investors expect to find an attractive investment climate after the elections."

That said, Bergel does not seem overly concerned about the direction of the ANC's economic policy and even believes that in 18 months to two years exchange control will have vanished.

What does concern him is the prospect of political disruption posed by the stance of the Freedom Alliance.

Though the long-term view is optimistic, that the FA has not joined in the election process, he feels, has deterred investors.

US millions poised for SA

(748) CT 4/2/94

From JOHN CAVILL

New fund a runaway success

LONDON. — Morgan Stanley, the $80-billion (R272bn) US-based global investment bank, is expected to announce today that soaring interest in South Africa has made its new Africa Investment Fund a runaway success.

Launched on the market three weeks ago with the initial aim of attracting $60m (R204), the closed-end fund is understood to have pulled in vastly more than the target.

Morgan Stanley Asset Management, which handles portfolios worth $50bn (R172bn), said last night that it could not confirm speculation about the figure raised because of New York stock exchange rules. An announcement would be made today.

However, Ms Marianne Hay, who will oversee the Africa Fund, said that initially the bulk of its equity investment would be in South Africa — the biggest market on the continent, with a total value of $217bn (R737bn) against just $11bn (R37bn) for the rest.

Speaking from New York, she said: "During the first 12 months we will be looking to invest 50% in South African equities, 30% in African sovereign debt, which will include securities such as Eskom bonds, 10% in Morocco and Mauritius combined, and 10% in external companies which derive 50% of their earnings from Africa as well as venture capital in firms which are not yet quoted but will be."

At present Securities and Exchange Commission (SEC) rules limit the fund to investments in three of the 13 African markets.

"We think Africa generally is a value story among emerging markets," said Ms Hay. "The average earnings multiple (price-earnings ratio) across emerging markets is over 25.

"In South Africa, through the financial rand, it is 15,5 times historic earnings and we believe the coming recovery will bring it down to 12,5."

Ms Hay said the fund would evolve as SEC technical requirements were met.

Even though the SA stockmarket had climbed steeply last year — by 56% in rands and 70% in dollars — it had lagged behind other emergent exchanges.

She said the fund did not expect problems in putting money into SA shares. "There are more than 30 companies with market capitalisations over $1bn (R3,4bn) and with turnover that averaged $50m (R170m) a day last year we'll be able to ease the money in.

"We have a list and will start to put the money in as soon as it is available. It seems to us that unless something drastic happens the Johannesburg market looks solid.

"There are a lot of problems but also a lot going for the country. The uncertainty could go on but there could also be a honeymoon period after the elections — and if there are any setbacks we will regard them as buying opportunities.

"We have seen enough evidence for us to feel enthusiastic," said Ms Hay.

US trust will channel funds to SA firms

CT 15/2/94

Own Correspondent

JOHANNESBURG. — The Dreyfus Trust company is to start an investment fund for US institutional investors which will channel up to 40% of funds into unlisted medium-sized businesses.

Dreyfus Trust vice-president Oliver Franklin said yesterday the fund was called the Dreyfus New Africa Fund, and it would draw money from pension funds, endowments and foundations. About 60% would be invested on the JSE, with the remainder going to direct investment.

The process to set up the fund was already in motion and the first investments should take place within months.

Dreyfus Trust, which manages more than $85bn worldwide, intended setting up a mutual fund in six months' time aimed at individuals with relatively large sums of money to invest.

"We believe there is a lot of entrepreneurial talent in SA and see medium-sized businesses as an opportunity. Direct investment in entrepreneurial risk is what SA needs," Franklin said. He believed black business would benefit from the focus on medium-sized enterprises, although the fund was not focused exclusively on blacks and would invest in any growing business.

He said Dreyfus Trust was working with New Africa Advisers, a subsidiary of Sloane Financial Group — the largest black-owned US money management firm.

New Africa Advisers president Justin Beckett said he had been "delighted" with the depth and breadth of the SA unlisted market. "It is one of the better kept investment secrets."

The Dreyfus move follows US Investment Bank Morgan Stanley's African Investment Fund, which has already drawn applications for $228m.

FOREIGN INVESTMENT

ARG 1/3/94 (74B)

US mission a sign of confidence

MICHAEL MORRIS
Political Correspondent

UNITED States investments in South Africa — spurred by the ground-breaking Overseas Private Investment Corporation (Opic) mission visiting the country — will help ease South Africa's return to global markets.

This is the view of Opic president Ruth Harkin, who is in Cape Town on the third leg of a 10-day visit to South Africa at the head of a mission of more than two dozen US business executives and government officials.

This is the first high-level US government-sponsored investment mission to South Africa.

She said in an interview yesterday that apart from its other benefits, foreign investment was important because "that's how you get into global markets and become part of the entire global market system".

But she cautioned that Opic was not in the business of altruistic hand-outs, noting that sound, business-based investment should not be expected to provide a quick-fix economic solution and that economic stability would be vital in strengthening South Africa's international investor appeal.

However, the visit of the Opic mission was, in itself, a sign of confidence in South Africa.

Opic, whose involvement in South Africa follows a bilateral agreement signed late last year, offers insurance and financial assistance programmes to US businesses interested in investing in South Africa.

The agency, which is run on business lines, helps US businesses by providing financing, risk insurance and special services such as the present investment mission.

The risk insurance guarantees investors against loss due to political violence, expropriation or currency inconvertibility.

A key element of the mission's objective is to emphasise investment in the disadvantaged community, helping small business and emerging entrepreneurs.

Ms Harkin believed that private foreign investment would play a key role in creating jobs, building a stable economy and generating economic equality.

"Ideally, I would like to see Opic playing not merely a symbolic role, but having a real impact in stimulating US business in coming here and investing in South Africa, particularly — though not exclusively — in disadvantaged communities.

"In this way, you would see existing business expanding, unskilled people being trained and new economic activity taking place. I would like to see Opic being a catalyst."

She said business executives on the mission were "encouraged" by what they had encountered in South Africa and found that there were more opportunities than they had anticipated.

Areas of interest ranged from manufacturing, agriculture and health care to water purification and the financial sector.

While the policy goal was to develop closer economic relationships with other countries, Opic deals were based strictly on viable investments.

"We are in the business of business and we expect that our clients will be making money.

"I will consider the mission a success story if, as a result, we are able to conclude viable deals."

Ms Harkin said that while Opic would take pains not to get "involved" in the local economic policy debate, the stability of economic policy was important "and it is something that we watch".

However, Opic was confident that in South Africa's case, all the key political players were aware of the importance of the economy in sustaining the emerging democratic order.

Accords to put $100m into economy

BDay 2/3/94

JOHN DLUDLU

THE US-based Overseas Private Investment Corporation (Opic) yesterday concluded its 10-day mission to SA with the signing of three agreements to inject more than $100m into the country's economy.

Included in these was the extension of the Africa Growth Fund to southern Africa. The $75m equity investment fund, to be called Africa Growth Fund II, will be managed by the private Equator Bank.

Opic president Ruth Harkin said at the signing ceremony the fund was meant for the whole region, but would focus on SA.

Equator Bank vice-president Richard Bouma would be responsible for the fund's activities in SA and would move to Johannesburg, Harkin said. (748)

Bouma said he expected AGF I's partners, including US Citibank, Coca-Cola, Kellogg and the Rockefeller Foundation, to take part in AGF II, because of the first fund's enormous success.

Strong emphasis would be p[illegible]ed on grooming local talent to manage the fund.

Opic also signed another agreement in support of a partnership to create more than 2 000 jobs in SA townships with the opening of 100 laundromats and a number of shopping centres. The centres would house local businesses and serve as hubs for neighbourhood development.

□ To Page 2

Accords

BDay 2/3/94 □ From Page 1

About $20m would be invested in the venture over an extended period. The laundries would be franchised. (748)

More funding, to purchase US laundry equipment, would be raised through the US Export-Import Bank's loan facilities. Local franchisees would undergo a four-week training programme in the US. Middle managers would also be trained.

California-based CADscan and Durban-based JBN Technology Services signed a letter of intent to jointly pursue markets in electronic document management, point-of-sale computerised accounting systems, and computer-based training for schools.

Harkin said the three agreements were just the beginning and further announcements would be made within the next few months. "We want to make full use of all Opic's instruments."

Opic is a government agency which supports US foreign investment, through direct loans for small business, loan guarantees and political risk insurance.

Harkin said the 18 companies which took part in the mission had identified many opportunities in SA.

The delegation also held discussions with local banks to investigate ways of increasing black access to loan capital. Opic senior vice-president Dick Morningstar said further talks were planned. Discussions had also been held with the Southern Africa Development Bank.

● Picture: Page 3

Fund could bring in R300m more in foreign investment

BDay 8/3/94

PETER GALLI

ANOTHER R300m in foreign investment is set to flow into SA following the listing of the New SA Fund on the New York Stock Exchange last Friday.

The underwriting syndicate was led by leading US stockbroker Bear Stearns and the fund will be managed by Robert Fleming Inc in New York. Investment research will be provided on continuing basis by Johannesburg stockbroker Martin & Co.

Adam Fleming of Robert Fleming SA said the funds were raised in difficult market circumstances. "Emerging markets internationally recently softened sharply on predictions that they could fall further, US hedge fund operators were closing out big market loss positions and local political negotiations were at a delicate stage."

The fund was launched ahead of the elections to take advantage of the hesitancy in international attitudes towards SA before the elections. International investment interest in SA was expected to pick up substantially after the elections and once the country was included in world stock market indices, Fleming said.

Martin & Co MD Winston Floquet said there was good retail demand and institutional support for the fund. The ultimate decision on when and where the money would be invested would come from New York, but his company would recommend that some of this be channelled into the market before the elections.

"The money will be placed in those sectors of the JSE that offer value. While some of the money can be placed in other parts of Africa, the bulk will be placed in SA," he said.

Further capital could be raised through a rights issue, but this could take place only once the fund had established a satisfactory track record.

(748)

"Offshore investors have the advantage of investing through the finrand and local price earnings ratios are in the lower quarter of other emerging markets, thereby offering good value," Floquet said.

This investment comes soon after the establishment of other US funds. Last month US investment bank Morgan Stanley launched a closed-end African Investment Fund, which plans to invest 80% of its assets in SA gilts and equities in the first year. It aimed to raise $60m and drew applications for $228m.

Reuter reports the London office of the $100m Southern Africa Fund, which is managed by Alliance Capital Management and was listed on the New York Stock Exchange on February 25, yesterday announced that it had started its investment programme in the region.

MD Norman Bergel said the fund would favour investments in growth areas like consumer goods, tourism and providing infrastructure like houses and schools.

While he did not rule out the buying of bluechip shares, he said the focus would be on vigorous small to medium companies.

The fund is a joint venture between Alliance, Sanlam and Investec Bank, which will help it identify suitable investments.

SA firms could bid for $1,5bn UN contracts

(743)

JOHANNESBURG. — South African enterprises could look forward to exploiting $1,5bn in supply contracts to United Nations projects this year, officials said yesterday. CT 10/3/94

Senior officials of key UN departments will today and tomorrow brief domestic firms on the possibility of linking into the procurement contracts.

UN Inter-Agency Procurement Services head Peter Adler said the global organisation looked to source supplies for a project close to the sites.

"There is a tendency to buy local, so if we have projects in Africa we buy in Africa," he said.

Of the estimated $3,5bn in total UN procurement last year, 35% to 40% of the amount was tied up with projects in Africa while 35% of the supplies were sourced from the continent.

"The opportunities hold extraordinary potential for the country's economic growth, if local executives seize them," Piet Steyn, chief executive of the Rennies Group, which is sponsoring the local conference, said.

With the formal lifting of economic sanctions late last year, South African firms are now eligible to compete directly for some 200 000 UN supply contracts awarded each year.

The UN's supply contracts relate to agricultural products, building materials, chemicals, food, vehicles, pharmaceuticals, and electronic and telecommunications equipment.

The agencies which will address the conference are: the UN Development Programme, Inter-Agency Procurement Services Organisation, UN Industrial Development Organisation, UN Children's Fund, UN Population Fund, UN High Commissioner for Refugees, World Health Organisation, World Food Programme, and the Food and Agriculture Organisation. — Sapa

Foreign investors stream in

B/Day 10/3/94

KELVIN BROWN

FOREIGN investment in SA was boosted yesterday with announcements of several deals worth millions in areas as diverse as furniture, publishing and freight.

Leading the pack was Steelcase Europe — the world's largest producer of office furniture — with an announcement that it would acquire a minority interest in Vestacor, the holding company of local office furniture producer Mathieson & Ashley Holdings (MathAsh). (748)

Steelcase has a worldwide turnover of $2,3bn, more than twice its nearest competitor. Vestacor chairman Winky Ringo said the investment would provide MathAsh with valuable research and development and offered opportunities for two-way business in the international office furniture industry.

Heinemann-Centaur announced that it would significantly increase the scope of its educational publishing business in SA by acquiring the privately owned Lexicon Publishers.

Heinemann-Centaur is jointly owned by Reed Educational Publishing UK — part of Reed Elsevier, one of the world's largest publishing groups — and CNA Gallo.

Lexicon Publishers and Heinemann-Centaur specialise in prescribed educational material for primary, secondary and tertiary educational institutions.

US-based Expeditors International said it would acquire the business interests of local agent Expeditors International SA for an undisclosed amount.

The company is a full-service international air and ocean freight forwarder and customs broker. The local agency was es-

☐ To Page 2

Foreign cash swells JSE

(74B)

ARG 12/3/94

BRUCE CAMERON
Business Editor

■ The JSE is surging as it rides a wave of foreign investment which shows no signs of breaking quickly.

THE Johannesburg Stock Exchange powered forward this week gaining more than R30 billion in value as a second wave of foreign investment hit the country.

And fund managers are still expecting another wave, mainly from the United States, before the April elections. If all goes well in the elections yet another wave, this time from Europe, will flow in.

Huge amounts of investment still to come — estimated at more than R7 billion — could push the total value of shares on the JSE from yesterday's level of R773,9 billion to more than R1 000 billion. This means that the value of shares on the JSE could double in 17 months.

In the past week alone the value of JSE shares increased by R30 billion as foreign money chased prices higher in a comparatively illiquid market.

Although the foreign funds mean little to the country's precarious balance of payments because the money is invested through the financial rand, substantial fortunes are being made by many from South Africa's corporate investors through to unit trust holders.

(Financial rands are a fixed pool of money which means that for every rand coming into the country one rand is leaving).

But South Africa's two biggest fund managers, Sanlam and Old Mutual, which between them own a major slice of the listed companies on behalf of investors, warned that there will be a bumpy ride through the elections.

The JSE hit one of the bumps yesterday as investors nervously watched the chaos unfold in Bophuthatswana. The overall index closed at 5 124 — 13 points lower than Thursday's record.

The industrial index fell back 56 points, falling below the 6 000 barrier it broke on Thursday to close at 5 962

The overall index was supported by a rise in the gold index which gained 35 points to close at 1 933 as it benefitted from international fears that the Bophuthatswana events would impact on platinum and gold production and prices rose.

Gold spent yesterday trading around the $387 mark — about $10 up on last week — while platinum prices hit their highest level in five years to trade at $405 an ounce.

Sanlam general manager: portfolio management Prieur du Plessis warned that the best caser scenario of a JSE with a R1 000 billion market capitalisation would only happen if the country came out of the elections with a stable government.

Dr Du Plessis, who was involved in negotiations to establish the R500 million South African Fund in the United States, said that the interesting factor about the latest wave of foreign buying was that second line shares were also being bought.

In the first wave over New Year foreign buying had focussed on blue chips as foreign buyers lacked knowledge of the JSE. The wave this week was different because foreign fund managers were using local experts to guide them.

Dr Du Plessis said second line shares such as cyclical "recovery stocks" including Iscor, construction stocks, such as Murray & Roberts and consumer stocks, including food, clothing and furniture were targeted.

He said South Africa was now being seen as a key member of the emerging markets and was now listed in the emerging markets indices. The most important of these was the World Bank's International Finance Corporation. South African weighting on the indice was about seven percent. Many foreign funds invested in emerging markets according to the weightings given each country.

But there were additional advantages for South Africa, which included the fact that the prices of the Asian Tigers and South American shares were considered to be very high and JSE price to earnings ratio was at a comparatively low 14 while the average of the emerging markets was 26 times.

The prophets of doom started coming out this week warning of a major crash in JSE prices, but Dr Du Plessis was confident that the JSE would hold up.

Changing face of the foreign investor

Star 17/3/94

SOUTH African equities offer far better returns for foreign investors than those in most other emerging markets.

BY CLAIRE GEBHARDT

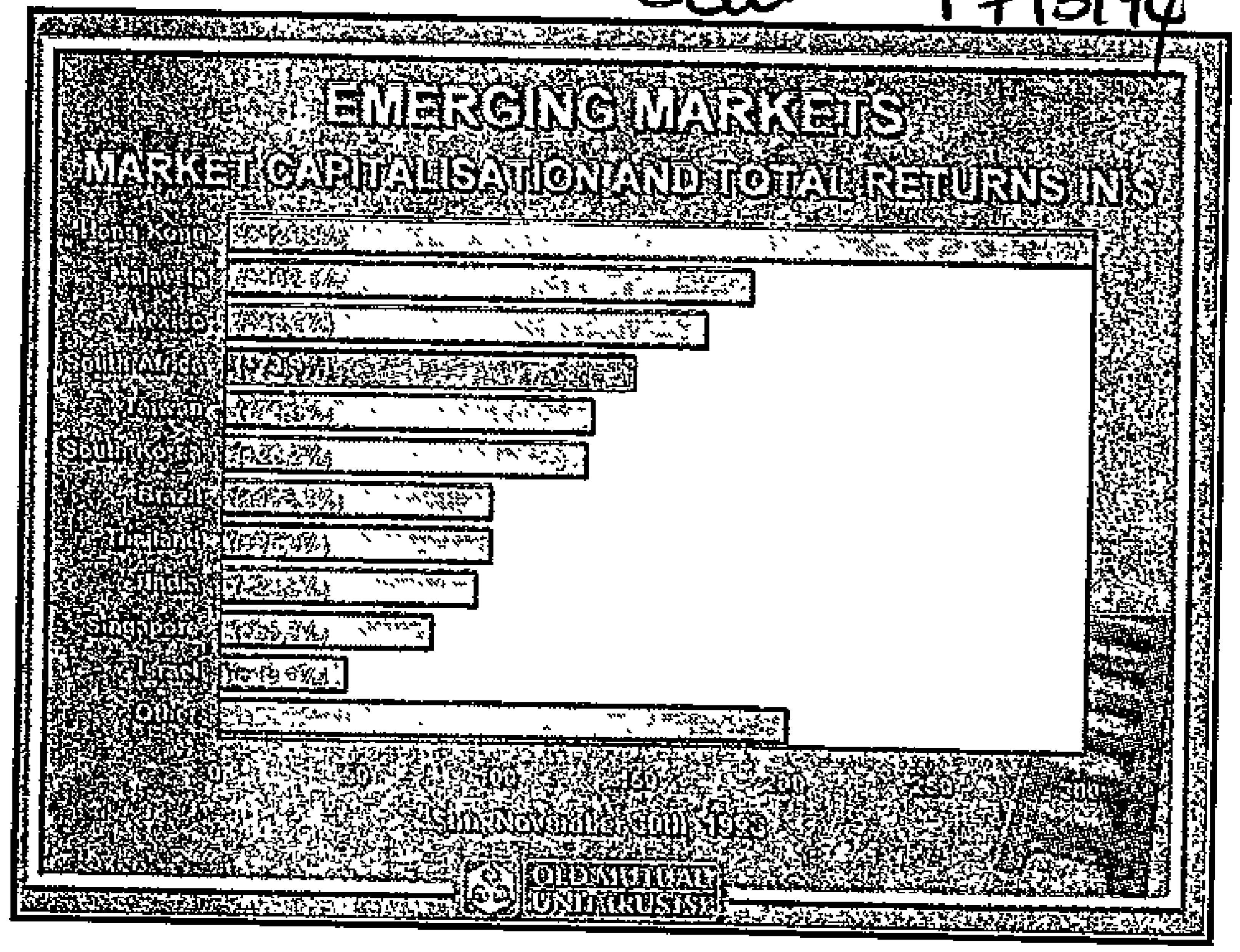
After the recent sharp falls in the commercial and finrand, just how committed are foreign investors to South Africa?

Anton Hugo, head of research at stockbrokers Boner & Freemantle, says part of the answer lies in the changing face of the foreign investor.

"What seems to have surfaced over the past few months is a mix of foreign interest ranging from industrialists with ultra long-term aims, to speculators with a time horizon of as little as a few days or weeks."

Hugo notes that the thin trading volumes on our markets in world terms makes it difficult to determine how much money is flowing into the economy on a net basis.

"This is further clouded by the continued need to repay foreign debts dating back before 1985 and the leads and lags on foreign trade and credit lines as we move closer to the election."



But despite the exchange rate setbacks the funds required to regenerate the economy are clearly available and ready to be invested, he says.

"The South African economy also offers exceptionally high yields in a climate where the economy seems set for a protracted period of sustained growth."

Hugo says American and British investment institutions seem willing to take a bullish view on the prospects for a continued rerating of our stock markets, while investors on the continent and in the Far East seem to favour investment in gilts and direct investment in industrial plants.

"A spokesman for Eskom notes that although American funds were keen buyers of gilts last year, this year the interest has come mostly from Germany and Malta.

Hugo says that despite the sharp run-up in values on the JSE and in the gilts market during November and December, there seems little doubt about the superior returns available to foreign investors entering via the finrand discount.

74B

"South African industrial shares currently trade on an average price-to-earnings ratio of only 13,9 via the finrand (18,5 for local investors) compared with levels significanty above 20 in many emerging markets, while our economy is arguable entering its first soundly based upturn in more than 20 years."

Hugo says Morgan Stanley — the US investment bank which recently launched its African Investment Fund found it's original target of \$60 million exceeded by more than three times just days after the launch.

"The fund's investment will be 50 percent in South Africa equities and 30 percent in gilts with the balance invested in the rest of Africa."

Gold shares also offer exceptional value, he says.

"In his South African newsletter, Leon Kok writes that the US's premier gold stock American Barrick is on a dividend yield of just 0,2 percent.

"A foreign investor can buy an equivalent South African stock such as Vaal Reefs on a yield of 3,7 percent.

South African shares have also for many years been excluded from international share index weightings.

"If, as has been suggested, South African stocks will comprise 27 percent of the new Financial Times gold mining index, some funds could then move from nil to a 27 percent holding, putting real upward pressure on gold share prices."

"A spokesman for a German bank however cautions that South Africans shouldn't expect dramatic announcements on German and other European investments in the short term, given high rates of unemployment and sharp falls in the profitability of industry in these economies."

Hugo says Sanlam sums up the outlook by saying that the big bulk of foreign investment hinges on the outcome of the elections and the new government's first Budget.

"So far we have only seen the financial cowboys from America — the real money still has to arise.

"The outlook for loan capital especially will be crucially influenced by what happens in the coming weeks and months."

'Offshore ventures are the way to go'

CT 18/3/94

By MAGGIE ROWLEY
Property Editor

MAJOR offshore opportunities for joint ventures and partnerships with foreign companies were opening up, says Steyn Laubscher group chairman of engineering consultants Watson Edwards. (74B)

He said the company, which this week celebrates 25 years of operation in Cape Town, had opened a permanent office in Mauritius last year and had been awarded a multi-million rand engineering contract for the first phase of its R100m waterfront project similar to the V&A Waterfront.

A great deal of development work was being undertaken in Mauritius and other opportunities abounded, he said.

Laubscher said the group was finalising a joint venture partnership overseas with a foreign partner.

In addition Watson Edwards had been approached to form similar joint partnerships in other African countries but no decision on this had as yet been taken.

"There is no doubt that with the world opening up to SA once again, offshore opportunities are immense and joint partnerships in those countries are the best route to pursue."

● Deputy Minister of Finance Theo Alant leaves for Mauritius today to sign a comprehensive Agreement for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion regarding taxes on income between South Africa and Mauritius.

Capital pouring out of SA

S Times (Buss) 20/3/94

By SVEN LUNSCHE

CAPITAL outflow from South Africa is taking on mega-proportions.

The Reserve Bank discloses in its Quarterly Bulletin that the net outflow of capital exploded to R16,3-billion last year from R3,7-billion in 1992. The cumulative net outflow since 1985 is now R49-billion.

The bank warns that the outflow could hurt the revival of economic activity and the attainment of financial stability.

It ascribes the outflows to "political uncertainty, the ongoing internal unrest, pressure on the rand and the high cost of borrowing overseas." (7418)

The outflow also caused the net gold and foreign exchange reserves to plunge by R10,3-billion last year, forcing the bank to seek foreign loans.

Figures in the bulletin show that SA made drawings of R7,1-billion on foreign credit facilities last year, including the R2,8-billion International Monetary Fund loan.

On a more positive note, the bank notes that the current account of the balance of payments improved from R3,9-billion in 1992 to R5,9-billion last year and that foreigners were net buyers of JSE shares worth R4,2-billion in 1993.

SA gets Miga 'guarantee'

(74B)

ALIDE DASNOIS
Business Staff ARG 19/3/94

SOUTH Africans investing in other developing countries — and foreigners investing in South Africa — can now apply for guarantees against risk from the Multilateral Investment Guarantee Agency (Miga).

Miga, a division of the World Bank, provides insurance against the risks of currency inconvertibility, expropriation and war or civil disturbance. Its aim is to encourage foreign direct investment in developing countries.

South Africa has now joined as Miga's 119th member.

A Department of Finance statement this week said the country had been classified as a "Category Two" member which meant Miga's political-risk guarantee services were available both to investors coming to South Africa and to South African firms wishing to invest in other developing countries which were members.

South Africa had great potential both to receive and to supply investment, Miga executive vice-president Akira Iida said.

"South African firms have an unusual knowledge of African markets and the capability of investing in them to their benefit and to the benefit of the host country."

South Africa, which signed the Miga convention in December, recently ratified the convention and paid membership fees.

Since it started out five years ago, MIga had issued more than 85 contracts of guarantees and facilitated about $5,7 billion of investments, said the Department of Finance.

Foreign investment rises

(74B) WM 25-30/3/94

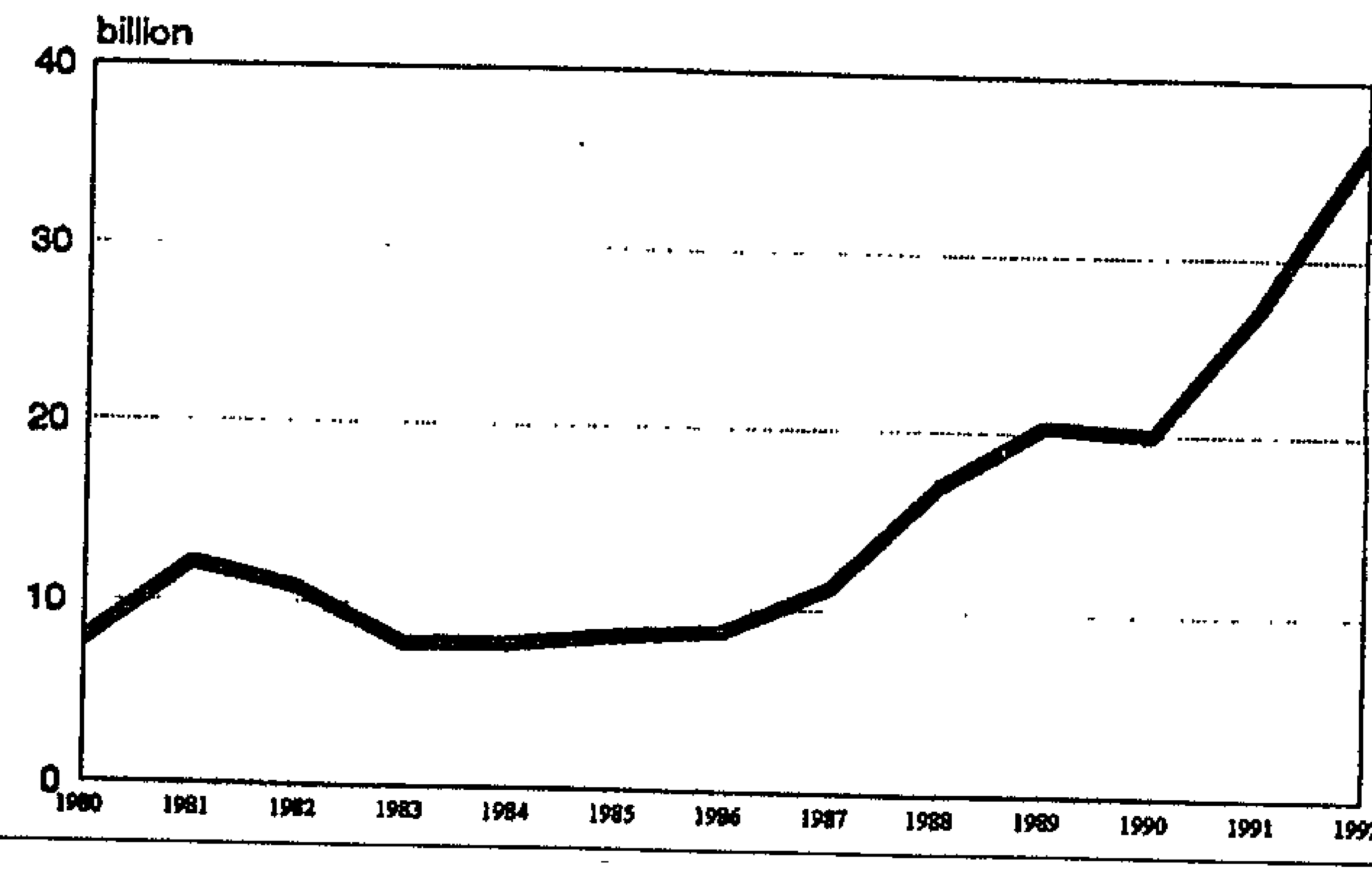
DEVELOPING countries continued in 1992 to see the rapid rise in foreign direct investment that began in 1985, despite a decline in world FDI last year.

Since 1985 FDI flowing to developing countries has increased around 23 percent a year on average.

A discussion paper by the World Bank affiliate International Finance Corporation notes that by value East Asia and Latin America have been by far the largest recipients of FDI, accounting for more than 80 percent of developing country FDI.

In contrast, FDI in Sub-Saharan Africa has been declining in relative terms.

Fig. 3. Total Net Foreign Direct Investment in Developing Countries



Invest in SA now — UK survey

(748)

CT 28/3/94

Own Correspondent

LONDON. — A survey among UK investors has found that almost half of those with ethical portfolios want their fund managers to invest in SA now without even waiting for the election results.

The investors cite the need to encourage democracy and to aid the SA economy as the main reasons for their views.

However, a Sunday paper reported yesterday, a further 27% would prefer to see whether democracy is established before any funds are invested in SA.

The survey was carried out among about 1 000 investors by Holden Meehan, a firm of financial advisers specialising in ethical investments.

Its results show how quickely attitudes towards South African investment are changing. About six months ago a poll by ethical investment research group, Eiris, showed most fund managers adopting a wait-and-see attitude on SA.

Patrick Meehan, a partner of Holden Meehan said: "Most of our clients want ethical funds to back Nelson Mandela and the ANC. The message that socially responsible investments can change things must be getting through."

Meehan said that fund managers were already changing their responses to SA investments. One company, Merlin, has already lifted its blanket ban on the country while The Friends Provident Stewardship fund will make a decision after the elections next month.

There are now over 30 green and ethical funds, worth about £750m.

Meehan said: "Over the medium to long term the average ethical fund has outperformed its equivalent conventional fund." For example, the average ethical pension fund showed annual growth of 14,2% over the past five years compared with the average UK equity pension rise of 13,4% each year over the same period.

"We forecast continued resilience in that sector due to the tendency of ethical funds to lean towards smaller companies," he added. "As the economy comes out of recession, this picture should continue."

Their position will be helped by a new range of EU and US environmental directives benefiting those companies already committed on "green" questions.

Iscor invests in Chinese port

Star 8/4/94

BY NORMAN CHANDLER
PRETORIA BUREAU

South African iron and steel giant Iscor has invested R35 million in the development and expansion of the Qianwan iron-ore harbour in the Qingdao port complex on China's north-east coast.

It is believed to be South Africa's biggest investment in the People's Republic of China since the two countries normalised trade relations earlier this year.

The harbour development arises out of a co-operation agreement signed between Iscor and the Qingdao Harbour Bureau, which administers the port.

The investment provides Iscor with a facility for the discharge, storage and reclamation of some 300 000 tons of iron ore. The harbour is designed to handle 100 million tons of ore.

(748)

Iscor general manager, iron ore business, Johan Deetlefs said Iscor became involved in China because the country was likely to overtake Japan — currently Iscor's largest customer — in steel production growth by the end of the century.

"China has experienced substantial economic growth over the past five years, and as our latest customer for Sishen iron ore, we want to be part of this dynamic development opportunity," he said.

(266)

Qingdao is China's fourth largest port.

US to double aid for new govt

Star 4/4/94

San Diego (California) — The United States plans to double US aid to South Africa to about $160 million (about R544 million) this year to help support the new government that emerges from the country's first all-race election, US officials said at the weekend.

Washington had already allocated a total of $90 million (R306 million) to South Africa for the current financial year, but it was planned to draw another $90 million from other US aid programmes and direct it to the country, one official said.

The official, who asked to remain anonymous, said the purpose would be "to enhance our support for a new democratic government".

Another official said it was hoped the assistance would encourage the reconciliation process in South Africa. (748)

US officials planned to consult members of Congress on how to allocate the money once members return from the Easter recess this week.

A senior White House official said the United States still expected the first all-race election in South Africa to go forward on April 26-28 despite last week's bloody clashes in and around Johannesburg.

The official said it was hoped the shootings could serve as a "tragic but constructive wake-up call" and propel leaders of the country's various factions to settle their grievances.

The senior official, who briefed reporters travelling with President Clinton for a holiday week in southern California, said the big question was how the election proceeded in KwaZulu/Natal, where a state of emergency was imposed last week. — Sapa-Reuter.

Danish brewer enters SA market

Bi Day 7/4/94

THEO RAWANA

DANISH company Brewery Group Denmark had entered the SA soft-drink market with a R12m investment in its Supermalt drink, the company said this week.

The company, the second largest manufacturer of soft drinks in Denmark, had formed a "tripartite alliance" with Premier Group subsidiary National Food Distributors and Natal-based Sterling Breweries, SA representative Neil Tatham said.

He said the investment showed Denmark's confidence in the future of SA.

The vitamin B-rich Supermalt will be SA's first non-alcoholic malt beverage. It will be launched today.

(74B)

Production started on March 21 and the company was distributing 1,2-million samples to school children and housewives.

The Danish company was formed in a merger of two medium-sized breweries: Ceres Brewery, founded in 1856, and Faxe Brewery, established in 1901. With 50% of its business conducted abroad, its major markets are Germany, Italy and Portugal.

Tatham said the company started planning its SA entry more than a year ago.

"We first looked for a distributor and found National Food Distributors.

"But shipping our product 6 000 miles from Denmark, with customs duties and related costs would have inflated the cost, so we decided to look for an SA producer for our Supermalt — and Sterling Breweries became our partner."

Plan to empower blacks

Sowetan 15/4/94

HELP CENTRES UK-based businessman to invest R2-m: (74B)

By Joshua Raboroko

SOUTH African-born black businessman Dr Melford Reggie Reed, who is based in Britain, is to invest about R2 million to benefit disadvantaged black communities in urban and rural areas.

Reed, on a two-week visit to Johannesburg, said he intended to use the money to build centres where blacks would get finance, education and training. The first centre in Randburg would start operating within three months and he hoped it would create jobs and inspire blacks spiritually, culturally and physically.

He said: "The purpose of the centre is to heal the mind, body and spirit of the victims of apartheid and to give them hope."

Reed, born Hlongwane, is managing director of Marketing Technical Services Company, an international operation which distributes a variety of products, including books and other printed material, with offices in London.

The company has 50 centres in Britain, Switzerland, Germany, France and China. He said his operation employed more than 300 people — blacks and whites.

Other centres would be opened elsewhere in South African and there was a possibility of establishing centres in other Southern Africa countries.

Reed said: "Many South Africans have experienced violence, death, burglary, assault, arson and other difficulties, either directly or indirectly.

"These experiences are fresh and have not yet healed even though South Africa will move back into the international economic arena.

"The scars of the past need to be healed. The inspirational centre will do just that."

Reed lectures in psychology and metaphysics on a temporary basis at the University of London.

Born in Alexandra, he was the general secretary of the South African Non-Racial Olympic Committee, an anti-apartheid movement which was led by Denis Brutus.

your stars

ARIES March 21 — April 21
Any social or public setback suffered in the recent past ought to clear up in quick time. You must take advantage of a fresh opportunity to make your name; should manage to benefit immensely from the lessons you have recently learnt.

TAURUS Apr 21 — May 21
You will suddenly get the urge to withdraw from the company you usually keep; mainly because you feel the need to spend more time in meditation. Time spent on your own can be profitably used to reshape your aims and refine your plans.

Former foes flock to be SA-friendly

S Times (Buss) 22/5/94

By SVEN LUNSCHE

SOUTH Africa's trade and business relations with its northern neighbours are booming.

The arrival of a new government paves the way for SA to become the main supplier of consumer goods to Africa.

Evidence of SA emergence abounds. In Kenyan shops and supermarkets SA goods on display range from fruit juice to marmalade, to radios and washing machines.

SA exports to Kenya soared from R50-million in 1991 to more than R200-million last year.

Exports to East Africa — including Tanzania and Uganda — totalled R181-million in 1991 and R273,2-million last year.

SA imports were a mere R54-million last year, a trade gap of R220-million in this country's favour.

Taking advantage of the renewed attention are SA businessmen and bankers, who were out in force at the African Development Bank (AfDB) annual meeting in Nairobi this month.

SA companies have the advantage of preferential procurement of AfDB-financed projects and contracts — which total $4-billion a year — on condition that SA eventually attains membership.

Understandably, SA companies are putting pressure on Pretoria to speed up the process, but it seems that membership will only be achieved in a year's time.

This is, however, not deterring SA companies. The SA Foreign Trade Association (Safto), which led a 14-member delegation to Nairobi, has been in contact with the AfDB for nearly three years.

It is also lobbying for a bridging arrangement with the AfDB to allow SA companies to tender for its contracts before full membership.

AfDB vice-president for Southern Africa Adewale Sangowawa will visit Johannesburg in the coming week to meet interested parties and make arrangements for an extended conference on the AfDB which Safto will host in October.

The origin of SA goods on sale in Africa is no longer concealed.

David Bridgeman, director of Wesgro, the Western Cape trade association, says that during sanctions "there was only one firm fact: goods did not come from where they said they were. They were also not bound for where they said they were going."

748

One organisation that welcomes SA is the African Business Roundtable (ABR), an umbrella body for the continent's businessmen.

ABR's president, Nigerian Esoh Alintah, says the organisation plans to open an African investment bank in Johannesburg, backed by financial and technical assistance from the AfDB, the UN Development Programme and USAid.

He also hinted at a seminar in Nairobi that "one of SA's major construction companies was teaming up with firms in Nigeria and eight other countries in a big joint venture".

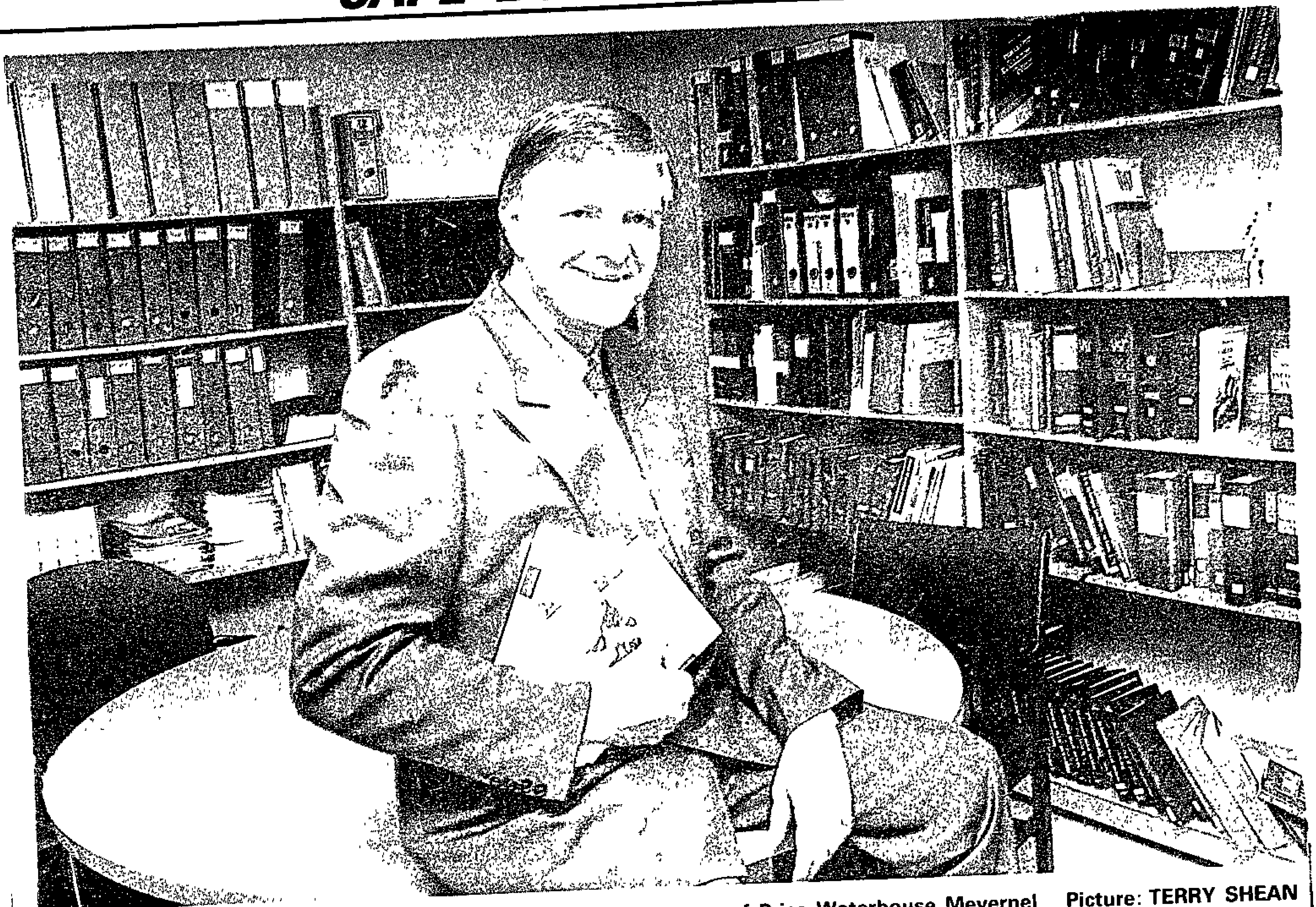
He did not give details.

One of the more significant symbols of SA's growing status is the fact that the rand is slowly but surely becoming a relatively hard currency in many countries north of the Limpopo.

The secretary-general of the Preferential Trade Area for East and Southern Africa (PTA), Bingu wa Mutharika, says the rand can now be exchanged in about 14 of its member countries.

"Of course it could be traded everywhere if you become a member of the PTA," he quipped, hinting at the frantic efforts of regional organisations to be the first to admit SA.

CAPE BUSINESS Edited by Jeremy Woods



LIFE BLOOD MISSION ... Mr Anthony Coombe, managing partner of Price Waterhouse Meyernel Picture: TERRY SHEAN

Sweden finally opens doors to SA traders

S/Times C [Metro] 22/5/94

By JEREMY WOODS

A GROUP of Western Cape businessmen left Cape Town this weekend on the first trade mission to Scandinavia since the lifting of sanctions.

The Scandinavian countries, particularly Sweden, were firm supporters of Oliver Tambo, Nelson Mandela and the ANC during the struggle for freedom and all trade with South Africa during the apartheid era was banned.

The trade mission, organised by the Cape Town Chamber of Commerce, will visit Sweden, Norway, Finland and Denmark.

"The message we take to the Scandinavians is that their support finally bore fruit and we are delighted that South Africa is now back as a world player in the international trade and investment markets," said Mr Anthony Coombe, managing partner of leading international accountants Price Waterhouse Meyernel.

Mr Coombe, who is also chairman of Wesgro, the Western Cape growth organisation, said yesterday that while trade between the Scandinavian countries and South Africa had been "non-existent" during the sanctions era, "we know there is substantial interest in Scandinavia in doing business with South Africa".

As chairman of Wesgro, Mr Coombe said he would actively promote investment opportunities in the Western Cape.

"The Western Cape is the jewel in South Africa's crown.

"We have discovered through recent research by Wesgro in the Scandinavian countries that there is enormous interest in doing business with the Western Cape." (4B)

Mr Coombe said his main goal was to forge trade links but there was "a considerable tourism play to be made in cold Scandinavia where the Western Cape has long been a favourite sunshine destination".

"If the new South Africa is to succeed it is vital to attract foreign capital here, to build new manufacturing plants which will create jobs, and to export our products.

"This is the lifeblood of the economy and we have to get out there and promote the enormous potential of the Western Cape as hard as possible."

The trade mission will include representatives from Cape companies exporting fruit juices, fresh fruit and vegetables, exclusive Cape wines, printed upholstery fabrics, dried flowers, paint and metal and alloy components.

Strict stand on investment

ERICA JANKOWITZ

MULTINATIONALS thinking of reinvesting in SA would have to comply with international labour confederation codes of conduct and show that they had a real contribution to make to reconstruction, Chemical Workers' Industrial Union general secretary Rod Crompton said last week. B/Day 23/5/94

"We would only encourage investment by blue chip companies which have a real contribution to make locally, are prepared to export, train workers and bring in world class technology," Crompton said.

He said the expansion of companies into other countries was "a global problem that has to be dealt with globally".

He warned that international labour confederations insisted that multinationals implemented even labour policies throughout their organisations.

"They can't have a quality plant in their home country and a series of sweatshops in Mexico, for example."

Crompton said the union movement would investigate the industrial relations history of potential investors and would discourage those with a bad track record, especially if this pertained to their past behaviour in SA.

However, the advent of democracy in SA and the prospect of new labour legislation being passed which enshrined worker rights meant trade unions were not as threatened by bad labour practices in multinationals in SA, he added. (448)

Labour analysts said Cosatu looked at a reinvestment code of conduct about 18 months ago, but subsequently dropped this with the realisation that SA labour law and practice offered sufficient protection from exploitation.

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UK top foreign investor in SA

CT 2/6/94

(748)

By AUDREY D'ANGELO
Business Editor

BRITAIN is still the biggest foreign investor in SA and contributes 20% of all aid to this country from the European Union (EU), Leslie Buchanan, new British consul in Cape Town, pointed out yesterday.

He told the Institute of Directors Western Cape branch, at the Cape Sun, that even before the election he had found British companies enthusiastic about the future of SA: "Over 50% of foreign investment in SA is British. Since 1992 over 30 companies have notified us of new investment here — many more have invested without notification.

"For example, over the next five years the two British companies involved in the cellular telephone battle — Cable and Wireless and Vodafone — expect to invest some R6,6bn — or possibly more if the rand is sick."

Buchanan said there had been an overall increase of 14% in bilateral trade in 1993 compared with the previous year "and this increase has been maintained so far this year.

"This is mirrored throughout Europe albeit at a slower pace of 8% or 9%. SA's trade with the EU in 1993 saw a year on year increase of 8,8% and Europe now represents 29% of SA's total foreign trade."

BRITISH CONSUL ... Leslie Buchanan

The president of Britain's Board of Trade, Michael Heseltine, would visit SA in July, accompanied by 67 senior British business people, as part of a major campaign to promote two-way trade. "Before then we will see a trip here by the House of Commons Select Committee on Trade and Industry."

But Buchanan warned that high mark-ups by SA companies were discouraging British companies looking for partners in joint ventures.

And bureaucratic red tape could prevent aid from reaching its targets.

He said British and other foreign firms were looking at SA as a centre for serving regional markets, and were considering joint ventures and agency agreements with SA firms.

"Some we know of have been put off by the high markups required by some SA business partners — especially where servicing and after sales obligations in remote areas of neighbouring countries are involved.

"But provided these problems can be overcome we believe there is great scope for SA firms in the region."

Describing how red tape could keep aid money from being used, he said that during three years he spent in Bulgaria less than 10% of EU aid voted to that country was actually spent there. It had been held up by bureaucracy in Bulgaria and in Brussels.

It was important to impress on the SA government that requests for aid and assistance should be formulated in such a way as to cut down on delays and prevent the money from being kept in a bank.

Pepsi's return will cost more than $20m

8 Day 4/5/94

MARCIA KLEIN

PEPSI-Cola was tight-lipped yesterday about the size of its SA investment, but sources said its successful entry into the competitive soft drink market would require an investment significantly larger than the $20m that had been bandied about.

Pepsi, which disinvested in 1985, announced a bottling joint venture in which black investors would hold a majority stake. Distribution of products, including Pepsi-Cola, Diet Pepsi, 7-Up and Miranda orange, would start by the year end.

Distribution would be in the Transvaal, which accounted for half of the 275-million cases of soft drinks sold in SA each year.

Joint venture company New Age Beverages (NAB) will initially be 75% held by Egoli Beverages — a US-based partnership that includes African-American investors, and 25% held by PepsiCo. Egoli has been formed by Ian Wilson, who spent 25 years with Coca-Cola (448) (182)

☐ To Page 2

Pepsi

☐ From Page 1

Kehla Mthembu — formerly MD of African General Insurance — has been appointed chairman and CE of NAB. Monwabisi Fandeso — who has held senior positions in SA Breweries and National Sorghum Breweries — has been appointed president and chief operating officer.

Pepsi wants South Africans to own a majority stake in NAB by 2000.

Pepsi's Asia, Middle East and Africa president James Lawrence said Pepsi was not ready to detail the investment's size and range. It expected to launch by summer. "We are not in a position at this stage to make available this information, as it could be useful to Coke." (448) (182)

Reuter reports that Wilson said: "We're looking, over time, at an investment in excess of $100m. And not only do I believe that this is the largest amount of money coming in at this stage, but also it is coming in from African-Americans."

Lawrence said PepsiCo would make available the Pepsi concentrate and certain marketing elements to the partnership. The joint venture would build a distribution network, but Lawrence would not comment on bottling. It is believed that NAB will use contract packers until the venture gets off the ground.

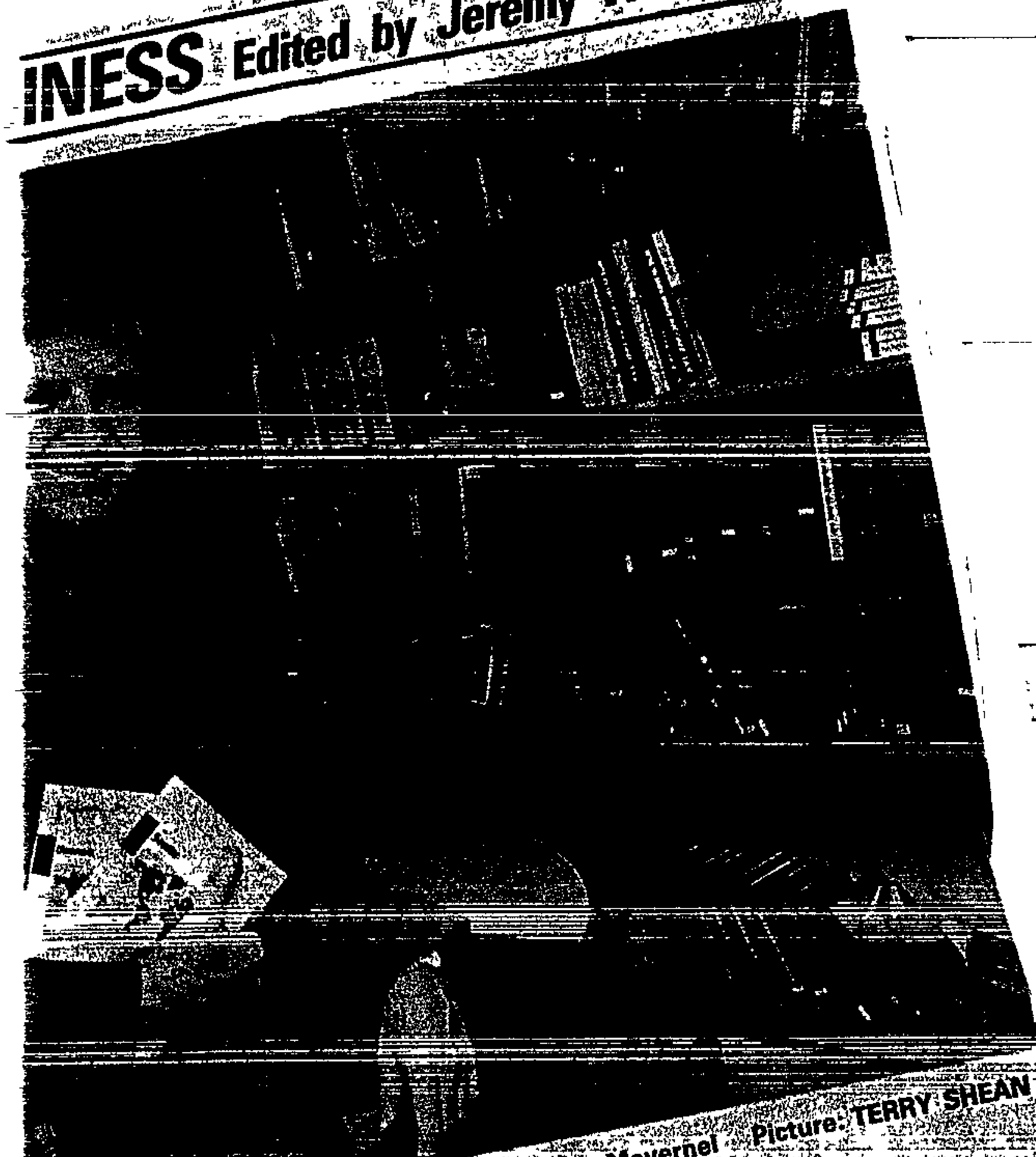
Mike Bind, marketing director of SA's major Coke bottler ABI, said there was stiff competition in the soft drink market, with about seven colas available. The market was also capital and labour intensive.

ABI would do everything in its power to maintain Coke's market share, but did not expect a price war.

Pepsi said the venture was "the biggest post-apartheid foreign investment and a vote of confidence in SA's future".

Wilson said some form of JSE listing was a logical way to help achieve local black ownership. But talks were also being held with a local investor group.

● Picture: Page 3



...oombe, managing partner of Price Waterhouse Meyernel Picture: TERRY SHEAN

...n finally opens to SA traders

S.I. Times CC [metro]

22/5/94

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said yesterday that while trade between the Scandinavian countries and South Africa had been "non-existent" during the sanctions era, "we know there is substantial interest in Scandinavia in doing business with South Africa".

As chairman of Wesgro, Mr Coombe said he would actively promote investment opportunities in the Western Cape.

"The Western Cape is the jewel in South Africa's crown.

"We have discovered through recent research by Wesgro in the ...avian countries that there is enormous interest in doing business with the Western Cape."

(4/B)

Mr Coombe said his main goal was to forge trade links but there ...s "a considerable ...rism play to be made in cold Scandinavia where the Western Cape has long been a favourite sunshine destination".

"If the new South Africa is to succeed it is vital to attract foreign capital here, to build new manufacturing plants which will create jobs, and to export our products.

"This is the lifeblood of the economy and we have to get out there and promote the enormous potential of the Western Cape as hard as possible."

The trade mission will include representatives from Cape companies exporting fruit juices, fresh fruit and vegetables, exclusive Cape wines, printed upholstery fabrics, dried flowers, paint and metal and alloy components.

Scrap finrand to boost investment, says Levett

74B

ARG 11/6/94

BRUCE CAMERON
Business Editor

THE government should open the door to a "tremendous inflow" of foreign investment by taking the "giant step" of scrapping the financial rand.

The call was made by Old Mutual chairman Mike Levett at the World Economic Forum conference on Southern Africa in Cape Town.

The plea was echoed by businessmen representing some of the world's leading international companies and financial institutions.

Mr Levett, who heads South Africa's largest financial institution, said there had been a number of political miracles recently and another was required — the lifting of exchange control.

He said it was the government which had to take the step — and the time to do it was as soon as possible.

"It would demonstrate a confidence, which would have a tremendous impact on the international markets."

He predicted the move would result in a marked inflow of foreign investment.

William Rhodes, vice-president of one of the major United States banks, Citi Bank, said the scrapping would "certainly" assist as foreign investors did not like exchange controls.

Earlier at a Press conference at the forum, Minister of Trade and Industry Mr Trevor Manuel was cautious about the scrapping of exchange control, which includes the financial rand as one of its mechanisms.

Mr Manuel said the country was going through an uncertain period of transition and there was need to stabilise the capital account of the balance of payments, which had been under continuous pressure for a number of years.

However, he said the government's view was that the dual currency system should be scrapped as soon as possible.

He said the political settlement would encourage local business to start investing and this would be followed in turn by foreign investment, which would stabilise the capital flows out of South Africa.

In recent statements, Reserve Bank governor Chris Stals has also been cautious about scrapping the dual currency, warning that if the move was made too soon the commercial rand could drop in relation to that of the financial rand.

At present the financial rand is discounting around 30 percent to the commercial rand because of continued foreign caution about investing in South Africa.

Dr Stals has said the decision would eventually have to be taken politically.

Capital on its way back to SA

(74B) ARG 10/6/94

DEREK TOMMEY

JOHANNESBURG. — Money is flowing back to post-election South Africa, raising the prospect of a strong recovery, says Azir Jammine, head of consultants Econometrix.

Latest Reserve Bank figures suggested South Africa could have had a substantial capital inflow last month.

He noted that there had been several other positive developments, which also indicated a marked improvement in economic activity.

Provided nothing happened to shatter business confidence, the recovery should begin showing in the second half of the year, with next year enjoying a real boom.

Dr Jammine said the Reserve Bank figures showing a R131 million fall in gold and foreign exchange reserves were, on the face of it, disappointing.

But officials said the Bank repaid R1,8 billion of short-term debt last month.

This figure, considered against the substantial current account surplus, suggested there was probably a capital inflow of up to R1 billion.

As this money came in through the commercial rand rather than the financial rand, the implication was that it probably comprised loans local firms would use for expansion.

Dr Jammine said that World Bank officials were confident the capital outflow in the months before the election was a temporary phenomenon that would be reversed.

They said South Africa did not have a fundamental balance of payments crisis because its current account was substantially in surplus.

Of the R16 billion capital outflow in the run-up to the election, Dr Jammine belived R10 billion represented the repayment of offical loans, and only R6 billion "flight" capital.

Other good news included the record 12,5 million-ton maize crop, which should greatly increase the prosperity of growing areas.

Maize farmers this year could expect to receive at least R4,4 billion — about R1 billion more than last year.

Moreover, food commodity prices overseas were rising, said Dr Jammine.

So it was possible that the proposed R30 a ton agterskot could be increased by possibly R50 a ton.

Another plus factor had been the increase in the local gold price after the fall in the exchange rate of the rand against the US dollar, and which should give a further boost to the mining industry.

In the first quarter of last year the gold price averaged R33 622 a kilogram. It rose to R35 740 in the second quarter and to R39 238 in the third quarter.

It fell to R39 179 in the December quarter, but rose to R41 104 in the first quarter of this year.

On current prices, it could average R44 000 a kilogram for this quarter.

Economy-watchers seeking more specific signs of a business upturn could find them in commercial vehicle sales, said Tony Twine, also with Econometrix.

Medium commercial vehicle sales last month were 68 percent higher than in April and 64 percent higher than a year ago.

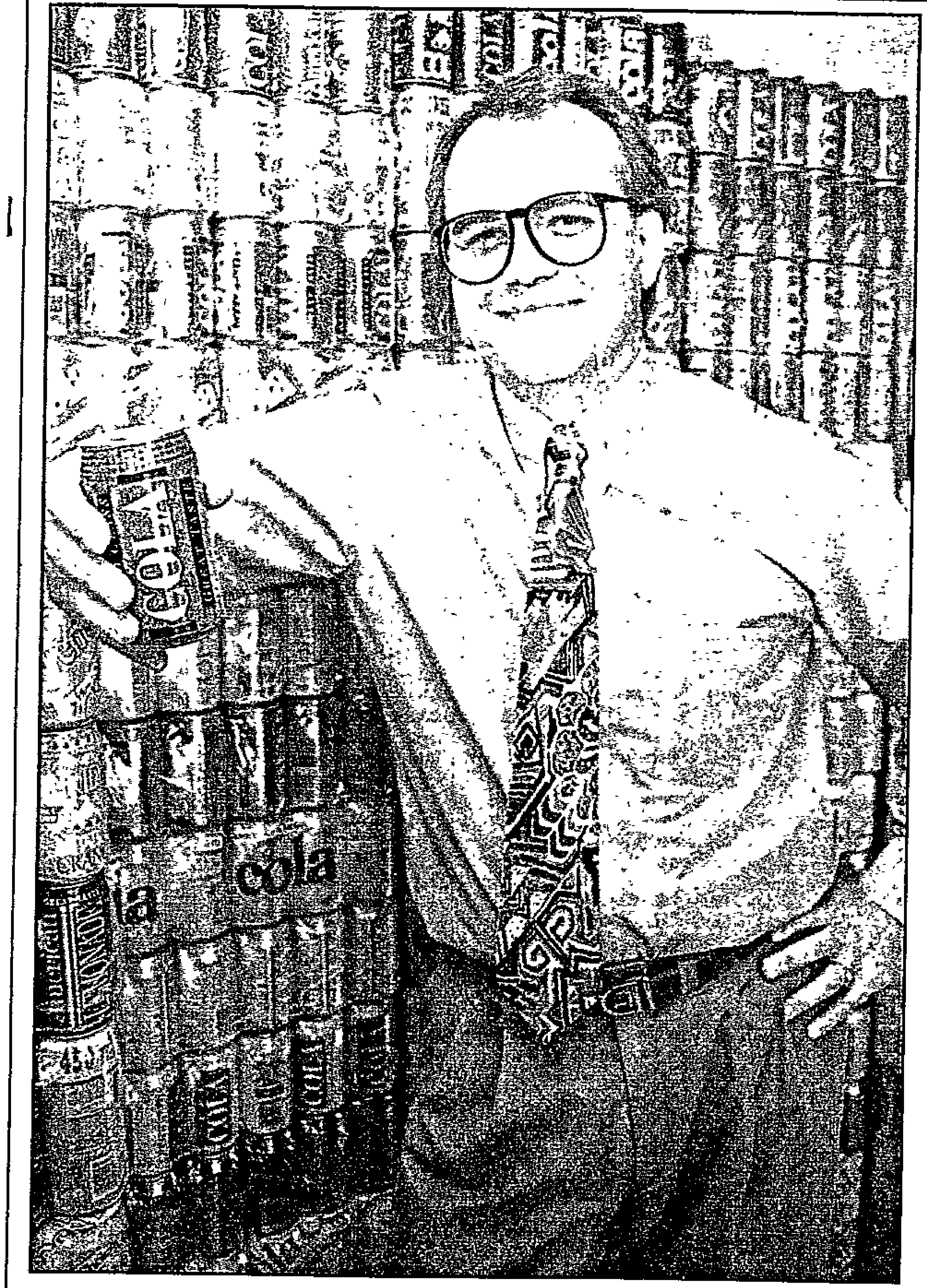
Heavy commercial vehicle sales were 27 percent up on April and 20 percent higher than in May last year.

The figures looked like the first signs of an upturn in fixed investment, said Mr Twine.

Cola competitors prepare to tackle Coke's dominance

ST Times (Buss

By ZILLA EFRAT



COMBATIVE . . . Heine Bruyns, who's 'fighting for a share of throat' Picture: ARISHAD SATTER

PEPSI-Cola's entry into South Africa's "neglected" soft-drink market is leading towards a fierce battle among soft-drink firms that has put Coca-Cola on the defensive.

This week Coke's worldwide rival, Pepsi Cola, announced its return to South Africa with an investment which could top $100-million over three years and create 3 000 jobs.

12/6/94

Meanwhile, Canadian cold drink group Cotts Corporation, which has annual worldwide sales of over C$1-billion, has quietly started investing in South Africa.

Through its SA subisidiary, Retail Brands Inter-Africa (RBI), it is expanding a Johannesburg packaging joint venture and will start building a multimillion-rand facility in Cape Town in October.

Cotts sells a range of premium private label brands through Pick 'n Pay, Woolworths, Makro and Metro. It has also entered the informal market through National Sorghum Breweries (NSB).

Further investment is also expected from the US-based Coca-Cola Company, which disinvested in 1986. It remains mum on its plans and says it is still evaluating its options on re-entry.

The new investment in South Africa's carbonated soft-drink market comes as no surprise. The market is said to be worth R3,5-billion a year and is the eighth largest and sixth most profitable outside of the Americas.

Up until now, Coca-Cola's brands have cornered well over 75% of the market without much opposition but may now be preparing for a fight. Observers have noted unprecedented levels of Coke advertising and consumer promotions since October.

But some retailers, who do not wish to be named, complain that Coke often displays arrogance and a "take it or leave it attitute".

RBI managing director Heine Bruyns expects the market to grow as new entrants move in. Experience around the world has shown that increased activity, aggression and adspend have led to higher per capita consumption.

748

He says South Africa's carbonated soft-drinks market has been neglected in the past by "people who have taken their eyes off the ball".

He says the fight is for "a share of throat" with cordials and squashes also making up the competition.

Pick 'n Pay director Richard Cohen says: "Heightened competition will keep everyone on their toes, pricing will be more keen and service must improve.

"The major brands in our stores are taking a thumping because they are outpriced, on average, by about 20% and sometimes more."

He says the strength of the brands lies in the small cafe business and in one litre returnable packages in large urban areas like Soweto.

Cotts has made major inroads into the SA market since introducing American Cola through Makro late in 1992. It officially started operating in South Africa a year ago and now enjoys a 1:1 rate of sale with other branded products on retail and wholesale shelves.

Its expansion into the informal market is via NSB subsidiary African Beverage Corporation and its Nation's Pride range. These will be distributed through NSB's existing networks to shebeens, bottle stores, spaza shops and street vendors.

ABC managing director Temba Vundla says a deal to increase distribution is being finalised.

UNITY IS STRENGTH ... President Nelson Mandela with Zimbabwe's President Robert Mugabe and Mozambique's Joaquim Chissano

Mandela allays investors' fears

ST Times

By NORMAN WEST: Political Reporter

PRESIDENT Nelson Mandela turned super salesman to promote investment opportunities to more than 300 VIPs from over 40 countries at the World Economic Forum in Cape Town this week. 12/6/94

Unambiguous assurances from Mr Mandela about the safety of investments and the rights of investors to do with their profits as they saw fit drew applause from international decision-makers.

Mr Mandela said he was concerned about the depressed state of black business and suggested the key to black economic empowerment in South Africa was joint ventures between overseas investors and local small black ventures. (748)

In answer to questions on nationalisation and privatisation, Mr Mandela allayed fears that profits, property and proceeds of prospective investors, who were presently looking at South Africa as one of the most lucrative emergent economic opportunities in the world, would be "in jeopardy".

He said the government had issued prospective investors with an official investment guide that guaranteed investors against the expropriation of their property.

But Mr Mandela remained strongly opposed to privatisation. It was a form of economic apartheid, he said. Until the democratic government took over the running of the country, the resources of the country were controlled by a small number of white conglomerates.

He said privatisation implied only those whites with capital could take advantage of privatisation while blacks who had no capital would not be able to compete.

"Privatisation in this country would not work as it would work in Switzerland," he said. "Whatever happens elsewhere in Europe, in South Africa privatisation would be a strategy where wealth would remain in white hands. That we cannot accept," said Mr Mandela.

International Bank seeks more investment for SA

B/Day

ROBYN CHALMERS

THE recapitalised International Bank aimed to facilitate SA's re-entry into the global financial community and would seek local partners to achieve this, backer Dresdner Bank said yesterday. 14/6/94

The German bank's international head Volker Burghagen said the bank had recently been recapitalised to the tune of R30m, but a portion of this had been used to cover loan losses in Cape Town. (7448) (58)

International Bank MD Rod Gamble said the organisation currently had a capital base of R25m which would grow in line with profitable business opportunities. It had identified a niche role in the trade and corporate finance markets.

The International Bank is backed by a consortium, Société Financiere les Pays d'Outre-Mer (SFOM), comprising three well-respected European banking houses — Belgium's Banque Bruxelles Lambert, French-based Banque Nationale de Paris and Germany's Dresdner Bank.

Burghagen said while SA was well served by local banks, the banking community had been affected by years of isolation.

"SA has been revitalised, but from a business perspective, the country also needs to be recapitalised. It needs international investment and we hope to be a link in that chain."

The banking group had already undertaken certain initiatives with Nedcor in neighbouring African countries. In Namibia, SFOM merged with Nedcor to form the Commercial Bank of Namibia, and there were formal links between the two groups in Zimbabwe.

The floundering economies of many of SA's neighbours meant future investment would take time, but both Nedcor and the International Bank were looking at ways of servicing customers who were operating in southern Africa.

"There are clear intentions on both sides to expand our co-operation efforts into other areas in Southern Africa, but we are in no particular hurry," Burghagen said.

"We wish to build bridges between ourselves and other SA banking institutions and companies, between SA companies and international capital sources and financing structures and with our counterparts in the north."

SA investment trust launched in Britain

CT 14/6/94 **Business Editor** 74B

OLD MUTUAL expects to raise £50m in overseas investments in SA companies through the launch of the first UK investment trust focusing entirely on this country.

The Old Mutual SA Trust, sponsored by Smith New Court, is targeted at institutions and private investors. The public offer period will run from June 23 to July 1.

Although all types of SA securities can be held the investment policy will be to focus on industrial and financial stocks with an overweight position in medium to smaller companies.

Old Mutual assistant GM Bill Langley said there would be a focus on growth companies.

Garth Griffin, GM (employee benefits) at Old Mutual said views on SA in Britain were very positive. It was hoped that the fund would stimulate interest in SA industrial companies and lead to physical investment and job creation.

US fast food chain back to roost in SA

Bi Day

MARCIA KLEIN

KENTUCKY Fried Chicken (KFC) is reinvesting in SA through the acquisition of Devco, the local holding company which has administered the KFC brand since its disinvestment seven years ago. 21/6/94

Terms of the deal were not announced, but KFC South Pacific-SA region vice-president Bob Bothwell said yesterday KFC and its franchise partners would spend R700m ($200m) over the next three years building 200 restaurants in SA. (748)

KFC's re-entry follows a recent announcement by its holding company Pepsico that it was coming back to SA. KFC entered SA in 1971 and had 168 restaurants and annual sales of R700m when it disinvested. There are currently 280 outlets.

Devco MD Mike Rothbletz said provision had been made for KFC's return in the original contract. KFC had served notice that it would be back by September.

He said there should be continuity of employment. Under Devco, the franchise had grown significantly but with KFC's muscle and a turn in the economy, its entry should be accompanied by good growth.

"As we expand, we will make a special effort to recruit black South Africans as franchise partners." The new restaurants should provide jobs for 6 000 people.

Foreign investors take to their heels

(74B)

CT 8/4/94

From GRETA STEYN

JOHANNESBURG. — Foreign investors in SA financial markets took to their heels in the last two weeks of March, selling about R265m of gilts and equities and fuelling bearish sentiment.

Latest JSE trading statistics show that non-residents were net sellers of shares and capital market stock to the tune of almost R115m last week, after dumping more than R150m the previous week.

In both cases, the heaviest selling occurred in the gilts market where foreign sentiment had already turned bearish in February. JSE figures for the gilts market do not provide the full picture, however, as more than half the trade takes place outside the exchange.

In the equities market, foreigners started pulling out only in the second half of March. Until then the entry of US funds had kept foreign investment positive.

Over the past year, foreigners' net investment in SA equity was R3,7bn — more than double the previous year's figures. Dealers said last week's net sales of R24m in shares represented a drop in the ocean compared to the inflows SA had seen in the past six months.

In the gilts market, foreigne. have been net sellers of more than k '00m of stock since early February, if trade outside the JSE is also taken into account.

This is a far cry from January, when foreigners piled into the market. Non-residents bought R415m worth of gilts in January alone, triggering a bull run that took rates to levels regarded as overvalued.

Capital market dealers said consistent foreign selling since February had been a major factor in propelling long bond rates from their low of 11,62% reached early this year to break through the key resistance level of 13% as the tensions in Natal dominated sentiment.

On the JSE gilts floor, almost R91m of gilts were sold last week, after R137m the previous week. The JSE figures showed net investment in the gilts market was R665m for the year ended March 31, compared with almost R1,7bn last year.

Traders said an estimated R40bn in SA capital market stock was held by non-residents.

Foreigners' distrust has also resulted in a weakening finrand and a widening in the discount with the commercial rand. The investment unit has shed more than 8% since mid-March and the discount has widened to 28% from less than 25%.

● On the JSE yesterday the Overall Index finished nine points lower at 4 858, the Gold Index shed five points to 1 912 and the Industrial Index fell 17 points to 5 617.

● Macphail Holdings Ltd said it may list its Namibian assets on the Namibian Stock Exchange now that it is going ahead with construction of a R32m bulk handling facility in Walvis Bay.

'Debt burden could scare off investors'

(74B) CT 22/4/94

LONDON. — The new SA govenment will face intense pressure to spend on services, adding to its debt burden, and will have to battle to turn international political praise into investment commitments, a report from Britain's Overseas Development Institute said yesterday.

The report by the independent self-funding centre said there would be immediate demands for jobs, housing, electricity, health and education services and land.

"Pressures to increase the budget deficit beyond the level which it considers prudent are likely to be intense," said author and research fellow Roger Riddell.

He said SA's budget deficit to gross domestic product ratio had risen sharply in recent years.

In 1993/4 the debt to GDP ratio was around 6,4%. Repayments each year on external debt from 1994-8 will amount to $2bn — 2% of GDP and 8% of exports.

Riddell, an economist with experience in other post-independent African states, noted SA had already started drawing down funds from the $850m compensatory financing facility from the International Monetary Fund.

There would probably be a series of World Bank loans perhaps amounting to a cumulative $1bn in coming months, he said.

The head of the ANC's economic planning department, Trevor Manuel, said on Wednesday however he did not envisage World Bank borrowing for at least two years.

Riddell said: "Given a likely shift into trade deficit, the need to service already-contracted foreign debt and, currently, extremely low levels of domestic savings, significant capital inflows will be needed to finance capital growth."

But the new government could build on a degree of optimism among South Africans. International experience often shows that sound performance is often dependent upon people and nations believing they can achieve the goals they set for themselves."

The ODI report said SA's future growth would be linked to key sectors like mining but Riddell noted that the prospects for major mineral exports are far from bullish.

Gold production was contracting and mining costs increasing. — Reuter

'Tidal wave of investments'

CT 25/4/94 (74B)

UK banks poised for SA action

Own Correspondent

LONDON. — A tidal wave of foreign funding amounting to R17,5 billion is reportedly poised to pour into the Johannesburg Stock Exchange after the elections, as British institutional investors and merchant bankers scramble for a slice of the action.

The Independent on Sunday reported yesterday that Prudential Portfolio Managers, one of the world's biggest investors, would announce today that it has set up its first office in South Africa to build on existing shareholdings worth R1,15bn.

It reported that Barings, one of London's oldest merchant banks, had also said that it intended establishing itself in SA.

Smith New Court chief executive Mr Michael Marks is to visit SA immediately after the elections to meet ANC president Mr Nelson Mandela, Mr F W de Klerk and Inkatha leader Chief Mangosuthu Buthelezi.

The elections were seen by many international fund managers as a watershed event signalling a degree of political stability that would make it essential for them to invest in SA.

However, the Independent on Sunday said little of the foreign money flooding the stock market was expected to find its way into SA companies, except indirectly through the profits it gave to local investors who sold their shares to meet the demand.

Hambros Bank chairman and De Beers director Sir Chips Keswick noted that exchange controls were holding SA back. "If they felt they could dismantle that, it would open the whole country up."

● The Sunday Telegraph reported that Anglo American executives Mr Bobby Godsell and Mr Michael Spicer played a role in getting Chief Buthelezi to agree to participate in the election, while aboard the Anglo jet with Kenyan mediator Professor Washington Okumu.

Bombings will not deter US investors, says Brown

'We will work as partners'

Star 26/4/94

■ **BY PETER FABRICIUS**
STAR BUREAU

Washington — American corporations would not be deterred from investing in South Africa by the bomb blasts of the last few days, US Commerce Secretary Ron Brown said yesterday.

Delivering what was billed as a major administration address on a US/SA post-apartheid partnership, Brown deplored the bombings but said they had to be seen in perspective. South Africa was a big country.

Brown said the US Administration would at least double its $80 million of direct aid to SA annually, after the elections.

This amount would be "leveraged" to $220 million a year or more, he said, apparently referring to Administration plans to provide loan guarantees which would stimulate much greater investment.

DETAILS of US commitment given as Clinton announces the lifting of tariffs on many SA exports

And yesterday, US President Bill Clinton decided to lift US tariffs on many South African exports into the States, in a concession which the SA Embassy in Washington described as a major breathrough.

The US Administration announced in the Federal Register yesterday that Clinton had decided to add SA to the list of developing countries under the Generalised System of Preferences (GSP). This offers duty-free access to the US market, although some products do not qualify for the exemption.

Brown said 50 heads of state and other dignitaries would be attending the inauguration of the new South African president regardless of the violence.

"We also have a lot of violence here but we can't let violence become debilitating," he said during question time in an address to the Howard University Committee on South Africa.

Earlier, President Clinton had condemned the bomb blasts and expressed confidence that they would not deter the overwhelming majority from voting.

Brown said on the eve of the elections, he wished to further confirm the Clinton Administration's commitment to SA.

"We will work as partners, to tumble down tariff, tax and other barriers to American goods, to match up American and South African companies eager to do business with one another, to implement a comprehensive and mutually beneficial trade strategy that will increase sales of American products in South Africa and in so doing spread economic gains throughout both our nations."

His department had identifed SA as one of the world's ten big emerging markets with especially strong potential for commercial relations. A growing and equitable SA offered tremendous opportunities for American firms and investors and jobs for South Africa. Emerging black economic power would create a vast market for consumer goods.

Brown said his recently appointed Commercial Minister Counsellor for Southern Africa, Millard Arnold, would be drawing up a commercial programme.

He said the real work would begin in South Africa with the election. He repeated President Clinton's promise that the US intended to be a full partner with SA in addressing economic inequality.

(748)

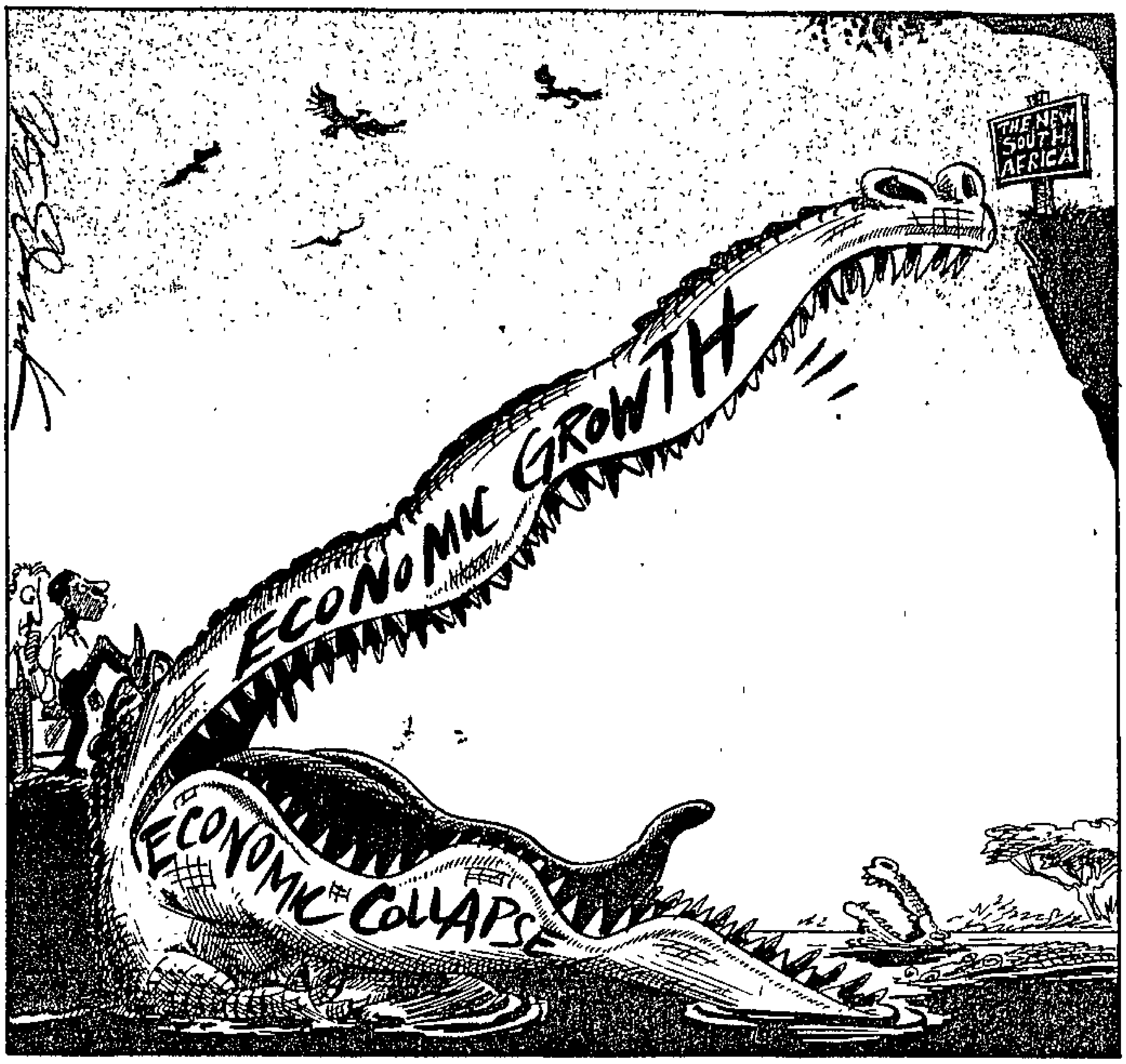
Brown said the Clinton Administration's commitment to SA was larger than a single mission, agency or aid package. It was a co-ordinated, multi-agency project:

■ The Commerce Department was promoting trade and investment.

■ The Treasury was working hard to conclude a bilateral tax treaty.

■ The Overseas Private Investment Corporation (Opic) had signed an investment guarantee agreement that would inject more than $100 million into SA, in addition to direct foreign aid — which would at least double.

■ A range of US departments including Transport, Health and Human Services and the Peace Corps all had programmes to promote governance, civil society and democracy.



Brits scramble for slice of the investment action

Investment in South Africa is attracting increasing interest. Last week the Independent on Sunday underlined this by focusing on South Africa in its main business section report. WILLIAM KAY reports.

BRITISH institutional investors and merchant bankers are scrambling for a slice of the action.

Prudential Portfolio Managers, one of the world's biggest investors, has set up its first office in South Africa to build on existing shareholdings worth £230 million (R1 219 million).

Last week Barings, one of London's oldest merchant banks, said it also intended to establish itself in South Africa.

And immediately after the election, Michael Marks, chief executive of the brokers Smith New Court, is visiting the country to meet Nelson Mandela, President De Klerk and Chief Mangosuthu Buthelezi

"I am also going to see the big mining houses and insurance companies," said Mr Marks, "to find out what they expect from a foreign securities house The African National Congress have dropped their radical stance on nationalisation, but they want more industry owned by blacks, and that is quite right."

Several of London's top merchant banks and securities houses see restructuring as an opportunity for them to earn advisory fees.

The election is seen by many international fund managers as a watershed, signalling a degree of political stability that will make it essential to deploy part of their portfolios here

Representatives of Morgan Stanley are in South Africa deciding whether to put the country's stock market into the influential Emerging Markets Index, which many fund managers use as a guide for their own investment strategies

Michael Spriggs, head of South African research at London's SG Warburg Securities, said "If South Africa is classified as an emerging market, £3 billion (R15,9 billion) would give it a neutral weighting in institutional portfolios" A neutral weighting would mean Johannesburg was placed on a par emerging markets such as Singapore or Hong Kong.

ARG 30/4/94

But these estimates may be conservative. The Robert Fleming merchant bank has had a Johannesburg office for many years. From there, Adam Fleming argued, "South Africa would add another £70 billion (R245 billion) to the value of emerging markets currently worth £280 billion (R980 billion)

About a tenth of that is held by investors in developed countries, so if they wanted to bring South Africa up to the same level they would have to invest £7 billion (R37,1 billion)."

Ironically, little of the foreign money expected to flood into the stock market is likely to find its way into South African companies — except indirectly, through the profits it will give to local investors who sell their shares to meet the demand.

Michael Coulson, South African analyst for the French-owned Credit Lyonnais Laing, said "Many of their companies are already lean, mean and well cashed-up, after the last three or four years of no growth. They do not need to raise additional money"

74B

Sir Chips Keswick, chairman of Hambros bank and a director of South African diamond giant De Beers, said exchange controls were holding the country back "If they felt they could dismantle that, it would open the whole country up There is plenty of scope for increasing debt, and they have all the commodities, minerals, power and legal infrastructure to become a highly developed economy very quickly."

But Hugh Freedberg, the South African-born chief executive of Hill Samuel, part of TSB Group, warned: "The new government will have to meet very high expectations among blacks They will expect to see an uplift in their standard of living in the next year. It's going to be very difficult"

IFC: SA in line for investment

74B

Own Correspondent

JOHANNESBURG. — SA is to be included in the International Finance Corporation's (IFC) data base and indices on emerging markets — which should result in an inflow of billions of investment dollars.

CT 3/5/94

The IFC is the world's largest source of financing for private enterprise in emerging economies and, as a member of the World Bank group, is owned by its more than 155 member countries.

London-based merchant bank Barings said recently new foreign investment in emerging markets almost doubled to \$38bn in 1993 from \$20bn in 1992 and was likely to be greater this year.

The inclusion of SA in the IFC indices could result in as much as 10% to 12% — between \$4bn and \$5bn — of new foreign investment for emerging markets being channelled into SA.

Simpson McKie head of research Niall Brown said the broking firm had been appointed the SA correspondent to the IFC and would provide it with data such as weekly closing share prices.

"The IFC has two indices for emerging markets. The first is an index based on the total market capitalisation of each country's major listed companies — probably 60 to 70 SA companies — but excludes pyramid structures and offshore companies. The other is the investable index, which takes into account factors like limitations on the equity stake foreign investors can hold in local companies. In SA there are almost no limitations, but in some countries like Taiwan there are major restrictions."

2 Cape Times, Friday, May 13 1994 ★

Commonwealth urges investment in SA

LONDON. — The Commonwealth was working with other bodies to encourage the flow of investment into South Africa and hoped to assist with SA's "great task of reconstruction", Commonwealth secretary-general Chief Emeka Anyaoku said in a speech at the School of Economics here last night.

He said the Commonwealth had a Commonwealth Equity Fund to encourage private investment flows and was soon to create a Commonwealth Privatisation Fund to assist developing countries in their privatisation plans by ensuring that adequate financing was available.

● A number of foreign governments have made moves to establish closer ties with SA.

UK foreign minister Mr Douglas Hurd said yesterday that prime minister Mr John Major was "very keen" to visit South Africa as was the queen.

● Taiwanese President Lee Teng-hui said yesterday after meeting President Nelson Mandela that Taiwan's diplomatic relations with South Africa were solid despite overtures from rival China.

● Tanzania, one of the most outspoken critics of South Africa's former white government, has announced the establishment of full diplomatic relations with Pretoria.

● Tunisian officials announced yesterday that President Mandela would attend the Organisation of African Unity summit in Tunis in June.

● Zimbabwe has also begui moves to fully normalise its rela tions with South Africa and has de cided to establish an embassy and two consulates.

● Burkina Faso's foreign minister, Mr Ablasse Ouedraogo, signed an agreement establishing diplomatic ties with South Africa on Wednesday. — Sapa-Reuter

(74B) CT 13/5/94

Church of England lifts its ban on investing in SA

BIDay. 17/5/94

LINDA ENSOR

LONDON — The Church of England, which has total investment assets of about R13bn, has lifted its ban on church funds being invested in SA.

The decision was taken as a result of the successful execution of SA's first democratic elections.

Investment manager for the church's central board of finance, Victor Churchill, said the decision would not, however, result in the direct flow of church funds into the JSE.

It would mean that British companies with interests in SA would now become acceptable targets for investment by the church which invests most of its funds inside the UK.

The church would also encourage companies in which it invested to consider SA, although Churchill said the economic situation in SA would have to be studied first.

The church said its three main investment bodies, the Church Commissioners, the Central Board of Finance and the Pensions Board would closely follow the development of companies with interests in SA "to assess the opportunities which might arise".

(74B)

"Proper research and monitoring will continue to ensure any potential investment conforms to ethical guidelines," the church said.

In the past where the church invested in a company with small interests in SA, the activities of the company were carefully monitored to ensure that enlightened social and employment policies were adhered to.

The Church Commissioners holds the historic assets of the church which are invested in the stock exchange and total nearly £2bn.

The Central Board of Finance has unit trusts worth about £450m which are held by the parishes and dioceses in the church. The Pensions Board also has some funds.

Sanco wants a hand in

World investors' 'yes' to speech

CT 26/5/94

3(74B)

From LINDA ENSOR

LONDON. — President Nelson Mandela's State of the Nation address this week has been given the thumbs-up by the international investing community, who hailed it as reflecting a conservative and pragmatic economic policy.

Smith New Court Securities' Mr Steve Oke said the "reassuring" policy announcement, the election results and the cabinet appointments all indicated a "fair wind" blowing in South Africa. The only outstanding uncertainty was the forthcoming budget announcement.

"After that, even the greatest cynic would have difficulty in finding problems," Mr Oke said. He noted that international investors were concerned about how the government would fund its ambitious Reconstruction and Development Programme, which was nevertheless regarded as sound in theory.

Morgan Stanley's Mr Spencer Fleischer said the policy announcement was "pragmatic and positive".

Such a clear economic statement ahead of the budget confirmed the view that the economic policies of the government would not depart dramatically from those of the previous administration — apart from an appropriate shift in priorities.

The International Herald Tribune described the speech as "designed more for boardrooms than townships".

'Long wait' for Europeans to invest in SA

(74B) CT 2/4/94

AMSTERDAM. — South Africans may be euphoric about the move to majority rule, but they should not hold their breath waiting for private European investment cash.

Economists and academics say it will take a year or more before Europeans are willing to invest in South African industrial and infrastructure projects.

"There are some investors who will grab opportunities, but most will continue to wait and see," said Eberhard Schulz, a senior country analyst at Deutsche Bank.

The worries are not that investors mistrust the ANC — expected to form the new government — but that its promises to whites and blacks are irreconcilable, and bound to stir up political discontent.

"Our current philosophy is that we are advising clients to stay out of South Africa for the time being," said Alex Hinder, chief economist at Bank Vontobel in Zurich.

Investors fear that the ANC, under pressure from its left wing, may yet dally with nationalisation, and may not be able to end exchange controls or easily move the economy out of its protective laager of tariffs.

Yet once government policies become clearer, the attractions will come sharply into focus: Unique mineral assets; rapid economic growth; a huge market hinterland stretching north to the equator; and at last, international political acceptability.

Slow growth

"The first decisions will be taken after the first budget, probably in August, then some of those policies will be laid out," said Kobus Human, an analyst and South Africa watcher at investment house Integro.

The first beneficiary will be the stock market which, aided by a surge in gold prices, rose 40% last year. Investors should expect gradual growth now, not another massive rise.

"I don't think there is a lot of scope for re-rating, the returns will come through superior growth rates," said Human.

"The interesting area will be financials, which is one of the most innovative and advanced in the world," he said, noting South African companies pioneered the concept of unit and equity linked life insurance products.

Investing is fine, but takeovers quite another prospect.

The obvious candidates for foreign ownership are parts of the gold, diamond and platinum mining industries. But most are protected from takeover by complex crossholdings, and trace back to just a few groups of wealthy owners who have no need to sell.

"The JSE is 80% owned by four conglomerates," noted Dresdner Bank economist Marc Piazolo.

NEWS

Billions poised to pour into JSE

Foreign cash set to flood country

Star 25/4/94

MERCHANT bankers and institutional investors in scramble to deploy part of their portfolios in SA after the election

(74B)

London — A tidal wave of foreign money, which could total about R17,5 billion, is poised to pour into the Johannesburg Stock Exchange after the election.

British institutional investors and merchant bankers are scrambling for a slice of the action.

Prudential Portfolio Managers, one of the world's biggest investors, is set to announce that it has set up an office in South Africa to build on existing shareholdings worth R1,1 billion.

Last week Barings, one of the City's oldest merchant banks, said it also intended to establish itself in South Africa.

After the election, Michael Marks, chief executive of brokers Smith New Court, will visit South Africa and will meet F W de Klerk, ANC leader Nelson Mandela and Inkatha Chief Mangosuthu Buthelezi.

"I am also going to see the big mining houses and insurance companies to find out what they expect from a foreign securities house," said Marks.

"The ANC has dropped its radical stance on nationalisation, but they want more industry owned by blacks, and that is quite right."

Several of the City's top merchant banks and securities houses see that sort of restructuring as an opportunity for them to earn advisory fees.

The election is seen by many international fund managers as a watershed, signalling a degree of political stability that will make it essential to deploy part of their portfolios on the JSE.

Representatives of Morgan Stanley are in South Africa deciding whether to put the stock market into the influential Emerging Markets Index, which many fund managers use as a guide for their own investment strategies.

Michael Spriggs, African research at London's S G Warburg Securities, said: "If South Africa is classified as an emerging market, £3 billion (R16 billion) would give it a neutral weighting in institutional portfolios."

A neutral weighting would mean Johannesburg was placed on a par with investments in emerging markets such as Singapore or Hong Kong.

But these estimates may be conservative. The Robert Fleming merchant bank has had a Johannesburg office for many years. From there, Adam Fleming argued: "South Africa would add another R350 billion to the value of emerging markets, which are currently worth R1 400 billion. About a tenth of that is held by investors in developed countries, so if they wanted to bring South Africa up to the same level they would have to invest R35 billion."

Ironically, little of the foreign money expected to flood into the stock market is likely to find its way into South African companies — except indirectly, through the profits it will give to local investors who sell their shares to meet the demand. — The Independent News Service.

Offshore bulls look to SA

(74B) ARG 17/5/94

LONDON. — South Africa offers many enticing opportunities for the foreign investor in the wake of the country's first multi-racial elections, analysts say, despite warnings of a degree of political uncertainty.

"South Africa presents a beguiling mixture of a sophisticated, established market with the growth potential of an emerging market," said Michael Spriggs, a leading specialist with S G Warburg Securities.

"For those investors who can live with the uncertainty, the investment case for South Africa is very appealing."

He said the country offered a "unique combination" of cyclical economic recovery, growth prospects forecast at between three and four percent annually, improving liquidity, and stable inflation at around eight percent.

"After years of sanctions, the global investor is signficantly underweight in this large and sophisticated stockmarket."

Compared with other markets of similar size and risk, such as Mexico — where overseas investment totalled $10 billion last year compared to South Africa's 650 million — the country offers "unusual value".

Companies such as Robert Fleming, Bearings and Prudential life assurance have already set up offices in Johannesburg, while many banks and financial institutions have opened small one-man offices to keep in on the action.

Multinationals such as Grand Metropolitan, Sharaton and Vodaphone are just some of the companies interested enough to plan South African excursions in search of joint-venture opportunities.

The South African Chamber of Commerce has identified some 200 overseas groups looking for investments.

Mr Spriggs also noted, significantly, that "you can't get a McDonalds or a Pepsi in South Africa".

Smith New Court trade house predicted several potential growth areas in the medium term: tourism, the building industry, high-technology, and financial services, particularly life assurance, which benefits from tax arrangements.

Observers said South Africa would also gain from acting as a conduit to the rest of Africa with better transport links, while its skilled technicians and engineers would be cheaper than their counterparts from Europe and the US.

"South Africa is the economic powerhouse of Africa. It has a strong first-world corporate sector, and an excellent infrastructure and telecommunications network," said Mr Spriggs.

Inflows from the US are also expected to be particuarly strong as US pension funds are generally underexposed to South Africa. Such companies have now taken strategic decisions to increase their foreign exposure.

But the picture is not all rosy.

Andy Smith of the Union Bank of Switzerland said the current dual exchange rate system was a "signal of insecurity" towards investors, as it offers attractive rates to investors but prevents an outflow of capital.

He predicted, however, that it could be abolished by the end of the year.

As to political uncertainty, observers see the election of the ANC-led government and its pragmatic policies as "enormously reassuring", to the business community. — Sapa-AFP.

Business Report

Foreigners to bolster further share surges

CT 24/5/94 (74B)

By AUDREY D'ANGELO
Business Editor

FOREIGN investment is expected to push the JSE still higher, although it is already discounting an expected improvement in earnings, Old Mutual GM (investments) Johannes van der Horst said yesterday.

He told a media conference in Pinelands that there would be heavy pressure on Reserve Bank governor Chris Stals to abolish the financial rand as foreign buying of SA equities pushed the investment currency higher.

There would also be pressure on him to cut interest rates. The consumer price index (CPI) for April was expected to be lower, which would mean real interest rates — already "quite respectable" — would be even higher.

But it would be difficult for him to lower interest rates because foreign currency reserves would cover only five weeks' worth of imports.

SA's balance sheet would enable it to borrow overseas but, in view of the fact that there was a high level of domestic borrowing, the government must beware of falling into a debt trap in which too much of its revenues went in interest repayments.

Imports of machine tools and other necessities for industry would rise as the upturn continued.

Money supply targets were unrealistic and were bound to be exceeded.

Looking at SA in a global perspective, Van der Horst said he was not uncomfortable about Old Mutual's high exposure to equities because he was certain they would prove to be the superior investment channel.

The market was already very high. But to foreign investors the JSE was cheap.

When it became part of an emerging market index foreign fund managers would see it as a bargain. "This is a horse we must ride".

Van der Horst said a typical Old Mutual investment portfolio had 65% in equities, 7,5% in property and 27,5% in interest-bearing investments.

Life insurance portfolios, looking far ahead, had 72% in equities, 20% in interest-bearing investments and 8% in property.

He pointed out that, with such an inflow of investment on a voluntary basis, the government had no need to insist on prescribed investments for life offices.

Collective sigh of relief

74B CT 23/6/94

Foreign investors 'likely to wait'

By AUDREY D'ANGELO
Business Editor

WHILE middle class South Africans breathed a collective sigh of relief that the Budget was comparatively mild, tax accountants warned yesterday that the 5% levy and higher secondary tax on companies (STC) might discourage foreign companies from coming here for a year.

They also suggested that more incentives should have been provided for saving and for companies to employ more people and to export.

They welcomed the fact that a Tax Advisory Committee chaired by Michael Katz would report by the end of November. This, they said, indicated that a structured, professional approach would be taken to tax changes in the future.

But, they said, uncertainties about such matters as the treatment of trusts and second homes would continue to undermine confidence.

And they considered that the 5% levy on incomes above R55 000 a year would be "a tax accountant's nightmare" and a major administrative problem for employers — particularly as the new taxes would have to be introduced next month.

'Sharply progressive'

The Budget was received more positively by economists. Old Mutual chief economist David Mohr said it was "fairly mild" although it made income tax rates "sharply more progressive".

Mohr said doing away with the import surcharge was "a very positive development, particularly as fixed investment is just starting to grow."

It would encourage manufacturing industry to invest in more equipment. The raising of secondary tax on companies (STD) from 15% to 25% would also encourage this rather than the paying of dividends.

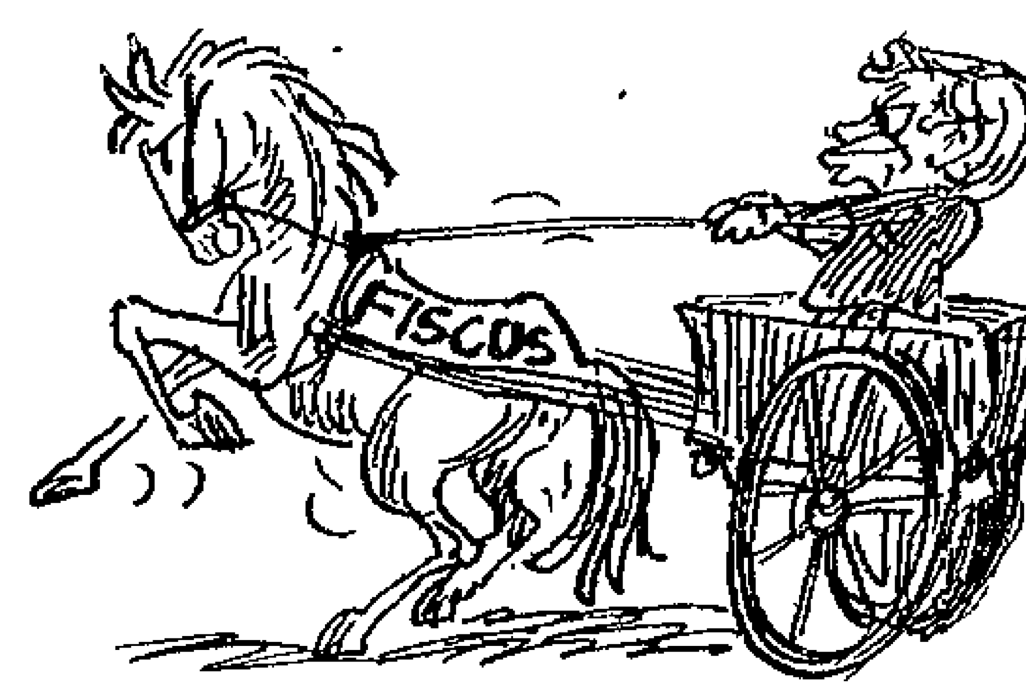
Sanlam chief economist Johan Louw said the Budget was "investor friendly seen in the light of the fiscal discipline maintained, the further reduction in the Budget shortage as a proportion of GDP and the abolition of the 5% surcharge on the importation of capital and intermediate goods."

However, Louw warned: "The 5% surcharge on individuals' taxable income will have a dampening effect on private consumer expenditure — especially on durable goods.

"It will also not promote a healthy savings effort."

Discussing its effect on the economy, Louw said it would have a largely neutral effect and he considered a growth rate of more than 2,5% improbable.

PUTTING THEIR HEADS TOGETHER . . . Some of Cape Town's leading tax consultants discuss the Budget at the Cape Times offices yesterday. From left, Rebecca Hollingsworth of Ernst & Young, Elan Rabinowitz of Fisher Hoffman Stride, Deborah Tickle (standing) of KPMG Aiken &Peat, Kevin McManus of Price Waterhouse Meyernel, Colin Wolfsohn of Kessel Feinstein and Johan Malherbe of Arthur Andersen & Associates. Picture ANDREW BROWN



Fiscal Restraint

"The Budget's gross loan requirement of R36,5bn will strain the capital market."

Syfrets economist Elmien de Kock commented: "This is not a redistribution Budget — it's a reconstruction Budget. Keys is clearly aiming to encourage economic growth.

"It is only by increasing the economic pie that the underprivileged can benefit from wealth redistribution. More importantly, the only way the government can sustain an increase in revenue is by growing the tax base.

"Keys is providing companies with an incentive to enhance savings, thereby fuelling investment.

"No increase in VAT impedes a rise in the inflation rate and improves consumer confidence. The once-off levy will hurt mainly high-income individuals."

Southern Life economist Sandra Gordon said the positive factors in the Budget outweighed the negatives. It was encouraging that the government planned to fund the RDP from within existing expenditure while tackling the deficit before borrowing. And although no-one had expected transitional costs to be as high as R4bn it was a fair price to pay for such a smooth transition.

However, she pointed out, nothing had been done to lessen the effect of fiscal drag.

Making the same point tax accountant Colin Wolfson of Kessel Feinstein said that costs of living were rising and the absence of relief from fiscal drag for yet another year combined with the 5% tax surcharge meant that "the rich get poorer and the poor get poorer."

Kevin McManus of Price Waterhouse Meyernel said that, although South Africans earning more than R55 000 a year might be happy to pay the 5% surcharge and higher STC, foreigners planning to open factories here might not feel the same — particularly as SA had no double taxation treaty with some countries including the US.

Although negotiations had started it would be at least a year before there was such a treaty. This, together with the fact that the 5% surcharge on personal tax and company tax was a "one-off" thing for a year, was an invitation to companies to postpone coming here for a year.

"This is not a growth-orientated Budget, which is what we need now. We are financing the RDP out of increased taxes instead of from growth."

Surcharge 'unrealistic'

McManus said he also considered that a surcharge of 5% on companies earning more than R50 0000 was unrealistic. He thought the surcharge should be imposed only on companies with taxable earnings of R250 000.

Wolfson said the cut in the company tax rate from 40% to 35% meant that overseas companies coming here now would be better off — provided they did not pay dividends. "But in the real world companies considering investing in SA expect to pay dividends to their shareholders."

PIC debt price reflects confidence in new SA

(74B) CT 21/6/94

From LINDA ENSOR

LONDON. — There has been a sharp rise in the price of Public Investment Commissioner (PIC) debt within the standstill net as foreign banks and other investors are increasingly reluctant to part with their investments.

The price has almost reached par, reflecting heightened confidence in SA.

Debt traders said yesterday that the successful election and the political calm in SA had lessened the political risk to banks in holding the PIC deposits. This had reinforced a pre-existing scarcity of the paper and, coupled with high demand, had seen the price rise by about 10 percent over the last few months.

"For banks holding PIC debt under the standstill, SA has never looked better. The principle risk was a political one, and from this perspective things look glorious and they have no reason to sell," Standard Bank of London's debt trader Steven Hawkyard said yesterday.

From the 86c-87c price band which prevailed for about a year up to the elections, PIC debt was now selling at about 94c-95c.

Hawkyard pointed out that the market in PIC debt was primarily driven by corporate demand. Companies wanting to invest in SA and unable to get Reserve Bank approval for financial rand transactions, bought PIC deposits at a discount and converted them into equity or into an intercompany loan to their SA subsidiaries.

In effect the PIC acted as a warehouse for funds, a role made possible by the provision in the standstill agreement allowing foreign creditors to switch borrowers in SA.

"There are no foreign investors buying PIC debt because they are always priced out of the market by corporate investors. The paper has been consistently too expensive because of the corporate demand and consequently there is no market pool of debt available," Hawkyard said. This had acted as an obstacle to the development of a professional secondary market in the paper.

Banks and other owners of PIC debt were not as price sensitive as traders. "They see a rising price as an affirmation of their decision not to sell and can see no reason for selling less than par".

He said there was still a "wait and see" attitude towards SA on the part of foreign investors who wanted clarity on government intentions and on the details of the Budget. This together with an international bearishness towards emerging markets meant there had not been a flood of new investments into SA.

Hawkyard said the relationship between the debt discount and the financial rand discount had been broken about two years ago when debt was used as a direct alternative to the finrand. Since then the price movements of the paper had taken on a life of its own.

Save and Prosper poised for SA fund launch

(148)

From JOHN CAVILL

LONDON. — The first British open ended unit trust to invest in South African shares is being launched by Save and Prosper, a subsidiary of investment bankers Robert Fleming.

Save and Prosper (S and P), which manages unit trusts with a value of £3bn, will start selling units in its Southern Africa Fund on July 9.

Mike Ryder-Richardson of S & P said: "In pre-marketing soundings we have taken we've had very positive reactions.

CT 28/6/94

"People see a huge opportunity in SA's rebirth. We are planning a fairly blue chip portfolio which will be designed to show that there is more to SA investment than minerals.

"It will be 44% industrials, 15% mining financials, 10% golds, 7% diamonds, 4% other mining with 4% in financial stocks and 16% in others," he said.

The fund will also be investing a small proportion in Botswana and Zimbabwe.

Ramaphosa hits out at exploiters of labour

(74B) ARG 2/8/94

VUYO BAVUMA
Political Staff

INVESTORS who want a strike-free environment so they can exploit South African workers are not welcome here, says ANC secretary general Cyril Ramaphosa.

Speaking in the national assembly during the budget debate, he said such investors would exploit workers.

The country needed investors who would respond to President Nelson Mandela's call for further investment based on the sound economic policies pursued by government.

These were investors who knew they were coming to a country which would finally have modern labour laws — "labour laws that do not lead to the exploitation of workers".

Mr Ramaphosa discounted fears the current strikes would harm the economy.

He said the budget was good, but still reflected some remnants of the apartheid era. The R25 billion or 18 percent for security establishments such as the National Intelligence Service, police and prisons was unacceptable. Instead the allowance for social services should be increased.

Star 2/8/94

'Right investors needed'

Cape Town — The ANC did not want investment by companies that were looking for a strike-free, low-wage environment, but rather those that sought sound economic policies, ANC secretary-general Cyril Ramaphosa said yesterday.

Speaking in debate on the Budget, he said claims that the current wave of industrial action was deterring investors reflected on the type of prospective investor the ANC did not want.

These, he said, wanted no strikes, low wages and the capacity to exploit and oppress workers.

(748)

The ANC, in turn, wanted the type of investor who had responded to President Mandela's call for fresh investment which was based on sound economic policies.

These investors wanted to come to a country with modern labour laws.

The Minister of Justice, Dullah Omar, said he fully supported the right of workers to strike in support of their demands for improved wages.

Speaking during the Budget debate, he said he made no apology for defending the rights of workers in SA. — Sapa.

No low wages for investors

74B

CT 2/8/94

Political Staff

ANC MP Mr Cyril Ramaphosa said yesterday that South Africa did not want investors who were seeking a strike-free, low wage environment.

Speaking during the Budget debate, Mr Ramaphosa commented on the allegation that industrial action and the current wave of strikes would drive investors away.

"We believe that those investors who want a strike-free environment (with) low wage policies that will lead to exploitation of workers are the type of investors we do not want".

He said the country wanted investors who responded to Mr Mandela's call for investment based on "sound economic policies".

"They are investors who know that they are coming to a South Africa that will finally have modern labour laws . . . labour laws that do not lead to the exploitation of workers".

● Mr Ramaphosa also said the ANC was committed to maintaining fiscal discipline and wanted to reduce the share of defence in the Budget.

Multimillion-rand Japanese support for South Africa

Star 1/7/94

■ BY NORMAN CHANDLER
PRETORIA BUREAU

Japan is to become the largest donor nation to South Africa with a multimillion-rand injection of money and expertise over the next two years, it was announced in Pretoria last night.

The announcement was a culmination of a visit by a 15-man delegation from Tokyo, the largest ever from Japan to have visited South Africa, which met various Cabinet Ministers and senior Government officials.

The Ministers included those responsible for reconstruction and development, trade and industry, foreign affairs, finance, land affairs, agriculture, water and forestry affairs, education, and the directors-general of the various departments involved in economic and social development, said Norio Hattori, head of the Japanese mission.

While details of how much money is involved was not divulged, Hattori indicated that the donor programme would be well in excess of the current R85 million aid package which Japan is currently providing to South Africa. Estimates are that up to R1 billion may be involved as part of the Government's Reconstruction and Development Programme.

(748)

Enormous needs

Japanese expatriates would be brought in to provide their expertise in the various programmes to be undertaken.

The aid package will be provided at 3 percent interest over 25 years and is part of Japan's Worldwide Donor Programme, which totals $14 billion for the next five years.

The South African segments will be part of the 11 percent of international aid which Japan gives to Africa.

"Donor aid is aimed at the black community," Hattori said. "There are enormous needs in the fields of electrification, telecommunication, schooling and housing. We would like to address these issues."

He added that Japan had in particular identified housing as very important for donor aid, and in this connection Japan was more than willing to cooperate with South Africa.

It was, however, waiting for the South African Government to put forward concrete suggestions as to where aid should be channelled.

These suggestions would be analysed by a second mission due to arrive in September or October. During this period, a seminar would take place in Tokyo to address the South African situation in general.

The South African Department of Finance is to co-ordinate the Japanese donor aid package.

US businessman 'making waves'

74B

Criticism of 'imprudent' investment ARG 2/7/94

BRUCE CAMERON
Business Editor

THE multibillion rand fund management business has come under fire from an American entrant into local financial markets for "imprudently" putting investors' money into associated companies.

American financier and publisher Albert Alletzhauser said in an interview after his takeover of the fast-growing Time Life Insurance company the practice of South African finance houses of placing money invested with them into associated companies may be to the detriment of investors.

"Aside from ethics, it is not prudent for a manager of assets to put a client's assets into an own-related company," he said.

Having taken control of Time Life Insurance Ltd through his first South African acquisition, the publishing company Penrose Holdings, with the assistance of a group of international shareholders, Mr Alletzhauser gave notice that he intends making waves.

He warned that as soon as the market went negative on blue chips, there could be problems for fund managers who had placed large amounts in associated companies.

He said there were many examples of where finance house A virtually owned bank B using the funds of investors. This type of position could see "client performance going down the tubes.

"Im not saying people will lose money — but their investments will not perform as well as they could. South Africa is the only country in world where blue chips have outperformed medium and small stocks.

"I believe this trend in South Africa is over. Anyone in cross shareholding is going to be pounced by the market."

Mr Alletzhauser warned that the current position could hold dangers for pension fund trustees, who could be sued under new legislation if investments were not properly managed.

The policy of Time Life, said Mr Alletzhauser, would be to place the funds of investors at "arm's length".

In other words, the insurer would use a number of different investment houses to place money. Time Life had chosen the Board of Executors, Investec and UAL to invest money on its behalf.

Mr Alletzhauser said he intended turning the fast-growing insurer into a broader based finance house catering mainly for the high net worth market.

Mr Alletzhauser, who has relocated to South Africa "because there is no other place in the world I would like to live", is no stranger to the financial services industry.

Before coming to South Africa he spent three years in London building up a R300 million commission-turnover finance house while his wife Anna Cabot-Alletzhauser, who will play a key role in the new venture, was a director of Invesco MIM, which manages R65 billion.

Mr Alletzhauser said he had been looking around for an insurance company for about a year. He had also had a close look at Protea and Sage — although they were not aware of his interest.

Time Life will provide for three main areas:

- Pension fund administration and management;
- Stock and bond market products using the life assurance umbrella to launch equity linked endowment products to take advantage of tax benefits; and
- Giving advice to institutions on international investments with the anticipated lifting of exchange control.

INVESTMENT POLICY

FM 15/7/94

Trying to please Trevor

Trade & Industry Minister Trevor Manuel appears reluctant to spell out his plans for foreign investors. Not even an impressive line-up of British businessmen, led by Board of Trade president Michael Heseltine, could elicit any policy plans from the tight-lipped Manuel this week.

He certainly isn't short on suggestions from his department, which handed him a draft investment code last month that goes a long way towards spelling out what's needed to attract foreign investors. Put simply, it recommends a healthy private sector with minimal government intervention.

But it also shows how far SA has to go when the policy outlines the interventionist economic policies now in effect that continue to keep foreign investors at bay. For instance, the document admits that "circumstances" prohibit the immediate lifting of exchange control.

The code also doesn't offer any concrete proposals that would put SA on a par with many countries in South America, the Middle East and Asia — Dubai is a prime example — that have a code that offers tax concessions and tax-free zones.

Nevertheless, Manuel, who's on leave until the end of the month, hasn't given any indication that he will accept or reject the draft code. And Zav Rustomjee, his economic adviser, could not be reached for comment this week.

Says a Department of Trade & Industry official: "We are extremely anxious for clarity on government's investment policies. We are inundated daily with inquiries from potential foreign investors wanting to know the type of regulations and business environment they would be investing in."

A government statement on investment policy must also be a priority, given the department's planned international investment seminars, scheduled to start in September. Geared towards promoting investment opportunities in SA, the seminars, to be held in 43 countries, are in the final planning stages. "SA development agencies have already submitted lists of their particular regional development needs, which we are trying to match up with investor interest," says the official. It's possible, however, that the draft code is simply too market-orientated for Manuel. At the Heseltine meeting, Manuel indicated that the ANC wasn't ready to give up the interventionist policies it formulated in the apartheid era.

In contrast, the department's draft code stresses that government acknowledges the central role of private-sector economic activity, ownership and investment — particularly the manufacturing and service sectors — as the primary source of wealth creation.

States the code: "The private sector is encouraged to assume the leading role in developing the national economy. The central role of government is to create and maintain a supportive policy structure in which private enterprise can flourish in an environment of effective and healthy competition."

This will be done, it adds, by government implementing stable macroeconomic policies, fiscal and monetary discipline and maximum deregulation. There's also a reference to the constitution, which, the code says, places a high premium on the individual's freedom, guaranteeing rights to pursue economic aspirations in a market-driven economy.

The code does, however, envisage close co-operation between three of the major economic players — government, labour and business — in pursuing national and international interests.

Turning to specifics, the policy document

proposes that local and foreign investors should be free to invest in any sector of the economy with no restriction on ownership. Foreign investors would enjoy the same rights and privileges as local investors, including the protection of property rights envisaged by the constitution. Joint ventures between local and foreign investors would also be encouraged.

No special business licensing requirements are envisaged for foreign investors. And with regard to business premises, the document states that foreign investors would be able to purchase land, build their own premises, buy premises or rent or lease premises to and from private owners and developers, as well as from the State.

Import and export control is being dismantled, promises the code, as part of the deregulation of the economy. "The few remaining products subject to import and export licensing are administered in a manner that supports rather than inhibits business development."

(748)

According to the document, government is committed to a programme of corporate tax reduction and simplification. In line with Gatt, SA is also reducing import duty and simplifying customs tariffs. The code states: "SA has concluded numerous bilateral agreements to avoid double taxation."

SA has a large and increasingly well-trained labour force, the code points out. And in what can be described as a PR exercise, it adds: "Labour costs are substantially below those of the most developed countries." The document adds that labour and industrial relations are well organised through a system of unions and employer organisations.

Property and asset ownership protection are embodied in the constitution, the code states, and provision is made for compensation in the event of expropriation by government. "In the case of foreign assets, this includes the right to transfer the compensation received. SA is a member of the Multilateral Investment Guarantee Agency. Political risk insurance is available to investors and is underwrittten by government."

The code concludes that the philosophy of government is that the best interests of inhabitants as well as that of the population of the world are best served by an open economy in which all are invited to participate on an equal footing.

Acceptable package

Certainly, the thinking in the draft code is a good first step towards pitching SA as a place where investors are welcome, though it could use more substantial examples of just how the country plans to compete internationally.

So why Manuel's reticence to accept what must at least be considered an internationally acceptable minimum package?

Observers suggest that one reason for the delay could be a lack of clarity about central government's relationship with its regions. "The fight about devolving powers has just begun," says one observer. "The Slovo-Sexwale housing battle represents only the tip of the iceberg."

Of course, government's promised White Paper detailing the implementation of the Reconstruction & Development Programme could shed some light, but this has been delayed until early next year. Minister Without Portfolio Jay Naidoo has been charged with this task.

Whatever government's plans are, they need to be spelt out so that those people with the job of selling SA can get down to business.

Mirryena Deeb

SUNDAY TIMES, Business Times, August 14, 1994

JOBS

Early ideas on scarce capital

A new study by an ANC-aligned think tank makes an important contribution to the debate on foreign investment policy. And about time too, writes SVEN LUNSCHE

(74B)

SOUTH Africa urgently requires a surge in foreign direct investment (FDI) so that it can contribute to government economic policy's most important objective — job creation.

Yet remarkably little attention has been given to the formulation of an investment policy nor, for that matter, has such a policy been strongly debated.

In 1990 total world FDI inflows amounted to $184-billion — of this amount South Africa received a mere $444-million, or 0.24%. European Union countries accounted for about 73% of all direct investment stock in SA in 1991 (see chart).

Overall FDI inflows have improved significantly since then, given that the late 1980s were characterised by massive disinvestments and only restrained new FDI to South Africa.

However, even since then it appears that the impact of FDI on the SA economy has been relatively insignificant, says Gary Eisenberg, consultant to the Trade Policy Monitoring Project and advisers to the ANC on trade policy.

A report by Mr Eisenberg, "South Africa's policy on FDI: Some policy recommendations", compiled in February and released recently, is the first attempt at outlining the country's FDI options.

As a general rule, Mr Eisenberg observes, "FDI inflows are more sensitive to political than economic circumstances — formulating policy instruments to capture FDI inflows, therefore, have limited impact."

Yet as SA returns to political "normality" the SA authorities "should be mindful of the fact that the African continent is losing capital to Asia and Latin America.

"There is also little doubt that that the return of foreign multinationals can assist with SA's reintegration in overseas markets."

Despite the importance of foreign investment, little attention has been given to the subject "beyond the level of general recognition".

Commenting on ANC policy, Mr Eisenberg says: "Although the ANC is determined to apply the principle of national treatment to foreign and domestic investors alike it has stated that FDI that meets defined national growth and development objectives may enjoy specific contractual arrangements."

This rejects the notion "that complete non-intervention will ensure that FDI is driven along the tracks laid by industrial policy and that it will contribute optimally to SA's economic welfare".

Mr Eisenberg, however, believes firmly that an FDI strategy should be part of a wider industrial development policy and not utilised as a specific developmental resource.

He writes: "A policy which seeks to maximise the contribution which FDI can make to industrial development should not attempt to control, manage or interfere with the activities of those investors.

"In other words, an FDI policy should seek to drive investors to those sectors that industrial policy targets for specific development ... through a well coordinated programme of investment incentives."

In analysing previous FDI flows Mr Eisenberg finds that recent FDI has een diverted mainly to apital-intensive manufacturing. "Between 1978 and 990, 75% of employment in oreign-controlled firms vas concentrated in capital-intensive industries.

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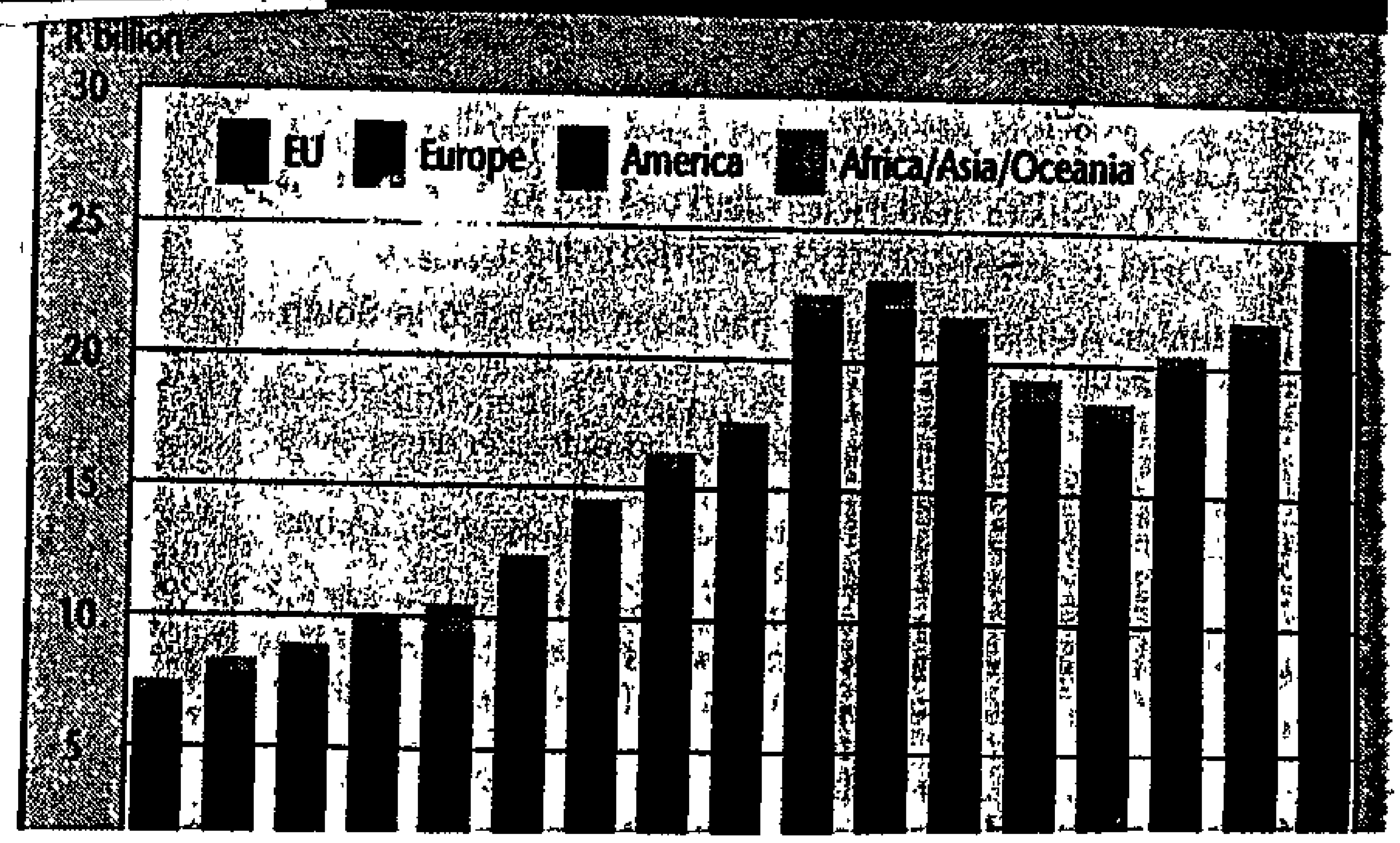
He also notes that unit labour costs have risen by 121% between 1980 and 1991 in the manufacturing industry while labour productivity improved by only 22% over the same period.

Another major concern for foreign investors are foreign exchange controls, which reflect "a general lack of confidence in the political and economic health of the host economy".

He adds: "The mere complexity and intransparency of exchange control regulation has probably scared off a significant number of small to medium-sized foreign investors wishing to retain flexible and free control over the equity through the investment process."

N DIRECT INVESTMENT IN SA BY REGION



capital

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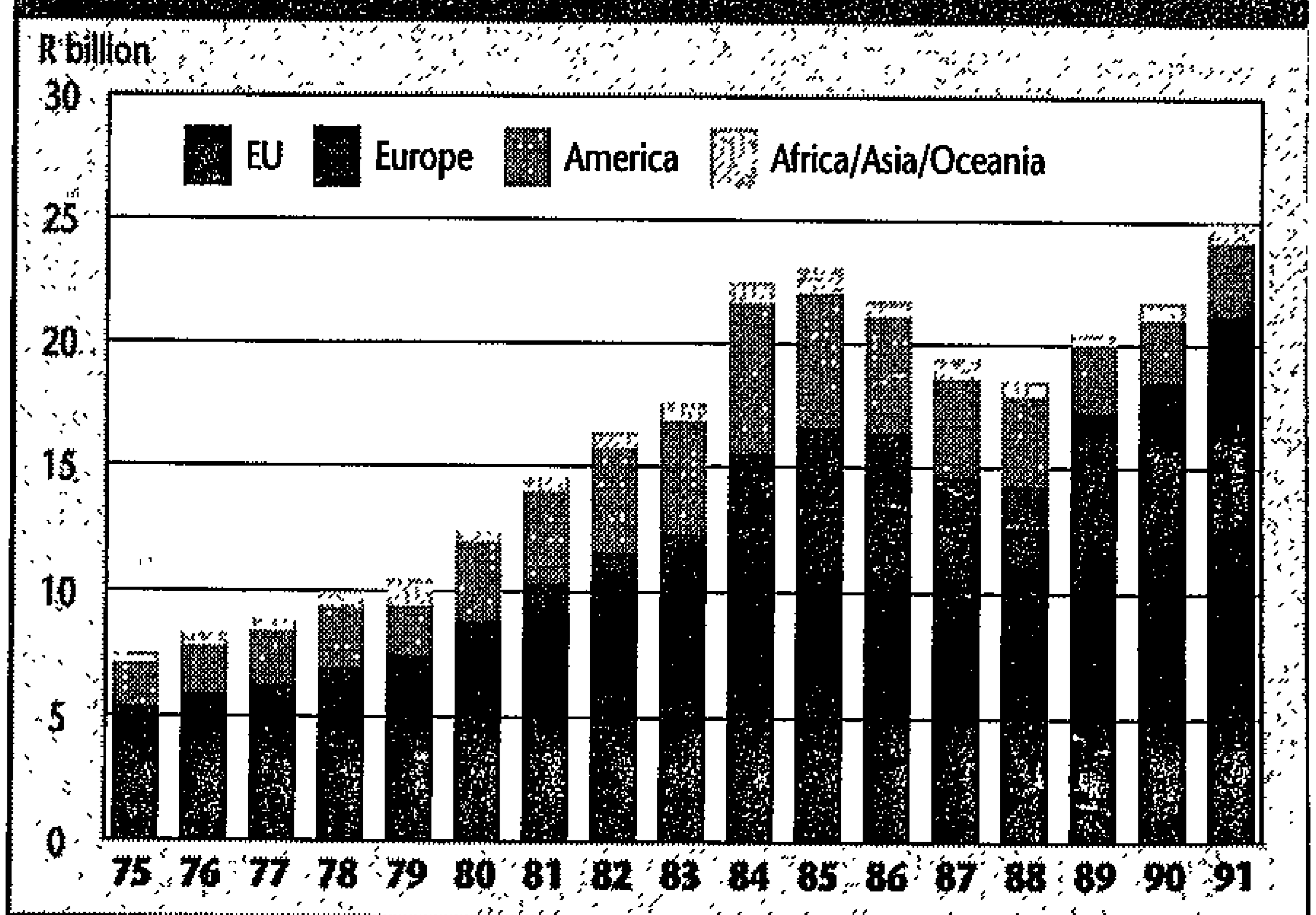

Graphic: FIONA KRISCH

Source: TRADE POLICY MONITORING PROJECT

JOBS

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748

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FW woos Germans with SA

CT 8/7/94 (74B)

From LINDA ENSOR

BONN. — Deputy President FW de Klerk painted a glowing picture of South Africa's economic prospects as ideal for foreign investors when he met leading German businessmen and opinion-makers last night.

The thrust of his week-long visit is to woo sceptical German investors.

He appealed to the Germans to help SA create an "economic miracle", saying the new South Africa was an even better business partner than the old one.

At a meeting earlier yesterday with over 100 of Germany's top businessmen, he responded to their concern about long-term stability by arguing strongly that conditions for this were in place.

Last night, Mr De Klerk told the distinguished audience he realised the new goverment does not yet have a track record on economic management by which it can be judged by foreign investors.

Among the pitfalls facing the new government were the temptation to adopt populist and unaffordable programmes to meet the high expectations of blacks and the opening up of healed wounds by dwelling on past wrongs, he said.

Others were the emergence of a new form of racism under the guise of affirmative action and proposals for a radical redistribution of agricultural land.

Positive trends

He said the Budget had shown the government's commitment to addressing socio-economic backlogs without sacrificing fiscal discipline.

Mr De Klerk pointed to positive trends in the SA economy, such as the reduction in the inflation rate to a 20-year low of seven percent, the maintenance of monetary and fiscal discipline and the low level of foreign debt to Gross Domestic Product at about 14%.

STRENGTHENING TIES . . . German Economic Minister Mr Guenter Rexrodt welcomes Deputy President FW de Klerk yesterday before their talks at the Bonn Economic Ministry. Mr De Klerk, who is in Germany on a week-long visit to boost investment in South Africa, is also due to meet President Roman Herzog. Picture: AP

FW appeals for German investment

LINDA ENSOR

BONN — Deputy President FW de Klerk painted a glowing picture of SA's economic prospects being ideal for foreign investors when he met leading German businessmen and opinion-makers last night.

His first official tour as Deputy President is aimed at wooing sceptical German investors. Appealing for help to create an "economic miracle" in SA, he said the new SA was an even better business and investment partner than the old one. He dismissed fears about long-term stability, saying conditions were in place for long-lasting stability. BDay 8/7/94

"I realise that the new government does not yet have a track record on which its economic management and ability to manage the expectations of the newly enfranchised citizens can be judged.

"Some policy adjustments are inevitable and many investors will therefore continue to adopt a wait-and-see attitude before committing themselves to investing in SA.

"It is also true that some of the structures such as the provincial governments, to be established in terms of the new constitution, are not fully in place as yet."

De Klerk conceded that the government of national unity would have to acquire the necessary strategies and commitments quickly if it was to succeed.

"None of us has much experience in the workings of coalition governments."

A priority was negotiating a comprehensive policy framework agreement against which future decisions could be tested.

"Such an agreement will be essential for the cohesion of the new government and for the avoidance of divisive policy disputes. It will also be essential for the consolidation of international confidence."

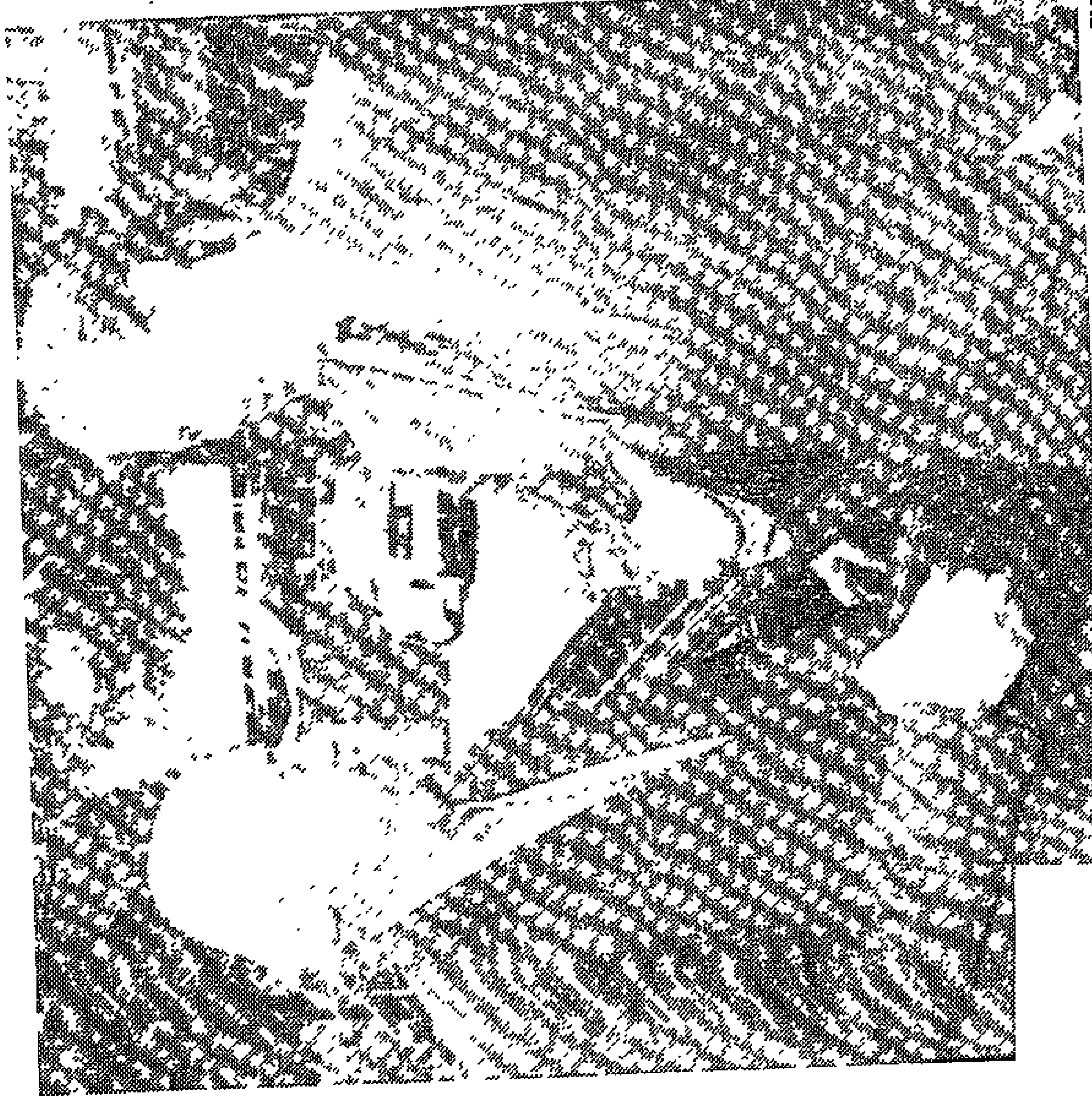
Among the pitfalls facing government, which would be of concern to foreign investors, were:

☐ The temptation to adopt populist and unaffordable programmes to meet high expectations; (74B)

☐ The opening up of healed wounds by dwelling on past wrongs;

☐ The emergence of a new form of racism in the guise of affirmative action; and

☐ To Page 2



ιics Minister Guenter Rexrodt, right, welcomes SA Deputy President FW to their talks in Bonn yesterday. Picture: AP

☐ From Page 1

Investment

☐ Proposals for a radical redistribution of agricultural land. BDay

However, De Klerk said government was determined to succeed and was "alert to the pitfalls of resorting to populist policies as a means of addressing the country's socioeconomic needs". 8/7/94

The Budget had shown government's commitment to addressing socioeconomic backlogs without sacrificing fiscal discipline, while also creating an investor and business-friendly environment. (74B)

De Klerk pointed to positive trends that augured well for the future, namely this year's projected real growth rate of 3%; the reduction in the inflation rate to a 20-year low of 7%; the maintenance of monetary and fiscal discipline; the fact that business and consumer confidence was at a six-year high; and the low level of total foreign debt to GDP (at about 14%).

Government would give priority to strengthening foreign exchange reserves and upgrading labour skills.

German Foreign Ministry southern African department head Hans-Joachim Daerr said that while confidence was high, there would not be a sudden rush of new direct German investment.

Most large groups had already invested in SA — 320 companies with an annual turnover of DM10bn and employing 60 000 people. However German companies would build on what was already in SA.

De Klerk also emphasised that Finance Minister Derek Keys had resigned for personal reasons, but disclosed that he had resisted pressure to stay in his post. "I really tried to get him to stay on."

His successor Chris Liebenberg was apolitical to an even greater extent than Keys and would not sit in any party caucus.

FW pitches for German investment

74B

ARG 8/7/94

BONN. — South African deputy president F W de Klerk, pitching for foreign investment, has told German business leaders the country is stable after the transition to majority rule.

Mr De Klerk yesterday told executives from about 100 German firms that the all-party government of national unity was committed to controlling government spending, and sustaining economic growth.

"All our economic indicators are positive and we are poised to enter an era of exciting development and growth," he said.

"Investors can be sure that their investments are not at risk for political reasons, or because of wild economic policy, and that they will be able to operate and move into a South Africa that will continue to be investor-friendly."

He thanked Germany, South Africa's second-biggest trading partner, for maintaining close ties during the years that Pretoria was isolated.

Mr De Klerk arrived in Bonn yesterday for a two days of talks with political and business leaders aimed at spreading confidence and business interest in South Africa.

His first meeting was with Economics Minister Guenter Rexrodt, who said afterwards a long period of political uncertainty in South Africa had come to an end with the unity government headed by President Nelson Mandela.

"The German government sees South Africa as a future market with great potential for the expansion of mutual economic relations," Mr Rexrodt said.

Mr De Klerk was to meet Finance Minister Theo Waigel, Foreign Minister Klaus Kinkel, Development Minister Carl-Dieter Spranger and Chancellery Minister Friedrich Bohl today.

Mr De Klerk told the business leaders he believed his country would score positively when an international credit rating, which it was seeking in order to re-enter world capital markets, was completed.

"I think a proper analysis, devoid of the pessimism of the past, an analysis of the true facts of the South African economy and its assets in many forms, will result in a positive rating," he said.

Mr De Klerk said there should be no negative impact on the rating from the announcement that highly-regarded Finance Minister Derek Keys would step down in three months and be followed by former banker Chris Liebenberg. — Sapa-Reuter.

FW to propose investment guarantees

CT 9/7/94

(74B)

BONN. — Deputy President F W de Klerk is to propose that South Africa enter into a guarantee agreement with Germany to provide security for hesitant investors.

Mr de Klerk made the announcement at the conclusion of a series of meetings with senior German ministers, including Foreign Minister Mr Klaus Kinkel, who promised German support for SA's attempts to get to grips with post-apartheid problems.

The issue of investment security had been raised in the discussions, Mr De Klerk said.

He would propose a guarantee agreement for specific types of investment to provide investors with a "justifiable" form of security in the transition period until investor confidence had been consolidated.

"I am taking back with me good suggestions on ways to hasten the process of investment to counter-balance continuing uncertainty."

The head of the Southern Africa department in the German Foreign Affairs Ministry, Mr Hans-Joachim Daerr, said later that the German government would pick up on the idea of a guarantee agreement and act quickly to implement it.

Mr De Klerk said that in addition to those investors who needed to be pushed, there were others who had confidence in the process.

In his discussions with businessmen in the past few days he had been advised of several forthcoming investments.

While no specific negative perceptions had been expressed, businessmen did need to see the new government in SA succeed before deciding to invest.

The new SA had existed for too short a time and needed to build a track record which could be relied upon and analysed. — Sapa

(74B)

Strikes not affecting UK confidence in SA

ARG 26/8/94

LONDON. — In spite of a spate of strikes, investor confidence in South Africa is still high 100 days after President Nelson Mandela took office.

"We haven't changed our view much," said Marina Lloyd, fund manager at Flemings Investment Management which, through Save and Prosper, runs a mostly-retail South Africa fund.

"The strikes have been a concern, but it is strike season and they are calling for things like better training and facilities, which is a rather positive thing to strike about.

"But if the strikes continue beyond September, we would be concerned," she added.

During the intense world interest in the transition to a post-apartheid era, culminating in the country's first democratic elections in April, three South Africa funds were launched out of New York and raised $350 million.

But earlier this month, sentiment wavered after Lehman Brothers withdrew a $60 million South Africa fund just before its New York launch, apparently because of lack of investor interest.

Alan Conway, head of overseas equities at Postel Investment Management, said there was little need to go through a fund to South Africa.

"You can go direct, as we have done."

After a post-election visit there, he was impressed by the will of all South Africans to work together, coupled with very realistic expectations.

"The continuity of prudent fiscal and economic policy is reassuring and the market is very interesting.

"(South Africans) think it's expensive, but we see it as very attractive from a growth and valuation point of view . . . it has emerging market growth plus a sophisticated financial system."

Several fund managers were taken aback by the surprise resignation of finance minister Derek Keys.

"There is still a question mark over why he went but his replacement (banker Chris Liebenberg) is acceptable," said Mr Conway.

UK-based research firm Micropal said there were six equity and two debt funds partly or wholly-focused on South Africa.

Baring Investment Management is to launch an Africa fund of $80-$120 million before the end of the year.

But the Morgan Stanley Africa Investment Fund, the Southern Africa Fund and the New South Africa Fund were this week all off their $15/share launch prices.

Control Risk consultancy, which rated political and economic risk, put South Africa overall as 'low risk' from 'medium' at the April elections.

Foreign investors were hoping for progress on the abolition of foreign exchange controls, increasing liquidity and a steady hand on the political tiller.

"Exchange control abolition is the most important factor for the foreign investor," said Ms Lloyd.

"I would think in 12 to 18 months the financial rand would disappear," said Mr Conway.

"It may well be sooner." — Sapa-Reuter

Malaysian cash flowing into SA

S Times (Buss)
21/8/94

By ZILLA EFRAT

MILLIONS of rands in Malaysian investment has started flowing into South Africa — particularly into the property sector — and more is set to follow.

In one of the larger deals already concluded, Landmark, a Malaysian conglomerate with extensive involvement in construction and hotel development, has bought land in Midrand for R40-million.

More money will follow as Landmark's proposed development project, called Samrand, is expected to include housing, industrial areas and office blocks.

In addition, Renung, one of Malaysia's biggest companies, has bought an office block in Sandhurst, Sandton, for an estimated R4-million.

While the building will house its South African operations, other Malaysian companies will be invited to rent space. (748)

Renung's activities include property development, construction, telecommunications, financial services and tourism.

According to Malaysian trade commissioner Abdul Kabur Ibrahim, another Malaysian conglomerate, Idris Hydraulics, has bought a building for $2-million (about R7-million) in a prime area in Cape Town. It will be converted into a Malaysian restaurant. He predicts more Malaysian investment in South Africa following deals that are presently being negotiated.

FOREIGN INVESTMENT

Spaced out

FM 26/8/94

Deutsche Aerospace wants to enter a series of joint ventures with SA companies that could create up to 5 000 hi-tech jobs over five years.

But there's a catch. The German company, a major international player in the aircraft, space, defence and propulsion industries, wants to know the conditions under which it will operate. Until government makes up its mind on rules for foreign investors, much of Aerospace's planning remains on hold. (748)

There appears to be little doubt that Aerospace, part of the giant Daimler-Benz group, is anxious to invest in SA. At the official opening of its Johannesburg office last week, Aerospace chairman Jürgen Schrempp — a former head of Mercedes-Benz SA and chairman-designate of the Daimler-Benz group — made it clear the company has ambitious plans for SA.

It has been working for some time with local companies — notably Reutech on air traffic control systems and Denel subsidiary Simera on aircraft and satellite systems. The creation of Deutsche Aerospace Southern Africa (Dasa) is intended to herald a broadening of that co-operation.

Schrempp sees SA as the natural base for all Aerospace's activities in sub-Saharan Africa. Predictably, much of the potential is within SA. Plans are in hand for local modification and upgrading of aircraft on behalf of foreign airlines and Aerospace sees SA as a potential launch site for small satellite systems.

If these and several other proposed joint ventures go according to plan, Schrempp foresees up to 5 000 jobs being created in the next five years. Nearly all of them will be in the hi-tech field. Aerospace is also prepared to co-operate in the education and training of local staff. Schrempp says he is "positively surprised" at the skills and technical levels available and has little doubt SA can provide the people his company needs.

Much of this is theoretical, however, until government gets around to devising an investment code.

"We need to know a lot of things," says Schrempp. "What is the tax policy? What is the attitude towards repatriating profits? What support will there be for investment?

FM 26/8/94

Will this policy be redesigned each year or is it long-term? For instance, with aircraft, it takes three to four years to start a business and 10 years to make money. We need some form of certainty.

"Then we must know what kind of export policy there will be. And will adaptation to Gatt requirements be instantaneous or evolutionary? These are all things we need to know in advance." (748)

It seems unlikely SA will devise policies that will discourage foreign giants such as Aerospace from investing, especially when they offer the level of technology transfer available in this case. But Aerospace isn't the only one waiting impatiently in the wings. If Trade & Industry Minister Trevor Manuel and his officials don't announce a policy soon, foreign companies — however well-disposed they may be — will take their business elsewhere. ■

NEWS

Taiwan investment boost on the cards

Star 30/8/94

The Republic of China (Taiwan) looks set to provide a timely boost to international investment in South Africa, according to a high-profile Taiwanese investment delegation which arrived in the country yesterday.

On the first day of a 10-day visit, the delegation met government officials and businessmen to discuss trade and investment agreements that could boost two-way trade between the two countries.

Speaking at a welcoming presentation, South African Chamber of Business deputy president Les Weil said the delegation meant "very good news for the future of the South African economy".

"This is an unbelievably high-profile delegation, and we can expect decisions relating to trade and investment with a minimum of delay."

Taiwan is South Africa's fifth largest trading partner and accounts for about $595 million worth of imports into SA.

Taiwanese ambassador to South Africa I-cheng Loh said Taiwan hoped to increase South Africa's share of his country's total trade from 1,8 percent to at least 5 percent. (74B)

He said the delegation was a direct response to an assurance received from President Nelson Mandela during his inauguration ceremony promising stronger economic ties between South Africa and Taiwan.

Joint ventures and direct investments into South Africa's budding petrochemical industry were likely to be announced.

Delegation leader Vincent Siew said Taiwan was delighted at the possibility of combining entrepreneurial experience with South Africa's rich natural resources to create employment in the region.

"The fact that we're here shows a confidence in the (South African) Government's Reconstruction and Development Programme and the future of economic growth."

Anglo American senior economic consultant Jim Buys said although the financial rand was likely to be scrapped within the next six months, investors should take advantage of the discount while it still applied.

Industrial Development Investment Centre director D Fulton said South Africa was a good investment destination due to the short payback periods. — Sapa.

USAid intends to invest $100m in southern Africa

SIMON BARBER

WASHINGTON — The US Agency for International Development (USAid) is earmarking $100m for a new Southern Africa Enterprise Development Fund, half of which will be steered towards disadvantaged South Africans, according to agency planning documents.

The fund, to be set up as a not-for-profit corporation, will invest, directly and indirectly, in small- and medium-sized "indigenous" businesses identified by a semi-independent board and management recruited by USAid to reflect ethnic and gender diversity.

C Payne Lucas, executive director of Africare, a prominent African-American non-governmental organisation currently under contract with USAid to train future policy makers in SA, is being considered as the head of the board, which will have both US and local members.

Starting next year, the fund will receive the $100m in five annual allotments of $20m, a portion of which will be used for operating expenses and to provide technical assistance to potential investees.

No actual investments are envisaged until 1996.

The fund is loosely modelled on similar initiatives for Poland, Hungary and the former Soviet Union.

Its premise is that "the lack of access to equity capital by indigenous populations continues to be the major impediment to business growth" in the region.

The planning documents indicate that USAid is not entirely confident of the project's success, one reason the venture has been established as a non-profit project.

"By focusing solely on indigenous, disadvantaged small and medium enterprises, the fund is not following a natural or logical evolution, which would start with larger, more mature disadvantaged companies. Instead it is leaping to a client base with a greater risk profile."

The designers also wonder: "Will potential investors, partners and investees take the fund seriously, or will it be viewed as another soft-money institution?"

USAid's financial analysis concludes that the fund should become self-sustaining within 10 years.

Assuming that 20% of its investments fail, it will need to earn 10% a year on the rest to maintain its value over 20 years.

748

These estimates are conceded to be very rough because the fund as yet has "no specific operating plans for the countries in which it will be investing" and "the exact nature of the types of investments made by the fund cannot be determined".

Such vagueness is excused on the grounds that "the primary goal of the (fund) is a developmental one, not one of financial sustainability."

USAid also appears appears torn over the degree to which SA should be favoured above the southern African region's 10 other states. The documents express concern that given the "absence of economic growth throughout the region, SA could become the new colonialist".

It will be left to the board to decide where the fund's headquarters should be located.

The agency fears that other countries might be offended if SA is chosen as the location. On the other hand, it acknowledges that half the investing will be done in SA.

As a compromise, it is suggested satellite offices could be established in other countries, even though this would increase overheads and reduce the portion of the $100m available for investment.

Foreign investors 'putting on pressure'

74B

CT 6/9/94

By AUDREY D'ANGELO
Business Editor
and ADRIAN HADLAND

PREFERENTIAL access to international markets was a "wonderful window of opportunity" for SA exporters — but international pressure was mounting for a more user-friendly environment for foreign investors, Trade and Industry Minister Trevor Manuel said yesterday.

Direct foreign investment was urgently needed to create jobs and introduce new technology — but would in turn exert pressure on local manufacturers.

And the worst case scenario would be that, even with current trade advantages, SA exporters could not compete in world markets.

Manuel was speaking at the Southern Africa Institute for Management Scientists (SAIM) annual conference at the University of the Western Cape.

"Globalism is important and necessary, therefore we should take the lead and not be led in," he said.

And he added that government was under increasing international pressure to lift exchange controls and create more inviting conditions for foreign investors.

Eighteen countries were now waiting in line to sign protocols on investment guarantees with SA.

Discussions were currently underway between the ministeries of trade and industry, finance and the Reserve Bank to determine whether exchange controls should be lifted before the protocols were signed.

The departments and the bank were also looking at framing a common approach to investment guarantees, possibly in the form of legislation, Manuel said.

Turning to current preferential terms for SA exporters in world markets, Manuel pointed out that SA has, in most cases, not been obliged to give reciprocal preferential access.

But, Manuel warned: "I don't think this situation is permanent."

As an example, he mentioned a car developed and manufactured in Malaysia. "They have an export model and the market in which it has been most successful is the UK. That means they can compete anywhere."

Warning that all SA companies must become competitive in world terms, he said that even in domestic markets SA manufacturers would be competing "with economic actors who are far more experienced and are marketing their goods across the world, competitive in spite of tariff barriers."

He added: "The flip side of increased exports is imports. Every trade mission that comes here is here to sell."

It was vital that SA developed its human resources, updated its equipment and brought its technology up to date. And SA managers had been sheltered from international competition.

Discussing trade with Africa, Manuel said "our links with Africa go beyond Southern Africa."

And there had been discussions with India and Mauritius about the possible formation of an Indian Ocean trade group which could become "the most exciting and dynamic market in the world."

But SA would need a fair amount of resolve and speed, and co-operation between government, labour and business to succeed.

It must make this country investor-friendly and "maximise the ability of our industries to compete."

Taiwan commits R1 billion to SA

Star 6/9/94

■ BY PATRICK WADULA

Taiwan is committing R1,105 billion to increasing its trade with and investment in SA.

This was announced at a press conference yesterday by Vincent Siew, Minister of State and chairman of Taiwan's Council for Economic Planning and Development.

Outlining preliminary results of a current trade mission, he said private sector members had negotiated to pay R34,5 million for 6 000 square metres of land in Johannesburg's Rosebank area.

Taiwan's Acer group had entered into a joint venture with the SA computer company Perestel to form Acer Africa. Estimated turnover for the first year was around R300 million.

(148)

Siew said Acer would own 50 percent of Acer Africa and would provide all the technology for the factory.

A contract worth R420 million had been awarded by the Taiwan Railway Administration to Union Wagon and Carriage of SA.

In the next seven months the Taiwanese feed industry association would buy 300 000 tons of maize from South Africa for R122,5 million, provided freight charges were reasonable.

The Bank of Taiwan had approved two loans worth R175 million. A revolving loan of R70 million would go to Macsteel to help increase steel exports. Another loan of R105 million would go to Eskom to finance the import of equipment and material needed by rural electrification projects under the RDP.

At the request of President Nelson Mandela, Taiwan would donate R140 million for vocational training centres in SA under the RDP.

However, before the centres were established, Taiwan would offer courses in welding and precision machinery handling for South African vocational instructors.

It would also assist the Eastern Cape to establish a pilot export processing zone to attract foreign investment.

Huge boost for RDP

CPress 11/9/94

(748)

By KHANGALE MAKHADO

THE Republic of China, better known as Taiwan, this week decided to put its money where its mouth is and promised to back the new South African government by investing about R1 105-billion in the country.

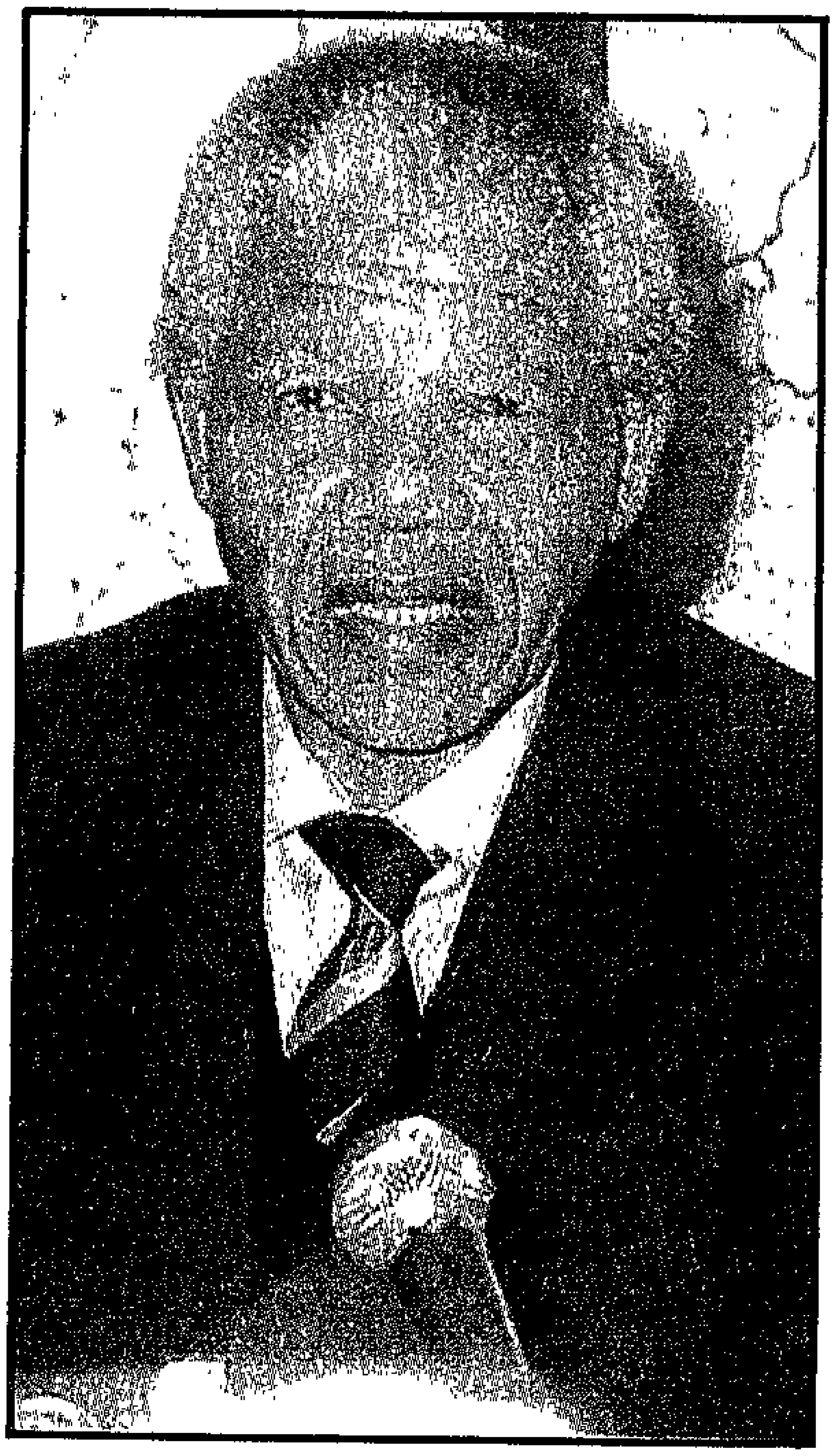
Vincent Siew, leader of the 50-member Taiwanese trade and investment mission to South Africa, said after their nine-day tour that about R1 billion would be committed to the venture.

Addressing a press conference this week, Siew – who is chairman of the Council for Economic Planning and Development (a think-tank for the ROC cabinet) – said the committment would be in the form of investment, trade, loans finance and technical co-operation.

The idea to invest in South Africa kicked off after ROC president Dr Lee Teng-hui visited the country for the historic inauguration of President Nelson Mandela.

After his visit Teng-hui instructed his cabinet to immediately organise the trade and investment mission to look into possibilities of doing business with the GNU.

Siew said the ROC believed trade between the two countries would be mutually beneficial, although there was a slight imbalance in favour of South Africa.



INVESTMENT . . . President Nelson Mandela has Taiwan's backing.

Their mission, he said, was purely to help South Africa in its implementation of the RDP and the ROC would play a constructive role in making it successful.

Among the investment projects, the private sector in Taiwan has negotiated to buy about 6 000 square metres of land in Johannesburg for the erection of two buildings worth R34,5-million and to be completed by the end of May next year.

The Taiwan Tobacco and Wine Monopoly Bureau will enter into technical exchange with Vivo Africa Breweries, a subsidiary of National Sorghum Breweries. The private sector would also be urged to invest in Vivo to expand its production facilities.

Request

In the field of trade, the Taiwan Railway Administration has awarded local Union Wagon and Carriage a R420-million contract for 64 electrical locomotives.

In as far as technical cooperation is concerned, the ROC government will donate R140-million for vocational training centres in South Africa. This was made possible following a request to the government by Mandela.

Currently there are about 300 SA factories in which ROC business people have invested, creating 40 000 job opportunities.

'Tempt foreign investors'

TRADE and Industry Minister Trevor Manuel yesterday called on SA businesses to formulate development projects to encourage foreign businesses anxious to invest in South Africa. (748)

He told 27 business and industry leaders in Cape Town they had to recognise that most foreign investors saw South Africa as one of the prime countries for investment opportunities. CT 30/9/94

He said next week alone eight conferences in Europe were planned "with the express objective of turning the heads of investors towards South Africa".

But he said many portfolio investors did not know into which projects to channel their money.

"Conceptualise those projects that make a difference to the lives of people. Package them and market them," he appealed to local business.

"It's as if business hasn't begun to understand there is a ... bigger world out there than this South Africa defined by its boundaries." — Reuter

Mandela's plea to US

(74B)

From SIMON BARBER and PATRICK BULGER CT 4/10/94

NEW YORK. — There was no longer any basis for American business to be reticent about investing in South Africa, President Nelson Mandela told US businessmen yesterday.

In what was billed as the President's most important address in the US, Mr Mandela told the National Foreign Trade Council last night that the causes of conflict in South Africa had largely been removed.

In his address to the United Nations earlier, Mr Mandela appealed to the General Assembly to help improve the lives of South Africans.

He thanked the United Nations for its support in ending apartheid and said the focus should now be on economic upliftment.

"We turn once more to this world body to say that we are going to need your continued support to achieve the goal of the betterment of the conditions of life of the people." (See Page 2).

In his address to the National Foreign Trade Council, Mr Mandela outlined some of the steps the government was considering to boost the economy.

"We are acutely conscious of the fact that the whole world is competing for limited investment capital.

"We are therefore keenly aware of the importance of an economic and social climate that will create opportunities for investors.

"The national economic, development and labour council which we are setting up expresses a new relationship of partnership between business, labour and government, and will promote joint strategies to ensure a vibrant and growing economy.

"Within this broad framework the South African government is further committed to:

- A stable and predictable policy and regulatory framework that promotes investment, reduces protectionism and increases investment opportunities for all;
- The abolition of exchange controls and the dual currency system as soon as objective conditions allow;
- The rapid conclusion of tax agreements with the US, and
- Implementation of the results of the Uruguay round on trade arrangements.

"In urging you to invest in our country we are not engaging in special pleading. That is why I speak of a partnership, to signify a relationship of mutual benefit," said Mr Mandela.

"After months of careful planning and preparation we have begun in earnest the reconstruction and development of our country."

However, the "criterion of affordability" was central to the government's approach to the programme.

"Fiscal and financial discipline is therefore beyond argument. In order to use the existing resources efficiently, we are restructuring government priorities and expenditure within the existing budget.

"Further resources for the programme will

To page 2

From page 1

have to come from economic growth and measures to promote growth are therefore essential elements of the RDP.

"Unless we successfully address the question of economic growth, development and equitable distribution of wealth and income, the prospects for guaranteeing the stability of our democratic settlement will not be good." (74B)

He said South Africa's first commitment would be to its own region and the wider continent through the OAU. He also noted that as a member of the Non-Aligned Movement South Africa would be "committed especially ... to the strenghtening of the voice of the poor and disadvantaged.

- President Mandela is due to meet President Bill Clinton at the White House today. CT 4/10/94
- Mr Mandela signed three UN conventions dealing with political, economic and cultural rights and the Law of the Sea yesterday.

He also pledged South African support for nuclear non-proliferation, the destruction of weapons of mass destruction and conventional arms control.

HISTORIC ADDRESS ... The help of the United Nations was needed to improve the lives of South Africans, President Nelson Mandela told the 49th UN General Assembly in New York yesterday. Picture AP

MPs' pay: Cuts urged

NEW YORK. — President Nelson Mandela has received a report outlining a "belt-tightening" exercise for the entire country — including a 20% cut in his own salary.

Mr Mandela told a media conference at the United Nations yesterday that a memorandum on the issue from Finance Minister Mr Chris Liebenberg would soon be considered by the cabinet.

The report calls for a 20% cut in Mr Mandela's salary and the salaries of his two deputy presidents and other members of the cabinet.

Members of Parliament will receive salaries 10% lower if Mr Liebenberg's memorandum is accepted.

"We are committed to fiscal and monetary discipline and also the reduction of government consumption," Mr Mandela said.

He indicated that the sacrifices would not be limited to the public sector.

He referred to Mr Liebenberg's memorandum as a "belt-tightening exercise for the entire country".

Mr Mandela repeated earlier assurances that his government would scrap exchange controls at the earliest opportunities. — Sapa

● Mandela and Tutu "still friends" — Page 2

IFC sets up R54-m SA fund

Star 6/10/94

(74B)

■ BY JOHN SPIRA

The International Finance Corp, a division of the World Bank, yesterday announced investments in South Africa totalling more than R54 million.

Although not a substantial sum of money in a global context, the IFC's demonstration of confidence in South Africa's future should embolden other international investors to follow suit.

The IFC's investments (its first ever in South Africa) comprise:

■ R12,5 million in the SA Franchise Capital Fund, a joint venture with Nedcor, to make loans and equity available to members of "previously disadvantaged groups" in South Africa for the acquisition of franchises in a variety of businesses.

Nedcor will pay R12,5 million for a 25 percent stake in the SA Franchise Capital Fund.

The initial offering of the closed-end fund, estimated at R50 million, will be privately placed on a "best-efforts basis" with a small group of international and South African institutional investors.

■ The IFC will also acquire up to a maximum of 20 percent of the share capital of the fund management company in which Nedcor will hold 50 percent and other investors the remaining 30 percent.

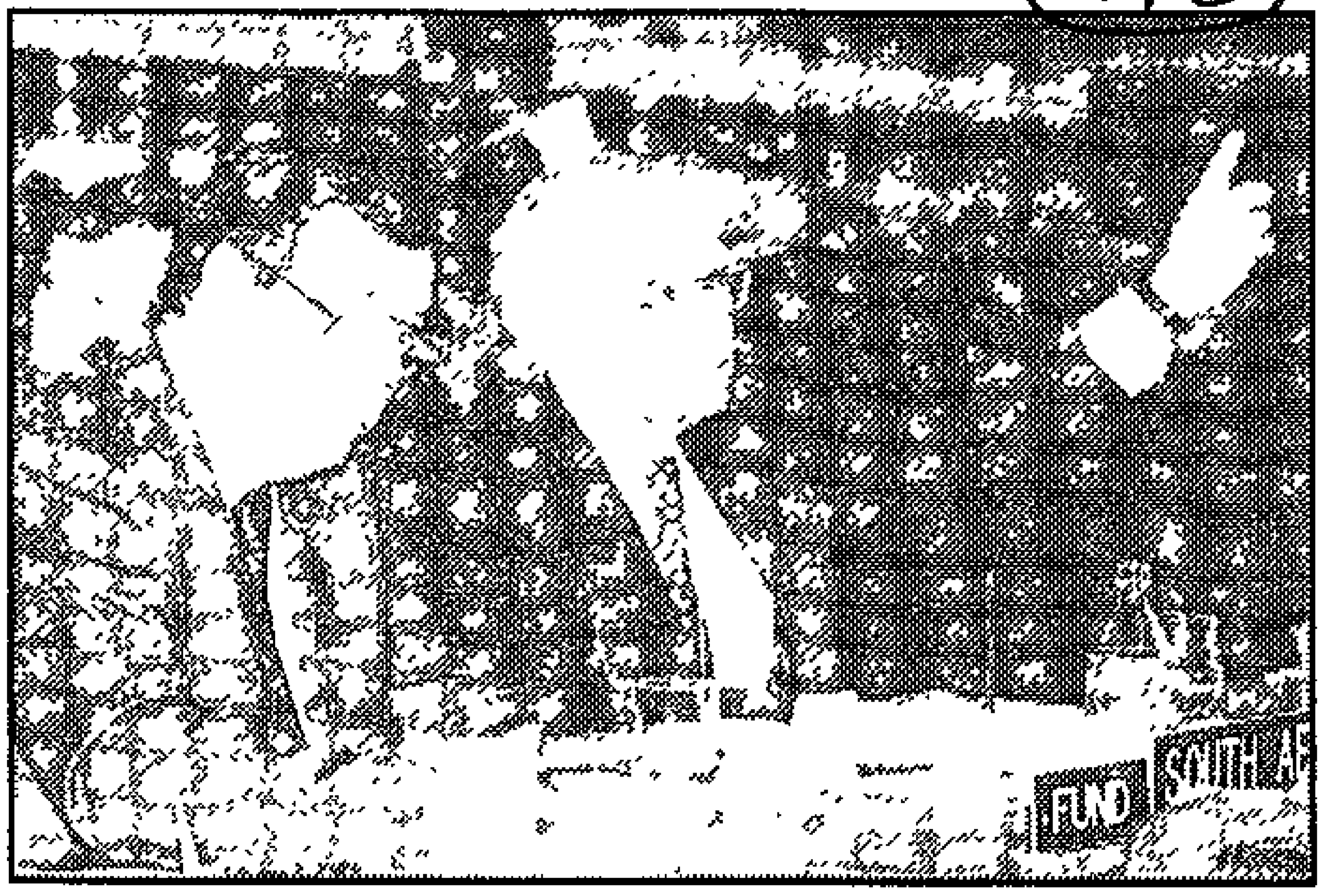
■ IFC will acquire 10 percent of JSE-listed African Life from Real Africa Investment Holdings, a consortium representing black business interests, which bought control of Aflife from Southern Life earlier in the year.

The IFC is to pay R41,6 million for this stake.

Tei Mante, director of IFC's Sub-Saharan Africa department, says: "Both projects will contribute to the economic advancement of the disadvantaged segment of South Affica's population."

He said the IFC's strategy in South Africa would initially focus on helping disadvantaged entrepreneurs with project finance and advice on project preparation, and encouraging the flow of expertise and finance from the developed parts of the economy to its disadvantaged groups as they become more active in the economy.

The IFC would consider larger projects on a case-by-case basis.



Finance Minister Chris Liebenberg and Reserve Bank governor Chris Stals at the joint annual assembly of the IMF and World Bank in Madrid.

Hefty rating for SA

The IFC yesterday revealed that it had included South Africa in its global index with a hefty 13 percent weighting.

The expectation is that international investors will now start to adjust their emerging market share weighting accordingly.

The IFC's announcement should benefit the JSE, since the IFC's index is based on a universe of shares with a market capitalisation of more than $2 000 million.

While the IFC index is only a guideline, it is significant that the world's many emerging markets funds will seek to tailor their share portfolios in such a way as to adjust the index in order to reflect a representative profile for existing and prospective investors.

Liebenberg chides SA business

■ BY JOHN SPIRA

Madrid — South Africa had received a wonderful and warm welcome from the World Bank group, Finance Minister Chris Liebenberg told IMF/World Bank delegates here yesterday.

However, he added, SA was mindful of the challenges and responsibilities its reappearance in the international arena demanded.

"Firstly, responsibility to address the inherited social distortions in our own country. To do this requires vision and clarity of purpose: bold decisive action executed with both passion and compassion."

The second responsibility was to play a role as one of southern Africa's and Africa's leading economies.

"We call on the Bank and Fund to further extend a hand of co-operation to help us all rebuild the continent."

Budget deficit

"Given the objective of steadily reducing our excessively high budget deficit, foreign loan financing will, however, be regarded as a substitute for domestic financing and certainly not used to shift the budget constraint outward."

In a press briefing following his address, the Minister said SA's capital market ratings had enjoyed a better international response than a domestic response.

"South African business must start scoring tries. I feel like a scrum half unable to get the ball out of the scrum because my loose forwards aren't there to support me."

IFC will buy into franchise fund

World Bank to invest in black SA firm

BDay 6/10/94

(748)

JIM JONES and AMANDA VERMEULEN

MADRID — The International Finance Corporation (IFC) is to invest R41,6m in black-owned company Real Africa Investments (RAI), as part of an effort to kickstart overseas investment in SA.

Sources said yesterday the IFC — the World Bank's private sector arm — would take a 10% stake in RAI's 51%-owned life assurer African Life. RAI is to be listed next month.

But Aflife director and RAI chairman-designate Don Ncube said the details of the deal, and any IFC involvement in RAI, had yet to be finalised. But the move should quicken the pace of foreign investment. "We want the IFC to come into SA to give other people the confidence to invest here."

Trade unions, the Kagiso Trust, the National Association of Stokvels, church groups and black business leaders are represented in RAI, accounting for about 3-million people.

Ncube said the IFC's involvement would help consolidate control of the company in black hands and facilitate expansion.

Unveiling the deal in Madrid, IFC sub-Saharan director Tei Mante said Aflife was an example of the changes necessary for increased participation by previously disadvantaged groups in the formal economy. RAI had approached the IFC for assistance after fundraising from black SA organisations, such as trade unions, had been slower than expected.

Ncube said the "first prize" would be for the IFC to invest directly into RAI through the finrand. Failing this, it could invest in Aflife, then swap this investment into RAI following the listing.

Mante also announced that the IFC would invest R12,5m in the SA Franchise Capital Fund, a new closed-end trust established in conjunction with Nedcor.

The IFC and Nedcor will each subscribe R12,5m for 25% of the fund's equity, while the remaining 50% of the initial R50m offering is to be placed with SA and foreign institutions on a best-efforts basis. The fund will provide finance to black entrepreneurs establishing franchising businesses, and the IFC expects individual financing packages to range from $40 000 to $500 000.

Mante believed both projects would contribute to the economic advancement of what he described as the disadvantaged segment of SA's population.

The IFC would provide finance and advice on project management. It hoped to encourage the flow of expertise from the developed sector of the economy to disadvantaged groups.

The IFC will establish a resident mission in Johannesburg on November 1.

Malawi 'saddled with debt'

BLANTYRE. — President Bakili Muluzi has said that former president Kamuzu Hastings Banda's regime saddled the incoming government with a deficit of about $40 million (R140 million) and a foreign debt of $1,9 billion (R6,5 billion).

"They took this money two months before the elections in May. We found no money in government coffers," Mr Muluzi — who defeated Dr Banda that month in Malawi's first multiparty poll — told a news conference on arrival from a two-week official tour of Britain and the United States.

Mr Muluzi said his government was trying to get donors to write off the foreign debt incurred by Dr Banda's autocratic regime.

"That's quite a big debt for a small and poor country like ours," he added.

He said his trip was aimed at sensitising donors to Malawi's economic woes, seeking financial support and wooing foreign investors. — Sapa-AFP.

ARG 12/10/94

government.

"The Namibian government stands ready to share with its brothers and sisters in Angola, in whatever manner they may deem appropriate, the successful experiences of its national reconciliation policy," the foreign affairs ministry said.

Mr Valentim denied reports that Mr Savimbi had been seriously wounded during recent attacks on Unita headquarters.

● Angola's Unita rebels recaptured the western town of Catengue from government forces, an independent radio station in Luanda said.

"Catengue is in Unita's hands again," the radio said. — Sapa-Reuter.

Farmers want to go into Africa

PIETERSBURG. — More than 300 white farmers have applied to settle in African countries which have asked for agricultural assistance.

The South African Development Corporation and the Transvaal and Free State agricultural unions will meet cabinet members today to discuss the move.

The meeting in Pretoria will deal with the government's involvement in the Africa Project.

About 300 farmers have applied for settlement in Congo, Gabon, Mozambique, Zimbabwe, Ivory Coast and Zambia. — Sapa.

Florida removes barrier on investment in SA

TALLAHASSEE. — Florida's governor and cabinet have removed the last barrier to investing the state's $38,5 billion (R135 billion) pension fund in South Africa now that apartheid has ended.

Governor Lawton Chiles and the six-member cabinet rescinded without comment an anti-apartheid resolution passed in 1985 that prohibited the state from most investments in South Africa.

ARG 12/10/94

Ash Williams, the pension fund's executive director, said yesterday's action was part of an international trend to remove obstacles to investing in South Africa.

A national group that tracks anti-apartheid sanctions by American states and cities said Florida's resolution was one of a few left on the books.

Since September last year, 157 state and local government authorities have repealed their sanctions against buying from or investing in companies doing business in South Africa, according to the Investor Responsibility Research Center in Washington. Only 15 such authorities still have sanctions in effect.

The original resolution had prohibited the pension fund from investing in companies with their headquarters in South Africa, or owned by its government. It also barred the state from investing in any type of securities issued by the South African government. — Sapa-AP.

74B

Profile of foreign desires

WM(BM) 14-20/10/94 (74B)

Reg Rumney

WHAT do foreign investors look at when they are thinking of bringing money into the country — aside from a return on their investment? Some idea can be gained from the second and latest survey of 365 German companies operating in South Africa.

The survey, by Pabst & Pabst Consulting, was commissioned by the South African German Chamber of Commerce and Industry. It found 81 percent of respondents rated the economy good to sufficient against 58 percent in the last survey, a marked improvement. All of the 20 biggest German companies were among those making up that 81 percent figure.

The survey also looked at the importance of living standards to those German companies already in South Africa, along with their assessment of the economy now and its prospects.

The reason for the finding is that personal factors weigh quite heavily with investors — particularly small and medium investors considering setting up new businesses in a foreign country and who will probably be overseeing their new investment.

Every respondent considered a low level of crime, the absence of political and criminal violence, and the absence of air pollution relevant.

Only two out of five respondents attached no importance to the absence of litter in urban areas, the maintenance of educational standards, the protection of the environment, space for living and opportunities for leisure time.

Between 16 and 27 percent considered unimportant or irrelevant the removal of signs of poverty, the continuation of a privileged lifestyle and the availability of first-world luxury products.

The least priority was accorded to access to international TV and the availability of public transport.

Pabst reckons that the survey is important because of the leading role German investors have played in the South African economy already. Unlike other countries which have often used the country as a destination for their exports or for franchise operations, the Germans have established their own manufacturing facilities, resulting in a transfer of all kinds of skills and resources.

Indeed, 28 percent of the respondents declared they had already increased their investments and/or created new jobs since the April elections. A further 51 percent were considering increasing their financial investment.

The wide-ranging survey looked at a number of other positives and negatives. It found, for instance, more confidence in a positive economic framework in the new South Africa than in its political structures.

German companies are pessimistic on the one hand about, among other things, corruption and the civil service. They believe South Africa will have a market-driven economy, balanced tax of company profits and equal opportunities for foreigners.

Controls to aid investors

ARG 15/10/94

(74B)

BRUCE CAMERON
Business Editor

A COMPREHENSIVE system of controls covering the entire financial services industry, to protect and give redress to investors, could be in place by next year.

The intention is to put a brake on the long list of financial collapses which have left thousands of investors severely out-of-pocket and in many cases destitute.

The controls could bring a major shake-up in the financial services industry with the possibility that independent brokers could be forced out of business.

The chief executive of the Financial Services Board, Piet Badenhorst, said he was waiting for the final proposals of the Nel Commission, which is investigating the Masterbond scandal.

Recommendations from the commission on additional controls will then be added to near-complete proposals of the board, which in turn will be handed on to the recently appointed Policy Board for Financial Services and Regulation.

Its recommendations will go to the Minister of Finance for final approval.

In an interview Mr Badenhorst said the FSB had prepared outlines of controls for various sectors in the financial service industry. These included:

- Short-term insurance;
- Life assurance;
- All brokers, including members of the JSE, the bond market, the futures exchange, independent insurance brokers and portfolio managers (excluding those working for companies);
- The participation bond industry;
- Unit trusts; and
- Banks.

Mr Badenhorst said the Financial Services Board hoped to be able to implement the system of controls without recourse to legislation, with the various professional bodies implementing voluntary discipline based on codes of conduct and restitution for consumers who had been disadvantaged.

There might, however, be a problem in so-called grey areas, where there were no professional bodies, where legislation would be required.

The moves, which have been sparked by the Masterbond and other similar financial disasters, as well as international moves for greater investor protection, have opened major debates, particularly in the insurance industry.

The industry is concerned that too much control, as happened in Britain and Australia, will add enormous costs to the transactions, while independent brokers are concerned that they will be controlled by the life offices.

Sanlam senior general manager George Rudman, who serves on the Life Offices Association committee dealing with the issue, said the controls could have far-reaching effects on the assurancve industry.

Mr Rudman said the LOA did not want to be placed in the position where it would decide who was "fit and proper" to be employed in the industry.

At the moment the LOA decided who was "unfit and unproper", which was a different position.

He said the individual life offices should be responsible for ensuring they employed "fit and proper" people, while professional associations should play this role for independent brokers.

The life offices saw a system where independent brokers were registered through their professional associations, which in turn would assume the same role as the individual life offices.

Problems, however, could arise for brokers if the new controls included the necessity for brokers to give best or fair advice to consumers.

If it was found that best or fair advice had not been given, the body representing a broker could be forced to make up losses of client. If a successful claim was made against an agent of a life office, the life office would have to meet the claim.

Similarly, corporate brokers would be covered by their employers.

Mr Rudman said the thinking behind the proposal was that if the life offices, employers of brokers or professional bodies were liable they would see to it that their members complied with agreed codes of conduct.

In Britain brokers had been placed in a position where they were personally liable. The result was that risk of losses had virtually wiped out independent brokers.

SA firms out-score govt in global funds drive

(74B)

CT 15/10/94

By ARI JACOBSON

SA corporations are receiving far better treatment in world capital markets than their country, as government and non-government organisations start flocking overseas to get finance.

Market players argue that the government may be forced to make its borrowings as enticing as local corporations by offering an equity option in parastatals, which would then be privatised — to copy corporations with their equity-linked offers.

Recently, SA struggled into the BBB minus category (overall) for investment, while Eskom — almost unnoticed — notched up a Baaa3 rating. Large local corporations are expected to do the best of all, in terms of their treatment by global financiers.

It makes sense to Board of Executors portfolio manager Rob Lee, who says that "SA corporations are in better shape than the country, to borrow money".

Leading asset managers Coronation MD Leon Campher agrees "at the moment Anglo's will get a better reception overseas than the government".

However, he adds, should the government go the privatisation route and relieve pressures on its debt, the country's rating will vastly improve.

For Lee the country's credit rating is impeded by fiscal problems, exchange controls and over-regulation, which a large local corporation avoids being tied to by "internationalising" its operations.

The trend has already been set by Liberty, Barlows, Gencor, Pepkor and more recently Sappi, which have sailed through on fund-raising drives overseas

Hot on their heels is SA Breweries, Iscor and Samancor, all presently on global roadshows.

"That is the starting point for raising offshore finance," points out Frankel, Pollak economist Mike Brown.

Although its unheard of for corporations to receive a higher rating than the country they represent, he admits that most large local corporations have a better balance sheet and a far longer management track record than the government.

In addition, as he points out, corporations have the added incentive of offering the option of bond finance, convertible down the line into an equity stake.

However, Brown says he would not be surprised to see the government offering equity stakes in parastatals such as Telkom and Eskom, to be taken up at some future time in order to make their bond finance more attractive and hopefully encourage a better borrowing rate.

As an aside, Lee says that SA banking groups may find it harder to raise funds overseas than corporations because as he puts it "banks are marginal operations, whose profits can be wiped out with a few bad decisions".

It all points to an easier short-term overseas funding drive from corporations that stand alone and avoid noticeable contact with the country's image or, for that matter, their local bankers.

Africa 'must lure oil companies

(74B) CT 18/10/94

. . . with favourable terms for investment'

By MAGGIE ROWLEY
Deputy Business Editor

AFRICAN countries would have to offer attractive terms and fiscal policies if they were to compete globally in attracting investment by oil companies.

This was the overriding message from speakers at the first day of the Africa Oil 1994, an international energy conference being held in Cape Town this week.

Paul O'Bryan, director of commercial development of Amoco Corporation, which operates in more than 30 countries and is the largest holder of natural gas reserves in North America, said the "new oil game" was characterised by global competition for investment capital.

Earlier predictions of tremendous increases in oil prices in the '90s had not materialised and oil companies were also facing increased costs of exploration and projection.

As a result the economics of these companies had become less favourable and they had begun to focus their activities on more favourable investment climates and to prioritise countries.

"Some countries have reacted to the lower oil prices and reduced their disincentives for investment. This has paid off in a more favourable response by companies. Some countries have not and, as a result, have lost considerable interest by the companies."

"My own company has already begun focussing our efforts seeking investment opportunities particularly in countries with good hydrocarbon potential, appropriate fiscal regimes and contractual terms. We weigh the opportunities of Africa against other parts of the world and believe that many companies will follow this same strategy.

"We will see capital flowing to countries with more attractive opportunities and away from countries with unreasonable disincentives."

Reward

Fiscal regimes, he said, had to be tailored to allow projects of varying size so that countries could benefit from development of marginal fields and companies could earn competitive returns.

While African countries were beginning to recognise the need for rewarding companies for undertaking such high risk by providing more attractive fiscal terms, some had not gone far enough to meet competition from other parts of the world.

John Cousins, vice president of new business development for Mobil Oil Corporation said many emerging economies in Asia, South America and in Africa would need to double their energy consumption over the next 20 years if they were to realise their visions of economic growth.

Oil and gas demand, which accounts for 60% of total world energy consumption today, was expected to maintain its market share and reach more than 140 million barrels of oil a day by the year 2010.

African countries endowed with oil and gas riches had the opportunity to capture a share of increasing worldwide demand.

"Africa has no shortage of investment possibilities but if the countries in Africa are to capture a proportionate share of increasing worldwide energy demand, investment levels in these countries must increase."

However, he said, the investment climate in African countries generally was not sufficiently favourable to attract significantly higher levels of investment.

"But it is only each country itself that can determine whether it is positioned to capture sufficient capital to drive its economy into the 21st Century.

Terms

"The stewards of the petroleum resources in the great nations of Africa must continually re-evaluate whether or not host nation terms are competitive with those of countries elsewhere. There is not enough money to go around and things are changing too fast."

He said he hoped Africa rose to the challenge and offered investment opportunities which were among the best in the world.

If there were good opportunities in South Africa, Mobil would be keen to bring prosperity through new investments and the latest technology, he said.

De Klerk's new mission

TOS WENTZEL, Diplomatic Correspondent

DEPUTY President F W de Klerk leaves on a 10-day visit to Argentina, the United States and Britain next week in another attempt to boost foreign investment.

It will be Mr De Klerk's fourth such visit since he became a deputy president in May.

Dave Steward, head of his office, said the first three successful visits had concentrated on Europe. Now he was turning his attention to the Americas.

In Los Angeles, Houston, Washington, New York and London Mr De Klerk will speak to top businessmen on aspects of the government's Reconstruction and Development Project and South Africa's fiscal and monetary policy.

On November 2 he will address the World Affairs Council in Los Angeles and in London he will address the chairmen of Britain's 100 top companies.

(T4B) ARG 26/10/94

Florida warms to SA with $30m

ST Times 6/11/94

By DON ROBERTSON

FLORIDA, one of the last of the US states to drop its anti-apartheid sanctions, has announced a $30-million SA investment programme.

The funds will be channelled from the state's $38,5-billion pension fund, one of the largest in America.

Bill Stevens, Florida's Assistant Secretary of State, says, however, that because of regulations and investment requirements regarding pension funds, the investment will be of an indirect nature.

This will probably be done through large companies intent on investing in South Africa or via multinationals with existing investments.

"We could invest in a company such as Coca-Cola which has a strong community involvement or other groups which could contribute to the reconstruction and development programme.

"We will make funds available to them for investment in South Africa."

An increase in the tourist trade between Florida and South Africa is also high on the list of priorities recently discussed between local tourist authorities and the Florida tourism board.

Mr Stevens visited South Africa in September when he met a number of tour operators including Captour and "renewed relationships" with South African Airways.

SAA started its first direct flight to Miami in December 1992 and because of the popularity of the route, a second flight was introduced in March.

South Africa is a leading exporter of cut flowers. Maimi is the second largest cut-flower centre in the world and the intention is to encourage the sale of South African flowers in America, says Mr Stevens.

"The plan would be to encourage this trade and although the transport of flowers does not fill aircraft, it could encourage further flights. We hope to see the number of flights increase from the current two a week to three or four," says Mr Stevens.

(748)

"We tried a similar excercise with Brazil and tourism has increased. Once we get it in line, it will begin to work," he says.

Mandela upbeat on foreign investment

748 ARG. 14/11/94.

MICHAEL MORRIS
Political Correspondent

PUBLIC enterprises will be sold to the private sector or be restructured to improve efficiency, President Mandela said today.

Delivering the opening address at a major Euromoney conference in Johannesburg, he said the reform of public enterprises — which included the sale of state assets — would be overseen through an "effective" internal monitoring mechanism to ensure economic objectives were met.

"This programme should set a precedent for every institution which manages our nation's resources — under whatever form of ownership," he said.

Although Mr Mandela was not specific, an earlier newspaper report mentioned the sale of state holdings in SA Airways, Telkom, Spoornet and others.

Mr Mandela also disclosed that the 1995 Budget was "being prepared on the basis of a target of no real increase in recurrent expenditure, leaving aside interest costs".

A steady annual decrease in the budget deficit was envisaged.

He said the "prudent and optimal use of our limited resources" would be advanced by the recently announced plan to restructure public sector finances.

Belt-tightening within the government — including salary cuts for political office bearers — to make government more efficient and cost-effective was being combined with measures to "accelerate the re-prioritising" of state spending to reflect the objectives of the reconstruction and development programme.

These were key elements of the economic framework the new government had "staked out" and within which it would pursue its "central task — bringing a better life for all South Africans".

Creating a climate for economic growth was vital, Mr Mandela said.

"Our primary objective is to address the basic needs of especially the poor.

"We have to reconcile this with South Africa's resource constraints."

Success required a partnership between all key role-players, he said.

On foreign financial and trade relations, Mr Mandela said South Africa was committed to the abolition of the dual exchange rate and other control measures.

Addressing international investors, Mr Mandela said: "The time is ripe for the planning and preparations, the assessment and analysis, to be translated into practical action in the form of productive investments to help build our country."

He believed that political environment and the economic growth engendered by reconstruction "create exceptionally favourable conditions for investment".

It was understandable that South Africa's long history of conflict and instability had left a certain scepticism al[...] prospects for successful transit[...] each stage South Africans had s[...] where failure was predicted.

Increased foreign investment and trade could make a critical contribution to sustained economic growth.

While there were high expectations of the government's capacity to bring about changes, there was an understanding that lasting and sustainable change needed careful preparation, and that one of the conditions of lasting change was stability.

"There is no simple solution, but I am confident that South Africans from every walk of life are determined to work together and have the capacity to succeed," Mr Mandela said.

US pledge to invest in SA

ET 17/11/94 29(74B)

By ARI JACOBSON

US pension fund managers, with trillions at their disposal, will return home this week after a city conference with a firm commitment to invest in South Africa.

This was the view of delegates attending the Pension 2 000 conference.

The conference — to introduce US pension fund managers to the country — ended yesterday with US delegates taking the stage and unequivocally punting SA during a panel discussion.

Reebok International director Mr Bertram Lee, on a poetic note, said "this is not about deal breaking — rather dream making (by investing in South Africa)".

Director of fixed income investments for the John and Catherine MacArthur Foundation, Mr James Casselbury, said: "I am going to recommend to clients that SA is a sound investment."

He pointed out SA will produce returns in the financial markets over a five-year period "comparable or above those of other emerging markets".

'This is not about deal breaking rather dream making.'

Mr Casselbury said the abolition of the financial rand was a "mute point" as investors in SA should take a medium- to long-term view.

Sloan Financial Group chairman Mr Maceo Sloan stressed "we have a commitment to this country — we (the US) encouraged sanctions and now we should, in the same way, support re-investment".

He also pointed out the rules should not differ to invest in SA.

"Nowhere else in the world is a blueprint required before investing — why should SA be singled out for different treatment?"

Oregon state treasurer Mr Jim Hill remained "sceptical" about the ability of SA to become a success story.

But Mr Sloan said: "This country is going to be an excellent place to invest for the long-term."

Africa funds fare badly in New York

(74B) BD 14/12/94

BEATRIX PAYNE

THE three New York Stock Exchange-listed African and southern African investor funds are going for a song as their share prices trade at an average 20% discount to the value of assets in their portfolios.

Share prices for the three funds — Morgan Stanley Africa Investment Fund, the Alliance Southern Africa Fund and the Bear Stearns New SA Fund — had performed disappointingly since their launch in early February, analysts said. None had traded above its launch price.

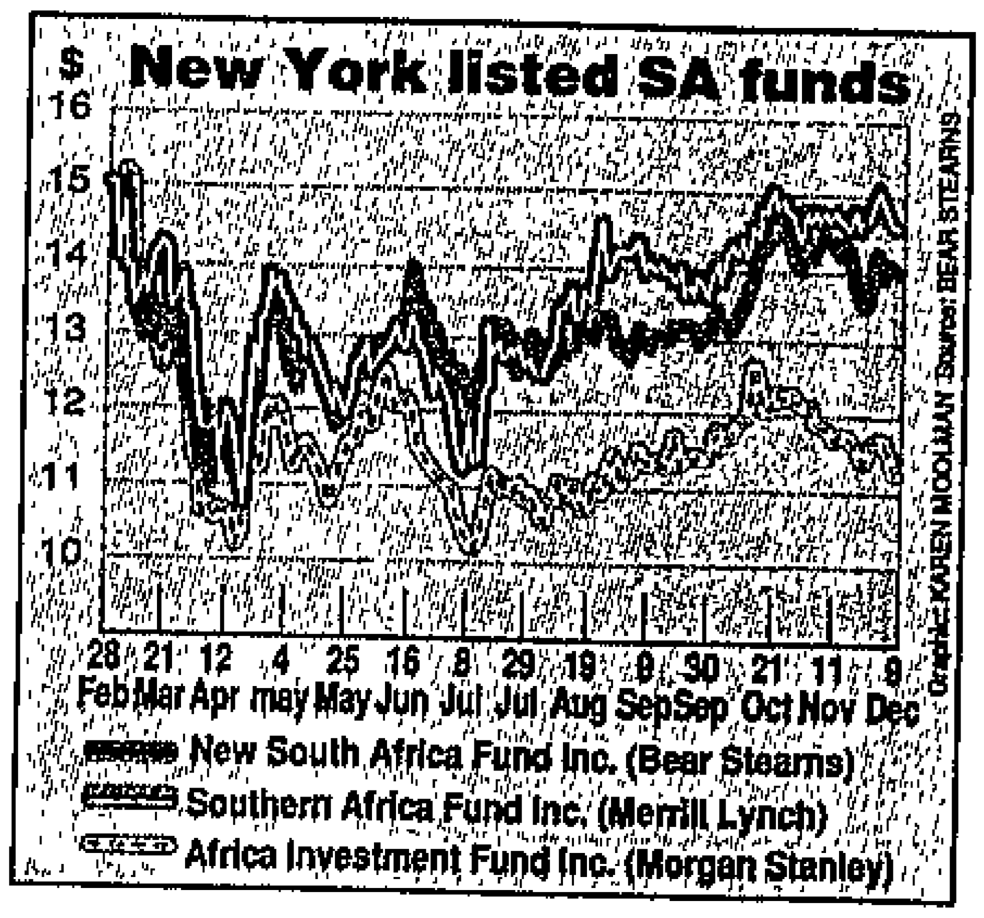
They said the sluggish performance reflected negative perceptions about Africa rather than the potential for growth of assets in the funds.

The rise in US interest rates had also affected perceptions about equities.

Investec Asset Management director Brett Comley said yesterday that despite the opportunity to pick up cheap stocks, investors had been wary of continued political risk in the region.

The southern Africa fund — which targeted retail investors rather than institutional investors — was launched at $15 a share with net assets of $14 a share.

By early December net assets were worth $18,26 but the share closed last Friday at $14,62, reflecting a discount of 19,9%, Comley said.



Investec advises the administrators of the Alliance Southern Africa Fund.

Comley said the 30% rise in net asset value represented a "fairly good appreciation". However, investor sentiment towards the counter — which had shown the best appreciation in asset value of the three funds — was weak as interest rate increases had seen retail investors restructure their portfolios.

"The general feeling is that with rising

□ To Page 2

Funds

□ From Page 1

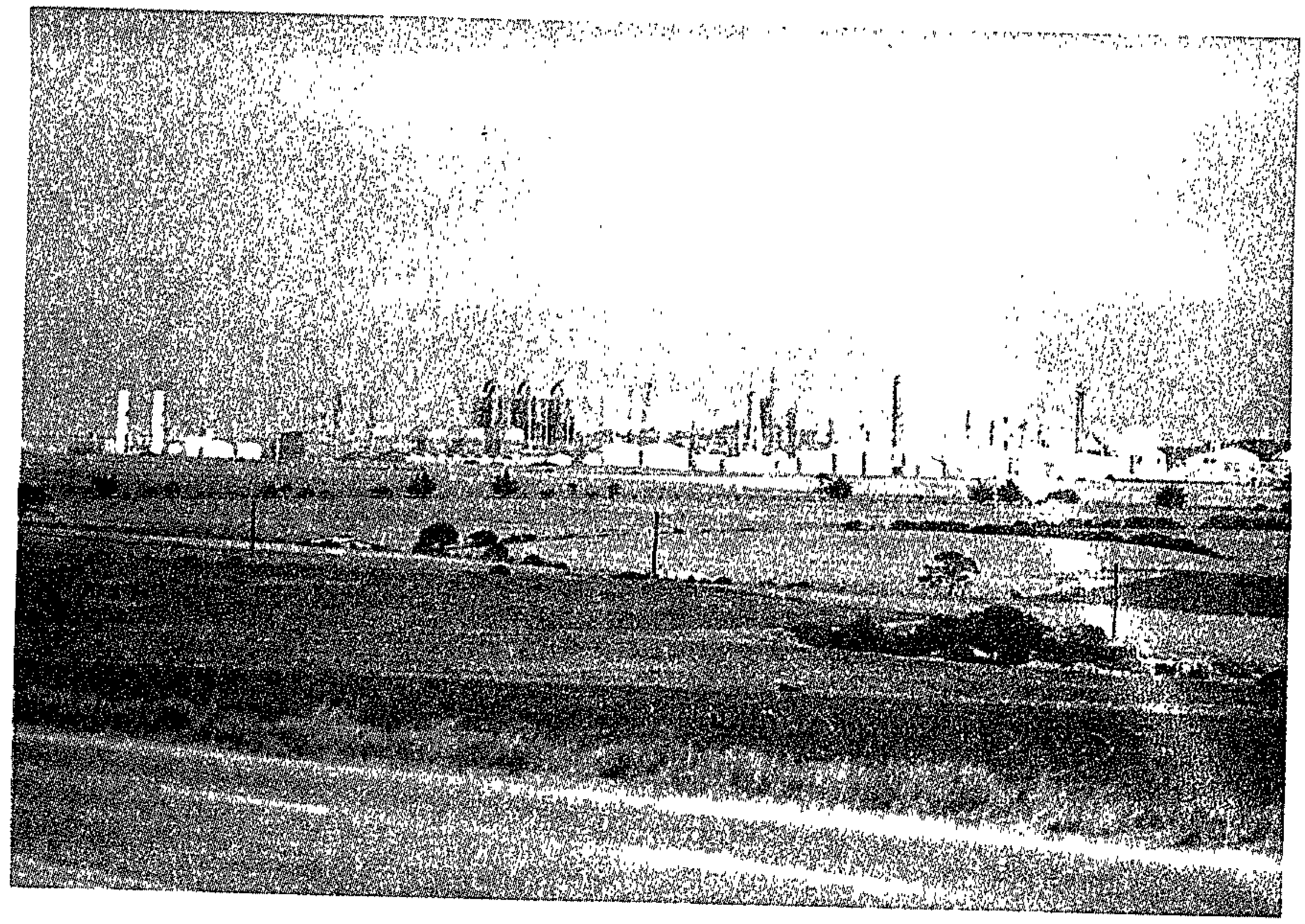
interest rates, there is generally less interest in stocks," Comley said. While investors viewed SA as a high-risk area, sentiment would turn if "the government can show its credibility and deliver on its promises".

The Morgan Stanley Africa Investment Fund — which had 50% to 60% of its assets based in SA — had trailed its rivals' performances. Its share price had slumped 25% since February.

New SA Fund's New York-based fund administrator, Vincent Pereira, said the counter had performed well, with net asset value increasing to $17,60 from $13,95 since its launch. However, retail investors were waiting for a clearer picture of developments in SA. "Short-term investors are feeling more comfortable in secure equities rather than high-risk emerging markets," he said.

New York-based analysts PaineWebber said the average discount to net asset value for funds specialising in specific countries outside the US was 5,5%, its widest level in two years. This meant the southern African funds, at 20%, were relatively cheap. "We regard this as an excellent time to be purchasing a quality fund at an uncommon discount," the group said in a report written in October. The current discount level reflected investor sentiment towards investing in Africa rather than the outlook for the assets in the funds.

Jumbo white elephant sale: Bargain



FOR SALE: One used, over-capitalised, synthetic fuel plant.

Pik's hidden message: We'll sell even at a loss

ARG. 15/12/94

74(b)

BRUCE CAMERON
Business Editor

MINERAL and Energy Affairs Minister Pik Botha, never known as the master of the understatement, this week claimed the R12 billion Mossgas project, which many experts consider terminal, could have a future — probably in Taiwanese hands.

The Taiwanese, he said, were proposing to take part of the Mossgas operations and expand them into a petrochemical industry.

For US$8 billion (R28 billion) about 400 000 jobs would be created and it would contribute about seven percent to GDP.

This appears to include a lot of double accounting, with every possible individual associated in any way with any product that would be produced added in.

Mr Botha said these estimates (of the Taiwanese) of the contribution to GDP were in line with previous estimates made by the Industrial Development Corporation and Sentrachem.

The statement ran into an on-the-record "no comment" from Mossgas and condemnation by the mayor of Mossel Bay, who foresaw 400 000 unemployed people marching across the coastal dunes on his town to find the promised jobs.

Mossgas has always been the subject of hype. When Danie Steyn, the then Minister of Energy Affairs initially announced the go-ahead for Mossgas, he did so in low-key fashion — clearly not convinced of its success.

After the six o' clock news that day he was pulled out of a cocktail party hosted by then State President P W Botha — who was as cautious about spending money as Pik Botha is about extravagant language — and told to get back on television to tell the nation about what a great scheme it was.

From then on government spokesmen could not stop telling everyone what a great investment Mossgas was; how many jobs would be created; how much money it would save the country.

The one big figure it kept very quiet about was the cost of Mossgas. Even when The Argus revealed the price tag was R12 billion the then government of F W de Klerk attempted to deny the truth.

Hidden in the fine print of Pik Botha's statement is the real message: the government wants to sell the project — even at a loss.

Somewhere around the end of the century — and probably earlier if parliament does not approve spending another R600 million on the project — the Mossgas complex, conceived as part of the grand apartheid strategy to tell the world to go to hell, will be nothing but a heap of scrap iron.

The best bet is to try to sell the plant now and get some money back on the enormous capital investment.

It is a sort of backdoor privatisation.

Mr Botha is the salesman and indications are he will accept a figure well below the R12 billion spent.

He concedes negotiations with the Taiwanese are preliminary, while sources in the industry say approaches are also being made to other parties.

The former government, after years of warding off criticism, admitted taxpayers would never get a return on the capital and has ever since justified the continuation of the project on the grounds that after excluding the R12 billion capital cost, Mossgas is making a profit.

In the meantime Mossgas is attempting to get approval from parliament for the additional expenditure.

A parliamentary committee, with no P W Botha to intimidate it, has decided that "no further money be invested in Mossgas without a comprehensive investigation, independently verified, which demonstrates conclusively that further investment is financially justified in terms of future profits, taking into account all direct and indirect costs to the motorist, the taxpayer and the government".

(T46) WM (BM) 19-25\8\94

Corporate raiders

■ From PAGE B1

cost the raiders R6,4-billion. Experts agree that the amount is "significant but not a major deal in the US, particularly if the finrand mechanism is used". Under such conditions only US$1,4-billion would have to be raised, which is "small and marginal when it comes to the aggressive US shareholder".

When asked how such vast sums could be raised in South Africa, analysts say that as long as it is through debt and not through issuing shares, it doesn't matter what mechanism is used.

Companies have the option of using a combination of bank loans and issuing debentures or they could issue their own gilt. The average cost of each bond on the market is at present around R1-million and means that only 3 000 bonds would have to be issued to raise R3-billion. Derivatives dealers say, given that R1-trillion worth of bonds are bought and sold annually in South Africa, raising R3-billion "should be no problem at all".

Says Ernst & Young Corporate Finance MD Graham Royston: "South Africa is not geared up to contest such takeovers or to raise funds through secondary market". Essentially, bonds issued by companies would have to be attractive enough to entice investors to buy these high risk, high gain gilts.

Yet this is an untapped, totally legal market which experts expect to become more widely used in the future. Strong market speculation is that in addition to an RDP Bond, stockbrokers are likely to introduce their own version of the US Junk Bond in the near future.

So what difference does it make who owns a company? After all, shareholders — who are owners of the company — have every right to take up an offer which is nearly twice the value of their shares.

A closer look at the outcry over the Randgold case shows that shareholders are not being made an offer in money terms, but are being asked to install the consortium as new management to unlock value and make the mine more profitable. Yet they are not the ones complaining. The problem is centred on managers, directors and workers, who are afraid that the new owners will strip the assets and sell off the company, rather than continue to run its operations.

Says a gold analyst: "The National Union of Mineworkers and management have a very real fear that the mine could be closed down. After Fraser Alexander took over Rand Consolidated they reduced the workforce to 600 from about 3 000."

In addition to the 32 000 workers who NUM expects will be affected by a possible closure, concerns are that the consortium has no experience in running a gold mine and has every intention of closing it down.

In fact, not a single member of the consortium has experience in gold mining. Fraser Alexander's experience is limited to slimes dams. Time Mining owns and runs Rand Leases, Aurora Mining's experience is in granite and SC Warburg is a UK Merchant Bank.

"The holiday is over," says a gold mining analyst, "directors will have to run far tighter ships in future if they are to avoid having to deal with the Fraser Alexanders of this world."

Investors bring a cosmopolitan air to Hout Bay

□ Foreign capital pours into resort

ARG 7/12/94 (74B)

Staff Reporter

UNPRECEDENTED foreign interest and investment in Hout Bay is transforming this picturesque part of the Peninsula into a resort with a distinctly cosmopolitan flavour.

Italian, German and British capital has flowed into the area with the opening up of four new restaurants in time for the anticipated holiday rush.

Jurgen Ebert, who settled in Hout Bay from Berlin three years ago, has spent the last eight months and R1,2 million revamping Dirty Dick's Tavern overlooking the harbour.

It is now an upmarket restaurant and tavern that serves a selection of eight different draught beers, with the exclusive local rights to sell Kaltenberg Royal lager, made in Pretoria under licence from Prince Leopold of Bavaria.

Dirty Dick's was closed down earlier this year by the Western Cape Regional Services council after the previous owners built extensions over the septic tank and wooden structures that were considered a fire hazard.

The newly rebuilt and refurbished building houses an upmarket restaurant and outdoor terrace upstairs seating 80 with some stunning views over the harbour, and a downstairs pub and beer garden with room for 200.

Mr Ebert, who was in the restaurant business in Germany for 25 years, came to the Cape he says "to retire".

Another unwilling retiree, is Italian civil engineer Peter Giannoccaro who has just spent over R100 000 on an authentic Italian coffee shop and delicatessen, Cafe Italia in what was previously the bicycle shop in Victoria Road. Pastas, cheeses and virgin olive oils pack the shelves and the coffee bar boasts an impressive selection of aperitifs and liqueurs.

CHEERS! Gabby Ebert, wife of Jurgen Ebert, left, the new owner of Dirty Dick's Tavern in Hout Bay, cuts the tape to launch the restaurant as a new up-market venue offering a selection of eight different draught beers. Also in the picture George Funk, right, chief executive of Bavaria Brau, whose Kaltenberg Royal lager will be sold exclusively by the restaurant.

Mr Giannoccaro's son Sam and grandson Mark have taken over the bottom half of what was previously Al Caprawn on the beachfront and turned it into Fratelli's Taverna where they will serve a complete range of Italian dishes from pizzas to pastas.

Mark was previously a partner in Doodles in Bloubergstrand and his father owned an Italian restaurant in Bryanston. Fratelli's will seat 45 to 50 people inside and 36 outdoors.

The famous Kronendal Restaurant has also been sold, for an undisclosed sum to a partnership from Britain, Brian and Lynne Coleman and Vivienne Marks.

They plan to transform the restaurant into a wine and oyster bar and seafood restaurant.

Their chef is a German Alexander Wittig.

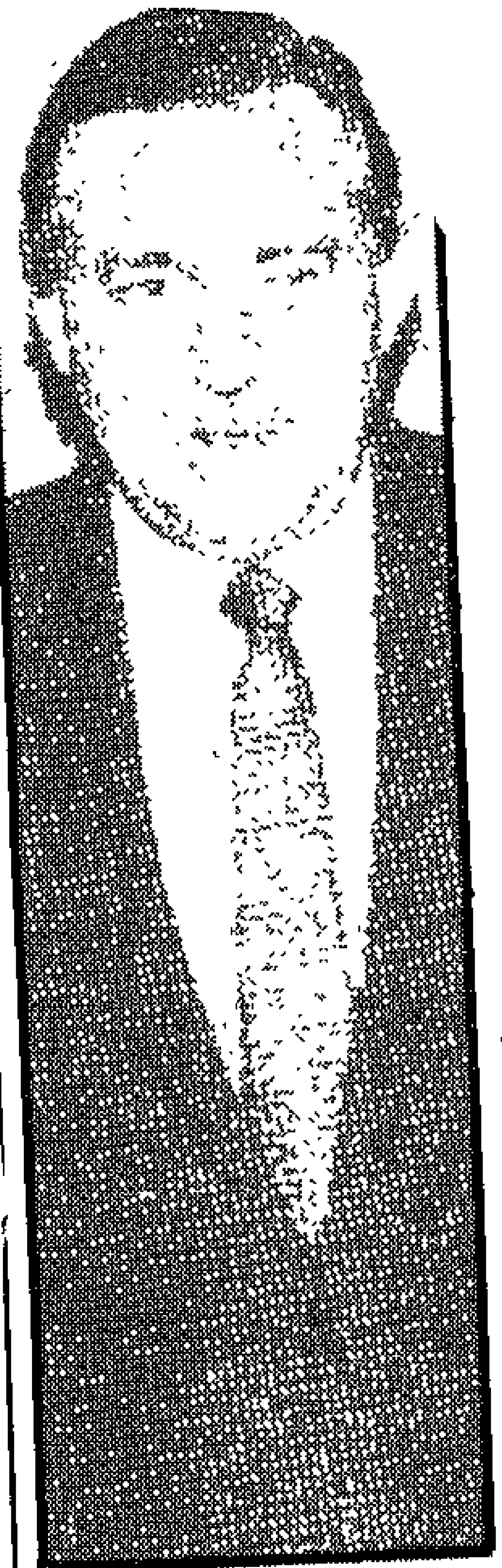
South Africans are also staking their claim. The 11-roomed Hout Bay Manor hotel was recently sold to a couple from Johannesburg, Rick and Collette Taylor for over a R1 million.

Adding some spice to the restaurant scene is Braam Brink's authentic little Mexican restaurant, Cafe el Pino in the old fisherman's cottage next to the recently opened Sembach Gallery. Cafe el Pino with its rough wood and metal tables and eccentric assortment of chairs and bright primary colours is so realistic you almost expect to see a hombre under a sombrero slumbering against the garden walls that have been kept suitably crumbly and Third World.

Pik confirms Taiwan bid for Mossgas

ARG 13/12/94.

74(b).



Pik Botha

CLIVE SAWYER
Political Correspondent

MINERAL and Energy Affairs Minister Pik Botha has confirmed Taiwan has proposed a R30 billion deal to buy Mossgas.

The deal will yield 400 000 new jobs and boosting South Africa's gross domestic product by seven percent, Taiwanese government and mineral industry representatives said.

An informal joint task force has been set up to complete an initial evaluation of the Taiwanese proposal by the middle of January.

The task force's objective was to evaluate the assumptions on which the proposal was based, and to compare relative merits of siting the project at Richards Bay or Mossel Bay.

"The proposal is massive and is a dramatic one for South Africa," Mr Botha said.

It was technically similar to, although much larger than, similar proposals made by the local chemical industry in the past.

Reports yesterday said Taiwan had offered to buy the controversial project as part of a development scheme aimed at helping the reconstruction and development programme.

Taiwan wanted Mossgas as an alternative supplier of crude oil, which it imports from the Middle East and south-east Asia.

It is understood that the oil-from-gas facility may be converted into a crude oil refinery, which on its own would employ about 1 600 people.

Mr Botha said, as he had stated previously, various alternatives were being considered concerning the future of Mossgas.

One was the sale of the operation.

A distinction had to be made between two processes taking place simultaneously, Mr Botha said.

One was the possibility of a further investment in Mossgas in order to provide revenue which will prolong its life until the year 2001.

This could be done by introducing pressure into the existing wells and drawing off gas from several satellite deposits.

This process was being carried out under the scrutiny of the parliamentary joint committee on public accounts.

A decision had been taken that no further money should be invested in Mossgas without a comprehensive investigation, independently verified, which showed conclusively that further investment was financially justified.

"The talks with Taiwan were entirely separate from this issue.

"They are part of ongoing exploratory talks with various parties in the search for a longer term solution for Mossgas which will reduce the loss which the Mossgas investment represents."

The Taiwanese proposal was for a refinery, a plant for raw materials to manufacture plastics, a plant for aromatics (required to manufacture synthetic fibres), plastics, fibre and textile production (to manufacture, for example, clothing material, motor car bumpers, TV cabinets and packaging materials).

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The proposal would be competitive in world markets, Mr Botha said.

Estimates by the Taiwanese of cost and contribution to the gross domestic product were in line with previous estimates by the Industrial Development Corporation and Sentrachem.

"We are only at the preliminary stage of discussions. The proposal will have to be subjected to extensive analysis, examination and assessment."

Unions key to Taiwan billions

ARG 17-18/12/94

74 (B)

DAVID BREIER
Weekend Argus Political Staff

■ Taiwanese investors considering pumping billions into South Africa are reluctant to tangle with militant South African trade unionism.

MILITANT trade unions could scupper the proposed multi-billion rand Taiwanese investment in South Africa, government sources have warned.

This follows revelations that the Taiwanese-based joint venture considering a R28-billion investment that would provide 400 000 jobs, wants a "no union" deal as part of the package.

The investment which also could involve the purchase of the Mossgas refinery, could be based either at Mossel Bay in the Western Cape or Richards Bay in KwaZulu-Natal.

A joint SA-Taiwan task team is evaluating the respective sites.

South African government sources told Weekend Argus they understood the Taiwanese were anxious to avoid the regular strikes and shutdowns enforced by militant trade unions.

This fear has been increased after this week's hint by Congress of SA Trade Unions (Cosatu) general secretary Sam Shilowa of a hardline approach next year.

"Cosatu must decide between its own interests and those of millions of unemployed South Africans," said a top government source said, suggesting Cosatu should do its utmost not to upset the Taiwanese investment offer.

This could set the scene for a clash between government and Cosatu, which is unlikely to allow a precedent of being excluded from a major industry.

Mr Shilowa was unavailable for comment after repeated attempts to contact him.

The Taiwanese are playing down the issue. Jerry Chen, political counsellor at the Taiwanese embassy in Pretoria said in an interview he was not aware of any such precondition by Taiwan. "Not to my knowledge," he said.

He said he also was not aware of another precondition that the chosen site should be declared a duty-free port along the lines of Hong Kong.

Mr Chen said the proposed investment would be a joint venture between the giant state-controlled Republic of China (Taiwan) group, Chinese Petroleum, and a private company from Taiwan, Tuntex Petroleum.

But, he added that Taiwan would welcome other countries, including South African interests, becoming involved in the joint venture. "Our companies are keen to work together," he said.

The future of the project would depend on the evaluation now under way, which would be complete in the first half of next year.

Mr Chen said the evaluation team had visited Mossel Bay and Richards Bay. He declined to comment on the respective merits of the two as a possible centre of the new industry, saying it would be up to the evaluators to choose.

According to South African government sources, the future of the R12-billion Mossgas scheme is not necessarily linked to the investment.

If the Taiwanese do decide to include Mossgas as part of the investment package and the scheme is sited in Mossel Bay, only about a third of the Mossgas plant will be modified for use in the new project. The other two-thirds would be scrapped or sold.

If Richards Bay is selected, the entire project would start from scratch, said the sources.

The proposed investment would involve an oil refinery which would provide Taiwan with an alternative source of oil, at present imported from the Middle East.

ARG. 12/12/94 74 (b)

Chinese bid to buy Mossgas

The Argus Correspondent

TAIPEI. — Taiwan wants to buy the Mossgas oil project at Mossel Bay as part of a R10-billion official development programme designed to help the RDP.

Thousands of additional jobs will be provided by specialised plants and facilities linked to Mossgas, providing a shot in the arm for the economy.

Taiwan wants Mossgas as an alternative supplier of crude oil, which it imports from the Middle East and south-east Asia. It is understood that the oil-from-gas facility may be converted into a crude oil refinery, which on its own would employ about 1 600 people.

Minister Without Portfolio Jay Naidoo yesterday declined to comment on the Taiwanese proposal.

Taiwan Board of Foreign Trade deputy director-general Leo F Tseng said in an interview here: "We are on the point of making a detailed study of the Mossgas project and expect that after six months a joint task force will be established to decide what to do with this enterprise.

"Negotiations have been continuing for some time with a view to the possible purchase of Mossgas."

Taiwan has given the South African government a blueprint for the establishment of small and middle-sized petrochemical industries which could provide jobs for tens of thousands.

Last week officials emphasised that the initiative had to be taken by South Africa.

"We have provided your government with ideas for long-term development schemes and the South Africans have to now appoint a task force to co-operate in realising the plan," said Mr Tseng.

He added that continuing trade with South Africa was important to Taiwan "and we look forward to a much closer relationship".

Taiwan is South Africa's sixth largest trading partner. Pretoria is one of 27 nations which maintains diplomatic ties with Taipeh.

Mr Tseng said new joint ventures and co-operative ventures were part of proposed co-operation in South Africa over the next few years.

These included technical training, energy and development projects, water reticulation programmes in rural areas, the purchase of surplus maize, electronic communication systems, the purchase of additional ferrosteel, manufacture of high-voltage transformers, establishment of new breweries, production of stainless steel products, development of micro-electronics industries and helping the computer industry.

Finrand out 'within a year'

CARDIFF. — The best bet on the future of the financial rand was it would go within 12 months, a Johannesburg stockbroker, Piet van Schaik, said here.

"When it happens it will be a non-event," he said at an economic seminar on SA.

Van Schaik, a partner in Silvis Bernard Jacobs Mellet and Co, said once SA had been given a financial rating index, it would "benefit by R32bn" although this would have to be offset by financial rand balances of between R6bn and R8bn.

Even if the benefits of the financial rating index were half of the R32bn, this would still easily cover the financial rand balances.

"By mid-year, at the latest August, the financial rand will be scrapped," Van Schaik said.

Funds fillip for SA joint ventures

CT 28/11/94 (74-B)

From BARRY STREEK

CARDIFF. — Small to medium-sized European firms were now eligible for large financial grants to investigate new joint ventures in SA, according to investment consultant, Mike Miles.

The EU-backed European Community Investment Partners (Ecip) programme has been used extensively to promote joint business ventures in Eastern Europe.

Miles told an economic seminar on SA that the scheme focused on joint ventures involving firms employing between 10 and 500 people.

Grants

In terms of the Business Investement Scheme (Bis) and the Project Investment Feasibility Scheme (Pifs) companies were eligible for grants to cover half of their investigation costs — up to one million Ecus (about R850 000).

Miles said the programme was aimed at preventing business going to competitor nations, particularly the Japanese and Americans.

US funds set to aid black entrepreneurs

ALIDE DASNOIS and JOHN VILJOEN
Business Staff

AMERICAN fund managers are set to pour billions of dollars onto the Johannesburg Stock Exchange.

But this time round they want to see the money go into the hands of black entrepreneurs.

Black empowerment was a dominating theme at the Pensions 2000 conference, which brought together South African investment advisers and finance houses and top US fund managers with billions of dollars at their disposal.

"Black empowerment doesn't mean creating a few rich blacks," Nick Vingirai, MD of Zimbabwean finance house Intermarket, told delegates.

He warned South Africa not to follow the same route as Zimbabwe in encouraging the development of black businesses.

"We created groceries, not industrialists. The reason why Africa hasn't developed is that we always think small."

Donald Ncube of Real Africa Investments warned that black empowerment would not be an event but a long process — and that much of it would take place off the JSE.

"The dealers in the townships are the real entrepreneurs," said Mr Ncube. "But investors don't know how to access them."

Dixie Strong of Simpson McKie said the JSE might have a role to play in taking an Unlisted Securities Market under its wing.

Many black-controlled companies could not meet the criteria for listing on the main board of the JSE and others might not wish to list.

An Unlisted Securities Market, with less onerous entry requirements than the JSE, could make use of the JSE systems for dealing in shares and settlement and could ensure investor protection.

The fund managers were upbeat about the prospects of investment in South Africa.

"Our mood is that we're bullish on South Africa. There is no question of that," said William Hayden, senior managing director of New York brokers and underwriters Bear Stearns.

Maceo Sloan, chairman of the Sloan Financial Group, said some of the biggest pension plans in the United States had sent representatives to the conference.

Mr Hayden, who is on his fifth visit to South Africa, said the New South Africa fund which is being marketed by his firm now stood at $85 million (about R302 million) and was being marketed in the United States, Europe and the Far East.

The JSE's inclusion on international emerging markets indices would have a major impact on investments from the United States, he said.

"A lot of large pension funds in the United States have index managers who manage around the indices. With South Africa being 20 percent of the emerging markets index, all those managers will put 20 percent of their portfolios in South Africa."

Neither Mr Sloan nor Mr Hayden was concerned at the decline in interest in emerging markets.

"Our business is cyclical, no matter which market you're in. I think there are signs of revival already," said Mr Hayden.

Over the long term, exchange controls were not a factor either.

Of more concern to Mr Sloan was the lack of liquidity on the JSE. But he expected the market to loosen up as the conglomerates unbundled non-core interests to finance attempts to become more competitive.

ARG. 16/11/94

'SA foreign investor friendly'

74(B)

JOHN VILJOEN
Business Staff

SOUTH Africa is "totally foreign investor friendly", tax expert Michael Katz has told an influential group of United States pension fund managers.

Mr Katz, who heads the Katz Commission of inquiry into the tax structure, said yesterday that — apart from its foreign exchange controls — South Africa had the most pro-investor business regulations he knew of.

This gave the country the edge of over others competing for foreign investment.

"South Africa is totally foreign investor friendly, not only in the substance of the law, but in the attitude of government departments," he told US fund managers attending the Pensions 2000 conference in Cape Town.

Among several attributes which made South Africa a business proposition, he listed its free press, totally independent judiciary and the country's "commercial morality of the highest order".

Corporate South Africa's success would depend on black economic empowerment and United States investors could play a large role in this..

Until blacks owned significant chunks of blue chip companies, their economic upliftment would not have been achieved.

"Your pension funds can make a meaningful contribution to black economic empowerment. There are structures to do it, but it is the bridging finance that we need," Mr Katz said.

The State's privatisation plans would be given a major boost if blacks could obtain meaningful stakes in these assets. US pension funds could contribute here too.

Ougoing Independent Development Trust chairman Wiseman Nkuhlu said South Africa needed between R7 billion and R11 billion invested in development.

Quantifying South Africa's annual development needs he estimated these as between R7 billion and R14 billion for housing, between R350 million and R700 million for electricity and about R700 million for improving the water supply.

■ Equity capital raised for black business reached R1 billion over the past year.

Black business now controlled R8 billion in assets, Standard Merchant Bank general manager Rob Dow told the conference yesterday.

The fact that this had been achieved in such a short time demonstrated clear market acceptance, Mr Dow said.

Johannesburg Stock Exchange performance was relevant because if black business was to be seen to be credible it had to be prove itself in the same structures as white-controlled business.

Black business was in the process of overcoming a host of barriers, Mr Dow told the conference..

The white perception of black business as small, emerging ventures was changing. Whites were now prepared to share quality assets with blacks.

Scepticism among institutional investors that black businesses could not deliver was fading, Mr Dow said.

Another factor on the decline was the purist concept of black empowerment which ignored the dearth of management skills among blacks. There was now a more positive view of black-/white partnerships.

French injection for SA economy

(74B) CT 22/12/94

From LINDA ENSOR

LONDON. — The French government and private sector wish to raise the level of investment stock in SA from its current R1,9bn to R3,2bn by mid-1996.

Francois Allais, manager of the Organisation for Industrial Cooperation and Investment between SA and France (Ocsaf) said there was a general realisation in France that it lagged behind its European partners, Britain and Germany, and needed to catch up.

"We realise that French interests do not reflect the fact that it is the fourth largest industrial country in the world. Our goal is to be more involved and represented in SA and will pursue it aggressively," Allais said.

He said the French private sector was enthusiastic, albeit realistic, regarding prospects in SA and judged the country as a "reasonable risk".

Allais noted that such a dramatic increase in investment was not unrealistic considering that even before the elections and their peaceful outcome was known, French investment had increased from about 60 companies with a total investment of R635m in 1991/92 to about 85 companies with R1,9bn invested in 1994.

This occurred despite the widespread hesitancy and uncertainty about SA's future which prevailed at the time.

'Rapid decisions'

Now Ocsaf was dealing with operational people who took rapid decisions.

Allais believed that French and SA businesses could do a lot together in Africa and act as a vital bridge between French and English-speaking Africa.

"French companies operating in West Africa cannot ignore the SA market if they wish to maintain their market share in the face of competition from SA companies. They have to be present in SA first and then move jointly into Africa.

"We believe it is wiser for them to work together rather than creating competition on what is a fragile and vulnerable continent. In five to 10 years we hope to have good cooperation between SA and French interests in Africa."

France, which had had a long involvement in Africa and had contributed an element of stability on the continent, shared certain geopolitical interests with SA.

Britain had about 1 500 companies with a total investment worth about R30bn while Germany's interests were represented by about 350 companies with a total investment of approximately R10bn.

Ocsaf is supported by the French departments of foreign affairs, economy of finance and industry, the French federation of industry and the Paris Chamber of Commerce as well as the SA Departments of Trade and Industry and Foreign Affairs and the Industrial Development Corporation.

R100bn earmarked for SA next year?

CT 6/12/94

JOHANNESBURG. — More than R100bn could be invested in South Africa in 1995, according to Barlows chairman Warren Clewlow in the group's 1994 annual report released yesterday.

Clewlow said a recent Standard Bank survey had identified a range of fixed investment projects presently underway worth R61bn.

"If South Africa returns to the fixed investment to GDP ratio of 25% it realised in 1987, more than R100bn could be invested in 1995. These figures give some idea of how much the investment demand must have built up in our economy during the recent years of recession," Clewlow said.

However, the potential for international investment was still hampered by uncertainty.

(74B)

"Potential investors perceive the dual currency system as a lack of confidence in the country's ability to design and implement responsible economic policies," Clewlow said.

"This, together with the ability to control inflation and government expenditure, the negative effects of high unemployment, and perceived labour unrest coupled with wage increases which do not relate to productivity improvement, are the most common concerns expressed."

Furthermore, questions were being raised as to the affordability of the Reconstruction and Development Programme and the timetable needed for its implementation.

"Just as South Africa was at the political crossroads a year ago, we have very soon thereafter reached the economic crossroads and the stakes are just as high," Clewlow said.

FOREIGN INVEST. (74B)

1995

JAN. — SEPT.

NB

THIS FILE HAD to be RE-Sorted due to careless users.

SA embraces depository receipt issues

CT 6/1/95

74B

From ROSS HERBERT

JOHANNESBURG. — Since investment sanctions were lifted, SA companies have raced from the back of the pack to a lead position in the issue of new American Depository Receipts and Global Depository Receipts.

ADRs and GDRs are investment instruments that permit local stocks to be traded in the US and other world markets.

Corporate equities are governed in the US and other markets by a host of complex accounting and disclosure rules that can be extremely difficult to follow for firms based in other countries.

Depository receipts permit stocks from countries like SA to be traded on foreign exchanges without complying with all of those regulations.

In a typical programme, a bank, say in the US, purchases and holds shares of a foreign firm. US investors can then purchase an ADR, which is a certificate of ownership of a foreign corporation.

Although the depository bank charges fees slightly higher than normal brokerage fees, depositary receipts make it much easier for investors to purchase foreign stocks.

Purchases in the US are made in dollars and can be executed conveniently during the normal work day (eight to 11 hours behind SA time).

The ability to buy in local currency puts foreign stocks on an even footing with domestic stocks. This, in SA's case, means investors can avoid the complexities of dealing with the finrand or use depository receipts to make plays against currency movements.

In June 1994, SA's issues of new ADRs and GDRs did not rank among the top eight in the world. But, according to year-end figures compiled by Citibank, SA ranked third in the world in issuance of new depository receipts. India was first with 43 new programmes, Hong Kong was second with 26 and SA was third with 22, bringing SA's total to 100 companies with ADR/GDR programmes.

Emerging markets represented 56% of depository receipt programmes launched in 1994 and 66% of the capital raised — up from only 11% in 1990. The amount of capital raised grew 81% over 1993 to $20bn (R71bn).

Convenience

In addition to the convenience they offer, depositary receipts have been fueled by a number of factors.

The global trend toward privatisation of parastatals, which are considered solid bets for investors wanting to diversify into foreign markets, has driven the growth in ADRs.

In SA this has been particularly significant as privatisation and unbundling send firms searching for investors. Iscor, Sasol and Eskom are just a few SA firms launching ADR programmes.

For SA in particular, the expansion of ADRs bodes well. By opening shares to foreign buyers, depository receipts help alleviate the JSE's liquidity problems. However, traders note that many recently established ADRs have greater liquidity problems than the JSE because they are not yet well known to foreign investors.

For SA companies, the biggest advantage of depository receipts is they improve prospects for access to foreign capital by raising awareness of SA companies and securities.

"It really is invaluable," says Ian Fraser, who is responsible for investor relations at Fedsure, which launched an ADR in August. Instead of going into the market cold and saying you need some money, you don't have to go through a whole process of introducing yourself."

On the downside, the more broadly SA shares are traded, the more tightly JSE prices will be tied to price swings on foreign exchanges and the more they will be buffeted by events in other markets.

For example, when Mexico recently devalued the peso, Mexican ADRs plunged in the US and drove down prices on SA ADRs. If trade volumes reach sufficient levels, such price swings will begin to affect the JSE directly.

Call for 'trade not aid' to SA

Staff Reporter

CAPE TOWN and South Africa need "trade, not aid", Olympic bid co-chairman Mr Raymond Ackerman told nearly 3 000 chief executives of United States food companies in Florida at the weekend.

The city was looking for investment, not handouts, he said. Hosting the Games in Cape Town would boost growth and investment in the region.

He predicted that Atlanta, which is due to host the 1996 Games, would gain more than a million jobs. CT 23/1/95

In Cape Town too, the Games would create much-needed employment and development opportunities. (74B) ~~(74)~~

Mr Ackerman asked the international business community not to relegate SA to the "free but forgotten" status of some other African countries.

He said he was certain SA could provide investors with good returns.

The Olympic Bid would provide many investment opportunities and would be a catalyst for achieving the government's RDP goals.

Marked investment flow to developing countries

74B CT 23/1/95

PARIS. — Private capital flows into developing countries hit an estimated record $173bn last year, a four-fold increase from 1989, and Mexico's finance crisis is unlikely to reverse the uptrend, the World Bank affirmed yesterday.

It said developing countries' share in global foreign direct investment (FDI) rose sharply to 37% of the total in 1993, from 29% in 1992, with China emerging as the world's largest single recipient of foreign investment, reporting inflows totalling $26bn.

Presenting its annual report on developing country debt and financial flows, senior World Bank economists said the massive expansion of private flows was rooted in "real economic transformation" including the globalisation of economic activity, trade liberalisation and privatisation.

Investors' flight from Mexico after the bungled year-end peso devaluation reflected a "very specific" Mexican problem, Malvina Pollock, co-author of the report, told reporters here.

After initial "panic" on the markets — including turmoil in Asia — they were likely to realise it did not threaten the financial system, as did the Third World debt crisis when it erupted a decade ago, she said.

The Bank projected an overall 1994 net resource flow of $227bn to the developing world, an all-time high.

But this would be only a "modest" rise over the 1993 figure of $213bn, which marked a 40% jump from 1992 to more than twice the 1990 level of $103bn.

The Bank linked this to a sharp slowdown in net long-term private capital flows, which were up by just under 9% after a massive 55% rise in 1993 to $159bn.

It said the slowdown was due to price corrections in some overvalued emerging markets, fuelled by rising US interest rates from early in 1994, which triggered turmoil in the bond markets, and "adverse political and economic developments" in some developing countries.

The virtual explosion of private flows in 1993 was due mainly to economic reforms in many developing countries, which restored their creditworthiness in the wake of the commercial debt crisis, now in its "twilight" phase, it said.

A "spectacular" surge in portfolio equity investment which reached $47bn in 1993, a 13-fold increase from 1989, was a key feature, spurred by financial liberalisation, easier foreign access to emerging stock markets and large-scale privatisations.

But the Bank projected a decline last year to $39,5bn dollars in this compartment, as market corrections cooled the enthusiasm for such investment.

Bond issues by developing countries on the international capital market more than doubled in 1993 to a gross total of $53bn, with Latin America accounting for nearly half.

But the World Bank foresaw a decline to $50bn in 1994 in the wake of the turbulence that hit world bond markets as US interest rates turned up.

The declines in these two sectors were likely to be largely offset, however, by a continued steady expansion of FDI, which rose by 42% in 1993 to $67bn and should increase moderately to $78bn in 1994.

Asian middle income countries secured about 56% of these non-debt-creating flows while another 25% went to Latin America, the Bank said.

Private capital now accounts for three-quarters of all long-term flows to the developing world, up from 44% in 1990, the report said.

Official aid, on the other hand, has more or less stagnated at about $54,5bn, after peaking at just under $62bn in 1991 in the wake of the Gulf war.

While most low-income countries, including Sub-Saharan Africa, more and more rely on official development finance, most private flows went to 20-odd East Asian and Latin American middle-income countries.

But Asia's two low-income giants, China and India — with a 1993 per capita GNP of respectively $490 and $290 — also benefitted from these flows.

The Bank said developing nations' overall debt, which stood at $658bn in 1980, was just short of the $2 000bn mark at end-1994, at a projected $1 945bn against year-earlier $1 812bn.

While debt cuts under the 1989 "Brady plan" had broadly solved the problems of middle-income debtors, 32 severely indebted poor countries, mostly African, still had total debts of $196bn as of end-1993.

The Bank called for "concerted" efforts by creditors and continued economic reforms by the debtors to put their economies back on a path of sustainable growth. — Sapa-AFP

Ignorance holds back investment

MUNGO SOGGOT

THE more foreign investors know about SA the more eager they are to invest, but those in the know are outnumbered by the ignorant, who are holding back, according to a survey of international investor perceptions of SA.

The report, drafted by UK-based Shandwick Consultants, a specialised financial and public affairs communications consultancy, surveyed 20 leading investment institutions and stockbrokers.

It recommended that SA companies market themselves to investors through a sustained, long-term communication programme as most repondents had shown a limited knowledge of individual companies.

"There is an extremely high level of correlation between (relatively) in-depth knowledge of the SA market and positive impressions about the opportunities available there. Equally, however, a close correlation exists between the posession of a relatively low level of knowledge and (relatively) negative impressions about the opportunities."

Investors fell into two camps, the largest of which had adopted a "wait and see" approach. However, others had formed an early view on SA and were already signficantly exposed to the market. (74B)

The report said the apparent lack of interest in SA from a large proportion of investors was mainly caused by the speed of events in SA, which had left them ill-prepared for exposure to the market.

The two main barriers to investment — the dual currency system and the political sitaution — were shrugged off by the "cognoscenti" who thought it was equally risky not to be exposed to SA at the start of a period of substantial growth.

The consultancy said all respondents were upbeat when asked how they thought the investment scene in SA would develop in future.

"At the most basic level there is simply thought to be considerable potential for equities as a means of tapping into the potential of SA. Regardless of the rationale, the conclusion remains constant — the outlook for SA is extremely bright," the report added.

Respondents had similarly upbeat feelings about SA's political future. They felt government was of a high calibre and would "continue its present course of implementing policies which are designed to create the environment for economic growth".

Dissenters from this consensus view usually focused on the possibility of Nelson Mandela leaving the political scene.

Govt 'should set policy'

(74B)

CT 1/2/95

By AUDREY D'ANGELO
Business Editor

RESERVE Bank governor Chris Stals' monetary policy helps to reassure foreign investors — but his delay in lifting exchange controls discourages them and could cause the upturn to be aborted too early, says Board of Executors economist and senior portfolio manager Rob Lee.

Lee stresses, in his current Investment Outlook, that it is imperative for SA to achieve sustained high economic growth rates and action must be taken soon to attract net foreign capital inflows of R35bn or more.

To help achieve this the government and not the Reserve Bank should set policy on exchange control, as was normal worldwide.

Stals seemed intent on stabilising the nominal exchange rate, to squeeze the inflation rate downwards. But this strategy was not compatible with high growth unless there were massive capital inflows.

Without that Stals' policy of waiting to lift exchange controls would require such high real interest rates that the economic recovery could well abort during 1996.

"The combination of an inadequate growth strategy and an aggressive policy to stabilise the exchange rate is not a favourable one for equities," Lee points out.

"The JSE has already fallen sharply, partly due to international influences but also due to faltering confidence in domestic, political and economic prospects.

"Events of the next few months will determine whether present equity market weakness is a buying opportunity or the beginning of a more prolonged down phase."

Lee says that after a pedestrian rate of growth of 2,5% this year it is possible for the economy to grow at 3,5% a year in 1996 and 1997. In this scenario, with no increase in government consumption spending, he tentatively predicts that export volumes will rise by 5%, gross domestic fixed investment by 10%, gross domestic spending by 5,5%, private consumption spending by 3,5% and import volumes by 10%. In this case he expects a deficit of R15bn on the current account of the balance of payments.

He assumes that the international recovery will be sustained throughout the three years and that the SA recovery will be driven mainly by rising investment, mainly related to the RDP.

"Economic growth will therefore continue to be highly import intensive, which is why the current account deficit widens so sharply. However, as a percentage of GDP these deficits are in line with historical experience when the domestic economy is in a period of strong upswing.

"Consumer spending will continue to remain relatively weak in 1995 but accelerate in 1996/7 on the back of rising employment and the redistributive impact of the RDP.

"The main factors holding back consumer spending in the short term are higher interest rates, fiscal drag and the transition levy, average wage increases at or near zero in real terms and the resumption of bond, rent and services payments in the townships."

DIAGONAL STREET

SA must fight off other markets for investment

(74B)

BD 13/2/95

WITH SA now considered an emerging market it is likely to be exposed to greater global competition for investment from like economies.

Some of SA's main competitors were likely to be India, Turkey, Israel and other markets in the European time zones, an analyst said. Despite recent jitters linked to the collapse of the Mexican economy, many fund managers still needed to seek investment opportunities in emerging markets.

The Israeli economy was "back on track" and set to experience subdued growth and inflation this year, despite previous forecasts that the economy was overheating, said a report issued by London-based broking firm UBS this month.

Inflationary pressures in the economy had been placated by firm monetary policy action and a "modest cyclical deceleration" in activity.

The report forecast that growth was likely to ease to 4,5% this year from 7% last year as private consumption came off its recent highs and unemployment remained about 7%.

Investment would be strong during the next few months, particularly in non-residential construction. Up to December the main impetus for growth had come from the construction sector.

However, more recent evidence showed that supply had begun to outstrip demand, which had led UBS to be less pessimistic in its outlook for housing inflation, likely to slow in the latter half to reach a year-end target of 12%. As a result the broking firm forecast a reduction in interest rates during this quarter.

It said it had expected to see an upward spike in inflation and interest rates during the first half. "It now appears that the spike came sooner than we expected, with interest rates rising 350 basis points from October to December."

Israeli exports would rise about 7% and growth in imports would subside to about 8% from 12,7% last year. However, the trade account would remain in deficit, the report said. Aid flows were expected to decline and if the balance of payments weakness continued it could become a "significant problem".

Political uncertainty a short distance north in Turkey was likely to pose a "serious obstacle" to the success of its economic strategy and recently introduced austerity programme, UBS said.

The austerity package announced by the government in April was intended to correct the budget imbalance by 1996/97 while attempting to increase central bank autonomy.

The package had driven the country into "deep recession" and the economy looked set to contract 4% last year, the report said. Growth this year was forecast to reach 1,5% — the government's target was 4,4% — and, if the austerity package proved successful, the country could return to sustained higher rates of growth next year.

With Turkey's population close to 62-million and growing at 2% a year, and GNP of approximately $140bn, per capita GNP was $2 300. Inflation was more than 110% and interest rates were 100%-120%.

The country's vibrant private sector had grown despite the high level of volatility in the economy, high interest rates and "government meddling".

The inherent dynamism in the private sector was expected to drive the economy, the report said.

Various Turkish governments had attempted to launch privatisation programmes during the 1980s but by the early 1990s the programmes had faltered.

The current government estimated that state assets worth $18bn could be privatised if the programme was fully implemented.

The broking firm had tagged SA, Israel and Turkey with risk notices based largely on political and economic factors.

BEATRIX PAYNE

Council heads tariff talks

THE National Economic Development and Labour Council (Nedlac) would oversee sectoral and national talks on the country's "painful" trade tariff adjustment, Trade and Industry Minister Trevor Manuel said yesterday.

At the International Corrugated Case Association conference, he said SA remained committed to the principles of the World Trade Organisation.

"This will result in substantial changes in the tariff regime, which requires a period of painful adjustment. This adjustment will never be achieved successfully unless we engage in open and honest discussion between government, business and labour." BD 14/2/95

Nedlac is a statutory council to be launched officially this week, replacing the National Economic Forum and the National Manpower Commission.

Manuel said the country would build on its strengths to ensure industries absorbed labour and were globally competitive.

The country's paper and pulp industry had developed a dynamic comparative advantage, especially producers of kraft paper and corrugated containers.

Recent negotiations with the European Union had illustrated some European countries' fears of competition with SA. — Sapa.

US pension funds' attention back on SA

(74B) BD 14/2/95

JOHN DLUDLU

US business and investor interest in SA is showing signs of improving with an increased number of pension funds investing in SA stock and a rise of US corporate direct involvement in the country,the Investor Responsibility Research Centre (IRRC) said yesterday.

An IRRC survey of 69 US pension funds and other institutional investors found more than half were already investing in SA or were planning to do so within the next 12 months.

The report noted that these relatively bullish attitudes were expressed in August and September, even before SA's debt received investment ratings or before SA was included in investment indices.

The IRRC said that US companies were also increasing their profile in SA. As of this month 183 US companies had direct investments or employees in SA, a 36% increase since President Nelson Mandela called for the lifting of sanctions against SA in September 1993.

According to the IRRC's directory, released last month, 598 non-US multinational companies had direct investments or employees in SA and 442 have sales or licensing agreements.

US companies with non-equity ties, such as licensing, franchise or sales agreements, had increased to 498.

The list of US companies which had returned to SA after disinvesting in the 1980s included Coca-Cola, CPC International, IBM, PepsiCo and Sara Lee.

US companies which had entered SA for the first time after sanctions include Morgan Stanley and Hyatt International.

"At the high water mark — just before the lifting of sanctions — 181 US localities (cities and states) had sanctions of one kind or another. Today, just 12 localities have such policies on their books," IRRC SA programme director Meg Voorhes said.

From 1984 to 1991, the number of US companies with direct investments in SA had dropped to a low of 104 from 284.

● See Page 14

Loan to aid small business

JOHN DLUDLU

PART of the Japanese Export/Import Bank's $100m loan to SA would be used to finance small- and medium-sized enterprises, the Development Bank of Southern Africa said.

The SA/Japanese negotiators were finalising details of the deal, and agreement could be reached shortly.

Outgoing Development Bank CEO André la Grange said at the weekend the bank had compiled a list of projects to be financed by the long-term concessionary loan finance. These included small business, small-scale farming, development and job-creation projects.

Business plans for all these projects were being prepared. "We also have the support of the reconstruction and devlopment programme committee," La Grange said.

All projects would enjoy equal priority and would be spread across the country's nine regions. BD 14/2/95

The loan to the bank was part of the $1,3bn aid package pledged by the Japanese government to SA. The package consisted of $500m in Exim loans.

Of the $500m, only $300m had been tapped by SA institutions. The $300m loan agreement was signed with Eskom last month to carry out RDP-related electricity projects.

It is understood that discussions on the remaining $100m were under way with another parastatal. This portion would go towards export credits and grants to non-governmental organisations, sources said.

UK to help protect coast

LINDA ENSOR

LONDON — The British government had agreed to help SA prepare a national plan for coastal zone management, Overseas Development Minister Lynda Chalker told the House of Lords yesterday.

She stressed the importance of an integrated management approach to ensure the sustainable development of coastal zones and said she was "pleased that the new government of SA has adopted such a new approach".

SA had an "excellent" record of developing protected coastal areas. "But protection alone will not meet the needs of SA's growing population. The objectives of protection must be integrated with those of sustainable economic and social development."

American investors getting smarter about local equities

74B

STAR 21/2/95

US-SA funds growing fast

BUSINESS STAFF

The absence of a track record and lack of understanding from foreign investors about the SA equity market has contributed to the marking down of the three southern Africa funds launched in February 1994.

But according to the latest issue of Southern African Analysis and Advice, a monthly newsletter from US-based Lynch, Jones & Ryan, investors are getting smarter.

The price of Alliance Capital's Southern Africa Fund has been on an uptick since December 1994, easily riding the emerging market anxiety sparked by the financial crisis in Mexico.

The other two closed-end funds specialising in southern Africa, Bear Stern's New South Africa Fund and Morgan Stanley's Africa Investment Fund, have fared less well.

The New South Africa Fund is cheaper than the worse-performing Africa Investment Fund, but this could have something to do with Morgan Stanley's sales network.

	SOUTHERN AFRICA FUND	NEW SOUTH AFRICA FUND	MS AFRICA INVESTFUND
Net assets	**$100 million**	**$81,2 million**	**$226,6 million**
% in SA	95%	93%	70%
% in equity	68%	80%	65%
% in mining stock	19%	41%	35%
Launch date	Mar 94	Mar 94	Feb 94
US$ performance to Dec 94	+56%	+30%	+7%
Relative to JSE all-share index	+112%	+13%	-74%
Price at Jan 31	$13,25	$12,43	$11,00
Net value at Jan 31	$15,78	$15,45	$13,26
Price discount NAV	16%	20%	17%

Source: SAAA, Morningstar funds

Of the three funds, the Southern Africa Fund was trading at a 16 percent discount to net asset value (NAV) at the end of January, New South Africa was at a 20 percent discount and Africa Investment Fund was at a 17 percent discount.

Since their launches in March 1994 the Southern Africa Fund has grown its dollar-denominated NAV by 56 percent while the New South Africa Fund has grown by 30 percent. Both have outperformed the JSE's all-share index, up 26 percent in dollar terms in 1994.

However, the Africa Investment Fund has grown its NAV by only seven percent since its launch in February 1994. According to the newsletter, this disappointing performance is mainly because it dabbled in non-South African securities.

In September 1994 almost a quarter of the Africa Investment Fund portfolio was in central and north African sovereign debt, mainly Moroccan floating rate notes and Nigerian central bank bonds.

Its search for "the undiscovered and undervalued" is clearly a high-risk strategy in Africa, Southern African Analysis and Advice said, and although it might also be a high-reward strategy, that remains to be proved.

The strategy of Alliance Capital's Southern Africa Fund was initially to overcome the illiquidity of the SA stock market by investing in JSE all-index futures. It invested heavily in cyclical stocks such as Iscor but is now cutting back on those.

The New South Africa Fund follows four long-term principles — post-apartheid reconstruction in SA, where fixed investment is expected to grow twice as fast as consumption expenditure over the next few years; consumer spending on the back of reconstruction and development; the cyclical upswing; and natural resource stocks, including gold, platinum and base metals.

According to the newsletter, newcomers to investment in SA can draw two lessons from the regional funds.

Firstly, their performance was achieved mainly outside the mining sector, helping to dispel the popular view of SA as a natural resources play.

Secondly, the portfolios of the funds suggest some liquid non-mining SA equities which may be unfamiliar to foreign investors. These include Metropolitan Life, Nampak, Sentrachem and Nedcor.

US-SA funds grow as investors get in

ARG 24/2/95 (74B)

Business Staff

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In September 1994 almost a quarter of the Africa Investment Fund portfolio was in central and north African sovereign debt, mainly Moroccan floating rate notes and Nigerian central bank bonds.

This fund has a pan-African and emerging markets focus and according to Morgan Stanley analyst Chris Lane, South Africa is not an emerging market.

For good returns the fund has to look beyond South Africa.

Its search for "the undiscovered and undervalued" is clearly a high-risk strategy in Africa, Southern African Analysis and Advice said, and although it might also be a high-reward strategy, that remains to be proved.

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Joint SA body to lure US business

CT 2/3/95

WASHINGTON. — The United States and South Africa established a high-level joint commission yesterday intended to help increase the number of US business ventures in post-apartheid South Africa.

Vice President Al Gore and South African Deputy President Thabo Mbeki signed a statement here on establishing the new working group which they will co-chair.

(74B)

"By doing so, we launch a new era in partnership between our two democracies," Gore said in a statement following the signing ceremony.

The commission made up of five committees will focus on business development, environment, conservation and sustainable development, energy development, human resource development, education, science and technology.

Members were to meet every six months with the venue alternating between the two countries. — Sapa-AFP

UK analysts cautious of SA market

(74B)

ARGT 4/3/95

The Argus Foreign Service

LONDON. — British investment consultants are still advising their clients to be cautious about South Africa's emerging market.

According to a survey by the London Daily Mail's investment writer, Sylvia Morris, leading advisers are suggesting that prospective investors either wait for developments or limit their investments in South Africa.

Morris reports a number of qualities widely regarded as encouraging — including an existing infrastructure, a financial, legal and accountancy framework and "a whole lot of international goodwill".

The inclusion next month of the Johennesburg stock market index in the International Finance Corporation Emerging Markets Index, representing in real terms about 25 percent of that index, is expected to bring more institutional money to the Johannesburg market, the paper reports.

Johannes van der Horst, general investments manager at Old Mutual in Cape Town, is quoted as saying that if coporate earnings rise by 25 percent a year as predicted, then "the market looks more reasonable".

But Morris regards both the prospect of President Nelson Mandela eventually stepping down from power and the two-tier currency system as "wild cards" in an otherwise seemingly attractive set-up.

She quotes Marina Lloyd, manager of Save and Prosper's £9-million (R49,5m) Southern African fund, as saying on her return from a fact-finding trip that South Africa remained "a risk investment".

Lloyd adds: "Political instability is a major factor and the country will continue to ride a rollercoaster."

Neil Gregson, London-based fund manager of the £4,4-million (R24m) Credit Suisse South Africa unit trust, says: "However upbeat the prospect might sound for the new South Africa and its 40 million people, it is an emerging market and is high on the risk scale.

"Even if you are willing to take a risk, you should limit your investments there."

Mbeki wins respect on mission to US

ARG 6/3/95 (74B)

PETER FABRICIUS
The Argus Foreign Service

WASHINGTON. — Deputy president Thabo Mbeki has just completed an busy week in America the United States, where he succesfully launched a major US-South African Binational Commission with bipartisan support and began clearing obstacles blocking investment in South Africa.

Mr Mbeki also seemed to have achieved another aim of the South African government — to reassure America's political and business leaders that South Africa has worthy leaders to succeed President Mandela.

The Deputy-President demonstrated a sure grasp of political and commercial complexities — as US Vice-President Al Gore and business leaders remarked.

Mr Mbeki said on his departure that he had come to the US with four aims — to launch the Binational Commission, to meet the new Republican congressional leadership, to maintain contact with the anti-apartheid movement and to address problems of investors.

He and Mr Gore launched the Binational Commission, which they will co-chair, to steer and strengthen relations between the US and South Africa and try to resolve problems.

It will have five committees to deal with the specific issues of business development, the environment, energy development, science and technology and human resources development and education. Each committee will be co-chaired by two Cabinet ministers, one from each side.

Mr Mbeki said it had been especially important to go to Congress to meet the new Republican majority and to gain "unqualified" bipartisan support for the binational Commission.

Congressionial observers remarked on how well Mr Mbeki had been received by the new Republican majority when he spent Thursday meeting many of its leaders.

Hyper-active house Speaker Newt Gingrich hosted his first lunch in his chambers in Mr Mbeki's honour — taking time off to do so from his hectic 100-day deadline to complete a major legislative programme.

Mr Mbeki also had a friendly meeting with redoubtable Senator Jesse Helms, chairman of the Foreign relations Committee and foe of foreign aid and of anything faintly tainted with communism.

BUSINESS

R2bn investment in SA since April — ambassador

Star 7/3/95 (74B)

■ BY JOHN SPIRA
BUSINESS EDITOR

More than R2 billion in foreign investment has flowed into South Africa since the government came into power in April 1994.

Franklin Sonn, South Africa's new ambassador to the United States, told the US stockbroking firm Lynch Jones Ryan that in 1991 there were fewer than 200 US companies operating in South Africa.

"Now there are 500, and they're mostly manufacturers. And the US is once again our largest trading partner."

Emerging

However, Sonn added, he would like to see more.

"The US has officially designated South Africa as one of the top 10 emerging economies. We don't understand why other countries should show any hesitation in trading or investing with us.

"We're going out of our way to show we're a credible, responsible partner, and an excellent investment opportunity."

Sonn suggested that the Cape was an "undiscovered tourist haven that could be a jewel in the worldwide tourist industry, provided investors are able to see the opportunities and grasp them".

Johannesburg, on the other hand, "could be the regional Hong Kong, directing development north into Africa and south into other countries in the hemisphere".

On the financial rand, Sonn said the government would abandon the currency "sooner rather than later".

Asked if there were any internal pressures on the ANC to impose a more socialist economic system, Sonn pointed out that its approach had been to remove barriers and reduce state intervention.

"We're subscribing to Gatt, for instance, which means conforming to international trade practice.

"And we're doing it with the blessing of our electorate."

Would South Africa's policies change when the government of national unity was replaced in 1999 (or possibly sooner)?

"Our primary objective is to build a successful nonracial society, and that will not change," Sonn said.

Comparison

He was insistent that South Africa should not be compared to countries in Eastern Europe, which were emerging from centrally planned, socialist regimes.

"We have a strong infrastructure and a vibrant industrial base. Most important, we have a powerful judicial system to protect property rights and our government stands behind it all the way.

"Through the years of apartheid, we gradually persuaded the world to curtail investment in South Africa and reduce its global trade.

"All we're saying now is that we're once again open for business."

19

CT (BR) 8/3/95 (74B)

Investors cautioned on South Africa: British investors have been warned for the second time in a week against rushing into South Africa. As the euphoria following democratisation begins to thin out, investment consultants are becoming increasingly cautious about recommending lump-sum investments as South Africa struggles with its reconstruction and redevelopment plan. The latest amber light is shown by The Sunday Telegraph which tells readers that, while change is undoubtedly under way, the risks are still high.

(74B)

Will the new Budget woo investors?

WM(BM) 10-16/3/95 (74B)

The government will want to send the right signals to investors in next week's Budget. Reg Rumney looks at its options

WILL the Budget stimulate the already blossoming economy, depress it, or have no effect? Whether the March 15 Budget will be — to put it in economic jargon — contractionary, expansionary, or neutral is only one of the guessing games economists are prone to.

Three of the country's eminent economic departments have come up with three contrasting opinions.

The Amalgamated Bank of South Africa's latest *Economic Spotlight* sees the 1995/96 Budget having an expansionary impact on economic output. The Budget, says Absa, could increase South Africa's economic growth by 0,6 percent — all other things being equal.

Old Mutual's Dave Mohr has written in the *OM Economic Report*: "The upcoming budget will probably be relatively contractionary, although we foresee only limited scope to reduce the budget deficit."

Sanlam's economists reckon, "The effect of the Budget will probably be largely neutral."

It all depends on definition. Rand Merchant Bank economist Rudolf Gouws explains that any Budget deficit can be seen as expansionary in the short term. The government is borrowing to spend.

What is important is the "fiscal impulse", the change in the deficit before borrowing, or the difference between projected revenue for the year and projected spending.

"On balance the Budget will be contractionary if you define the fiscal impulse as the change in the Budget deficit," says Gouws.

There is little doubt Finance Minister Chris Liebenberg will want to send the right signal to the financial markets and the world in general on March 15. To do this he will have to cut the Budget deficit, expressed as a percentage of the gross domestic product, which measures the total value of the goods and services produced in the economy. The government is on track to achieve its forecast 6,6 percent deficit of GDP — or R29,2-billion — for the 1994/95 financial year.

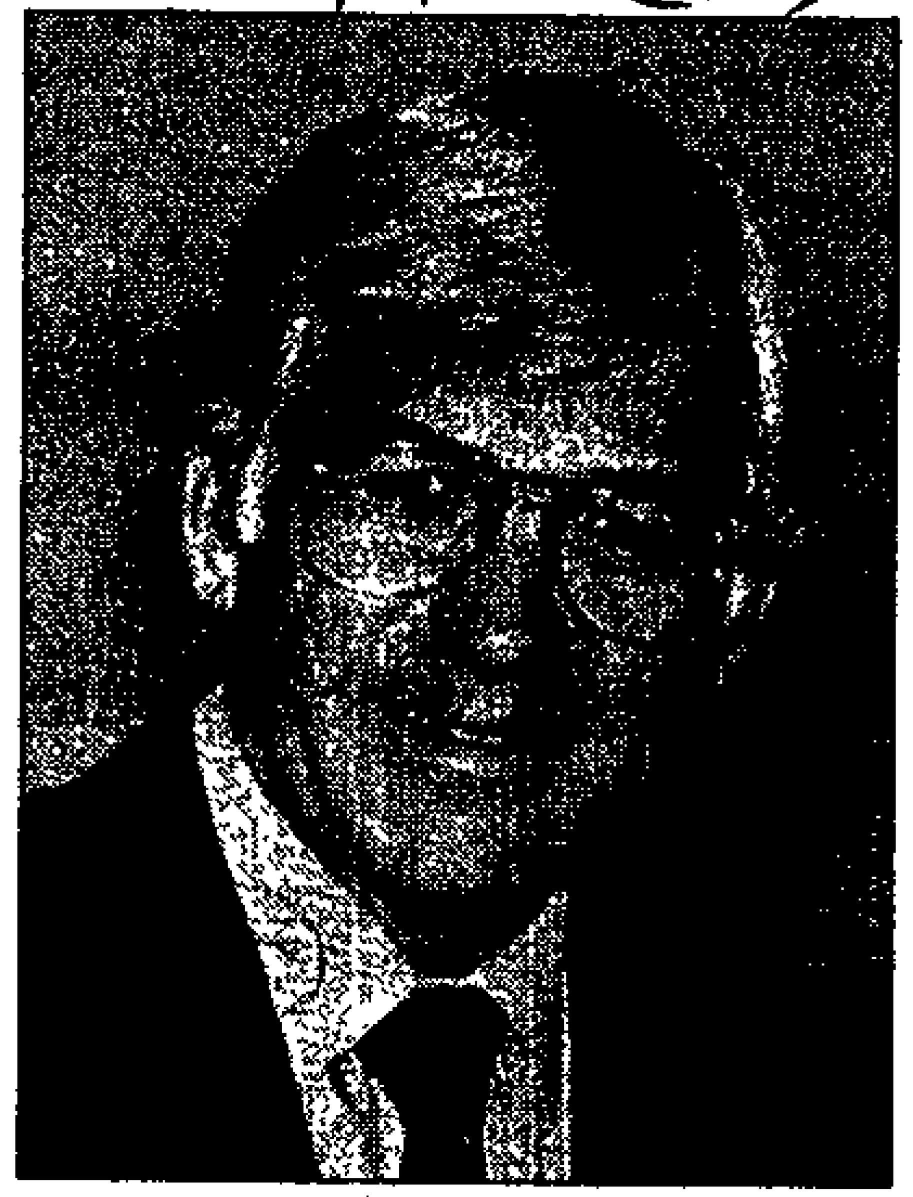
Thanks to good economic growth, government revenue for this year is better than expected. Sanlam estimates tax revenue will amount to R108,5-billion against the budgeted R105,8-billion.

On the spending side some discipline has been exercised, although Sanlam believes total spending for the entire year will be R1-billion more than the R135-billion budgeted — not a particularly good sign.

Hence Sanlam believes the 1994/95 Budget deficit will actually end up lower than government's budgeted figure — approximately 6,2 percent or R27,5-billion.

But what of the coming year? Absa believes the deficit will drop to 5,9 percent of GDP (or R29,7-billion) in the 1995/96 fiscal year — still too high for comfort. Others hope for a deficit of much less, say 5,5 percent of GDP.

How is Liebenberg to do this? There are several ways to cut the deficit.



Chris Liebenberg: Needs to keep a lid on government spending

First Liebenberg needs to keep a lid on spending, but the demands of the reconstruction and development programme, among other things, will not give him too much leeway.

Gouws believes Liebenberg will want to keep the increase in government spending in line with the inflation rate he expects for the year, giving in effect a zero real spending increase.

Economists foresee inflation ranging from nine to 11 percent this year. Absa's economic research department predicts government spending will increase by around 11 percent compared to this year's increase of some 13 percent. "For the coming year, cutbacks in real terms will be difficult to implement owing to pressure from the electorate and because of the October municipal elections."

Sanlam expects a rise in budgeted spending of 10 percent.

Liebenberg's other main course is to increase revenue. That means more tax and it is accepted by the government and virtually everyone else that the overall South Africa tax burden is already high enough.

Absa believes the revenue increase in the 1995/96 fiscal year should be around 13 percent — roughly in line with the increase for 1994/95.

This, says Absa, would bring the revenue to GDP ratio to the 24,4 percent level which is close to the maximum tax capacity of the country.

Sanlam expects revenue to increase 11 percent — on current scales — leading to a 6 percent deficit, but thinks Liebenberg will not find this figure acceptable, suggesting revenue will have to rise more to allow him to cut the deficit further.

The third way of cutting the deficit is out of the Minister's hands. Much higher growth means not only an automatic rise in tax revenue, but also a higher GDP figure as a denominator. This turns out a lower percentage deficit, QED.

What figure Liebenberg is working on is not known now.

Economists polled by the *Weekly Mail and Guardian* earlier this year gave an average growth forecast of 3,1 percent for 1995, and of 3,3 percent for 1996. Economic growth, as the South African Chamber of Business stresses, is the key to further tax reform and the realisation of the RDP's goals. "If the economy manages to expand by 3,5 percent during the 1995/96 fiscal year this should generate about R3,8-billion in additional taxes for the government.

"However, if the allocations to the RDP are to continue to increase as planned, and the deficit is to be further reduced, higher rates of economic growth will be necessary."

It will be tempting to look only at the deficit on March 15, but behind it two other problems loom large: high government debt and continuing dissaving. Governments dissave when they spend money on recurrent items such as salaries and interest, rather than on capital projects which should give a return in future. It is often likened to a consumer using a credit card to buy groceries and pay the interest on his overdraft.

The government of national unity has inherited a high debt level from the previous regime.

Absa's *Spotlight* warns that the debt to GDP ratio may reach 57 percent in the coming fiscal year, compared to only 42,4 percent five years ago. Debt servicing accounts for 20 percent of government spending, according to Absa economist Christo Luus. Dissaving by the government, amounting to more than R18-billion a year, the *Spotlight* adds, is undermining the country's savings effort and hurting investment and growth in the long run.

The government will find it difficult to spend less on salaries because of the burden of keeping on bureaucrats of the old regime while practising affirmative action.

Privatisation, says Luus, would be ideal for balancing the books. With one stroke it can help pay off government debt with a big boost to state coffers, reduce the interest bill, and move state employees off its books and into the private sector.

The government will probably not be able to embark on a big privatisation programme this financial year — it can sell off state assets — but next year this will have to be considered.

Put your money on us — Sexwale

(74B)
ARG 11/2/95

JOHANNESBURG. — Gauteng Premier Tokyo Sexwale has urged the British business community to invest in South Africa and its people to help reverse the ravages of apartheid.

Mr Sexwale, winding up a week's visit to England, told a Press conference in London yesterday that 300 years of white domination had negatively affected the capacity of black people to manage important sectors of the economy.

"The majority of our people, black South Africans, were completely kept off the centre-stage of the economy in mining, manufacturing and the financial sector," he said.

"We therefore make a call for investor nations to help rectify this malady."

He also said there was a need to diversify South Africa's mining-based economy.

Crime rate scaring off investors

CT 13/3/94

JOHANNESBURG: South Africa's frightening crime rate and its lawless image is deterring foreign investment and forcing some local firms to close, the SA Chamber of Business (Sacob) said yesterday.

"We are concerned not only about the impact of crime and violence on the fabric of our society, but the negative impact on investor perception both locally and overseas," said Mr Ken Warren, Sacob's director of legal affairs.

"We find that some businesses are closing down and others are moving to places where they feel safer," he said after talks with senior police and security ministers.

"They (businesses) feel the risks are unacceptably high ... so they are shutting up shop."

He said Sacob received a constant stream of inquiries about crime and violence from foreign trade missions.

"The perception overseas is that through crime and violence the country is unstable, notwithstanding what has been achieved over the past five years."

Economist Mr Tony Twine said: "People who want to put money into South Africa want to put people in as well. They don't want to see them go home in a body bag." — Sapa-Reuter

Boost for investor confidence

BY JOHN SPIRA (74B)
GAUTENG BUSINESS EDITOR

CT 16/3/95

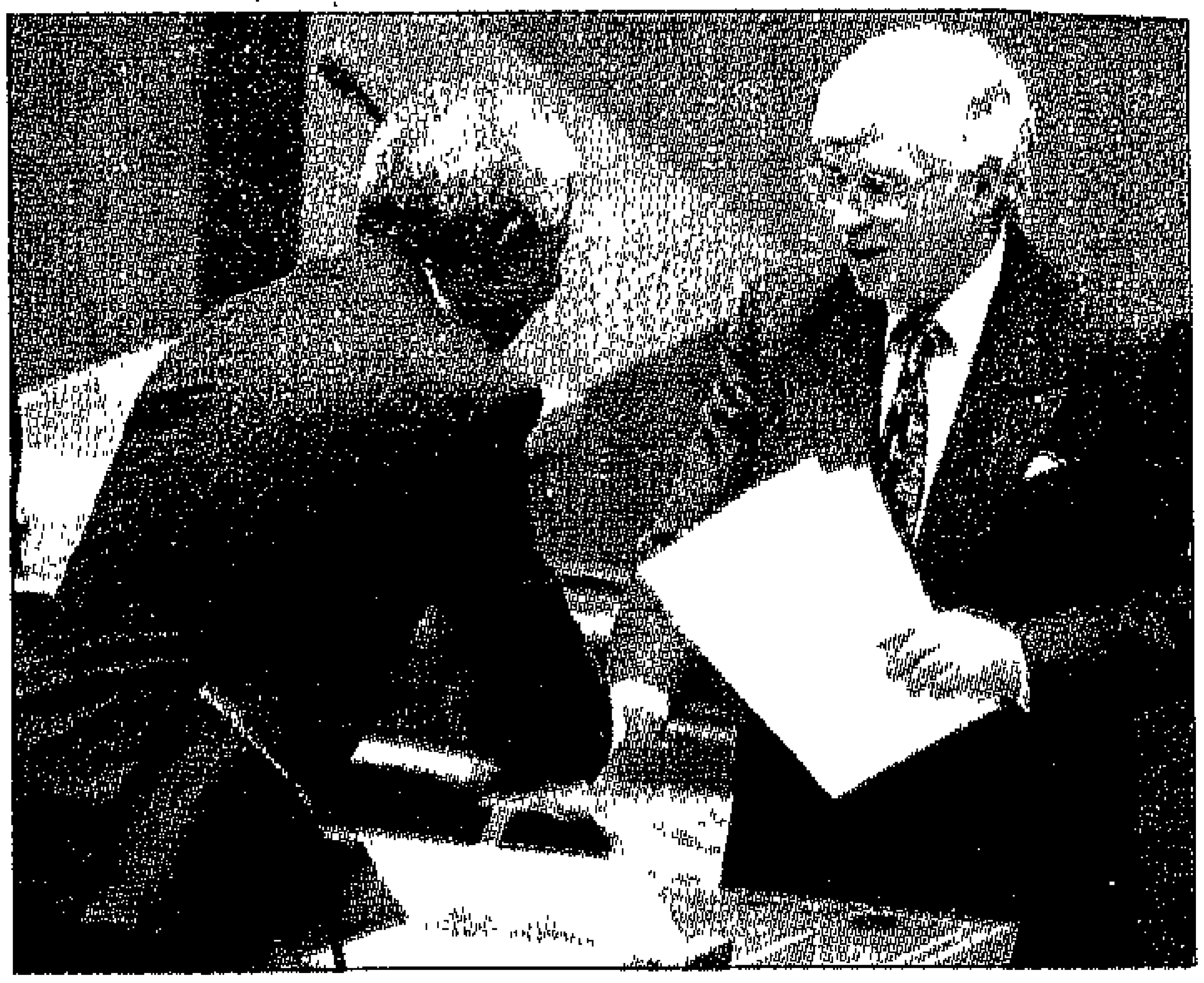
Leading players on Diagonal Street largely welcomed the government of national unity's first budget, and foreign exchange markets gave the budget a glowing accolade by pushing the rand up by three cents against the dollar to R3,60.

Those at the JSE coalface drew particular attention to the increased likelihood of more foreign investment following the scrapping of non-resident shareholders' tax.

JSE President Roy Andersen said the reduction of the Budget deficit to 5,8 percent (versus last year's 6,4 percent) of GDP would further bolster the confidence of overseas investors.

He welcomed Finance Minister Chris Liebenberg's recognition of the inequality that has hitherto existed between equities and derivatives, but was disappointed that Liebenberg could not see his way clear to scrap marketable securities tax.

John Balderson, a director of EW Balderson & Co, labeled the Budget as "investor and consumer friendly." He said the obvious fiscal discipline contained in the document would benefit the JSE, as would the abolition of the import surcharge.



PRESIDENTIAL HANDSHAKE *Nelson Mandela congratulates Finance Minister Chris Liebenberg on the first Budget presented by the Government of National Unity*

PHOTO AP

The increase in the top marginal rate of tax (and Liebenberg's reluctance to increase the threshold) was a negative factor for the stock market, but this would be offset in the near term by the disappearance of the transitional levy.

Balderson envisaged no upward pressure on long term interest rates "because the deficit is well within the capacity of the financial institutions".

Mannie Fisher, a director of VH Simmons & Co, was severely critical of the retention of marketable securities tax, pointing out that the small investor will be hard hit next month when VAT is to be charged on brokerage.

"If the small investor is to be encouraged to participate in the JSE, dealing costs have to be brought down.

"With VAT shortly to become a factor, the additional cost could have been offset by the abolition of marketable securities tax."

□ More Budget news inside

Rand firms as Liebenberg announces good tidings for foreign investors

(74B) CT (BR) 16/3/95

FROM REUTERS

Confidence in South Africa's Budget encouraged the rand to end more than two cents firmer against the dollar in active trade yesterday afternoon, dealers said.

"The abolition of non-resident shareholders' tax at 15 percent (from October 1) has boosted confidence because it should induce foreign investment and strengthen the rand," a dealer said.

The unit was lifted by "aggressive" dollar selling by local banks, he said.

The rand ended at 3,5990/6020 from an overnight 3,6265/95 on the dollar. Some said the rand could extend its gains to see 3,55 in the short-term.

The unit was caged in a narrow band all morning in "cautiously bullish pre-budget trade", dealers said. The Reserve Bank had not been seen in the market although they expected it to intervene "if necessary".

Against the crosses, the rand ended firmer at 0,3917/22 from 0,3870/76 against the German mark and five cents firmer on sterling at 5,7062/146.

Bonds weakened after a volatile day as rates kicked up in late afternoon trade following early demand ahead of the Budget.

"It has been an exciting day," a dealer said. "Bonds were strong in early trade but lost some ground when the Reserve Bank said it would be shifting the settlement date forward.

Players took this to mean they would begin their funding for their financial year earlier."

The Reserve Bank said it was moving the settlement date for its trade in RSA bonds between March 16 and 29 to April 6.

Government's R150 long-bond lost ten points to 16,53 percent from Tuesday's level of 16.43 percent but soon climbed back to 16,46 percent.

Measures aimed at attracting investment

BY CLAIRE GEBHARDT (74B)

ECONOMICS EDITOR

CT (BE) 16/3/95

The corporate tax rate and the unpopular secondary tax on companies remain unchanged in the 1995/96 Budget.

But non-resident shareholders' tax will be abolished on dividends declared on or after October 1 1995.

In a media briefing yesterday before his Budget speech, Finance Minister Chris Liebenberg said the most important indication of the government's commitment to investor-friendliness was the abolition of the finrand on the eve of the Budget.

The government had also tried to keep taxes as simple as possible and had avoided imposing a capital gains tax, he said.

Other measures designed to give an economic boost were the scrapping of the import surcharge from October 1 and the retention-of-source tax on a global basis.

Personal income tax rates had been kept well below 50 percent — regarded internationallly as a watershed level.

Liebenberg said several key measures would boost confidence in this year's Budget: the transition levy had not been reimposed and the overall level of government dissaving had been reduced.

He said two factors had made the Budget a relatively easy one — the economic upturn and fiscal discipline the previous year.

The overall growth of the economy had led to an increase in revenue which accrued to the fiscus, given the existing tax structure "This gave us a base for taking off.

"The closing of the loopholes and the finrand abolition has allowed us to address a number of issues," he said.

Better tax administration, improved collections and an expected increase in the number of taxpayers because of the tax amnesty would create room for tax restructuring and lower tax rates in the future.

"Reductions in the individual income tax rate will receive priority," he said.

Budget is friendly to investors

(74B) Star 16/3/95

BY JOHN SPIRA

The Budget should impact favourably on Diagonal Street, with the positive factors outweighing the negative.

That's the consensus among those at the JSE coalface, who draw particular attention to the enhanced likelihood of heightened foreign investment following the scrapping of non-resident shareholders' tax.

JSE President Roy Andersen believes the reduction of the Budget deficit to 5,8 percent (versus last year's 6,4 percent) of GDP will further bolster the confidence of overseas investors.

He suggests, too, that the increased spending on housing, education and health should improve investor sentiment, since it implies greater stability.

He welcomes the Minister's recognition of the inequality that has hitherto existed between equities and derivatives, but is disappointed that the Minister could not see his way clear to scrap marketable securities tax.

John Balderson, a director of EW Balderson & Co, labels the Budget as "investor and consumer friendly".

Roy Andersen ... disappointment that marketable securities tax was not scrapped.

He says the obvious fiscal discipline contained in the document would benefit the JSE, as would the abolition of the import surcharge, since it was bound to benefit gross domestic fixed investment.

The increase in the top marginal rate of tax (and the Minister's reluctance to increase the threshhold) was a negative factor for the stock market, but this would be offset in the near term by the disappearance of the transitional levy.

Balderson envisages no upward pressure on long term interest rates "because the deficit is well within the capacity of the financial institutions".

Mannie Fisher, a director VH Simmons & Co, is severely critical of the retention of marketable securities tax, pointing out that the small investor will be hard hit next month when VAT is to be charged on brokerage.

"If the small investor is to be encouraged to participate in the JSE, dealing costs have to be brought down. With VAT shortly to become a factor, the additional cost could have been offset by the abolition of marketable securities tax."

Fisher welcomes the scrapping of non-resident shareholders' tax but cautions that the impact is unlikely to be immediate.

The effect of the sin taxes was uncertain, though it was possible that Rembrandt would suffer from the higher duty on cigarettes.

He welcomed the Minister's optimistic remarks on the economy, pointing out that this would improve both local and foreign sentiment towards the JSE.

TAXABLE INCOME	1996 RATES	NO CHILDREN		1 CHILD		2 CHILDREN		3 CHILDREN		4 CHILDREN	
		1995	DIFFERENCE	1995	DIFFERENCE	1995	DIFFERENCE	1995	DIFFERENCE	1995	DIFFERENCE
R	R	R	R	R	R	R	R	R	R	R	R
15 000	75	475	-400	375	-300	275	-200	175	-100	75	0
16 000	275	675	-400	575	-300	475	-200	375	-100	275	0
17 000	475	875	-400	775	-300	675	-200	575	-100	475	0
18 000	675	1 075	-400	975	-300	875	-200	775	-100	675	0
19 000	875	1 275	-400	1 175	-300	1 075	-200	975	-100	875	0
20 000	1 075	1 475	-400	1 375	-300	1 275	-200	1 175	-100	1 075	0
21 000	1 285	1 685	-400	1 585	-300	1 485	-200	1 385	-100	1 285	0
22 000	1 495	1 895	-400	1 795	-300	1 695	-200	1 595	-100	1 495	0
23 000	1 705	2 105	-400	2 005	-300	1 905	-200	1 805	-100	1 705	0
24 000	1 915	2 315	-400	2 215	-300	2 115	-200	2 015	-100	1 915	0
26 000	2 335	2 735	-400	2 635	-300	2 535	-200	2 435	-100	2 335	0
28 000	2 755	3 155	-400	3 055	-300	2 955	-200	2 855	-100	2 755	0
30 000	3 175	3 575	-400	3 475	-300	3 375	-200	3 275	-100	3 175	0
32 000	3 795	4 135	-340	4 035	-240	3 935	-140	3 835	-40	3 735	60
34 000	4 415	4 695	-280	4 595	-180	4 495	-80	4 395	20	4 295	120
36 000	5 035	5 255	-220	5 155	-120	5 055	-20	4 955	80	4 855	180
38 000	5 655	5 815	-160	5 715	-60	5 615	40	5 515	140	5 415	240
40 000	6 275	6 375	-100	6 275	0	6 175	100	6 075	200	5 975	300
45 000	8 375	8 175	200	8 075	300	7 975	400	7 875	500	7 775	600
50 000	10 475	9 975	500	9 875	600	9 775	700	9 675	800	9 575	900
55 000	12 709	12 192	517	12 092	617	11 992	717	11 892	817	11 792	917
60 000	14 942	14 408	534	14 308	634	14 208	734	14 108	834	14 008	934
65 000	17 176	16 675	501	16 575	601	16 475	701	16 375	801	16 275	901
70 000	19 409	18 941	468	18 841	568	18 741	668	18 641	768	18 541	868
75 000	21 693	21 208	485	21 108	585	21 008	685	20 908	785	20 808	885
85 000	26 310	25 791	519	25 691	619	25 591	719	25 491	819	25 391	919
95 000	30 977	30 424	553	30 324	653	30 224	753	30 124	853	30 024	953
105 000	35 644	35 057	587	34 957	687	34 857	787	34 757	887	34 657	987
120 000	42 644	42 006	638	41 906	738	41 806	838	41 706	938	41 606	1 038
135 000	49 645	48 956	689	48 856	789	48 756	889	48 656	989	48 556	1 089
155 000	58 979	58 222	757	58 122	857	58 022	957	57 922	1 057	57 822	1 157
175 000	68 313	67 488	825	67 388	925	67 288	1 025	67 188	1 125	67 088	1 225
200 000	79 980	79 070	910	78 970	1 010	78 870	1 110	78 770	1 210	78 670	1 310

Anyone earning more than R45 000 a year will pay more tax than they are currently paying. For those earning R30 000 or less the tax bill is cut by R400. The new 45c in the rand marginal rate kicks in at the same R80 000 level as before, adding between R500 a year up to R1000 a year for top earners. The tax table shown includes the 1,67% transitional levy, and is for married persons under 65.

Investor-friendly budget

ARG 16/3/95 (49)(74B)

JOHN VILJOEN
Business Staff

REACTION on the financial markets shows that Finance Minister Chris Liebenberg has succeeded in his objective to deliver an investor-friendly budget.

Following up on the scrapping of the financial rand last Friday, Mr Liebenberg yesterday announced further bold steps to encourage investment and trade.

Non-residents shareholders' tax will go on October 1, along with the remaining import surcharges.

Unlike many other developing economies with which it competed for investments, South Africa taxed non-residents at a higher rate than local investors, he said.

As part of the government's initiative to create an investor friendly environment this tax would be abolished. The cost in lost revenues over a full year will be about R572 million.

The same philosophy applied to the scrapping of import surcharges. This step would support the process of normalising South Africa's foreign trade and financial relations.

The remaining surcharge on so-called luxury and white goods would be abolished on October 1 at a cost in lost revenues of about R1,1 billion over a full year The step would promote lower prices and costs and benefit South Africans.

In a pre-budget briefing, Mr Liebenberg said the budget, combined with the scrapping of the financial rand, provided "a package" of good news for investors.

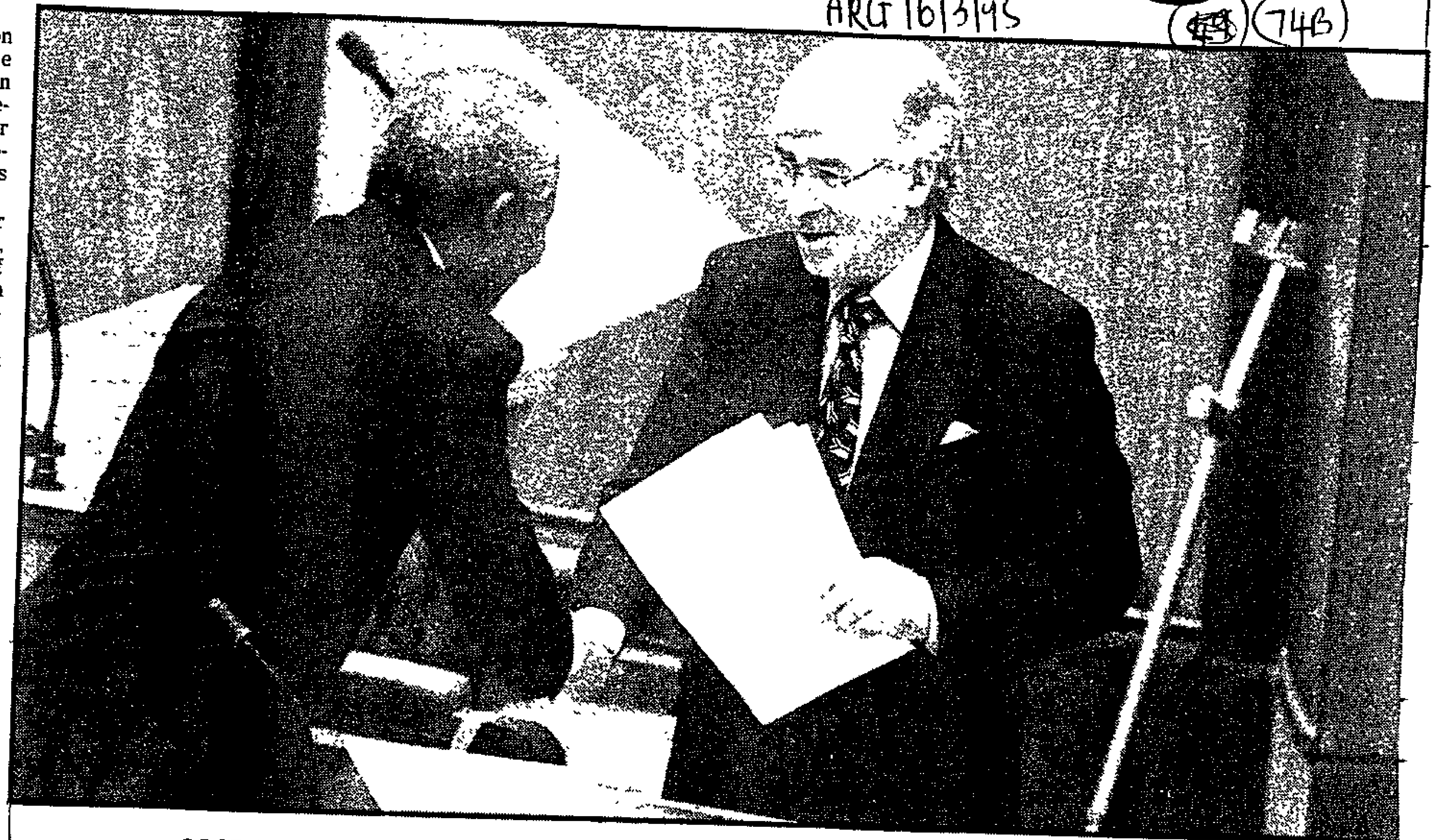
"It was not planned, but it has turned out that way," he said.

The budget successfully addressed trade and investor friendliness. In addition, South Africa had no capital gains tax and the corporate tax remained unchanged at 35 percent.

However, the controversial Secondary Tax on Companies (STC) stays.

"We really would like to address it this year. The Katz Commission (on the tax system) has specific instructions to get us out of STC.

"It is a disincentive to foreign investors but we need something to replace it," he said.



GOOD LUCK: President Mandela wishes Minister of Finance Chris Liebenberg well on his budget.

Trillion Resources in R40-m deal (74B) Citizen 23/3/95

Canadian group buys local stakes

BY JOHN SPIRA

In a R40 million deal, Trillion Resources of Canada is to acquire large minority stakes in JSE-listed Consolidated Mining Corporation and West Witwatersrand Gold Holdings.

Canadian mining companies have long been examining prospective involvement in South African operations. The Trillion transaction could well have broken the ice and may be the first of several similar future arrangemets.

An announcement by Nedbank Investment Bank reveals that Trillion, a company listed on the Toronto Stock Exchange and with a market capitalisation of 57 million Canadian dollars (R143 million), will subscribe in cash for:

- 41 million new ordinary shares in Cons Mining at 35c a share. The consideration will amount to R14,35 million for a 9,5 percent stake in Cons Mining.
- 9 million new ordinary shares in West Wits at 285c a share. The consideration will amount to R25,65 million for a 9,8 percent stake in West Wits.

In addition, Trillion will acquire further shares in Cons Mining from external shareholders in exchange for the issue of Trillion convertible redeemable preference shares.

These extra purchases will extend to "up to 100 million Cons Mining ordinary shares", equivalent to 21 percent of Cons Mining's issued capital.

At the end of the day, Trillion will own 30 percent of Cons Mining.

Trillion's activities comprise exploration, development and the acquisition of mineral properties on the African continent. It currently has 14 active exploration and development projects.

The proceeds of the R40 million that Trillion will subscribe for Cons Mining and West Wits shares will be used to expand, develop and increase the efficiency of the group's mining operations. The expansion programmes include:

- West Wits' R65 million semi-autogenous mill expansion programme.
- The group's extensive mineral rights in West Africa.

"Additional funding alternatives for the expansion programmes are currently being examined and could include rights offers by companies in the group."

Norman Lowenthal, who has been appinted non-executive chairman of Cons Mining, expects the expansion programmes will enhance the profitability of Cons Mining and West Wits in their 1966 and subsequent financial years.

Had the Trillion subscriptions been effective at March 31 1994, Cons Mining's net asset value would have increased from 20,2c to 22,2c (10 percent) a share, while that of West Wits would have increased by 12,4 percent to 134,6c a share.

Consideration is being given to unbundling Cons Mining so as to simplify its structure.

As part of the Trillion deal, the Cons Mining controlling consortium, which controls 51 percent of the company's issued share capital, has agreed to terminate its control agreement.

Ronald Netolitzky and Jens Hansen will join the boards of Cons Mining and West Wits as Trillion's representatives.

Several mining analysts have long regarded the shares of the Cons Mining group as undervalued — a belief now vindicated by the Trillion subscription offer, which values Cons Mining at 35 percent above its ruling share price and West Wits at 21 percent higher than its ruling share price.

Spaniards dangle R4-b carrot for SA

■ BARTER TRADE Spain woos SA tender for patrol corvettes:

(74B) SOWETAN 27/3/95

THE Spanish government has promised to invest about R4 billion in South Africa as part of a counter-trade proposal tied to the purchase of four patrol corvettes by the SA Navy.

This was disclosed in an interview by Spain's Minister of Industry and Energy, Mr Juan Eguigaray, who last month became the first Spanish cabinet minister to visit South Africa.

Tenders from Britain and Spain for the supply of the corvettes are currently under consideration, and a final decision is expected from the Cabinet within days.

Strong opposition

In spite of strong opposition from various quarters to the R1,5-billion expenditure over five years on the corvettes, Eguigaray said it was "not just a matter of selling" the vessels to South Africa. There was "much more to the whole issue," Eguigaray said.

"Spain's submission of a tender for the corvettes entails a 100 percent counter-trade deal with the potential to create more than 20 000 new jobs for South Africa, and for increasing the export of South African coal."

Earlier, the president of the government-owned BAZAN shipyard in Spain, Mr Antonio Sanchez-Camara, said the offer from his company included a "menu" of 18 different counter-trade programmes from which the South African Government could choose.

Fishing vessels

These programmes included the purchase of South African-built fishing vessels in a venture with Dorbyl, the training of thousands of South Africans in more than 250 disciplines, and a commitment to increase Spanish imports of South African coal by 50 percent over the next ten years.

New projects

The chief of the National Defence Force, General Georg Meiring, confirmed in Cape Town that the Navy would purchase deep-sea patrol corvettes as part of new projects planned by the SANDF.

The intended purchase has met with opposition from the public, who say the country is at peace with the world and does not need to spend such amounts of money on naval equipment. The money should intead be diverted for social needs. — *Sapa.*

Spain offers SA R4bn investment

BD 27/3/95

THE Spanish government has promised to invest more than R4bn in the SA economy as part of a major countertrade proposal tied to the purchase from Spain of four deep-sea patrol corvettes by the SA Navy.

This was disclosed at the weekend by Spain's Industry and Energy Minister Juan Eguigaray.

Tenders from Britain and Spain for the supply of the corvettes are under consideration, and a decision is expected from the Cabinet within days.

Eguigaray said the R1,5bn expenditure was "not just a matter of selling" the vessels to SA. (74B)

"Spain's submission of a tender for the corvettes entails a 100% countertrade deal with the potential to create more than 20 000 new jobs for SA, and for increasing SA coal exports."

Earlier, Spanish government-owned Bazan shipyard president Antonio Sanchez-Camara said his company's offer included a "menu" of 18 different countertrade programmes from which SA could choose.

These included the purchase of SA-built fishing vessels, the training of thousands of South Africans in more than 250 disciplines and a commitment to increase imports of SA coal 50% over the next 10 years.

SELLO MOTLHABAKWE reports that Spanish Economic and Commercial Counsellor Victor Audera said an unconditional \$10m grant by Spain to SA would be deployed in developing small and medium-sized businesses and vocational training in the fishing industry. — Sapa.

FOREIGN INVESTMENT (74B)

On the prowl FM 31/3/95

The US$1bn United Breweries (UB) group of India is in SA looking for investments.

It has already bought Mabula Game Lodge in the Northern Transvaal which, with improvements, has so far set it back R12,5m. It is also negotiating to buy an adjoining 4 100 ha, for about R10m, to improve, stock with game and add on to its existing lodge, which will then cover 12 000 ha.

Local representative Jaishankar Ramchandran says the group, which has investments in breweries, pharmaceuticals and engineering, is negotiating with a number of pharmaceutical companies it wants to buy. He declines to identify them.

In a few months, it will set up a design office in SA to facilitate the two-way transfer of technology between SA and India. It is also looking at investing in ecotourism and farms. In six to eight months, it will start looking for engineering industries in which to invest.

"We have no specific budget and we won't be put off by the size of a project or its cost. Everything depends on the size of the industry and the market it serves, but it will have to fit in with our worldwide operation," says Ramchandran.

He says UB will probably start importing its own Kingfisher beer if the results of research are encouraging. ■

SA property punted as a 'wise' investment

(74b) CT (BR) 5/4/95

BY MAGGIE ROWLEY

PROPERTY EDITOR

South African property is being strongly punted as a global investment opportunity by at least two international property organisations, Oncor International and Hillier Parker.

Oncor International, an organisation of independent real estate companies in more than 20 countries, says in its latest review of global commercial property trends that "some of the globe's wisest investment interest will focus on South Africa next year".

Yields for office space, it says, are at about 10 percent, with industrial yields at 11 percent to 12 percent and retail yields at 9 percent to 12,5 percent.

This compares favourably with world markets, according to Hillier Parker, which recently forged close links with the JH Isaacs Group.

It says yields for office space in Hong Kong are about 6 percent. In Tokyo they are about 5 percent, in London 4,85 percent, in Madrid and Sydney 7,5 percent and in New York and Toronto 9 percent.

Yields in Johannesburg, Durban and Cape Town are 10,5 percent, 9,5 percent and 9,75 percent respectively, Hillier Parker says.

Both international organisations say South Africa's office rentals are extremely competitive.

Based on an exchange rate of R3,60 to the dollar and excluding operating costs, prime rentals in Johannesburg in December last year averaged $9,81 a square metre against $128,73 in Hong Kong, $110,52 in Tokyo, $41,25 in London, $21,30 in Madrid, $41,53 in Sydney, $23,77 in New York and $22,87 in Toronto.

Equivalent space fetched $8,64 in Durban and $12,02 in Cape Town.

Hillier Parker says a revival in the world's economic fortunes last year pushed up rents on all types of properties in 85 cities by an average of 3,9 percent, the first increase in three years. Office rents climbed 3,2 percent, compared with a fall of 4,3 percent the year before.

British and Scandinavian cities led European property back to health, although sluggish growth further south slowed down overall recovery to below 1 percent.

The Australian rental market also peeped over the parapet, growing an average 2,6 percent.

Recovery is under way in North America, but it is highly localised, according to Hillier Parker.

EMERGING MARKET COMPARISONS

	Market Capitalisation (US$bn)	P/E Ratio	Dividend Yield%
South Africa	116	18	2,3
Brazil	111	12	0,8
Chile	47	21	2,3
Mexico	57	15	2,0
Korea	117	32	1,4
Taiwan	143	33	2,9
Phillipines	32	29	0,3
India	77	23	0,8
Indonesia	22	19	1,5
Malaysia	121	26	1,9
Thailand	88	21	1,9
Greece	9	10	4,0
Portugal	10	20	3,6

SOURCE: INTERNATIONAL FINANCIAL STATISTICS

(748) CT(BR) 6/4/95

SA's inclusion in indices revives foreign interest

By Neil Behrmann
LONDON CORRESPONDENT

Foreign portfolio investment in South Africa is slowly reviving following the nation's inclusion in emerging market indices this week.

"The abolition of the financial rand and South Africa's inclusion by the International Finance Corporation (IFC) and Morgan Stanley Capital International have made the market more active," says Robert Weinberg, co-ordinator of SG Warburg Securities' international mining division.

"Several fund managers were waiting for the entry into the indices and are beginning to act," he says.

An average price earnings ratio of 18 and dividend yield of 2,3 percent indicates that the South African market is not cheap when compared with the market's historical returns.

Yet a study by Warburg Securities shows that in comparison with competing emerging markets, the JSE is not overpriced (see table).

So South Africa could well attract more investment from emerging market fund managers who want to raise their weighting in the country.

The indicative weighting for South Africa in the IFC Global Index is only around 11,3 percent, despite the above-average capitalisation of the entire market. The proportion is downgraded because the cross holdings of giant South African corporations reduce liquidity. Yet South Africa is less restrictive for foreign investors than several other emerging nations, the Warburg study says. It therefore has a much higher weighting of 22 percent in the IFC's "investable index".

Warburg estimates that the South African market could attract "at least $3 billion (R11 billion)" of foreign investment in 1995.

The current South African price per earnings is undemanding considering that earnings growth this year is estimated at 25 percent.

World Bank data shows that foreign portfolio investment in emerging markets was negligible in the early 1980s. It soared to a peak of $47 billion in 1993 from $606 million in 1986. Last year flows were down to around $39,5 billion and are expected to be much lower this year.

Following a battering in the past few months, emerging markets are now out of fashion, particularly since there have been huge currency, bond and equity losses in these markets.

Latin America is the obvious example, but the Indian share market is the latest illustration of severe losses.

Unless the gold price surges, it would be over-optimistic to expect a rush into South Africa. Privatisation, however, should attract foreign investors. "Whereas I would have been a buyer of the entire South African market before the 1994 elections," says Weinberg, "I would prefer to stock-pick this year."

THE NATION

Mandela seeks Gulf investment in South Africa

75 (74B)

Joint ventures 'can aid black business'

ARG 10/4/95

KUWAIT. — President Mandela has called on Gulf investors to enter joint ventures with black businessmen to give the majority in South Africa a bigger stake in the white-dominated economy.

He added after talks with the emir of Kuwait, Sheikh Jaber al-Ahmad al-Sabah, and Kuwait's Chamber of Commerce and Industry that the Gulf states' oil wealth and South Africa's mineral riches would translate into profitable trade.

"Big business is by definition white and blacks are confined to small business. One of the issues we discussed today at the Chamber of Commerce was how to close this gap by having joint ventures with black business," he told a news conference.

Mr Mandela, on the second day of a tour of four Gulf states to drum up trade and support for post-apartheid reconstruction, said Kuwaitis had warmly welcomed a briefing he had given on Pretoria's attempt to simplify foreign investment procedures.

"We are going to target each other. Kuwait and other Gulf states are very rich in oil. And we need that oil," he said.

"We are very rich in minerals, in gold, in diamonds, in manganese, in platinum, and in coal. And trade between the Gulf states and South Africa is going to be very profitable," he said, adding that South Africa was prepared to share its mining expertise with the region.

In answer to a question, Mr Mandela said South Africa was prepared to export weapons provided the arms would not be used to suppress the citizens of the nation buying them.

Asked if South Africa would be prepared to open diplomatic ties with Iraq, Mr Mandela said Pretoria was prepared to have diplomatic relations with any country.

But he added that South Africa would adhere "very scrupulously" to sanctions imposed on Baghdad after its 1990 invasion of Kuwait. Pretoria's actions on the issue would be guided by the policy and decisions of the United Nations Security Council.

Mr Mandela said Sheikh Jaber had told him Kuwait was using its resources for post-Gulf War repairs but had suggested Kuwait would expand its role in South African development projects.

Mr Mandela leaves Kuwait today for Qatar. — Reuter.

Crime is scaring off investors, says Sacob

ARG 12/4/95 (74B)

JOHANNESBURG. — The frightening crime rate and increasing lawlessness is deterring foreign investment and forcing some firms to close, a leading business organisation said today.

"We are worried not only about the impact of crime and violence on the fabric of our society, but about the negative impact on investor perception both locally and overseas," said Ken Warren, director of legal affairs at the South African Chamber of Business (Sacob).

"We find that some businesses are closing and others are moving to where they feel safer," Mr Warren said after talks with senior police and security ministers.

"Businesses feel the risks are unacceptably high, so they are shutting up shop."

Mr Warren said Sacob received a constant stream of inquiries about crime and violence from foreign trade missions.

"The perception overseas is that through crime and violence the country is unstable, notwithstanding what has been achieved over the past five years," he said, referring to South Africa's emergence from apartheid isolation.

"People who want to put money into South Africa want to put people in as well. They don't want them to go home in a body bag," said economist Tony Twine.

While political violence has dropped since the elections, violent crime has soared, particularly in industrialised Gauteng.

Murder, armed car hijackings and violent robberies are routinely and frequently reported by under-staffed police overwhelmed by the surge in crime.

A leading psychologist said last month that South Africa, where more than 50 people a day were murdered in 1994, was the most violent country in the world outside a war zone.

"The image is not a positive one. Tour operators tell people where to go and where not to so as not to get robbed, mugged or shot," said Mr Warren.

Newly-appointed police commissioner George Fivaz is working with government ministers to develop an overall approach to crime, treating not only the symptoms but the causes as well.

But many South Africans have little faith in the justice system and there is a widespread perception that crime pays, with killers often back on the streets after being granted almost automatic bail.

President Mandela's government is eager to win foreign investment to create jobs and help its ambitious Reconstruction and Development Programme intended to improve the lot of blacks.

Mr Twine, from the economic consultancy Econometrix, said post-apartheid South Africa, which had no foreign threat to its security, had many more soldiers than police.

"I would like to see 170 000 police and only 10 000 in the army," he said, adding that the crime rate was a major factor in keeping risk capital away. — Sapa.

SA Foundation's sacking of seven 'shoddy', say sources

(74B) (30) BD 13/4/95

MICHAEL MOON

SEVEN members of the 11 head office staff at the troubled SA Foundation have been summarily dismissed with three months' pay.

Only four are still working at the Johannesburg office, including director-general Kurt von Schirnding.

This follows a decision by the foundation's council last month to close the organisation's four overseas offices because of a shortage of funds and a perception that greater attention should be paid to domestic business issues. The decision has come under fire from some quarters in the business world, which believe the foundation still has an important role to play abroad.

Some people have alleged that weak leadership contributed to the foundation's decline in recent years, and rather than scaling down operations an injection of new blood at the top was called for.

The overseas directors are currently on a report-back tour of SA before returning to their bases in Washington, London, Bonn and Paris to wind up operations.

In all, 19 of the organisation's 23 jobs would be done away with, sources said yesterday.

Von Schirnding has announced that he will be retiring later this year.

A council subcommittee has been set up to chart a future course.

After a subcommittee meeting on March 30, head office staff were told their services were being terminated with immediate effect and they would get three months' salary.

The subcommittee is due to meet again this month to plan further action. One suggestion has been that a "roving ambassador" be retained to maintain important international contacts built up over the years.

Sources described the treatment of staff yesterday as "shoddy" and "tacky". There was resentment at the abruptness of the dismissals, some said. Others said the conditions were reasonable, given the situation.

But the foundation's international activities were still needed, business sources said yesterday.

One said SA's diplomats could not provide the same sophisticated approach and quality of service the foundation had done.

Other sources said the foundation's expertise was urgently needed to resolve important issues, such as difficulties being encountered in setting up an SA/US trade agency to be headed by Deputy President Thabo Mbeki and US Vice-President Al Gore.

The foundation, set up in 1968 to represent SA business, managed to gain access at a high level in political and business circles in Europe and the US when SA's official ambassadors were shunned.

However, in recent years the organisation has suffered from falling membership subscriptions as a result of the changed political situation convincing companies that the foundation was no longer necessary.

Yesterday one source said the organisation's SA leadership had not put enough effort into maintaining and building membership.

If more energy had been put into maintaining funding levels, the situation would not have arisen whereby elements within the council could get support for scaling down operations.

BUSINESS

THE STAR / WEDNESDAY APRIL 19 1995

Investors staying away: here's why

Star 19/4/95 з(74B)

BY JOHN SPIRA

South Africa simply isn't attracting the foreign investment it so desperately needs. An Ernst & Young survey which canvassed 230 global companies indicates why.

The aim of the survey was to identify investment decisions with regard to the wide number of emerging markets across the world and explore the decision-making process that surrounds such expansion.

The survey reveals that investment in emerging markets is taking, and will continue to take, an increasing share of multinationals' resources.

China remains the single highest priority for all investor regions and 57% of all companies consider China to be their top investment priority.

The other fast-emerging economies of Asia dominate the current agenda and future priorities of investors. After China, Indonesia and India attract the most interest.

Ernst & Young notes that there is a strong correlation between the level of interest of investors in any given emerging market and the level of current and projected economic growth in that economy.

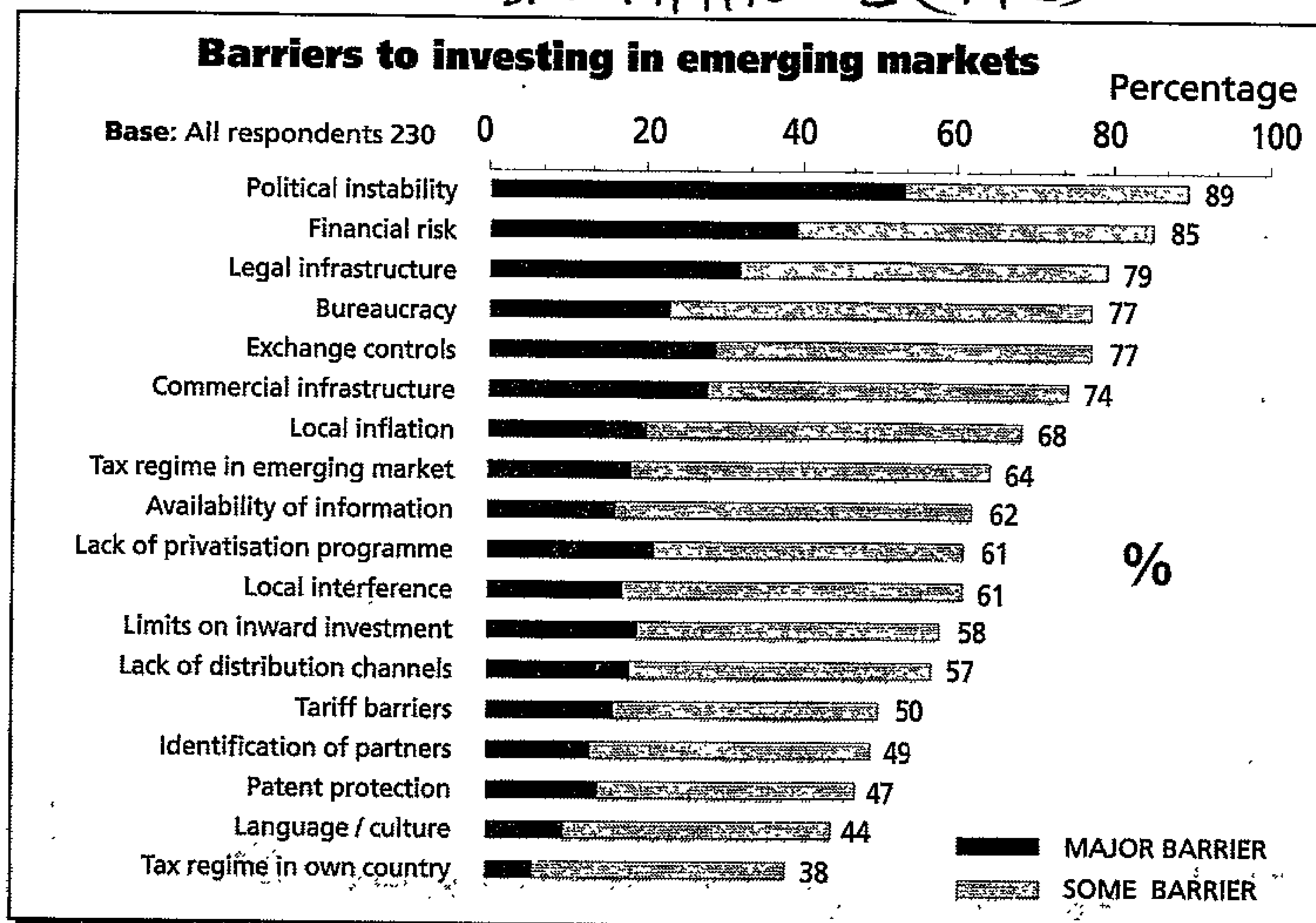
However, the most important factor in attracting inward investment is being able to offer predictability or known risk levels to the investor.

Growth

"This can only be achieved if there is political stability within the emerging market."

Investment in southern Africa, the firm found, is low and is not expected to increase significantly, the reasons being political instability and relatively low growth expectations.

Very few UK and Western European companies consider southern Africa to be a top priority for investment at the moment.



SA up to third spot in James Capel rating

(74B)

CT(BR) 20/4/95

☐ From front page

months. Demand for credit by the private sector is seen as remaining strong over the same period.

☐ Corporate earnings (+3): The bias towards "positive surprises" is likely to be maintained for some months because of good earnings, higher contract prices for commodity producers, upbeat activity levels in the economy, and unchanged corporate tax rates.

☐ Market/Political uncertainty (0): The abolition of the financial rand and the sensible budget have removed some uncertainties. The run up to the local elections in November and the challenges of implementing the RDP will keep the socio-political climate inherently volatile, but no more so than since democratisation began in earnest more than five years ago.

☐ Liquidity (+2): International investment has made a fresh appearance on the JSE in the opening months of 1995 (+R600 million) after months of persistent, though reducing, net disinvestment up to end 1994. Further portfolio investment inflows are forecast.

☐ Valuation (0): The selloff in January saw the price/earnings ratio (PE) on the overall index come down from18,9 times to 16,5 times. With earnings growth rising, momentum is set to continue for some months and positive liquidity flows, no further significant derating is anticipated in the near term.

In 1996 the equity market's rating could slip down to levels approximating the five-year average of 14,5 times or lower, as the business cycle goes past its prime.

Capel says the demise of the Mexican market left many investors running for cover. "Although emerging markets have lost some of their shine, we believe they are now too large an asset class, accounting for nearly 10 percent of total global capitalisation, to be simply forgotten about."

However, 1995 and beyond would require a more selective approach, he said.

Unions to monitor foreign investors

(74B)

BD 25/4/95

RENEE GRAWITZKY

THE union movement would not tolerate SA being used as a safe haven for exploitation by foreign investors who failed to comply with minimum labour standards, Cosatu's general secretary, Sam Shilowa, said yesterday after the federation's two-day international policy conference.

The changing economic climate and SA's reintegration into the world economy necessitated a "radical rethink of our international relations policy", Shilowa said.

Investment in SA came under scrutiny and delegates resolved that all future investment would be subject to companies agreeing to abide by SA's social and labour laws and Cosatu's code of conduct for multinational companies investing in SA, drafted in 1992.

Shilowa said the premise that the setting of minimum standards by developing countries reflected rigidity on their part was incorrect.

In strengthening the code, the federation would ensure the amendment of the Company Act to allow for greater disclosure and facilitation of information; the enhancement of productive investment rather than only speculative capacity and investors to commit themselves to technological transfer.

Cosatu would campaign internally and externally for the inclusion of a social clause in international agreements and would take industrial and consumer action against goods coming into the country from countries which did not respect trade union rights.

The GATT agreement would be reviewed to ensure its terms of trade between developed and developing countries reflected a more equitable balance.

Shilowa said the campaign for a social clause would be linked to a campaign for a "just platform of international financial relations", which would target the World Bank and IMF's programmes.

The forging of international and regional alliances and the strengthening of trade union structures was a central focus of the conference, he said.

Shilowa said the federation had already received approaches from the High Commissioners of Lesotho, Swaziland and Botswana to discuss its campaign to assist in strenghtening trade unions in the southern African region.

A number of affiliates had over the years begun working together with their counterparts in the southern African region to formulate common strategies in specific industries, he said.

For example, recent discussions took place between the SA Commercial, Catering and Allied Workers' Union and unions operating in the hotel industry in the region to formulate a common approach to training and education.

SA could not exist as a strong entity "amidst poverty-struck countries", he said. Therefore the conference called for a southern African summit involving governments and trade unions to discuss migration, the formation of a strategy to deal with economic imbalances in the region and the development of a regional reconstruction and development programme.

Shilowa said unemployment levels in SA had nothing to do with the influx of foreign workers, which was estimated to be around 300 000 and was insignificant compared with unemployment levels of close to 50% of the economically active population. Unemployment was related to major structural weaknesses inherent in the SA economy, he said.

NS

'Investors must adhere to SA norms'

Cosatu urges same treatment for all

(74B)

Star 25/4/95

BY JUSTICE MALALA
LABOUR REPORTER

The Congress of SA Trade Unions has called for international investors to be treated in the same way as local investors and that they be bound by the same labour, tax and other standards.

Reporting on the union federation's weekend international policy conference yesterday, Cosatu general-secretary Sam Shilowa said the resolution was in line with the principle of "national treatment".

He said Cosatu rejected the setting up of export processing zones, free trade zones and "other devices which allow international investors to flout basic labour and safety standards and avoid contributing to the national fiscus".

Shilowa said Cosatu would identify governments which violate basic trade union and human rights and, together with other trade unions, embark on a programme of action against them.

Governments already identified were those of Nigeria, Indonesia and Sudan, he said.

The federation also committed itself to strengthening the SA Trade Union Co-ordinating Council and the Organisation of African Trade Union Unity.

The conference resolved to campaign with other Cosatu allies in the developing world against the International Monetary Fund and the World Bank which "have robbed nations of the sovereign right to determine their own social and economic policies".

It was also agreed to strengthen relations with trade unions in the developing world, and to initiate a conference to discuss common problems and a joint programme.

Katz report to moot controls on foreign investors

74B SAMANTHA SHARPE

THE Katz commission's first task after its interim report in December had been to make detailed recommendations to government to prevent foreign investors exploiting SA, sources said at the weekend.

They warned there was a greater danger of exploitation because of exchange control liberalisation. This demanded newly defined tax and accounting guidelines for foreigners attracted to SA's markets.

Commission member Pierre du Toit said the body would publish a follow-up report soon. It was expected to deal with transfer pricing and thin capitalisation. Transfer pricing involved the under- or overstating of invoices with a view to exporting funds. Thin capitalisation rules were intended to prevent foreign firms from funding investments via debt rather than equity.

Tax experts said while thin capitalisation rules applied to local and international companies, the "more serious haemorrhage effect" kicked in with offshore investors whose tax savings on interest payments on debt translated into money leaving the country. BD 2/5/96

Du Toit said the report would offer more definitive recommendations than the commission's original report.

The Katz commission in its interim report recommended that basic provisions for anti-transfer pricing be brought into the Income Tax Act. These would have to be accompanied by a facility for advance pricing agreements to provide certainty for foreign investors.

The commission said thin capitalisation rules were linked with SA's uncompetitive corporate tax rates and should be introduced into the tax system speedily.

Foreign investors were particularly sensitive to an aggressive regime against gearing investments. The commission had recommended that the current Reserve Bank debt-to-equity guideline of 3:1 for companies be replaced by a 5:1 ratio. Taxpayers should be able to prove that gearing in excess of this amount was necessary in certain instances. This would create a balance between turning SA into a tax haven, while allowing investors some freedom to gear in a high tax environment.

SA gets low marks for investment

ST(B) 14/5/95 (74B)

By SVEN LUNSCHE

SOUTH Africa has received a damning verdict as an investment destination by one of the world's largest chemical and pharmaceutical companies.

Mark Schriber, managing director of Swiss multinational Du Pont de Nemours, says South Africa lacks the competitive tax rates, labour productivity and investment incentives necessary to attract foreign investors.

"A manager bases his investment decisions on limited risk and long-term growth potential. South Africa does not necessarily offer these at present," Mr Schriber told the World Economic Forum's southern Africa summit on Friday.

The criticism drew a sharp response from Trade and Industry Minister Trevor Manuel, who said the success of investment depended to a large extent on quality of management.

And in contrast to Mr Schriber, José Lopes de Arriortua, Volkswagen AG board member, and Eberhard von Koerber, Asea Brown Boveri's vice-president for Europe and Africa, praised their local subsidiaries.

They said their investments had proven globally competitive in capital and technical terms, but they agreed that improved labour productivity was crucial for future growth potential in the region.

Rattling off an array of negative factors, Mr Schriber recounted the story of a firm wanting to beneficiate locally: "Eventually they discovered that it would be cheaper to export the raw material, build a plant in the Far East, beneficiate it there and import the finished products back to South Africa, including duty and tariff costs."

Responding to calls last week by Cosatu for greater investment by local companies, he said: "Frankly, with the climate that reigns today, I have a certain sympathy for SA business."

He cited "excessively high tax rates" and the absence of investment incentives as key reasons for the poor investment climate. "Whoever told South Africa that no incentives are required does not know what he is talking about," Mr Schriber said.

Mr Schriber also cited "insufficient level of education among the labour force" and frequent conflict between employers and workers.

"There are no productivity linkages either. Workers must realise that wage increases have to be coupled with productivity increases."

This provoked an angry reponse from Mr Manuel who said that "your workforce is as good as you train them".

Mr van Koerber said the only qualms he had about investing in emerging economies was that "we often don't do it fast enough".

Mr van Koerber, who headed BMW in South Africa in the 1970s, said local subsidiaries were in tune with technological developments overseas and "in some instances, technological leaders".

Klaus Schwab, chairman of WEF, said while most business leaders viewed South Africa positively, "as in other countries there are major risks involved".

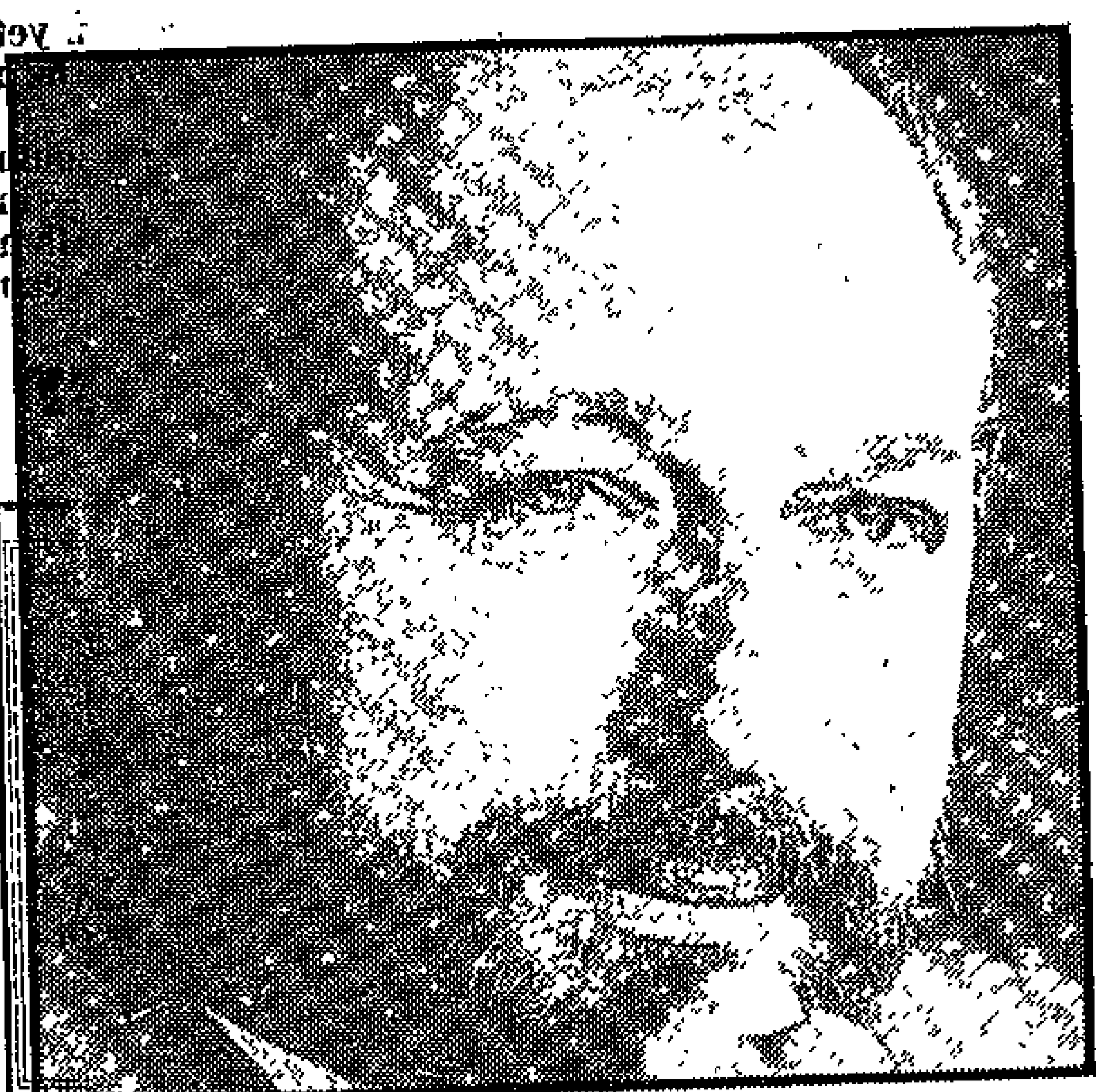
Most crucially, he said, South Africa was not necessarily an economy of scale. "Even if you look at the region as a whole it is only 2,5% of the size of the EU or Nafta and is also small compared to other developing regions, such as India, China, Indonesia or Brazil.

"In any case there is no regional integration to speak of and issues such as tariffs, exchange controls or free trade are not even on the SADC agenda," Dr Schwab said.

He said the continued political conflict between the ANC and Inkatha raised the question whether "consensus and stability could be guaranteed".

☐ Business leaders from South Africa, Nigeria and Zimbabwe announced at the WEF meeting they would be launching an anti-corruption push in the region.

"Corruption has reached intolerable levels and we believe business can and should take the lead in fighting it," Piet Liebenberg, chief executive of the Council of Southern African Banks, told Reuters.



SPEAKING UP ... Industry Minister Trevor Manuel

Investors uneasy about SA politics

BD 10/5/95

(74b)

SAMANTHA SHARPE

FEARS about the sustainability of SA's economic upturn were starting to erode investor confidence, despite a generally positive underlying business mood, the SA Chamber of Business (Sacob) said yesterday.

Sacob economic policy director Ben van Rensburg said the April business confidence index, which was unchanged at 109,2 points after rising sharply in March, reflected a confident spirit among SA businessmen.

"But amidst the strong business sentiment still prevailing, amber lights are beginning to flicker on the economic and political fronts."

Van Rensburg said SA's balance of payments remained the "Achilles' heel of the economic upturn".

The sharp decline in the country's foreign exchange reserves in April was a clear indication of the unease in some business circles.

The failure to resolve the dispute over international mediation appeared to have had a dampening effect on capital flows into SA, with the significant increase in the money market shortage during April suggesting a net outflow of capital.

"Despite the positive impact which the lifting of financial controls on non-residents should have on the capital account of the balance of payments, net capital inflows continue to be critical to creating scope for sustaining the upturn over the medium to longer term," Van Rensburg said.

Furthermore, SA's trade balance — the current account side of the balance of payments — continued to narrow. The latest figures indicated that in the first quarter the trade surplus had been R788m — R4,4bn in the 1994 quarter.

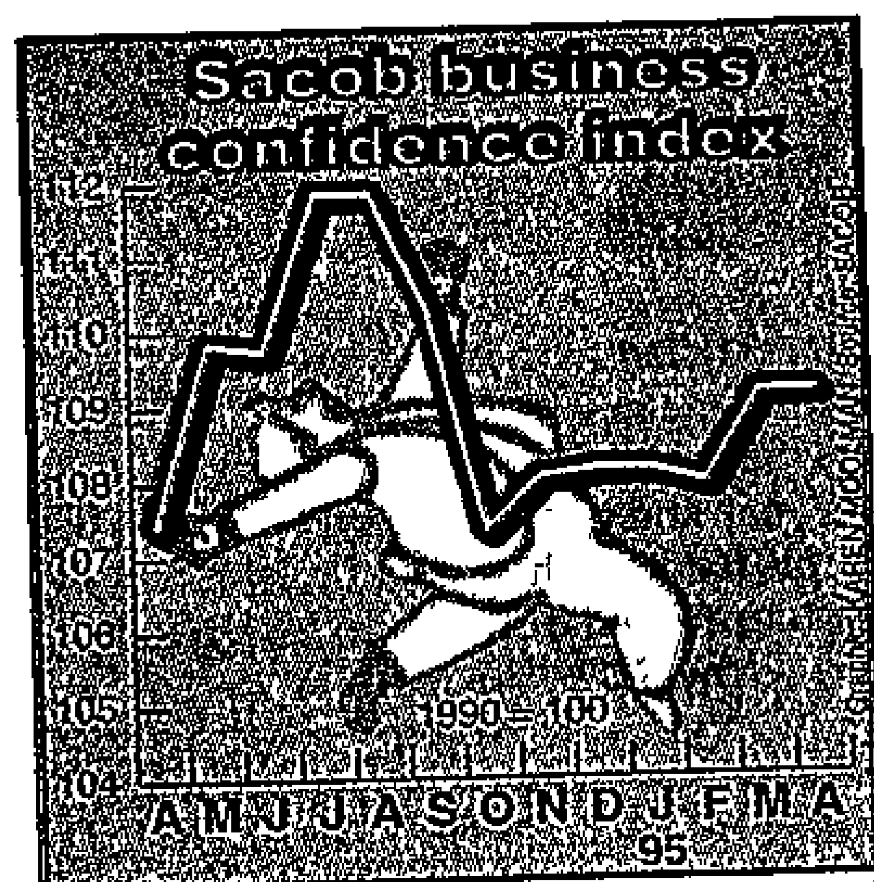
The caution among some SA businessmen was also apparent in the latest survey of confidence levels in the manufacturing sector. The survey showed a fall in the number of respondents who were optimistic about prospects for the next 12 months.

Sacob economist Keith Lockwood said the relative deterioration in confidence levels in the manufacturing sector could be partly attributed to increased political tensions arising from the mediation impasse.

But rising inflationary pressures and fears of a further increase in interest rates, as well as the fewer working days in April, could all have contributed to the findings, he said.

There was, however, a notable deterioration in the outlook for increased real capital expenditure over the past month, Lockwood said.

"The deterioration in the aggregate outlook may well prove to be transitory, but it should serve as a warning to policymakers and politicians about the sensitivity of investment decisions to instability."



SA, Holland sign accord

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

South Africa and Holland have signed an agreement protecting investments between the two countries and a memorandum of understanding to stimulate small business in South Africa.

The documents were signed in Cape Town by trade and industry minister Trevor Manuel and Ms Anneke van Dok-van Weele.

In terms of the memorandum, the Netherlands will establish a communication system for the proposed South African Small Business Development Agency and a national credit guarantee fund.

The feasibility of the Innovation Centre Network of the Netherlands in assisting to establish a national network of service centres for small business will also be investigated. — Political Editor

SA, Dutch sign investment pact

~~74~~ (74B)

AGREEMENTS to protect investments and promote small business in South Africa were signed by Trade Minister Mr Trevor Manuel and Dutch Foreign Trade Minister Ms Anneke Dok van Weele in Cape Town yesterday.

The investment guarantee agreement is designed to strengthen economic ties and stimulate a capital and technology flow between SA and the Netherlands.

CT 10/5/95

Manuel proposes investors' centre

BD 15/5/95 (14B)

JOHN DLUDLU

THE Trade and Industry Ministry had instructed consultants to formulate proposals on the creation of a one-stop information centre for investors which would facilitate investment in SA, Trade and Industry Minister Trevor Manuel said at the World Economic Forum on Friday.

He said the proposals would be tabled before Cabinet within a month — a move seen as a bid to fast-track measures aimed at easing bureaucracy often encountered by investors eyeing the SA market.

It was understood that the centre would take over from the Industrial Development and Industrial Centre, a sub-directorate of the Trade and Industry Department.

Manuel indicated that the process of fiscal incentives for investors might take longer to finalise.

His announcement followed President Nelson Mandela's statement on Thursday that government wanted to shorten the investment process by cutting red tape for foreign investors.

Manuel saidinquries from foreigners indicated that SA's level of acceptability as an investment destination had improved.

He said the EU's Joao de Deus Pinheiro had explained that his proposals, which included qualified Lomé membership for SA, could lead to a free trade accord.

Manuel said SA would exclude itself from those trade protocols which could harm exports from African, Caribbean and Pacific (ACP) nations — EU partners in the accord.

"We don't want an arrangement that will take us back to Geneva to ask for another waiver from the World Trade Organisation (on Lome)," said Manuel.

Pinheiro, who was in SA last week, supported sectoral studies to assess the impact a free trade accord would have on wobbly industries in SA when the country had to remove tariffs to EU countries, Manuel said.

After meeting Mandela and Manuel, Pinheiro said both parties had reached common understanding on the needs of the SA economy and the region, but refused to give time-frames for his proposal of a free trade accord.

"I can't give time-frames as this might be the critical point in talks."

Sapa reports that Deputy President Thabo Mbeki said at the conference international funding institutions such as the World Bank and IMF needed to play a more constructive role in promoting economic development in southern Africa.

"Instead of coming in when there's a crisis, we need to find out whether there are other (kinds of) interventions that could take place."

Mbeki said the problem with international intervention in times of crisis was the imposition of prescriptive remedies for the recipient country.

The best way to avoid such intervention was to avoid crises, he said.

World Bank intervention also came under the spotlight earlier in the day in a speech by Malawi Deputy President Justin Malewezi.

Malewezi said: "Sometimes I feel we are just waiting for prescriptions. We must put our resources together (in southern Africa) and tell the World Bank what they can do for us."

COMPANIES

US moves on SA automotive parts

ST (BT) 21/5/95 (74B)

By CIARAN RYAN

It may be some time before the trickle of direct US foreign investment to South Africa becomes a flood, but a growing number of US companies see South Africa as a cheap source of manufactured products for their global markets.

US companies are returning at the rate of one each working day, and most of those that disinvested are now back.

One of the fastest growing South African export markets to the US is automotive parts, says Bill Mallory, president of the American Chamber of Commerce, and managing director of Ingersol Rand.

Ingersol Rand is able to manufacture sump pumps for use in the mining industry at its Alrode, Johannesburg plant, and land them in New York 25% cheaper than it costs to make them at its Pennsylvania plant.

"Because this is one of our biggest product lines, we have economies of scale which make it cheaper to produce the pumps in South Africa than anywhere else in the world," says Mr Mallory.

"Labour accounts for just 10% to 15% of the total cost of producing the pump so, although South African labour rates are higher than elsewhere in the world, they do not have a major impact on our competitiveness.

"Ingersol Rand manufactures in 108 countries and the group is continually looking at ways of rationalising production."

Some 2 400 units with a sales value of R12-million are produced each year.

Another US company recently returned to South Africa, Federal Mogul, plans to source automotive parts in South Africa for worldwide distribution.

Federal Mogul bought automotive parts distributor Varigs and part of the Spareco chain out of the W&A stable for $55-million, and is currently building a R30-million distribution centre on the M2 East in Johannesburg.

"We will be looking for products in the automotive after-care market which can be distributed internationally," says Rob Crockett, managing director of Federal Mogul South Africa. "Using Federal Mogul's massive international buying power, we also expect to land products here more cheaply than the local equivalents."

South African automobile component parts exports totalled R1-billion last year, thanks largely to Phase VI local content subsidies of 50c in the rand. Phase VI will be replaced by the new Motor Industry Development Programme which will encourage vehicle component exports by allowing manufacturers to claim a R1 duty-free allowance for every R1 of exports. This is designed to encourage exports and increase production.

"Automobile components is one of the great potentials for South African exporters to the US," says Mike Cleverley, economic councillor at the US embassy.

"There are some local companies which are able to land products very competitively priced in the US. When people talk about productivity and the high cost of labour, this really has more to do with management than anything else. One of the ways sanctions hurt South Africa was to cut it off from international business trends and management techniques."

Levi Strauss plans to open a local plant to produce clothing for the export market. Local textiles producer, De Nim, recently won an order to supply Levi Strauss with denim material.

Most US companies, however, remain focused on southern African markets.

PUMPING UP PRODUCTION . . . Ingersol's Bill Mallory Picture: RUSSEL ROBERTS

Foreign investment on the increase, says report

(74B) BD 2/6/95

Samantha Sharpe

FOREIGN investment in SA was on the increase with US companies which disinvested during the sanctions era now leading the investment pack to SA, according to a recent Ernst & Young report.

The report said US companies doing business in SA had risen by more than 300 over the past three years — and 150 of these had invested funds in the country.

Current US activity in SA was only "the tip of the iceberg", the report said. It was expected that up to 50% of total foreign investment would, ultimately, come from the US. "This represents a radical turnaround from the present position where UK companies account for around 50% of foreign investment — estimated at around R50bn in stocks and assets with interests in about 1 500 companies."

Some of the world's leading US companies had reinvested in SA — about 360 US companies disinvested during the sanctions era and 222 of these had no links with SA — while others were still scouting around, said the report.

Those returning to SA included IBM, Ford, Coca Cola, Pepsi Cola, Federal-Mogul and Sara Lee, while the US Overseas Private Investment Corporation was committed to spending $85m this year to finance US investments in SA.

However, there were still significant barriers to increased investment, which could result in many lost foreign investment opportunities, it said. These included high crime levels, political instability, high corporate taxes and low productivity.

Investment money starts to flow into SA

(74B) WM(PSM) 2-8/6/95

Paul Dixon and Nicola Gain

FOREIGN investment is on the increase. While falling short of pre-election hype, the tide is changing, with inward investment is gaining strong momentum.

United States firms have taken the lead — not surprising since they disinvested heavily during the 1980s.

Current activity may only be the tip of the iceberg, as it is expected that up to 50 percent of total foreign investment will ultimately come from the US. This represents a radical turnaround from the present position, where British companies account for around 50 percent of foreign investment — estimated at R50-billion in stock and assets, with interests in about 1 500 companies,according to the Southern African Economic Research Unit.

The table illustrates the potential level of investment arising purely from those corporations forced to disinvest during the sanctions era when $25-billion in foreign investment was withdrawn.

Despite these developments and the many promises of further investment, potential investors do face barriers which require urgent attention. The list of deterrents has only shrunk slightly despite the euphoria surrounding the elections and installation of the Government of National Unity.

Prioritising the list of concerns repeatedly raised by foreigners, while crucial, is as yet unresolved. If something is not done timeously, it is likely to result in many lost foreign investment opportunities. The key concerns raised are: high levels of crime and political instability; high corporate taxes and limited incentives to foreign investors; exchange control; adverse labour relations and low productivity; and low economic growth and a depreciating rand.

The flip-side portrays a number of attractions, especially when seen in the context of other emerging countries. These include: a sophisticated infrastructure; a local market of 40-million people, with growth forecast in consumer and aspiration spending; a "stepping stone" into Africa; the Reconstruction and Development Programme; a privatisation drive; conservative fiscal and monetary policies; and no ownership restrictions on foreign companies

The number of US companies doing business in South Africa has risen by more than 300 over the past three years, of which 150 have invested funds in the country. The US-based Culvert Group, which looks at socially responsible investment, says that the number of US companies with employees or investments in South Africa has risen almost 20 percent since 1993, but adds that this still compares poorly with non-US firms currently in the country.

The US Overseas Private Investment Corporation (OPIC) is committed to spending $85-million in 1995 alone, to finance US investments in South Africa. OPIC has also established two funds totalling $150-million for joint ventures and new investments.

Foreign investment means that some of South Africa's more "sleepy" business sectors are in for a shake-up.

Foreign investment will come, and only those companies pro-actively seeking joint venture opportunities and strategic alliances are likely to entrench their position in the new South African market as it becomes internationally interactive.

	Total Divestments	Non-Equity Link Retained	Inactive Subsidiary	No Link
USA	361	133	6	222
UK	180	14	8	158
Germany	44	13	5	26
Canada	33	5	3	25
Australia	25	4	2	19
Other	66	17	4	45
	709	186	28	495

Source: Rand Afrikaans University's Institute for American Studies

This is an edited version of an article which first appeared in E&Y's In Touch magazine.

SA 'has competition' for foreign investment

Beatrix Payne BD 5/6/95 (74B)

GOVERNMENT should consider providing incentives to attract foreign investment as SA faced strong competition from China and countries in Southeast Asia, Australian-based Lief Investments deputy MD Justin Cook said at the weekend.

Lief International — a commodity trading network based in Sydney — officially launched its local subsidiary at the weekend. The group, which had invested R3,5m in local warehousing and office facilities, was one of the first Australian firms to make direct investments in SA, he said.

Australian firms were keen to explore investment opportunities in SA but were still quite cautious and a flood of investment was unlikely in the short term, MD Fuk Chung Li said.

He said SA had an advantage in its high standard of infrastructure and cheap labour but productivity and efficiency had to be improved through the whole economy.

Cook said Lief's SA operations would provide a toehold for expansion into other parts of Africa. At present the group was mainly involved in importing paraffin wax for candles as there was strong demand for candles in SA.

It intended exporting goods from SA and was focusing on agricultural products such as grains and vegetable oils, meat byproducts, wool and paper and packaging products. Current shortages of maize and paper products meant there was limited opportunity to export these products at the moment but the group was also investigating export opportunities in metals, minerals and crude oil.

"The SA market looks very promising and there is a lot of trading potential here. There is very little room for new developments in Europe and the US is now too competitive," Li said.

The group had 25 subsidiaries across the Far East, the US and Mexico. Turnover exceeded R1,8bn last year and was likely to touch R2,5bn this year, Li said.

Cook said the local operations were still in the developmental stage. "It will take some time before we will see a positive net impact on the bottom line from the SA operations, but we are not here just for short-term profits," he said.

Sexwale trip boosts business

(74B) Star 8/6/95

■ BY JO-ANNE COLLINGE

Gauteng Premier Tokyo Sexwale and his 20-member party returned from a visit to south-east Asia yesterday with commitments for investment and plans to test Malaysia's successful housing strategies in the province.

Sexwale announced the 18-day trip had yielded:

■ A deal between South Korea's industrial giant, Daewoo Corporation, and Anglo American to produce television sets in Gauteng. Black business interests would be part of the venture.

Statements of intent to invest had been made by two other Korean corporations, electronics company Lucky Goldstar and motor manufacturer Hyundai.

■ An agreement between Gauteng and the Malaysian government to develop a 1 000-unit pilot low-cost housing scheme. Malaysia was offering a soft loan, which would be supplemented by the national housing subsidy.

The development would be a joint venture between a Malaysian consortium and a South African consortium with "effective black business participation".

■ A commitment by the leisure group, Hyatt International, to invest in two more hotels in Gauteng — one in the Johannesburg CBD. The other was likely to be "a massive theme park development", undertaken with China International Travel.

Sexwale said the governments of Gauteng and Kyonggi province in Korea had entered into a "sisterhood agreement". The expected benefits of this include training opportunities and tourism exchanges.

The Hong Kong Trade Development Council would also establish a permanent office in Johannesburg before the end of the year.

About half the delegation comprised representatives of business, ranging from Anglo American and Thebe Investments, to Pretoria's Afrikaanse Sakekamer and the development agency Vaalgro. The other delegates were Gauteng MPLs and officials and two senior officials from the Johannesburg and Pretoria councils.

China puts up factories in KwaZulu

(748)

BY JOHN SHERROCKS

KWAZULU NATAL BUSINESS EDITOR

CT (BR) 12/6/95

China has committed itself to establishing an average of one factory a month in KwaZulu Natal over the next 12 months, creating hundreds of jobs and pouring millions of rands into the province.

The Chinese investment deal follows the signing of a memorandum of agreement between the China Council for the Promotion of International Trade and the KwaZulu Natal Marketing Initiative.

The first of the 12 projects, Chisa Welding, which will manufacture welding rods, has already set up operations in a 2 000m² factory at Ezakheni near Ladysmith. The R8 million investment will create up to 100 jobs.

The initiative, which was instrumental in clinching the Chisa deal, reports that another two companies will set up shortly.

The first of this second wave of projects, Smart Garments, will also be based in Ladysmith, while the location of the other 2 400m² operation, Hero Pens, is still being finalised. Together, the two businesses will invest about R15 million and create 230 new jobs.

Arnold Griesel, vice-chairman of the KwaZulu Natal Marketing Initiative, said the remaining 10 companies are awaiting approval from the Board for Regional Industrial Development for investment incentives. These companies will manufacture a diverse range of products, including textiles, clothing, hardware, electronic appliances and enamelware.

Reacting to criticism that the province was falling behind in securing investment, Griesel said there was clearly more going on in KwaZulu Natal that what was evident on the surface.

Delay in Saldanha Steel 'worries foreign capital'

CT (BR) 13/6/95 74B 56 189A

By Derek Tommey

The delay by the government in giving the Saldanha Steel project the go-ahead was sending bad signals to overseas investors, Carel van der Merwe, the managing director of the Industrial Development Corporation (IDC), said yesterday.

Saldanha Steel is a joint project by the IDC and Iscor. The project involves a total investment of R4,7 billion, and when completed in 1998, will export about 1,5 million tons of steel every year

Van der Merwe said Saldanha Steel had met all the legal requirements and every regulation, but there was still uncertainty hanging over it. Foreign investors wanted to know what was happening.

Bernard Smith, executive chairman of Saldanha Steel, said he was concerned by the appointment by Dawie de Villiers, the environment minister of a further committee to evaluate the plant, possible secondary industrial development and its impact on the environment.

Construction had not yet started and further delay could jeopardise the project and even terminate it.

Smith also said that a proposed interdict calling on the government to appoint a committee headed by a judge to investigate the possible environmental impact of Saldanha Steel and of possible secondary industries should be vigorously resisted.

WAITING *Hans Smith, managing director and chief executive officer of Iscor (left) and Bernard Smith, executive chairman of Saldanha Steel*

PHOTO JOHN WOODR[illegible]

Smith said a thorough environmental impact assessment to international standards, and not to the less stringent local standards, was executed as part of the project's feasibility study.

NEWS IN BRIEF

Mines pollute water

FARMERS at Fochville in the Northwest province have claimed the Anglo American-owned gold mines Elandsrand and Western Deep Levels have polluted their water sources.

High levels of cyanide and metal salts from two slime dams had leached into their water sources while high radioactivity levels were measured at one farm.

Farmers and representatives from Elandsrand mine management and government met yesterday to discuss the claims.

Clothing costs dispute

THE Post and Telecommunications Workers' Association (Potwa) has threatened to embark on industrial action in response to a claim that the Post Office had changed its policy on subsidising corporate clothing.

Potwa media officer Shakes Gonyane said during negotiations the company had proposed the introduction of a corporate wardrobe without raising the issue of costs. Later, workers were told they would have to pay.

The Post Office was not available for comment.

Rand Refinery protest

NATIONAL Union of Mineworkers members at Rand Refinery in Germiston held a demonstration in support of a demand to force the company to agree to the extension of the current bargaining unit. A spokesman said workers would not respond to management's wage offer until there was agreement on the issue. Negotiations continued last night.

Policing agreement

SA AND Namibia yesterday reached their most comprehensive agreement yet on cross-border policing aimed at combating syndicates smuggling drugs, arms and stolen vehicles. The agreement included joint border patrols and sharing specialised training and technology.

REPORTS: Business Day Reporters, Sapa.

Diverse sources invest R2bn in SA

John Dludlu (748) BD 13/6/95

THERE was a rising tide of direct foreign investment to SA, with an estimated R2bn worth of new multi-sectoral investments since early last year, trade and industry's chief director for industry and technology, Alan Hirsch, said yesterday.

"This is a very significant inflow (of investment) compared with records in the last 10 years. What is most encouraging about it is the diverse sources of the investment and the diversity of the sectors into which the new investment is going. This bodes well for the future," he told a one-day seminar — jointly organised by the UN Industrial Development Organisation (Unido) and the National Economic, Development and Labour Council.

The first obligation of government was to create a favourable sociopolitical and economic environment to accelerate direct investments.

At present government was pushing for the creation of a more effective national investment bureau, involving both government and business in a greater capacity than the under-resourced industrial development and investment centre — a directorate in the trade and industry department falling under Hirsch.

The role of the proposed bureau would be to process information for prospective investors, identify investment leads and pass them onto the nine provinces. The bureau, which is being discussed within Nedlac, would also advise government on investment policy adjustments.

In a speech delivered on his behalf by technology promotion director Johannes Potgieter, trade and industry director-general Zavareh Rustomjee said the department hoped to achieve a 6% growth rate and create 300 000 to 500 000 non-agricultural jobs a year by 1999. "Technology will play an important role in the above mentioned goals."

The challenge for industry was to create internationally competitive products by applying appropriate technologies, developed locally or through joint ventures or licensing with foreign partners.

New initiatives would include programmes aimed at promoting the use of best practice, inter-firm linkages and technology incubators.

Unido director S Ndam told the conference his organisation's assistance would be more effective if SA joined it. It was up to the country to determine areas in which it would like to be assisted.

Reuter reports that SA Chamber of Business economist Keith Lockwood warned at the seminar that policy-makers should avoid introducing incentives for foreign investors which left SA a "net loser".

"In the competitive international investment environment we keep having to offer bigger and bigger incentives and the chances are we could be a net loser," he said.

Education Minister Sibusiso Be... Education Awards. Education...

RDP recognised for efforts to deliver

BD 13/6/95 (297)

Sello Motlhabakwe

MOST black people who were informed about the reconstruction and development programme (RDP) claimed to have benefited from its projects, Market Research Africa said in its last survey.

The survey, which monitored the RDP's progress, said there was a high awareness of the RDP among urban dwellers (73%). Awareness was strongest among blacks at 76% followed by whites at 73%, Indians at 64% and coloureds at 55%.

One in every 10 respondents, the majority of them black, said they had personally benefited from the RDP by way of electrification of their townships, education facilities, access to water, housing a better environment and health facilities.

Govt needs groups' help'

BD 13/6/95

Ingrid Salgado (297)

THE land affairs ministry could not meet the challenges of SA's new democracy without the help of non-governmental organisations, Minister Derek Hanekom said last night.

He told the launch of Interfund's 1995 Development Update such organisations were in the strategic position of being able to liaise closely with communities.

If his ministry had achieved any success, it was largely from "good collaboration" with non-governmental organisations on a policy and implementation level, he said.

Donors who invested money in such groups would help government's land reform projects more than by directly supporting land affairs.

Meanwhile, Development Update has warned that loss of non-governmental organisation staff to government and industry, and reduced donor funding threatened the future of the organisations.

This, coupled with bureaucratic restrictions on their activities and shortfalls in organisational and management capacity, placed them under enormous pressure.

Brick prices 'could shoot up within 5 years'

(193) BD 13/6/95

Robyn Chalmers

SA BRICKS will be s[illegible] over-priced within five years if the industry does not address low productivity and rising labour costs, says Clay Brick Association president Harry Voorma.

Addressing the association's AGM in Swaziland he said there were three main challenges facing the clay brick industry as it geared up to meet the demands of the reconstruction and development programme. These were a need to increase productivity, update technology and keep brick prices down.

He said SA's clay brick manufacturers were at the bottom of the ladder in terms of output per man.

"If drastic action is not taken, within five years the labour cost in producing bricks will amount to 50% of the total production cost and SA bricks are likely to be seriously over-priced."

Voorma said the long years of political isolation meant certain brick manufacturers had fallen behind the rest of the world in their application of technology.

The danger now existed that overseas companies would [illegible] in and make big inro[illegible]arket.

This had happened in Germany and Holland where the largest Australian producer had, by means of advanced technology, been able to secure a large slice of the market.

Voorma said inefficiencies in the industry should not be recovered through increasing prices but more effort should be put into efficiency.

He said that over the past year, the clay brick industry had seen a growth of between 20% and 30% and sales continued to improve on a month to month basis.

SA ranks as world's worst for investors

ST(BT) 18/6/95 (74B)

By KEVIN DAVIE

A MAJOR study designed to facilitate billions of rands of Taiwanese investment has found that South Africa's fiscal regime is the worst of possible investment destinations.

The R500 000 study, by London-based Chem Systems, was financed by Taiwan to encourage investment by Taiwanese companies in South Africa's petrochemical and plastics industries.

Chem Systems, which will make a presentation to potential investors in Taiwan on June 30, is investigating about 20 options for possible investment in South Africa.

One mooted project, by fibre giant Tuntex, is an $8-billion petrochemical complex, one of the largest in the world.

Figures released by Energy Minister Pik Botha show the project could create 400 000 jobs and contribute 7% to gross domestic product. Possible sites include Richards Bay, Durban and Mossel Bay.

But a comparison of investment destinations, including Thailand, the Philippines, Indonesia, Malaysia, Singapore, Vietnam, mainland China, Japan, Germany, Britain and Denmark, shows South Africa's investment regime is the worst.

"The fiscal regime is not friendly to new investors compared with countries competing for investment," says Chem Systems' Terry le Roux.

The study is not designed to prescribe to South Africa. "It shows what the real world is like in countries that are serious about expanding their petrochemical industry."

South Africa fares badly as many countries have targeted petrochemicals for rapid development.

Their strategies include government investment in infrastructure and feedstock supply, six- to eight-year tax holidays, duty breaks on imports of equipment and raw materials, as well as special depreciation and training allowances.

Another negative factor is the secondary tax on companies. No credit is allowed by the tax authorities for STC in countries such as Taiwan.

Chem Systems says the present structure discriminates against foreign investors, favouring domestic investors who are able to write down existing tax commitments against new investment.

South African companies which invest here are not that badly off compared to Germany and Denmark, but still lag the Asia-Pacific region.

Mr le Roux says many potential Taiwanese investors are too busy making money in the Asia-Pacific region to even visit South Africa.

The Taiwan government wants to widen the spread of the investments its companies make abroad and to capitalise on the political goodwill which investment in South Africa will bring.

There is also potential for Taiwanese exporters, who have used up their quota of exports into some developed countries, to use quotas as yet unused by South African companies.

"We hope that the study will result in matchmaking," says Mr le Roux. It aims to highlight strengths in SA petrochemcials, such as some of Sasol's coal-based chemical steams.

Mr le Roux says Chem Systems is focusing on opportunities such as exploiting available feedstock and applying Taiwanese technologies.

He says some restructuring options for Mossgas make technical sense. The companies will determine whether these make commercial sense.

Business Times requested comment from Trade and Industry director-general Zavareh Rustomjee. None was forthcoming.

Cartels 'are driving away investment'

DN 21/6/95 (74B)

Nicola Jenvey

DURBAN — SA was losing vital foreign investment, particularly from Europe and the US, because of the concentration of economic power, Price Waterhouse senior partner in Durban Steve Ashforth said yesterday.

He said power concentrations meant local competitors could "put the squeeze" on financial backers or raw material sources.

Ashforth has recently returned from a KwaZulu/Natal Marketing Initiative inward investment mission to London, Brussels and Birmingham, where he made contact with various British businessmen wanting to invest in SA.

He said one investor had looked at investing in the KwaZulu/Natal Tugela basin, but found his main source of raw material "suddenly became unavailable" as the deal reached the signing stage.

The potential investor had commented that the concentration of power, which ensured SA only had a small number of competitors, provided "a major barrier to investment entry".

Price Waterhouse partner Stanley Soobramoney cited another example of a US company wanting to invest \$30m in SA. However, the US institution funding the deal had withdrawn its backing when faced with pressure from SA conglomorates.

"That deal was subsequently taken to Sri Lanka where the investors have said they were warmly welcomed and appreciated for the potential brought into the country," Soobramoney said.

Ashforth said SA competition laws had to be changed to prevent cartels "destroying potential foreign investments". He believed, however, that vested interests within business might result in the uncompetitive structures remaining.

"Original speculation was that the JSE would institute a minimum 25% public shareholder stake for listed companies, but this was decreased to 10%. It is not known what the mandate will be on future pyramid structures listing on the JSE, when the pressure is on and the powers have their say," Ashforth said.

He said initially speculation had been that companies would only be able to list two pyramid companies on the JSE, but this may not be so.

Another issue hindering foreign investment was the lack of incentives, particularly tax holidays.

During 1994 Ireland was the third most successful attractor of foreign investment in Europe after England and France — both of which have economies 10 times Ireland's size.

"The main incentive is that companies dealing with certain manufacturing activities pay only 10% in corporate tax until the year 2010 compared to the normal rate of 43%, yet SA policy-makers still insist that incentives do not attract investment," Ashforth said.

CO

Pepsi puts millions into Simba

CT(BR)21/6/95

By Charlotte Mathews
Investment Editor

(74B)

PepsiCo Foods International (PFI), part of the same group as Pepsi-Cola International and KFC International, is investing R190 million in cash in South Africa in taking a stake in Foodcorp's Simba snacks business, according to an announcement today.

A new R380 million company, in which Foodcorp and PFI will each have a 50 percent stake and joint management control, has been formed and will be headed by the present Simba chief executive, Koos Ferreira.

CT(BR)21/6/95

Penetration

The distribution of Simba's products will be expanded through contract distributors, which will enable Simba to penetrate new outlets in the townships.

Foodcorp chief executive Dave Kennealy said in an interview yesterday there had been a technology agreement between PFI and Simba for some years but the new agreement would give Simba greater access to PFI expertise and it would also enable Foodcorp to participate in African ventures with PFI. This was ruled out by the former agreement with PFI.

A number of attractive opportunities in Africa had been identified and the first of these was being investigated.

Simba, which is already selling O'Grady's crisps and Fritos corn [illegible] under licence from PFI, sold [illegible] R500 million of snacks last year. It has about 57 percent of South Africa's snack foods market, which is highly competitive. The company has not increased its prices since late 1993, Kennealy said.

The new business and marketing plan for Simba suggested it could grow the market and possibly its market share further — PFI's market share in the United States is about 70 percent — and it would also become more profitable as a result of improved manufacturing processes.

PFI has a wide range of products, including brands such as Doritos tortilla chips and Sun Chips, a multi-grain snack, which have never been seen in South Africa. It is also strong in manufacturing technology, agronomy, [illegible] ity control and new product development.

Last year Pepsi-Cola International re-entered the South African market through a joint venture with New Age Beverages in which it plans to invest $100 million over five years, while KFC International and its franchise partners also declared their intention of investing $200 million in the local market over the next three years.

ROARING TRADE *Foodcorp chief executive Dave Kennealy displays some of the Simba snack range*

PHOTO: JOHN WOODROOF

Sacob issues stern warning about crime

(74B) (2?) CT(BR) 22/6/95

By Thabo Leshilo

Staff Writer

Unless South Africa's orgy of crime and violence is curbed, labour peace restored and the level of taxation reduced, the country's efforts at attracting foreign investment will come to naught.

That was the stern message from the 120 top businessmen who attended yesterday's mid-year meeting of the South African Chamber of Business council in Johannesburg. The meeting pointed out that recent developments in the labour field, competition policy and public holidays could undermine business confidence in South Africa and the country's quest for competitiveness.

Addressing a press conference after the meeting, Les Weil, Sacob president, said some businesses were being forced to close down and some entrepreneurs leaving the country because of the crime wave. He said the meeting unanimously agreed that "the strongest steps" needed to be taken to curb the high level of crime.

Weil said concern was expressed that the forthcoming local government elections would impose additional responsibilities on the South African Police Services, and could deflect attention from the fight against crime.

Against this background, the council proposed that the South African National Defence Force help police the elections.

Foreign investment set to boost shares

ET(BR) 22/6/95 (74B)

BY AUDREY D'ANGELO
CAPE BUSINESS EDITOR

Substantial inflows of foreign investment capital over the next two years could boost corporate earnings by a cumulative 50 percent by mid-1997 and lift the JSE all-share index by between 15 percent and 20 percent suggests Nick Barnardt, economist with stockbrokers Ed Hern Rudolph.

His forecast, in a research paper on the effects of relaxing exchange control, contrasts strongly with that of Boland Bank economist Francois Jansen, who warns investors to limit their total exposure to shares.

Barnardt, pointing out that there has already been a huge inflow of capital from the rest of the world, expects this to increase as foreign exchange controls are lifted.

He forecasts that by mid-1997 consumer price inflation would have risen by only 0,5 percent to 11,5 percent.

By then he expects producer price inflation (PPI) to be 12 percent, the rand to fall to R4,50 to the dollar, the long-bond rate to rise to 18 percent and the banks' prime lending rate to rise to 21,5 percent.

Barnardt says that "essentially, the outlook appears to indicate a slight cyclical rise in inflation; a perceptible but undramatic rise in short-term interest rates; a further moderate rise in long-rates; and a substantial, but manageable, depreciation in the rand exchange rate, which would imply a moderate depreciation in real terms.

Barnardt said that the major JSE prices would be affected in contradictory ways by this scenario. On the one hand the prospective rise in inflation and interest rates, would extend the cyclical decline in the price-to-earnings ratio on the JSE (which was from 19,5 to 16,5 in the past year) to about 14,5 by the mid -1966 and 12,5 by mid-1997.

"On the other hand, solid economic growth should lift corporate earnings strongly, perhaps by a cumulative 50 percent in the next 24 months.

"This, together with the expected downward adjustment in the rand exchange rate, would support JSE prices in rand terms," he said. "The net effect of sharply rising earnings and a moderately declining price to earnings ratio should provide scope for a 15 to 20 percent rise in the all-share index in the next 24 months."

Boland's Jansen, quoted in Business Report on Tuesday, takes the view that JSE shares are overpriced and are sure to fall unless corporate earnings grow by at least 30 percent. He advises investors to "approach the JSE with caution."

said the US economy could convide "consistently disciplined

German deal 'to net R3bn'

Linda Ensor (74B) BD 23/6/95

LONDON — German investment in SA was expected to soar by an additional R3bn in the next 12 months as a result of an agreement signed between SA and Germany in Bonn yesterday, Trade and Industry Minister Trevor Manuel said.

The investment and financial protection agreement, which provided legal protection for business between the two countries, was signed by German Finance Minister Gunther Rexrodt and Manuel.

The hesitant attitude of German investors to committing money to SA had been intensified by the long delay in finalising this agreement and the news would send a powerful signal for them to direct funds to the country.

Manuel told reporters the additional investments would be concentrated in the fields of automotive components, metals, machinery, consumer electrical appliances and textiles.

"It creates the necessary certainty for Germany, our number one trading partner and almost largest single investor."

The agreement gave investors "national and most-favoured treatment; protection of ownership and compensation in case of government intervention; and guarantees free transfer of capital and proceeds as well as international arbitration".

Rexrodt, who was scheduled to lead a business delegation to SA in January, said the agreement created conditions for additional investments in SA, especially for medium-sized enterprises. Germany had similar agreements with about 90 other countries. "German industry expects such treaties. It is a kind of precondition for investment," he said.

The treaty would be ratified by Chancellor Helmut Kohl in September.

US fund judges SA a good bet

(746)

ARG 23/6/96

WASHINGTON. — South Africa has joined a list of 24 countries judged to be "investment-safe" by California's R316 billion Public Employment Employee Retirement System (Pers), the largest pension fund in the United States.

During a visit to Pers headquarters yesterday, South African ambassador Franklin Sonn was told by senior officials that five percent of the fund's investment budget would be directed to the South African investment market — over and above the direct investment already being made in South African companies.

The Pers officials asked Mr Sonn to advise on support for new and promising business ventures in the country.

The assurance from the fund came on a day in which Mr Sonn became the first South African envoy to address California's senate. He was given a standing ovation.

He thanked the senators on behalf of President Mandela for their support of South Africa and invited the state — which has the world's sixth largest economy — to join in the country's building process.

South Africa was serious about democracy and financial and monetary discipline, he said.

According to an embassy spokesman in Washington, a group of Californian senators plans to visit South Africa in November. — Sapa.

Zimbabwean sanctions against SA?

'WM 23-29/6/95 (74)

Zimbabwe is considering boycotts against the Pretoria regime again — though for different reasons this time. **Iden Wetherell** reports from Harare

Taxi takeover: The motor-manufacturing sector is particularly shrill in its complaints about unfair trade PHOTOGRAPH: RUTH MOTAU

SHOULD Zimbabwe impose sanctions on South Africa? More than a year after democratic elections in the republic, it may seem a strange suggestion — but Zimbabwean manufacturers, expressing growing resentment that terms of trade between the two countries unfairly favour South African exporters, are calling for tough retaliatory measures.

Zimbabwe is awash with South African goods.

South African breakfast cereals and fruit juices crowd supermarket shelves, sleek new South African-made vehicles hog the country's roads and fast-food franchises with familiar names from south of the border jostle for space in suburban shopping malls.

In Zimbabwe's hitherto self-sufficient manufacturing sector, South African machinery, chemicals and plastics are aggressively pushing aside local products.

When the Harare government recently divested some of its shares in the giant Delta Corporation which operates hotels and breweries, South African Breweries snapped them up, returning to occupy turf it lost at independence in 1980.

Black businessmen claim they were outmanoeuvred in the deal.

Meanwhile, Zimbabwean textilers and exporters in the agricultural and mining sectors are fuming that their products face insuperable tariff hurdles on the South African market.

Although the balance of trade has favoured South Africa for decades, in the past three years a floodtide of South African goods has swamped local manufacturers. The South African Foreign Trade Organisation [Safto] estimates South Africa enjoyed a trade surplus of R1,5-billion with Zimbabwe last year.

Zimbabwe has desperately been attempting to renegotiate the 1964 trade agreement which provided access for Zimbabwean products to the South African market.

When it expired in 1992, South Africa removed its long-standing suspension of duties on Zimbabwean textiles, providing a body blow to one of Zimbabwe's post-independence success stories. Thousands of workers have been laid off at some of the country's best-known textiles companies

South African clothing manufacturers have lobbied against concessions to Zimbabwe's textiles industry on the grounds that imports would jeopardise their position. But Zimbabwean exporters claim that their place in South African clothing stores has been taken by a flood of imports from the Far East, rather than by any increase in demand for South African products.

When President Robert Mugabe visited South Africa last year, he secured an assurance from President Nelson Mandela that their respective trade ministers would hammer out an agreement on the vexed question of tariffs. But little progress appears to have been made since then.

Zimbabwe's motor-manufacturing sector is particularly shrill in its complaints about unfair trade. The proliferation of South African-made vehicles, including the ubiquitous minibus taxis, has put the squeeze on local assemblers.

At a time when Zimbabwe has abandoned its export incentive scheme and reduced tariffs in line with market reforms, local car makers point to South Africa's General Export Incentive Scheme, which offers South African vehicle exporters up to 50 percent of export value in credits and duty drawbacks, a scheme which will continue for a further eight years under World Trade Organisation concessions.

"The trade game is being played with different rules for the two teams," protests Bulawayo-based economist Eric Bloch.

Given South Africa's intractability on questions of access, he says, "Zimbabwe may have no alternative but to react in a manner similar to the United States' stance against Japan: imposing heavy tariffs directed against specific South African products."

Zimbabwe absorbs 28 percent of South Africa's exports to Africa. There are growing fears in Harare that, unless countered, skewed patterns of trade may force Zimbabwe into an expanded Southern African Customs Union.

Chairman of South African commodities group Market Link, Pieter de Wet, told Zimbabwean cattle farmers last week that Zimbabwe should think about joining up. But the call has only confirmed the fears of local manufacturers.

"We must keep our heads, whatever the pressures," said Confederation of Zimbabwe Industries acting chief executive Joe Foroma. "If we erode our industrial base, we will never catch up again. We do not want to become a commercial shop window in an extended customs union."

The prospect of de-industrialisation is very real. Zimbabwean manufacturers now pay more in duties on imported raw materials than South African companies pay to bring in their finished goods.

In the UDI years and under the post-independence command economy, Zimbabwe built up a resilient manufacturing sector supplying virtually all the country's needs. That is now under serious threat.

The perception that Zimbabwe is the victim of unfair trade practices by its powerful southern neighbour is likely to cloud relations between the two countries — an irony, given Mugabe's sacrifices in boycotting the previous regime in Pretoria.

But Zimbabwean consumers are mostly unsympathetic to the pleas of their manufacturing sector for support.

"How can these people bleat and expect any sympathy from us?" one Zimbabwean wrote to the local press recently, voicing a common complaint about local car assemblers. "For how many years did these firms treat us with absolute contempt because we had no choice?"

Sanlam warns against scaring off investors

Star 26/6/95 (74B)

■ BY AUDREY D'ANGELO
CAPE BUSINESS EDITOR

South Africa cannot afford to lose foreign investment — vital to growth — because of perceptions that it is plagued with union troubles or that wages will rise steeply, Sanlam chief economist Johan Louw warns in his Economic Survey.

He says it is also of the utmost importance that nothing be done to compromise the independence of the Reserve Bank. Attempts to do so could adversely affect foreign investors' confidence in the Government's undertaking "to maintain fiscal discipline".

Louw says the growing deficits on the current account of the balance of payments (BoP) are an indication that spending is increasing at a much faster rate than production and that gross domestic investment increasingly exceeds gross domestic savings.

Although the sharp increase in credit was believed to be largely related to the strong growth in fixed investment many experts were surprised that the Reserve Bank had not already raised the bank rate further.

The high import figure was largely the result of high fixed investment rather than excessive spending on consumer goods. The Reserve Bank appeared to think it could be balanced by capital inflows and was therefore, obviously, adopting a wait and see attitude.

"We nevertheless still believe that the bank will think fit to raise the bank rate by a further one percentage point to 15% this year.

"As far as the capital market is concerned, we think that factors such as the likely rise in short term interest rates, expectations of high inflation and the fact that the economy is in an upswing and gross domestic investment is considerably more than gross domestic savings, will contribute to longterm interest rates fluctuating round current levels in the foreseeable future."

Growth rate

Louw thinks a real economic growth rate of 3% is still possible this year and a similar rate may be attained next year.

He forecasts that the inflation rate will remain above 11% for the next few months but will tend slightly lower from the third quarter.

"For 1995 as a whole we foresee an average rate of between 10% and 11% in comparison with 9% in 1994.

Louw forecasts that the deficit on the current account of the balance of payments could exceed R8 500-million this year compared with the shortfall of R2 089 million in 1994.

He points out that the disappointing export performance so far this year could be ascribed mainly to the contribution of gold.

In 1994 South Africa's gold production dropped to its lowest level in 36 years and indications are that it will decline still further in 1995.

The low level of productivity, unsatisfactory remuneration incentives and poor work ethics are largely responsible for the unstable labour conditions on the mines. "The lack-lustre performance of the gold price has also not bolstered exports."

He says current labour unrest, which centres around the proposed Labour Relations Act, is causing great uncertainty among local as well as foreign business people.

Perceptions that the country has trade union problems which could interfere with the continuous supply of raw materials and make it difficult to meet delivery times could seriously harm the economy.

"In view of our already high unemployment we cannot allow mass action and strikes to undermine production. This would in any case be in conflict with the RDP's objectives.

"It is therefore vital that the current dispute regarding the proposed labour legislation be handled in a very responsible manner. Otherwise prospective business partners could turn their attention to other countries."

Louw says excessive wage increases could also lead to increased use of machinery rather than labour, reducing the number of jobs available.

RDP seen as carrot to bring foreign investment to SA

(287)
(74B)

ARGT 27/6/95

ALIDE DASNOIS
Business Editor

THE best way to attract foreign direct investment into South Africa is to implement the Reconstruction and Development Programme (RDP), says a University of the Western Cape researcher.

Writing in the latest issue of *Trade Monitor*, Xavier Carim, research fellow at UWC's Centre for Southern African Studies, says a lack of signficant flows of foreign direct investment in the short and medium-term is not a reason for despair.

"Once South Africa begins to redress its economic structural problems through the RDP, foreign investment will be more likely to contribute to socio-economic growth and development."

Policies directly affecting investment, such as rules for the financial operations of companies, tax and the repatriation of profits, are of secondary importance in attracting investors, he says.

Far more important to investing companies are questions of trade and tariffs, monetary and fiscal management, the exchange rate and investment in infrastructure — physical and human.

An investor code spelling out policy on nationalisation, expropriation, access to foreign exchange, guidelines on profit repatriation and royalty fees, and giving information on concessions, prohibitions and market conditions, could help attract investment.

But in the end, foreigners will base their investment decisions on factors such as stability and inflation — irrespective of whether a code is in place.

Any policy package aimed at foreign investment should remove disincentives rather than provide new incentives for investment, Mr Carim says.

"In South Africa this means reducing administrative and regulatory barriers in a manner that does not undermine other objectives such as labour or environmental standards.

"South Africa's trade and tax regime is complex, opaque, has vast intersectoral differences, is difficult to measure and imposes severe burdens on the system of regulation.

"The government needs to simplify the existing tax structure and produce a consistent tariff policy."

Fiscal concessions are not the best way to attract direct investment, he says.

"Fiscal incentives are seen as transitory and foreign firms are looking for permanent rather than temporary advantages."

Incentives should be based on the performance of the investment rather than on the size of it. Criteria could include output growth, exports, employment creation, spending on research and development, training and domestic content of inputs.

A tendency to encourage all foreign direct investment should be resisted, says Mr Carim: State policy should encourage the type of investment that contributes appropriately to domestic priorities.

"If government fosters an environment of broad-based and dynamic economic growth, foreign investors will themselves seek out emerging opportunities."

Investors 'aren't wary of strikes'

(74B) (152)

EAST LONDON: Labour activism would not deter European investors, as they were familiar with strikes at home, Cosatu secretary-general Mr Sam Shilowa said yesterday.

CT 27/6/95

Addressing workers during a tour of the Eastern Cape, he said the government was afraid to be seen to be siding with workers because it was under the impression investors might be scared away by strikes.

Investors who came to South Africa knew all about strikes and many Europeans had shown a willingness to invest. He said Cosatu would fight to ensure the Labour Relations Bill favoured workers when it was passed into law in September.

At another meeting, he said former trade unionists now in Parliament were prepared to pass the bill if business negotiators continued trying to delay it. — Sapa

Govt has eye on debt trap, says Erwin

(74B) CT (BR) 28/6/95

FROM NEIL BEHRMANN

LONDON CORRESPONDENT

Montreux — South Africa's debt trap is "under scrutiny", Alec Erwin, South Africa's deputy minister of finance, has declared at a three-day conference on South Africa being held in this Swiss town.

The conference, attended by about 250 delegates, including 118 European businessmen, bankers, government officials and academics, is aimed at attracting direct investment in South Africa.

In contrast to previous conferences of this kind, it is being attended by a large contingent of black businessmen who are trying to persuade their European counterparts to invest capital and know-how in fast-growing small and medium-sized South African businesses.

Deputy president Thabo Mbeki and Erwin have done their utmost to convince conservative businessmen and bankers that South Africa is an example of fiscal rectitude.

"The government is making major strides to improve the management of South Africa's large borrowings," said Erwin.

"Debt is rising to 50 percent of gross domestic product, and since there are also contingent liabilities the warning signs are there — particularly since debt servicing is the second largest item on the budget.

"This requires a disciplined borrowing policy, which is reflected in our approach to deficit reduction, provincial borrowing, international development assistance and state guarantees."

International bankers seem anxious to lend money to South Africa. Richard Laubscher, chief executive of Nedcor, told the conference that South Africa's four major financial institutions had garnered R2,5 billion in short-term loans from international markets in four months.

Big Taiwanese stake in Mossgas on the cards

CT(BR) 29/6/95 (74B)

By Neil Behrmann
London Correspondent

Montreux, Switzerland — A multi-billion dollar investment by Taiwan in South Africa's petro-chemical industry is imminent.

Negotiations of the massive investment, which is likely to involve Mossgas, are in the final stages. A delegation led by Zavareh Rustomjee, the director general of trade and industry, will fly from Switzerland to Taiwan to discuss details.

Rustomjee was tight-lipped on whether a deal was about to be clinched. Yet the talks were being conducted at a "high level" and "this is an indication of serious resolve", he said. Representatives of the petro-chemical industry were already in Taiwan.

The investment will be less than the R37 billion originally mooted, he said. Potential for 400 000 jobs was also exaggerated in earlier media reports, he said.

Costings would be based on an independent study that was commissioned by Taiwan, he said.

Supplies to the Taiwanese petro-chemical downstream industries, notably plastics, will be constrained in coming years, Rustomjee said. So industries wanted to assure themselves of future supplies, he said.

Meanwhile, trade minister Trevor Manuel signed an investment protection code between South Africa and Switzerland in Berne on Tuesday. A similar agreement was forged with Germany last week, following pacts with Britain and Italy.

The code liberalises inward and outward investment between the European nations and South Africa, officials said. Negotiations relating to the General System of Preferences have been positively received by the European Community hierarchy, said Manuel.

Conditional

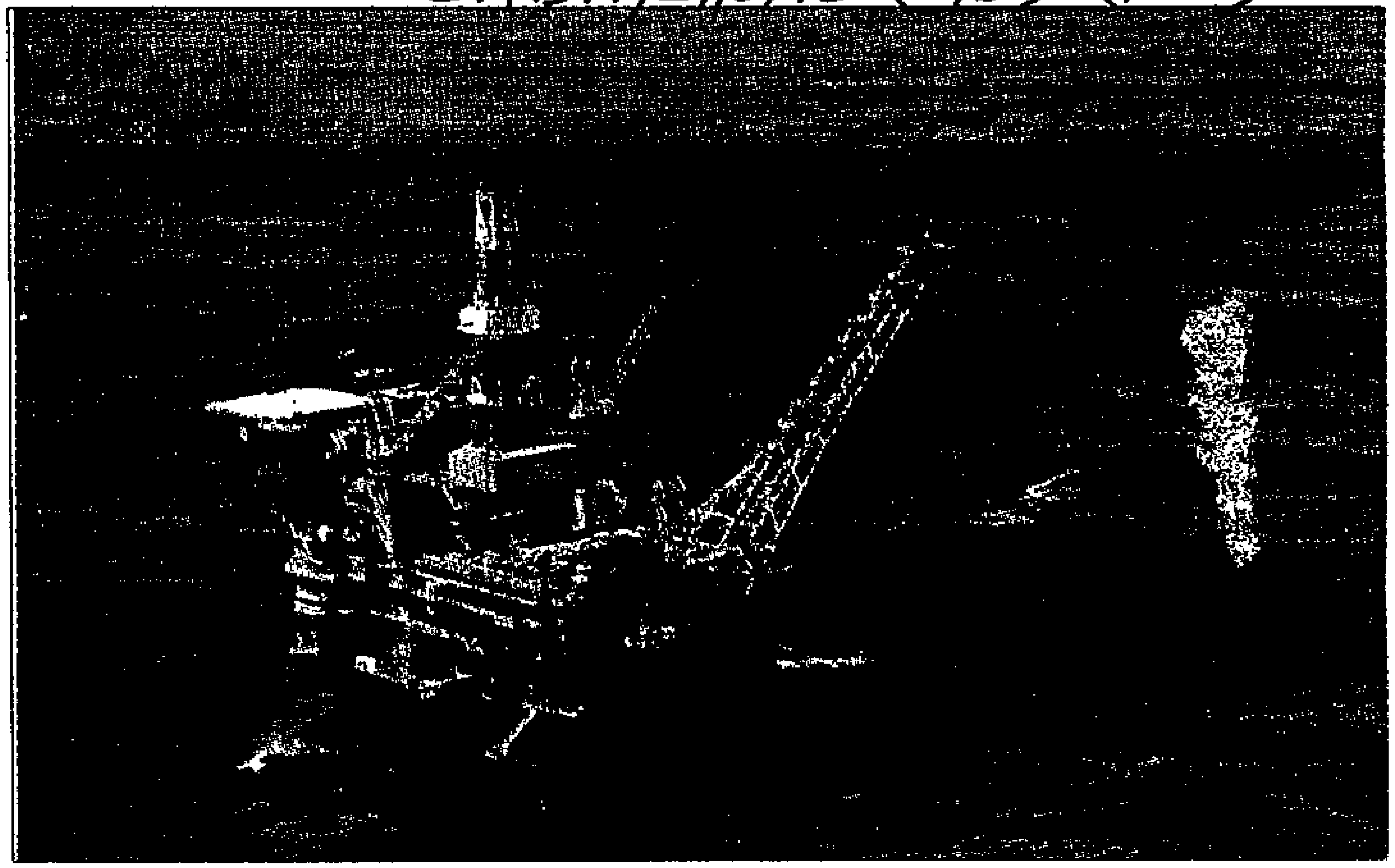
Negotiations for South Africa's entry into the Lomé convention, which allows Commonwealth nations such as Caribbean countries better access to the common market, are proceeding slowly, he said. Yet South Africa is likely to gain "conditional" access, particularly in regard to sugar, the main export of the Caribbean countries.

Manuel also led top South African industrialists on a "roadshow" to Frankfurt, Stuttgart, Cologne and Munich, before arriving at a conference on South Africa here. Officials from the South African Industrial Development & Investment Centre were also present. From Switzerland, they will leave for Japan and South Korea and have investment roadshows there.

"We aimed at attracting investment from middle-sized German companies," said Manuel. The interest was considerable and about 420 German delegates attended, he added.

"We were targeting companies that could invest in South African metals and engineering firms, auto-component industries, electricity and electrical goods and chemicals."

"Key executives of Eskom, Columbus, Alusaf, Sasol and others were at the German roadshows," said Hartmut Beckurts, counsellor at the South African embassy in Bonn and former managing director of Atlantis Diesel Engineering.



SEARCHING FOR GAS *One of Mossgas' drilling rigs south of Mossel Bay*

Renewed drive for foreign investment

☐ *SA Foundation relaunches division to boost business abroad*

ARG 30/6/95

746

CLIVE SAWYER, Political Correspondent

THE South Africa Foundation is to relaunch its foreign division — drastically cut back just a few months ago — in a renewed effort to garner foreign investment.

The move is understood to be linked to a worry in some business circles that the country's diplomatic missions abroad still need time to prepare themselves for the task of encouraging investment.

Foundation staff are to be re-employed on long-term contracts.

Some were said to be reluctant to return after the controversial way in which the original staff cut-backs were made.

In April, staff were fired with three months' pay, after a decision by the foundation to close its offices in London, Washington, Paris and Bonn.

The decision to terminate overseas operations caused great dismay in business circles at the time

It was given further impetus by falling subscriptions as businesses redirected funding to domestic social upliftment projects.

The foundation, launched in 1968, campaigned during the apartheid era for continued international business links with South Africa.

The decision by the foundation's council, which is drawn from the top 50 business leaders in South Africa, to close overseas operations, was made because the country's new political legitimacy meant the task of attracting investment could be handed to diplomats.

Sources said the reason for the revamp of the foundation was the growing perception in business circles that more had to be done to attract investment.

A key turning point was the open conflict between South African business and labour, which had worsened in the past few weeks and which reinforced a belief that aside from other considerations, business needed an independent voice abroad.

Some leading businessmen were said to feel that there would be a need, for some time ahead, to augment the work done by South Africa's new generation of diplomats, so that the best interests of business and the country were served.

The foundation council met yesterday to discuss the restructuring and to finalise a new constitution.

Director-general Kurt von Schirnding's office said he was unavailable for comment.

A Press statement would be made within the next few days, the office said.

A new thrust abroad could attract a welcome from at least some of South Africa's new corps of diplomats.

At the time of the cutbacks, ambassador to Washington Franklin Sonn was quoted as calling on the council to reconsider its decision.

While there had been suspicion of the foundation because of its past, there was a need for its expertise to get the marketing of the new South Africa off the ground, Mr Sonn said.

‘Investors need offshore opportunities’

(749)

By Maggie Rowley

As long as investment opportunities remain limited to the domestic market there will be little chance of changing the existing concentration of economic power, says Southern Life economist Sandra Gordon. CT (BR) 30/6/95

In an address to the annual convention of the South African Property Owners' Association, Gordon said the imposition of exchange controls preventing local institutions from investing abroad was a major reason for South Africa's lack of competitiveness.

Exchange controls had forced the industrial giants to invest in each other's companies, resulting in a tangle of cross holdings and a substantial concentration of economic power, with a handful of companies dominating local markets, she said.

"This enforced diversification into unrelated industries is a factor exacerbating the uncompetitive nature of local industry.

"The existing high level of economic concentration means that new market entrants, either local or foreign, find it difficult to penetrate our protected and oligopolistic markets."

Gordon said one measure to reduce economic concentration in South Africa and improve competitiveness would be to allow local institutions to invest offshore.

"Corporate investors have become reluctant to sell their local assets while their investment opportunities are limited to the domestic market.

"As a result, potential foreign investors are faced with a shortage of scrip while black investment aspirations are frustrated.

"The government might be reluctant to ease exchange controls for fear of a substantial outflow of funds.

"However, if local institutions were allowed to swap parcels of rand assets in exchange for offshore assets with foreign institutions, the net effect in terms of the flow of funds would be neutral." It could begin before the end of the year, she said

Another speaker at the conference, Michael Katz, chairman of the Katz commission on taxation, said the Reserve Bank [illegible] confirmed that such a mechanism was under consideration.

Tax law 'could affect overseas investors'

Samantha Sharpe

(74B) (3230)

TAX consultants said yesterday that they were concerned about SA's proposed Income Tax Bill, especially in relation to thin capitalisation rules for international investors.

These rules determined the acceptable levels of financial assistance, relative to their equity stake, that international parent companies could offer SA subsidiaries.

Tax sources said the new thin capitalisation rules gave the Inland Revenue Commissioner a discretion to decide whether an offshore company had invested too little share capital in its subsidiary.

This made it impossible to give advice, often urgently requested, to incoming investors on the financial and tax consequences of their proposed investments.

Ernst & Young tax partner David Clegg said the Katz Commission had recommended that legislation set a debt to equity ratio of 5:1.

"If this country is to attract foreign investment it cannot be on the basis of discretionary rulings, which may vary," or be suspected to vary.

"Even if a discretion is seen to be necessary to deal with exceptional situations, as in the case of the existing Reserve Bank guidelines, the legislation must set the norm, from which a departure may be motivated," he said.

But Kessel Feinstein tax partner Ernest Mazansky said that what constituted thin capitalisation for one business was not necessarily so for another. It would be too rigid to prescribe debt to equity ratios in the Income Tax Act. BD 30/6/95

The commissioner's discretion was more practical.

However, Mazansky said a practice note setting out ratios within which companies knew they could operate without question should be issued as quickly as possible. This should be accompanied by an that Inland Revenue would respond speedily to a request to move outside the guidelines, Mazansky said.

Warning to investors in SA

CT(BR) 3/7/95 (74B)

By Llewellyn Jones

Staff Writer

European and American funds investing in South Africa should avoid duplicating their investment strategies locally, Ronald Lowenthal, president of JSE broking firm Lowenthal and Company, said at an Investment Opportunities in Africa conference in New York at the weekend.

He said South Africa was about to go through a big bang, the most significant aspect of which was that automatic trading would replace the open outcry system.

"In my view this will impact heavily on stock trading patterns and there will be an even greater tendency for the dominant index stocks to trade."

At the same time, foreign funds had been investing primarily in government bonds and those companies which dominated the market indices.

"From the concept of risk, it would seem that most investors are extending their portfolio risk rather than diversifying," Lowenthal said.

Once the big bang was complete, almost all the bigger broking firms would be controlled by overseas investment houses.

"This perpetuates the investment criteria, analysis and adherence to index-based strategies for investment, resulting in returns not commensurate with risk, and generally not diversifying the portfolio other than on a geographical basis.

"The most popular and best rated companies in South Africa are precisely those companies which themselves are diversifying all over the world. Foreign investors, in turn, are invariably investing in these stocks through selection on an index basis and based on research from the larger brokers."

He said it would benefit those funds prepared to make the effort to deal with the more specialised, independent smaller brokers, whose knowledge and emphasis was on second line securities which historically gave higher returns.

A further aspect was that South Africa offered most African countries their last chance to achieve some form of development. Many South African companies were roaming the continent seeking investments where South African expertise would make the difference between success and failure.

"This gives foreign investors an interesting vehicle to diversify their portfolios, both on a geographical and project basis.

"The risk within the African context would be reduced as they would be dealing with South African companies with a criteria of management closest to their own."

More specifically, Lowenthal looked at the investment success of Lonrho. He said an analysis of its activities clearly showed the areas in Africa which had the highest probability of success.

"In their case it is mining and beneficiation, hotels and tourism agriculture, and general trading. To this list we would like to add telecommunications, electricity generation and toll roads."

While only 43 percent of Lonrho's turnover related to its African investments, they showed 76 percent of profits.

"Actual activities of South African companies in Africa show that mining, as expected, has the greatest potential, followed by trading, particularly of food and motor spares."

Mandela tells Japan investment in SA is welcome

BY PATRICK BULGER

Tokyo — President Mandela was accorded an imperial welcome by Emperor Akihito at the Akasaka Palace this morning at a reception that was the ceremonial highlight of a four-day State visit which ends on Thursday.

Star 4/7/95 (74B)

Early summer rain forced a cancellation of the outdoor part of the reception, but indoors Mandela received red carpet treatment in the Hagoromo-no-Ma chamber.

The ceiling of the palace, built in 1909, is painted with scenes depicting Heaven and is lit by three chandeliers.

The media watched from behind a lace curtain as Mandela was received by Emperor Akihito and Empress Michiko.

Mandela later addressed Japanese businessman and told them "the time is right for Japanese investors to exploit the massive investment prospects in South Africa".

Southern Africa was settling down to "post-apartheid political stability and economic growth".

▶ **SA upbeat about investment– Page 3**

Japanese investment predicted

CT 4/7/95

(74B)

POLITICAL STAFF

TOKYO: Rising Japanese manufacturing costs and the strong yen place South Africa in a good position to attract direct Japanese investment, according to Trade and Industry Minister Mr Trevor Manuel.

He was speaking to journalists at Tokyo's Akasaka Palace yesterday where he is staying as a member of the delegation headed by President Nelson Mandela.

Mr Manuel said South Africa's legal system provided the Japanese with the legal certainty they had found lacking in China and Russia.

"We are here at a time when a number of Japanese manufacturers are looking for cheaper locations where manufacturing can take place. In terms of timing it is really quite fortuitous.

"Direct investment happens in a way that one can almost predict. Once a few market leaders move, others don't like to be left standing. The key is getting the market leaders in," he said.

Strong plea for investment

74B ARG 4/7/95 74B

Mandela tells Japanese of rewarding prospects

PATRICK BULGER
Political Staff

TOKYO. — President Nelson Mandela has delivered a strong appeal to about 140 top Japanese businessmen for direct investment to revitalise South Africa's economy.

In turn, chairman of the Japanese business organisation Keizia Doyukai, Jiro Ushio, said Japanese business would try to "expand technology transfers and direct investment by the private sector".

Mr Mandela, who is on a four-day State visit to Japan, told the businessmen he wanted Japanese involvement in productivity enhancement, work organisation and quality control.

His address was considered the most important of his Asian tour, which ends in South Korea at the weekend.

He heralded a new age for South African manufacturing which rested on democracy and discrete measures like the scrapping of the dual exchange rate and the imminent scrapping of non-resident shareholders' tax.

"As South Africa shifts its industry towards competitive manufacturing, the new investment we need will certainly have to come from domestic sources. Nevertheless foreign investors will be a critical catalyst."

The audience included executives from major Japanese corporations such as Sony, Mitsubishi, Mitsui and Toyota.

Mr Mandela is leading a South African effort to convince Japanese business to invest directly in South Africa rather than having their goods manufactured under licence in South Africa by local firms.

Japanese business would find economy, magnificent infrastructure, including power supplies and telecommunications, a sophisticated financial sector, committed partners in the southern African business community — big and small — and access to markets in the region and far beyond.

"Bold and innovative decisions are required with regard to investment," he said.

Japanese business would not find a protected market or any expectation of long term protection of investors from international competitition.

"On the contrary, our commitment to steadily decrease import tariffs is widely known. What attracts this investment is the long term growth prospects in South and southern Africa.

"We have 25 years of economic stagnation to address, and we have the natural and human resources to succeed."

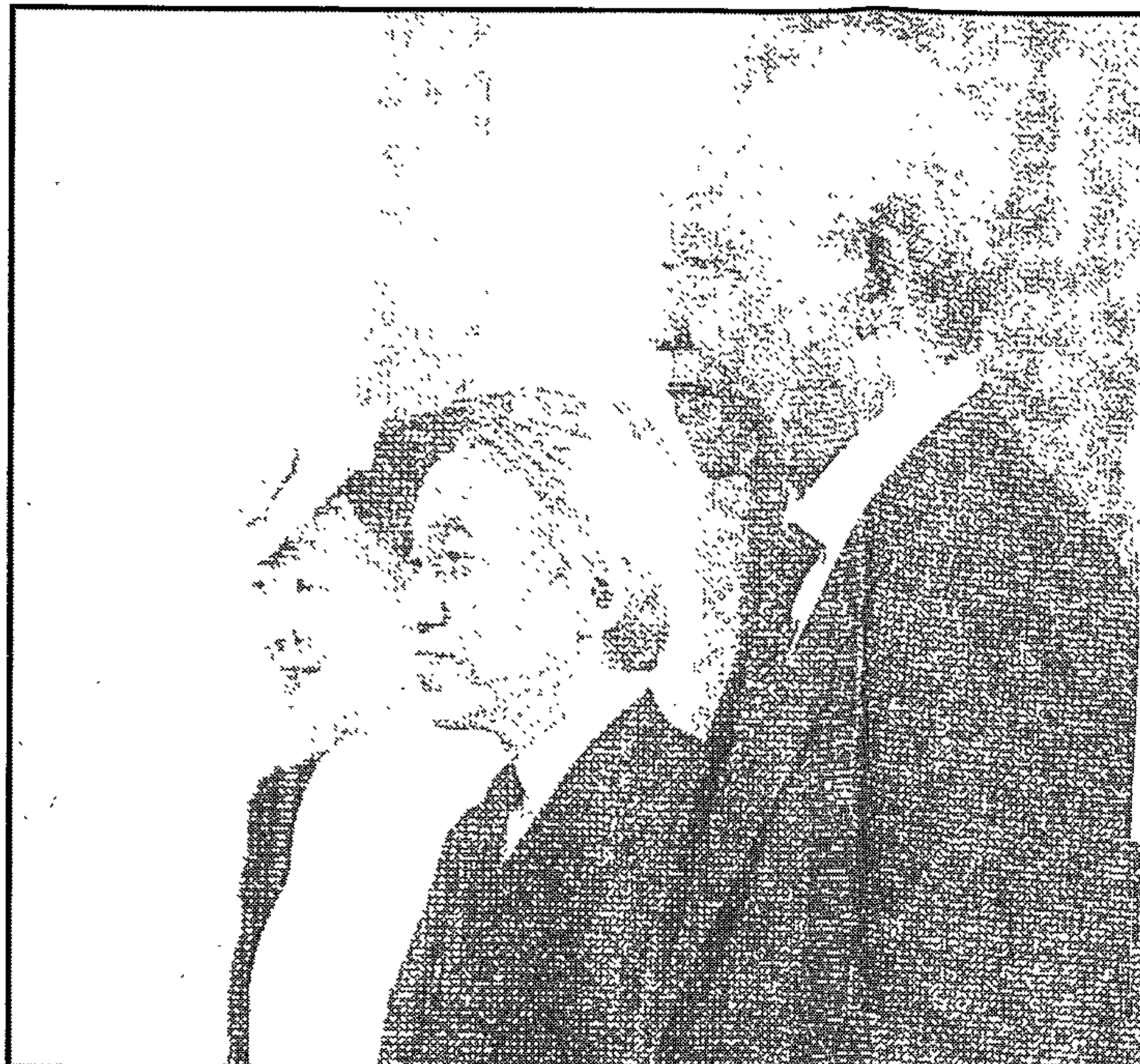
Mr Mandela warned that Korea, Malaysia and Singapore were already getting involved in manufacturing, tourism and property development.

On fears of crime in South Africa, he said it was in the nature of the media not to regard as news the government's successes in implementing the Community Safety Plan.

"Today, as our democracy consolidates itself and as mutual confidence is built between the people and the law enforcement agencies, crimes unreported in the past now see the light of day — the better for us to deal with them."

Worker action was also given media prominence, yet "the roots that are holding to the ground in South Africa — the roots of co-operation between government, business and labour — become non-events.

"Observers prophesying failure of our transition have been



LEADERS: President Mandela with Japanese Emperor Akihito and Empress Michiko during a welcome ceremony at the state guest house in Tokyo today.

A p r

increasingly aware of how improvements in social services can have a direct effect on economic development and growth.

Mandela appeals to Japanese

(74B) Sowetan 5/7/95

'Foreign investors a critical catalyst as South Africa shifts its industry towards competitive manufacturing'

By Patrick Bulger
Sowetan Correspondent

TOKYO — President Nelson Mandela made a strong appeal for Japanese direct investment to revitalise South Africa's economy when he addressed about 140 of Japan's top businessmen at a luncheon here yesterday.

In turn, chairman of the Japanese business organisation Keizia Doyukai Mr Jiro Ushio said Japanese business would endeavour to "expand technology transfers and direct investment by the private sector".

Mandela, who is on a four-day state visit to Japan, told the businessmen he wanted Japanese involvement in the areas of productivity enhancement, work organisation and quality control.

His address was considered the most important part of his Asian tour, which ends in South Korea at the weekend.

Mandela heralded a new age for South African manufacturing that rests on democracy and discreet measures, such as the scrapping of the dual exchange rate and the imminent scrapping of non-resident shareholders' tax.

"As South Africa shifts its industry towards competitive manufacturing, the new investment we need will certainly have to come from domestic sources. Nevertheless, foreign investors will be a critical catalyst.

"We call on Japanese business to make a major contribution to our industrial revitalisation and to the revitilisation of Southern Africa, while at the same time, earning a good profit."

The audience included executives from major Japanese corporations, such as Sony, Mitsubishi, Mitsui and Toyota.

Mandela is leading a SA effort to convince Japanese business to invest directly in South Africa as opposed to the established Japanese practice of having their goods manufactured under licence in South Africa by local firms.

Mandela said Japanese business would find in South Africa a "diversified economy, magnificent infrastructure, including power supplies and telecommunications, a sophisticated financial sector, committed partners in the southern African business community — big and small — and access to markets in the region and far beyond".

"Bold and innovative decisions are required with regard to investment," Mandela said in a speech that was simultaneously translated for his Japanese audience.

President Nelson Mandela is greeted by Empress Michiko as Emperor Akihito smiles during a welcome ceremony at the state guest house in Tokyo yesterday. PIC: AP

Japanese business would not find a protected market or any expectation of long-term protection of investors from international competition.

"On the contrary, our commitment to steadily decrease import tariffs is widely known.

"What attracts this investment is the long-term growth prospects in South and southern Africa and, more broadly, the potential of the continent of which we are a part," said Mandela.

Opted for democracy

The countries of southern Africa have "unambiguously opted for democracy and peace" and were settling down to "post-apartheid stability and economic growth", he said.

"We have 25 years of economic stagnation to address and we have the natural and human resources to succeed."

Mandela warned the businessmen that their counterparts from Korea, Malaysia and Singapore were already getting involved in manufacturing, tourism and property development in South Africa.

Fears of crime

Turning to Japanese fears of crime in South Africa, Mandela said it was in the nature of the media not to regard as news the Government's successes in implementing the Community Safety Plan.

"Today, as our democracy consolidates itself and as mutual confidence is built between the people and law enforcement agencies, crimes unreported in the past now see the light of day: the better for us to deal with them," he said.

Worker action was also given media prominence, yet "the roots that are holding to the ground in South Africa — the roots of cooperation between government, business and labour — become non-events".

"Where differences arise, they do so within the framework of this national consensus. Observers prophesying failure of our transition have been confounded time and again.

"The time is now right for Japanese investors to exploit the massive investment prospects in South Africa," said the president.

Ushio urged Mandela to continue moves to improve South Africa's investment climate and to deregulate the economy and open its markets.

"Facing a new age of global integration based on the market economy, our transition is aimed at making Japan a positive participant in the formation of a new world order," said Ushio.

"The reforms carried out by President Mandela offer us a great opportunity for our own transformation. Japan's economy and industries are highly dependent upon the abundant natural resources of South Africa, particularly rare metals."

Japan 'can promote competition in SA'

(74B)

TOKYO: President Nelson Mandela kicked off his four-day state visit to Japan yesterday with a call for foreign investment to "revitalise" South and Southern Africa.

Addressing a lunch attended by executives from most of Japan's major corporations, he said Japanese investment and expertise could help promote a competitive manufacturing sector in SA and the sub-continent.

He said SA offered excellent infrastructure, a sophisticated financial sector and access to markets in the region.

The government was committed to fiscal discipline and had abolished the dual currency system. Non-resident shareholders' tax would be phased out soon.

He also said the Community Safety Plan and increased co-operation between communities and the police had resulted in successful efforts to combat crime.

Mr Mandela later received an honorary doctorate in law from Waseda University in Tokyo and attended a state banquet hosted by Emperor Akihito and Empress Michiko. — Sapa

CT 5/7/95

About turn by Stals may scare potential investors

(74B) CT(BR) 6/7/95

FROM REUTER

The decision by Chris Stals, the governor of the Reserve Bank, to raise the discount rate could scare off potential foreign investors.

"The recent about turn by Stals on the interest rate issue could scare off would-be foreign investors who are accustomed to a more stable monetary policy," said Luke Doig, an economist at Credit Guarantee Insurance of Africa.

The Bank rate, or discount rate, was raised on June 30 from 14 percent to 15 percent.

A week before announcing the increase, Stals told the National Economic Development and Labour Council there was "not very convincing evidence at this stage" for a rate hike.

"The governor's change of heart only a week after assuring the council that the economy was in fact already slowing and there was no need to increase rates is disturbing to say the least.

"This was the case despite indications to the contrary from a variety of sources," said Doig.

He said the move stood in contrast with the Bank's assertion in February that its ultimate objective would be to promote stable economic growth within overall economic policy objectives.

Doig questioned whether Stals' use of surging imports and credit extension as the rationale for the increase was not "a convenient excuse for raising interest rates after his earlier political comment to the contrary".

Bureaucrats hold back investors

LINDA ENSOR

CT 7/7/95 (74B)

BONN: Home Affairs bureaucrats were inadvertently using their rubber stamps to keep potential German investors out of South Africa, the Republic's newly accredited ambassador in Bonn, Ms Lindiwe Mabuza, indicated yesterday.

Details of the bureaucratic bungling emerged during a recent series of business seminars held in Bonn, Munich and Stuttgart, and hosted by Trade and Industry Minister Mr Trevor Manuel

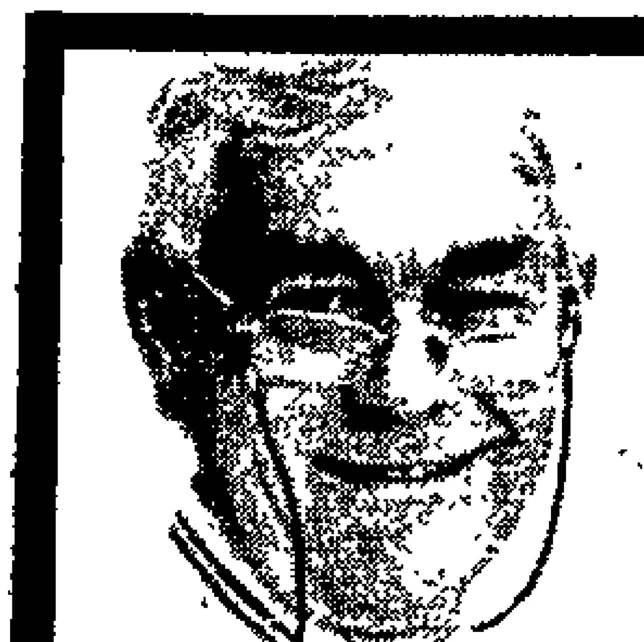
"One of the major concerns was about work permits for business people," said Ms Mabuza.

"When you have people responsible for handling work permits within Home Affairs who do not really know the importance of these things and the urgency with which they should be handled, then it creates problems. They don't understand and it really has to be looked into by the Department of Trade and Industry."

WORLD

Africa's outlook for investment not entirely black

ST(BT) 9/7/95 (74B)



John Cavill

FROM LONDON

THE extent to which sub-Saharan Africa has been left behind in global economic growth was starkly highlighted by a comprehensive review of foreign direct investment published this week by the UN Conference on Trade and Development.

Since the early 1980s the flow of private investment money into developing countries has swelled into a torrent in Asia and Latin America, galvanising their growth rates. But Africa has missed out, "marginalised in an increasingly globalised world economy," says Unctad.

On top of that what money has come into the continent has been heavily slewed to the oil producers — Algeria, Angola, Cameroon, Congo, Egypt, Gabon, Libya, Nigeria and Tunisia. At its peak in 1989 Africa attracted $4,8-billion of direct investment, almost 17% of the $28,6-billion which went into all developing countries.

But 71% of that was ploughed into the nine oil exporters, leaving just $1,4-billion for the rest. And if the $656-million "investment " in Liberia — representing ships flying its flag of convenience — is deducted, sub-Saharan Africa's 30 economies shared $719-million. That too was unevenly spread, with the bulk going to a handful.

In 1994 the tide of direct investment in the developing world hit $84-billion, having almost trebled in five years. Africa got a trickle of $3,5-billion and, again, two-thirds was for the oil economies.

Admittedly the average for non-oil Africa of $1,1-billion a year over 1991-94 was double that of the previous decade. But even so the overall total amounted to a paltry 4% of the developing world's cake — 76% down on the 1989 slice.

Unctad lists several reasons why most of Africa has been shunned. Civil wars, political crises and natural disasters such as drought have been a deterrent. Markets tend to be small in the sub-Saharan region with an average gross domestic product of $3,4-billion, or a mere $311 per capita.

High external debts and shortages of foreign exchange also work against investment in infrastructure plus hampering remittance of profits to transnational investors. Reforms have been started but are making "slow progress" in many countries and the lack of skills (hence low productivity) has pushed up labour unit costs above those in parts of Asia.

Unctad says that privatisation would be one way of pulling in investment. So far these have been limited to 10 countries and were small in size and scope even though in the first seven years of the 1980s Africa accounted for 210 of the 456 privatisations in the Third World.

Between 1988 and 1993 sub-Saharan privatisations amounted to a mere $658-million — of which $500-million was one Nigerian oil field — compared with some $21-billion in other developing regions, led by Latin America and the transitional economies of east and central Europe.

Yet even though Africa suffers an "unfortunate image" as an investment destination, those transnational companies which have taken the plunge have seen [illegible] returns.

According to Department of Commerce figures, US companies which invested in the continent have enjoyed good returns, especially in the 1990s. Leaving out the primary industries (oil), US investors have seen a profits return on their assets in the manufacturing sector which averaged 31% during the three years to end 1993 — although this, unlike the rest of Unctad's data, includes SA investments.

This comfortably beats the south-east Asia-Pacific area, which produced a mean of 17% and Latin America's manufacturing return of 18%.

The point is emphasised by the contrast between what foreign investors put in and profit remittances. Leaving out oil producers Nigeria and Angola, more money came out of much of sub-Saharan Africa than went in in 1991-93.

According to the report foreign direct investment to all other countries was $400-million a year, which reduced to a net transfer of just $150-million after profits were taken out. Zimbabwe, for example has seen an average net outflow of $68-million in the past 14 years.

The main point made by Unctad is that there are attractive opportunities in Africa which would appeal to transnationals even more if regional groupings — such as the Southern Africa Development Community — could be made to work. And it sees a big role for South Africa.

"An important new factor that may influence prospects for foreign direct investment in Africa is the emergence of South Africa as a politically stable and economically dynamic country," it says.

South Africa has the potential to "attract sizeable flows of FDI" and if this happens then it could become a "growth pole" for the region.

Shanghai to test investment water

Nicola Jenvey (74B)

BD 10/7/95

DURBAN — China and the province of Shanghai will test the investment water in SA and particularly KwaZulu-Natal before committing themselves to further investments, Shanghai vice-mayor Hua Jianmin said at the weekend.

Jianmin said although China had previously stated it would open one new factory a month in KwaZulu-Natal over the next 12 months, "it was still too early" to announce any future projects.

He was in SA with a high-level trade delegation to open Chisa Welding, an R8m investment in Ezakheni near Ladysmith which would create up to 100 jobs.

"However, it is our intention to increase the bilateral trade agreements between the two countries. If this mission proves successful, there are strong indications this group will look to invest and expand in KwaZulu-Natal," he said.

KwaZulu-Natal Marketing Initiative chairman Peet Marais said: "KwaZulu-Natal is specifically devoted to increasing bilateral trade relations with China. The results of various missions since April 1993 are evident in the investments currently being made."

Marais said two other projects costing R15m and capable of creating a further 230 jobs "were in the planning stage" for the Ladysmith area.

Nedcor points to need for investment

(146)

Mungo Soggot BD 14/7/95

THE wild swings in the level of the Reserve Bank's gold and foreign exchange reserves in the three months since the abolition of the financial rand highlighted the need to attract direct foreign investment, Nedcor said in its monthly economic profile.

It said the current level of the reserves — which slipped R125m to R12,38bn in June — provided only 1,7 months of import cover.

Low reserves meant capital inflows remained crucial to the momentum of the recovery. Since the second half of last year inflows had more than covered the current account deficit and should continue to do so. Surging imports and measly exports had delivered a current account deficit of R2,2bn in the first quarter and a continuation of these patterns would keep the account under pressure for the rest of the year.

In the year to May the trade surplus had shrunk to R959m compared with R6,4bn for the same period last year as imports increased at a rate of 43,1% — mainly to feed buoyant fixed investment — while exports had improved only 18,4%.

Nedcor predicted GDP growth of 2,9% this year and 4% next year. "While the level of economic activity eased noticeably during the first quarter of the year, the investment cycle remains buoyant, which should positively affect activity levels during the second half of the year."

Headline year on year inflation — 10,8% in May — should ease in the coming months as it would come off a high base established between July and September last year, it said.

The rand was likely to depreciate by roughly the inflation differential between SA and its major trading partners in the months ahead.

SA's policies no friend of investment, says US report

(74B)

ST 16/7/95 (BT)

By JEREMY WOODS

SOUTH Africa's high taxes, exchange rate restrictions and import policies put its economy on the "same level as Cyprus and Morocco", says a report by the Stanford Research Institute in Washington.

Branding South Africa's tax regime as "not friendly to investors" the report, commissioned by Nedlac, says corporate income tax is "quite high" compared to other countries.

When VAT and customs duties are added in, these various taxes combine to create a significant burden on SA businesses and "a deterrent to foreign investment".

The report does not include a section on export processing zones but gives examples of EPZs in countries like Malaysia, Korea and Taiwan, which have used them and expanded their economies.

Even after the abolition of the financial rand, "other exchange rate restrictions still exist and act as impediments to trade and investment.

"Traders must still apply for approval and the Reserve Bank still controls access to foreign exchange for all domestic businesses.

"In order to obtain exchange for an advanced payment for licensed imports, an importer must get prior approval from the Reserve Bank. The Bank must approve all royalty payments. This approval must be renewed."

South Africa's exchange controls place it behind industrialised countries like Singapore, Hong Kong and Korea and "several developing countries with regards to 'business friendly' exchange rate policies".

On imports, the report says the heritage of many years of strong protectionism is a "high cost economy" marked by uncompetitive businesses and inefficient markets.

"Not only are domestic products more expensive, but SA producers wishing to export also cannot competitively price their goods."

Trade policy liberalisation "is perhaps the most important action South Africa can take to improve the nation's competitiveness and attractiveness as an investment site."

On the labour front, the report says the "enormously high rate of unemployment is a major concern of the government.

"Only seven out of every 100 job seekers find work. Observers estimate that the SA economy would have to grow at a rate of 5% every year just to halt the increase in unemployment."

On the "assets" side of South Africa's balance sheet is a large endowment of mineral deposits, availability of coal for energy production, rich fishing, good agricultural land and an abundant labour supply.

South Africa has well developed capital and credit markets and a good regional banking presence.

Few, if any, nations can boast South Africa's resources and its unique "developed and developing" economy.

"If only the developed economy was present, the prospects for future growth would not be nearly as bright. Ironically, it is the untapped labour resources of the developing economy that hold the greatest promise for SA growth."

On balance, South Africa's competitive strengths "far outweigh its weaknesses."

A new investment promotion organisation should be set up to target market overseas investors, says the report.

Commenting on the report, David Bridgman, of Wesgro, the Western Cape investment marketing organisation, said he noted the absence of EPZs from the report.

"The undeniable benefit of EPZs is that they telegraph to local and foreign investors a government's commitment to encourage internationally competitive manufacturing investment. South Africa's overseas investors have yet to be persuaded."

"Unfortunately, the solution to South Africa's employment and economic challenges lies not in creating a few islands of competitiveness, but in structuring the economy to make it possible for our large manufacturing base to compete effectively in world markets."

Italians scared off by crime

John Dludlu BD 19/7/95 (74B)

BOLOGNA — Crime was one of the key problems discouraging Italian capital being invested in SA, SA honorary Consul Luigi Belvederi said last night.

Belvederi told visiting SA journalists the Mandela administration should address the problem of crime urgently to attract foreign investors.

Other concerns among Italian firms included SA's relatively high and complex corporate tax structure, as well as general complaints about labour costs.

Belvederi said generally Italians were positive about investment opportunities in SA.

Decisive steps against crime by Pretoria could help prospective Italian investors make up their minds.

He said data on trade flows showed SA continued to enjoy a 3:1 surplus in its trade with Italy.

In another development, the head of Bologna-based agency for the Technological Development of Emilia Romagna, Paolo Bonaretti, said his agency, a premier technological support service body for SMEs in the region, would lead a mission to SA to establish links with sister provinces in the country.

Scrap exchange controls in one 'big bang'

CT (BR) 19/7/95 (74B)

BY PETER GALLI
FEATURES EDITOR

South Africa had to take the bull by the horns and abolish all forms of exchange controls in a big-bang approach to survive in an increasingly competitive global environment, Joel Stern, managing partner of New York-based corporate financial advisory firm Stern Stewart & Co said yesterday.

In an interview with Business Report, he said South Africa was trying to run against the normal "gravitational pull" of world economies. The government should rather strive to reduce its control of the economy and move to create free markets.

He said this would be achieved through opening up its markets, abolishing capital controls and slashing tax rates.

"The economy will then flourish — resulting in record growth — which will compensate for the negative effects of any capital outflows.

"South Africa should consider the model used in New Zealand. Ten years ago that country had capital controls, import restrictions and high taxes — all of which it abandoned almost overnight — resulting in a thriving economy."

The issue of globalisation and the abandonment of the socialistic and bureaucratic systems in eastern Europe had resulted in an increased number of producers of goods in the world. This increase meant that South Africa had to become more competitive — implying the relaxation of trade barriers, the reduction in private and corporate tax rates and a decreasing government role in terms of spending and regulation.

"The African continent has, for many years, had statist economics — restrictions, regulations, interference, corruption and payoffs — which have resulted in negative to low economic growth.

"Globalisation and the opening up of many previously closed economies in Eastern Europe has resulted in increased competition and lower inflation as price increases have been dampened by the increased sources of production," Stern said.

South Africa was unique in that there were two diametrically opposed forces at play. On the one hand, the country recognised the need for foreign investment but, on the other, maintained high tax rates and a highly regulated environment with capital controls.

"International economies are implementing — and calling for — less regulation, lower taxes and less control. So, while the high level of unemployment in South Africa and the demands of the RDP mitigate against this, if the country is to be internationally competitive it must go the big-bang approach and open its markets," Stern said.

Joel Stern, the managing partner of Stern Stewart & Co

Company tax is a major issue for investors — Sacob

(74B)

By Mzimkulu Malunga

THE South African Chamber of Business says it rejects the notion that investors do not consider a country's company tax rate when they evaluate prospects for investment. Sowetan 20/7/95

While it is true that tax is not the first thing investors consider when making an investment decision, once they invest tax becomes one of the major issues, says Sacob tax committee chairman Ian McKenzie.

He made these comments this week as the organisation released its study on company tax and taxation in general.

On company tax, Sacob advocates possible options: One is a cut in company tax that should be accompanied by the scrapping of all tax incentives given to companies.

The other option, which the organisation says should be a temporary measure, is to leave the tax rate high and come up with incentives that will encourage investment and are RDP friendly.

While Sacob's position has always been that the tax rate is too high and should be reduced, the organisation is aware that it is not going to be easy for the Government to reduce company tax in the next few years, hence the need for incentives.

McKenzie emphasises that when the whole issue of company tax is looked at, it should be scrutinised in the context of the country's broader taxation system.

No form of taxation should be looked at in isolation, says Ian McKenzie.

"No form of tax should be addressed in isolation," he says.

Things like import duties, fuel levy, Value Added Tax and other forms of indirect tax should be taken into consideration when the issue of company tax is addressed, he argues.

He re-emphasises Sacob's long standing opposition to issues such as wealth tax, land tax and tax on dividends.

Sacob would also like to see the excise taxes being scrapped and perhaps replaced with a hike in VAT rate.

The bottom line in the whole issue of tax is containing government expenditure because without putting spending under control there is no way the tax burden can decrease, he says.

CHAMBERS OF COMMERCE

Action lobby

FM 21/7/95 (74B)

Crime, violence and labour unrest are the main problems inhibiting foreign investor confidence, says newly elected chairman of the Bilateral Chamber Consultative Committee (BCCC), Gian Carlo Barsotti, who is also general secretary of the SA-Italian Chamber of Trade & Industries.

Government should be taking firm steps to control the situation, says Barsotti. "The BCCC is the voice for every existing and potential foreign investor in SA and, considering the number of countries it represents, it is a voice that must be listened to."

Committee members, including all the joint foreign-local chambers operating in SA, have begun pressing government to adopt policies which will attract foreign investment. The body speaks for all bilateral chambers of commerce including the EU, US, Canada and Germany.

Among the first questions a potential foreign investor asks, says Barsotti, is how strong the unions are. "They are not impressed when we tell them SA is close to becoming a union-run country."

Government's refusal to grant work permits for technical and management staff needed by foreign companies in SA is also proving an obstacle.

"They are specialised people who are desperately needed to improve the efficiency and running of plants. No company would want to bring them out if they were already available here. But they aren't and, without them, SA will suffer."

The chamber plans to liaise with senior government officials such as directors-general to acquaint them with the feelings and needs of foreign investors.

The SA-Canada Chamber of Business "notes with some alarm the nervousness of many Canadian businessmen in dealing with SA, due to the abnormal crime rate." And the lack of a visible plan to deal with the problem sows increasing disquiet in the minds of potential investors, it says

"We want to break down barriers to foreign investment and trade," says Amcham executive director Luan Grant. By speaking with one voice, the BCCC represents a powerful lobby which stands a better chance of influencing government, she says ■

Manuel predicts 'good strike rate' in luring investment to SA

(74 B)

CT (BR) 26/7/95

By Bruce Cameron

Political Editor

South Africa is well placed to receive increased foreign investment, said Trevor Manuel, the minister of trade and industry, who recently completed a 19-day, 10-city trade and investment trip in Europe and the Far East.

"They are not all jumping on aircraft but I am confident we will have a pretty good strike rate," Manuel said, when asked how many of the hundreds of potential investors he had canvassed would actually invest.

In an interview with Business Report, Manuel said the odds for investment were swinging in favour of South Africa for a number of reasons, including developments here and in the countries of the potential investors.

Foreign investors did not look at a single issue, like violence in South Africa, when they decided whether to invest in a country, Manuel said.

Investors often put their money into far more violent societies than South Africa. For example, the conglomerate Daewoo had five factories in Sudan and "you can't get much more violent than that," said Manuel.

"Investors look at the total package, including the conditions in the investor's own country," he said.

Manuel said companies in Japan and Germany, whose currencies were increasing in value against other countries, were finding themselves in a position where their exports were becoming internationally uncompetitive.

German and Japanese companies were looking for other countries in which to establish manufacturing plants because of lower costs and more favourable exchange rates.

Manuel said if one took into account such things as the cost of land, not only for factories but also for the accommodation of employees, electricity and other services, the total costs in South Africa were comparatively much lower than many other countries.

"Even on issues like tax, we are not as uncompetitive as some people say," Manuel said.

"At one of the symposiums in Germany, I was asked a question about tax and a German, who already invests in South Africa, insisted on answering the question.

"He said South Africa's company tax was lower than in Germany and that the secondary tax on companies was not a major problem."

Trade and investment normally went hand-in-hand, Manuel said, but in South Africa investment would have to play a role in generating trade.

"Many of our export goods, like iron ore, chrome and coal, sell themselves. But we need to expand our manufactured exports," he said.

"I am worried about the increasing slippage of exports against imports. A lot of work has to be done to stimulate the export of manufactured goods."

Manuel said one of the major problems was the attitude of South African manufacturers. "They start from the point of how much they can sell in South Africa and then they will try to export whatever is left."

Manuel believed that by encouraging foreign investment, local companies would be forced to wake up.

He said the biggest problem in attracting investment was a lack of knowledge about South Africa.

This was particularly the case in the East, where he would be visiting again later this year.

Investors 'scared off' by labour

(74b)

By Garner Thomson

INDEPENDENT FOREIGN SERVICE

CT (BR) 26/7/95

London — Private-sector confidence is soaring in South Africa following the ground-breaking agreement on labour legislation between business, trade unions and the government, according to a London Evening Standard business report.

But, it adds, foreign investors remain wary despite a growing number of changes, including the abolition of the financial rand and a relaxation of exchange controls.

The Standard reports a "continuing honeymoon" following Nelson Mandela's coming to power, with increased political stability and an economy that is gathering strength.

Morale is also high, following the success of the Rugby World Cup — but inflexible labour markets and relatively low productivity are still frightening away direct foreign investment.

Derek Keys, the former finance minister, describes himself as "tickled pink" with the government's achievements so far. However, a more sober picture is painted by Julian Ogilvie Thompson, the head of Anglo American, who argues that vital investment will only come about if there is a reform of the domestic labour market.

Malaysian 'billions' for SA investment

(74B)

Nicola Jenvey BD 27/7/95

DURBAN - Malaysia would invest billions of rands in SA in the near future, but SA needed an economic vision before that capital could be beneficial, Price Waterhouse inward investment partner Stanley Subramoney said yesterday.

Speaking on his return from South East Asia, Subramoney said the Malaysian government had paved the way for wide-scale investment in SA, and next month's visit by 200 top Malaysian businessmen indicated their intentions had moved from an interest to a commitment.

The Malaysian government had established an affirmative action unit trust fund for the promotion of economic empowerment of its own disadvantaged communities. Subramoney said that "interest was shown" in investing portions of this money into affirmative action programmes in SA. These would include partnerships, or helping establish black companies formed through the unbundling of conglomerates.

"Investors are reluctant to enter the People's Republic of China because of high corruption levels, the political uncertainty and the disastrous human rights record there. The US will soon reject goods produced with prison labour, and SA can capitalise on its clean slate," Subramoney said.

Investment in SA would depend on a number of factors, including reforms to the tax system, the abolishing of exchange controls and incentives to create "an investor friendly environment".

"Attracting foreign direct investment requires a creative, simple and deliverable system into which capital can flow. SA does not have this facility — the current system is outdated, and internationally uncompetitive," Subramoney said.

Recent labour unrest had tarnished SA's international reputation and may have scared away investors. The trade unions should be more flexible and assist in reducing work stoppages for SA to have a competitive edge, he said.

Star 28/7/95

Korean giant wants SA partners

(74b)

BY CHARLOTTE MATHEWS
INVESTMENT EDITOR

Korean industrial giant LG International is looking for SA partners for joint ventures but would like to see the environment for investment improved in line with other countries, LG International president and chief executive officer Su-Whan Park said yesterday.

"There is not enough in the way of incentives such as tax holidays and government guarantees," he said at a press conference before a function to mark the opening of the group's Johannesburg office.

LG Group, which was founded in 1947, has 50 subsidiaries and 160 overseas branches. Its sales in 1994 were $40-billion, equivalent to 10% of the gross national product of Korea and 15% of its total exports.

Cartels impede foreign investment in SA

Star 28/9/95 (7 4b)

Washington – The biggest impediment to US investment in South Africa is the "cartel" structure of the economy, said a senior US official urging anti-trust legislation.

United States deputy assistant Secretary of State for African Affairs Regina Brown said if there was a real obstacle to investment it was "the fact that the economy is run by cartels, and until the Government addresses that, that's going to discourage a tremendous amount of investment going into the country".

Brown advised "strong anti-trust legislation and a strong judiciary to implement that legislation" to open South Africa's doors to foreign investment.

Her testimony was delivered earlier this week at a US International Trade Commission hearing on the role of US trade and investment policy towards Africa.

Referring to another area which has vexed US-SA trade relations recently, she recommended a "political solution" to intellectual property rights disputes.

Resolution of these disputes would open South Africa to investment by corporations like McDonalds, Toys R Us, Victoria's Secret, and Burger King who are currently involved in copyright disputes.

"The solution's got to be made because McDonalds represents thousands of low-skill jobs," she said. These could open opportunities to South African individuals and launch them on a career path.

Enormous

Brown strongly endorsed continued US involvement in Africa and encouraged continued support for sustainable development and economic and political reform to realise the "enormous potential for future trade and investment ties" for the US in Africa.

"The growth and expansion of democratic governments and institutions, paralleled by significant economic reform and liberalisation in African countries indicates a major transformation on the continent," she said.

Echoing support from President Clinton and US Commerce Secretary Ron Brown for private sector foreign development investment, Brown stated that economic reforms and liberalisations in Africa had created an enabling environment where "the private sector can act as the engine of development".

BUSINESS REPORT
SOUTH AFRICA'S NATIONAL FINANCIAL DAILY

Cartels pinpointed as a barrier to US investment

CT (BR) 28/7/95 (7-4B)

By Catherine Harbour
The Independent Foreign Service

Washington — The biggest impediment to American investment in South Africa was the cartel structure of the economy, said a senior American official urging anti-trust legislation.

Regina Brown, the deputy assistant secretary of state for African affairs in United States, said if there was a real obstacle to investment it was "the fact that the economy is run by cartels, and until the government addresses it, that's going to discourage a tremendous amount of investment going into the country".

"Strong anti-trust legislation and a strong judiciary to implement that legislation" should be established to open South Africa's doors to foreign investment, said Brown.

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"The solution's got to be made because McDonalds represents thousands of low-skill jobs," she said.

Brown strongly endorsed continued American involvement in Africa and encouraged the continuation of support for sustainable development and economic and political reform to realise the enormous potential for future trade and investment ties for the United States in Africa.

South Africa is the only African country designated a big emerging market by the commerce department in the United States.

Pirate trademarks threaten to block US investment in South Africa

30/7/95

ST

By SIMON BARBER

SOUTH AFRICA'S ambassador to Washington, Franklin Sonn, appalled American trade officials and businessmen last Monday when he accused the Clinton administration of "imperialism", "aggression" and even "superpower expansion" in its efforts to break down barriers to US investment in South Africa.

The immediate cause of the ambassador's ire was the decision last May by the Office of the US Trade Representative to place South Africa — with 23 other countries — on its "watch list" of nations deemed insufficiently respectful of US intellectual property rights.

What landed South Africa on the list were complaints, principally from McDonalds and Toys R Us, that South Africans had pirated, or were trying to pirate, their trademarks under cover of South African law.

Technically, a country on the watch list faces US retaliation under Section 301 of the Trade Act if it does not mend its ways. However, the threat has never been carried out. Rather, it is an invitation to discuss a set of obstacles to US investment.

Obviously, McDonalds would find it difficult to invest in South Africa if Chicken Licken had rights to serve identical Big Macs under identical golden arches. Likewise, Toys R Us can hardly enter the South African market while Durban-based Redgwoods Holdings legally owns its name in the country.

Being watch-listed is not only the price of normality after years of isolation, it is also the price of US assistance in an era when foreign aid is drying up.

President Bill Clinton's three-year $600-million (about R2,2-billion) package for South Africa is, indeed, "peanuts", as President Nelson Mandela famously let slip. But that is all that could be scrounged from a shrinking aid budget.

The administration decided to mobilise investment from the private sector to provide the real "reward" for South Africa's transition.

Short of granting a tax exemption for investment in South Africa, the administration has done just about all in its bureaucratic power to encourage companies to take a look.

Mostly that has meant banging the drum, by declaring South Africa one of 10 big emerging markets, by organising trade missions and conferences, and by offering to help underwrite joint ventures through the Overseas Private Investment Corporation. (74B)

But the US must try to make sure that its efforts are not wasted because the recipient country, while pleading for investment, retains policies that discourage it. Hence, the US's offensive on the intellectual property front.

With the passing of the Cold War, the goal of US foreign policy is to further prosperity and job creation at home. That means prying open developed, but relatively closed, markets like Japan, while pushing less developed markets to take the medicine that will make them big and strong and hungry for American goods. The medicine is trade liberalisation, market-oriented reform and fiscal prudence.

Washington may be trying to make South Africa take a bigger and faster dose than it might like. The reason is it sees South Africa as the "linchpin" for the rest of the continent's economic success and purchasing power. That hardly amounts to "imperialism" or "aggression".

Getting help from the American private sector, even if it entails landing on the watch list, means greater freedom from political strings. For example, capitalists don't care if you send an ambassador to Havana.

Business defends role in foreign investment

BD 31/7/95

(74B)

SA CONGLOMERATES reacted sharply to an attack on them by the ANC which suggested the country's biggest companies were hindering foreign investment and the expansion of black businesses.

Anglo American director Michael Spicer said SA's big companies were among its best ambassadors and were not going to be "cowed by populist rhetoric".

"We have been the best salesmen for SA for many years, and in terms of investment we have put our money where our mouth is," Spicer said.

"Part of our commitment has been bringing foreign investors to the country, including such household names as Ford and Daewoo."

ANC secretary-general Cyril Ramaphosa said on Thursday the party's executive committee was concerned that the country's biggest companies were blocking foreign investment, hampering growth and frustrating black entrepreneurs.

Government would have to legislate to break the stranglehold of these companies, Ramaphosa said.

Business leaders were uncertain whether Ramaphosa's attack was designed primarily to placate far left-wing members of the ANC, or represented a shift in policy.

They saw Ramaphosa's views as inconsistent with their regular discussions with government, and particularly with those ministers most involved in the economy.

Businessmen said the slow pace of foreign direct investment since last year's elections could be attributed to several factors, including foreign exchange controls, political uncertainty, labour militancy and a competitive local market.

The best guide to government's intentions towards the large conglomerates will come in the next few weeks when a draft Bill on competition policy is due to be published.

Competition Board head Pierre Brooks said he expected to submit the Bill to Trade and Industry Minister Trevor Manuel by the end of August.

Brooks said he did not foresee the Bill containing any clauses which might involve the enforced break-up of large conglomerates, but neither could he preclude the possibility. — Financial Times.

Nedlac agrees on promoting SA

CT(BR) 2/8/95 (74B)

By Thabo Leshilo

Staff Writer

The management committee of the National Economic Development and Labour Council (Nedlac) accepted recommendations yesterday by the body's trade and industry chamber for the development of a framework to promote investment in South Africa.

The suggested framework was based on the report prepared by Washington-based SRI International, which was commissioned by the trade and industry working group of the National Economic Forum, which preceded Nedlac, to investigate the best practices of investment promotion for South Africa.

The report, which calls for the establishment of a national investment promotion agency, has been accepted by the partners in Nedlac.

The SRI report said that since South Africa's transition, "foreigners have not rushed in, but instead have taken a wait-and-see approach until they are convinced that fundamental political and economic stability has taken root".

The report recommended that South Africa should maintain a policy that promotes macro-economic stability. The country's policies in this regard were seen as responsible by international standards, said the report.

The researchers urged South Africa to maintain investment stability. "In the past South Africa's commercial policies changed often, with tax rates rising and falling and incentives introduced and removed," it said.

Nedlac proposes investment body

(74b) BD 2/8/95

Tim Cohen

CAPE TOWN — The National Economic, Development and Labour Council (Nedlac) management committee yesterday recommended the establishment of a national investment promotion agency, but it deferred a decision on reducing the corporate tax rate.

The committee's decisions follow discussions on recommendations in a report commissioned by Nedlac's predecessor, the National Economic Forum, on measures to improve SA's attractiveness as an investment destination.

The report, conducted by the Washington-based Stanford Research Institute in consultation with SA role players, recommended the establishment of a national agency to promote investment.

Nedlac yesterday recommended government establish such an agency to co-ordinate investment promotion and provide a point of contact for local and foreign investors.

Among other terms of reference, Nedlac proposed that the body create a database for economic and investment-related information to facilitate joint venture matchmaking and monitor investment trends.

Nedlac agreed that the agency would not have the power to be prescriptive with regard to investors or investment and that it should not be a statutory body but a section 21 company.

Business representatives indicated that business would not commit itself to financing future expenses of such an agency.

The Stanford report also proposed that SA should consider other measures, including the reduction of the corporate income tax rate, combining STC into the general tax rate and a shift from a grant-based incentive system to a tax-based system.

In its discussions Nedlac recommended that a "specific co-ordination process" be developed to ensure that the issues be effectively addressed. It agreed debate was necessary on the mechanisms for realising the suggested options.

In other cases the parties would need to debate the merit of the option itself, the management committee said.

Investors need 'consistency and stability'

BD 3/8/95 (74B)

John Dludlu

CONSISTENCY in economic policies and political stability were among key concerns Korean and Canadian firms had about investing in SA, two SA diplomats said.

SA economic counsellor in South Korea Adno Boshoff said prospective Korean investors were looking for consistency in economic policies, especially regarding investment incentives. "They would not like to see constant changes in incentives, and inconsistency in government policies."

Boshoff said another hindrance hampering investment decisions was that Koreans generally regarded SA labour as "unproductive".

Counsellor Paul Pieterse, based in Canada, said: "Canadian firms are still worried about what will happen after president Nelson Mandela's five-year term of office ends. So we have to constantly assure them of the consistency in the government leadership and policies."

Crime was another concern frequently raised by Canadian companies. "The embassy has to put all these fears into context."

However, the two officials were upbeat about trade relations, saying SA manufactured products were making major inroads in South Korea and Canada.

Since the establishment of diplomatic relations in 1992, trade with Korea had more than doubled to above $1bn last year from 1992's $500m. SA sold $740m worth of products to South Korea, giving it an edge.

"Although this surplus comes from the raw materials we still supply to them such as coal, manganese and ferroalloys, our manufactured products have started making major breakthroughs," Boshoff said.

Pieterse's figures showed that SA exports to Canada jumped to R793m last year from a low base of R350m in 1993 after the normalisation of relations between the two nations.

Trade data on the first five months of this year showed that SA exports to Canada were worth R385m — up on last year's R245m during the corresponding period.

Boshoff and his staff have compiled a list of items for local exporters which have a more-than-average chance of acceptance in the Korean market. These included steel and iron products, timber producs, general machinery and equipment as well as consumer products.

Pieterse's list of export opportunities in Canada included prepared foodstuffs, mining equipment and chemicals.

Projects worth R111m will fuel boom in foreign investment

(74B) CT(BR) 4/8/95

By Derek Tommey

The investment boom which led the economic upswing in South Africa was about to intensify, said Mike Brown, the head of research at Frankel Pollak Vinderine, the stockbrokers.

He said new capital projects worth R111 billion were in the pipeline.

Only capital projects incurring expenditure beyond this year were included in this total.

He said investment by secondary and tertiary industry had dominated the present investment cycle, increasing expenditure by about 50 percent since the end of 1992. These two sectors were also continuing to be the main investors, accounting for investments of R36 billion, which was the biggest portion of the spending.

The private sector continued to respond favourably to the improving levels of economic activity, he said.

Second on the list of spenders were those connected with the infrastructure, the government, public corporations and some private sector organisations. These were spending R31,6 billion on various projects.

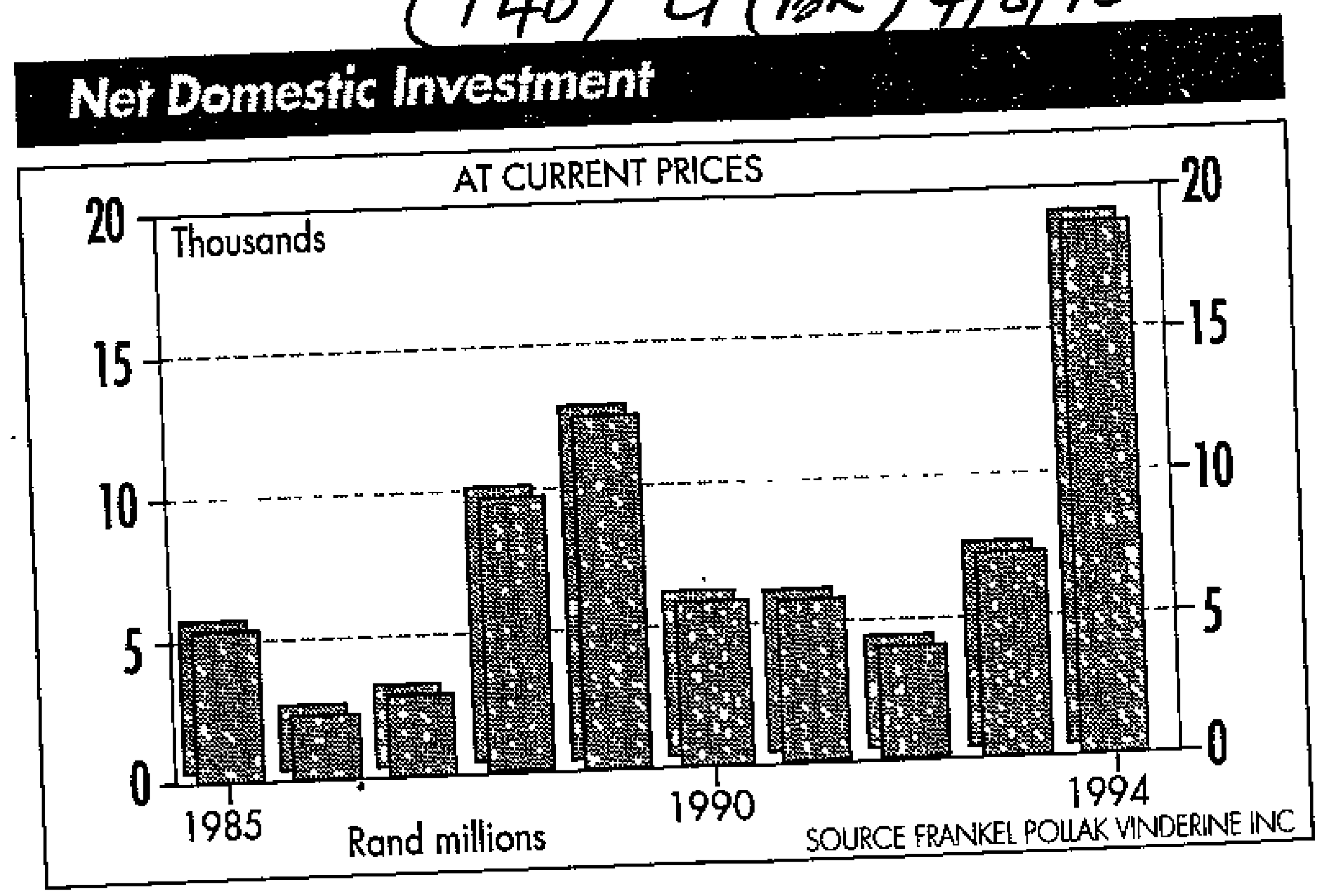
Firm budgetary commitments appeared to have been made for these projects and a future phase of infrastructural improvement was expected.

The third biggest spender was the reconstruction and development programme which had pledged R25,1 billion on agreed projects.

"Money finally seems to be gathering up behind the (programme) and considerable further capital spending can be expected," said Brown.

The mining sector has been identified as spending R15,1 billion, while foreign funded investment in local capital projects total R2,9 billion.

Further potential capital projects requiring an investment of R24 billion have been announced, but these are subject to final confirmation depending on feasibility studies, market conditions and other factors.



Brown said that the size and probable extended duration of this fixed investment wave indicated that official policy actions should be focused on developing and nurturing capital spending.

This included giving priority to private investment because its capital-output ratios were double those of public corporations.

He said the continued deterioration in national capital output ratios was largely attributable to the unproductive use of capital by the government. It should stop dissaving by using capital funds for consumption, he said.

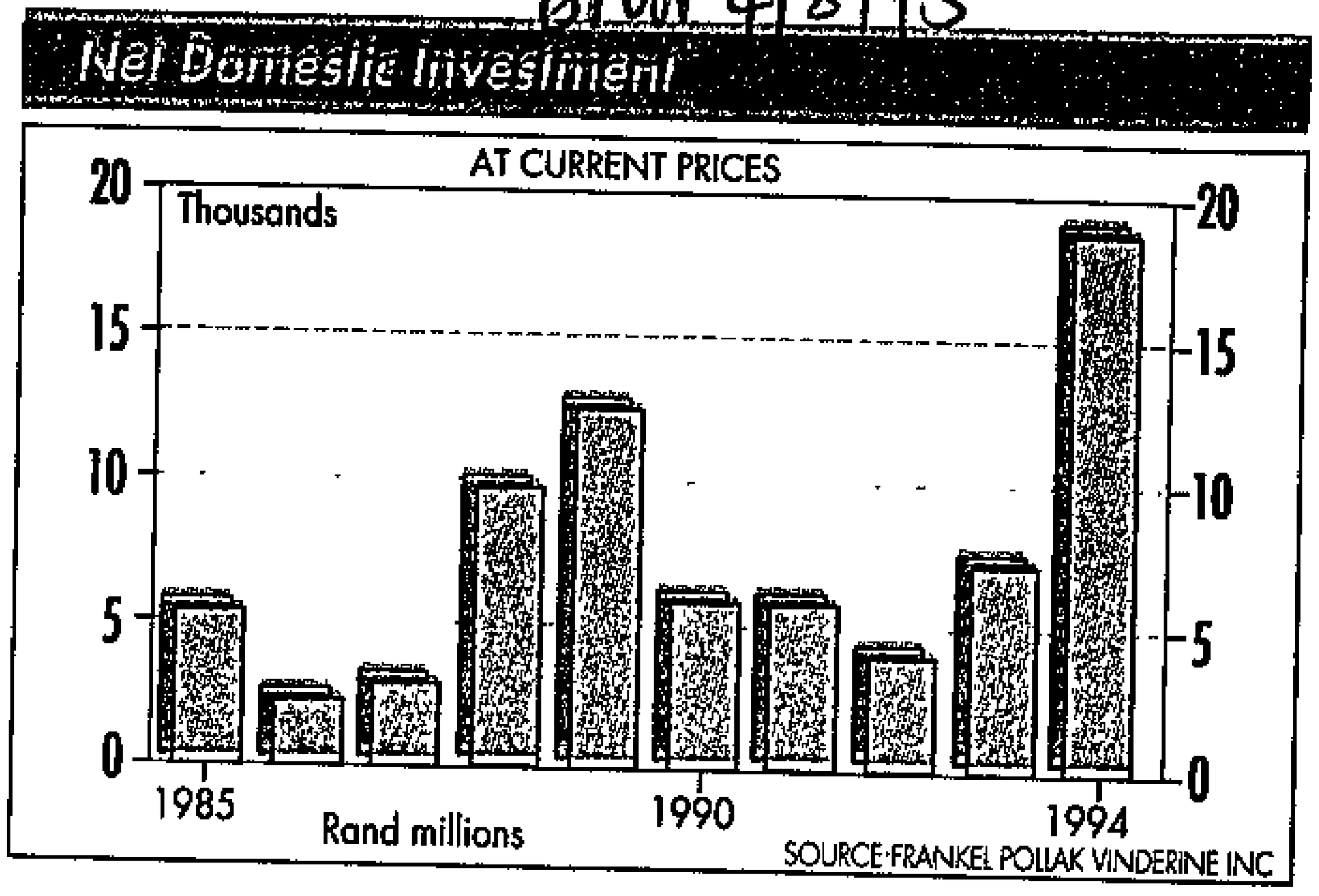
The savings rate also needed to rise to meet the higher investment rate. Savings should be promoted with lower taxes and an end to government dissaving. There should also be a progressive privatisation policy and greater commercialisation of government enterprises.

Brown said the government's expenditure needed to be reduced from 32,5 percent of GDP. Foreign development capital needed to be productively utilised to attract private foreign investment in the future.

R111m projects to fuel foreign investment (74B)

Star 4/8/95

BY DEREK TOMMEY



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South Africa, US forging new links

(74B)

☐ *Chance for mutual investment boost*

ARGT 7/8/95

Political Correspondent

NEW business links between South Africa and the US could be forged by the opening of a technical assistance centre to advise companies from the two countries about mutual investment opportunities.

The centre will set up special programmes to help emerging South African businesses get US contracts.

It will provide guidance to US companies on joint venture opportunities in this country.

The centre could open as soon as October, when deputy president Thabo Mbeki and his American counterpart Al Gore meet to continue the work of the binational commission set up last year to develop commercial ties between the US and South Africa.

It is believed funds for the centre could be provided by the US Agency for International Development (Usaid).

A site for the centre has not yet been selected.

The meeting of the binational commission will be preceded by a meeting of the US-South African Business Development Committee on October 5 and 6.

The committee is made up of 21 members from each country, drawn from representatives of sectors of business.

Urgent steps are being taken to set up a South African secretariat to serve the business development committee, a move essential to the opening of the technical assistance centre.

Since last year's agreement on the setting up of the binational commission, most effort has gone into the establishment of structures to handle inquiries by potential investors.

BRIEFS

R550m for SA communications

(~~267~~) (74B)

JOHANNESBURG: Two of the world's largest telecommunication companies are investing more than R550 million in South Africa, mainly to benefit black-owned businesses. CT 7/8/95

US-based SBC Communications will invest R300m to back MTN's cellular phone network expansion of over R1,3bn.

Inflation is investors' greatest problem

(74B)

CT(BR) 11/8/95

By Jack Milne

Chairman of Compushare

In the previous article we discussed the calculation of return together with systematic and unsystematic risk. In this article, we will consider the investor's greatest problem — inflation.

Over the past 25 years, the official inflation rate in South Africa has hovered between 10 percent and 20 percent — which means the value of your savings is halving approximately every five years. This means that you need to double your money every five years *just to keep pace with inflation!*

Money is a symbol of the country's wealth and prosperity — in the same way as a share is a symbol of a company's wealth and prosperity. When a country does well and is perceived as prosperous its currency strengthens against the currencies of other countries and vice versa.

Inflation is really a form of taxation; a subtle undisclosed form of taxation.

The money supply of the country symbolises all the goods and services in the economy. If that money supply is increased by 20 percent without any real increase in goods and services, then we will have 20 percent more money chasing the same goods and services — with the result that the price of everything will go up, over time, by 20 percent.

Only the government can control the size of the money supply. If they increase it by 20 percent then they get to spend that extra 20 percent and the rand in your pocket declines in purchasing power by 20 percent. I call that taxation.

Traditionally, the governments resort to "printing money" when they have exhausted other more normal means of raising funds such as taxation and borrowing. The South African government has committed itself to a heavy programme of social spending in the form of the RDP. They have already borrowed about as much as they can and taxation rates are about as high as they can be — the great danger here is that the authorities will resort to debasing the currency.

As an investor, you cannot avoid inflation — so you must select investments which offer a real return. This means that in the calculation of your return you need to subtract the inflation rate to see how much your investment is growing in real terms. As a general rule, no risk-free investment will out-perform inflation significantly. Risk-free investments usually give a negative real return which leaves the investor worse off, especially after taxation is taken into account. For example, an investment in the post office offers a tax-free return, but it is well below the current inflation rate.

Only two investment avenues which are easily available to the man in the street offer the potential to out-perform inflation — property and shares. We will consider and compare these in the next article.

Calls to uphold labour rights

John Dludlu (74B) BD 14/8/95 (132)

SOUTHERN African countries using special investment incentives which contravened labour and human rights could risk termination of their preferential trade links with SA, it emerged at the weekend.

Trade unionist Lionel October, spokesman for the labour constituency at the National Economic, Development and Labour Council, said labour hoped to strike an agreement with its government and business counterparts to have all SA partners in preferential trade agreements agree to uphold social rights.

These included rights to join unions, rights to collective bargaining, and a ban on child labour as well as all forms of discrimination.

October felt a new bilateral agreement with Zimbabwe should include these four clauses.

October felt a revamped customs union agreement, currently being thrashed out, should also have social clauses in it.

Agreement on the social clauses has been delayed by government's failure to table its response to the labour proposal.

Get ready for the Chinese investors — Kriel

WILLEM STEENKAMP ARG 19/8/95
Staff Reporter (7HB)

INVESTMENT floodgates of the Far East may soon open which could see millions of rands in foreign investments pour into South Africa, particularly the Western Cape.

But companies and labour should ensure that a sound investment climate exists to convince potential investors to move their money here, says Western Cape Premier Hernus Kriel, who has just returned from Taiwan.

Mr Kriel was accompanied by Chris Nissen, ANC leader in the Western Cape, Hennie Bester, leader of the Democratic Party in the Cape and a delegation of businessmen from Wesgro.

Mr Kriel said they had been well received.

"There is a tremendous feeling of goodwill towards South Africa and at a special seminar hosted by us over there it was clear there was a keen interest among businessmen to invest in the Western Cape.

"But it became clear that communication is a problem which will have to be addressed before people will start getting actively involved here. We are now looking at the possibility of involving local Chinese-speaking people in Wesgro to address the communication aspect."

Mr Kriel also visited the Vice-Premier of Taiwan, Hsu Li-teh.

"Mr Li-teh is well informed on South Africa and showed a keen interest in the Western Cape. I have decided to invite him to our province and hope he can accept the invitation.

"There are jitters among businessmen in Hong Kong who are concerned about the financial security of their investments in that area after the takeover by the Chinese in 1997.

"These people are looking for investment opportunities in other countries. They are coming to South Africa next week and the Cape should be ready to convince them that we have the infrastructure, security and stability which makes our region a prime investment area."

■ Mr Kriel visited casinos and said there were quite a few unique and innovative ideas which may be incorporated in local casinos.

"An independent gambling board will be appointed and I believe we will be able to consider the first casino applications early next year," he said.

Investors 'still wary of SA'

BD 28/8/95 (74b)

Ingrid Salgado

A STEADY hand in governing SA and the continuation of current policies were essential for sustained economic growth, former US consul-general in SA George Trail said on Friday.

Speaking at the SA Institute of Race Relations' AGM, he said that disaster would loom without this as the population and the workforce would double in the next 30 years.

Foreign investors remained wary of pouring money into SA due to its high levels of violence, labour demands, business's low competitive ratings and President Nelson Mandela's health.

They were also concerned about the policies the next government would implement and were aware that Africa's post-colonial history was one of failed leadership and policy.

Although industry lacked competitiveness in some sectors, it surpassed all others on the continent. "The challenge now is to make them competitive in a global context."

Business had performed well during the apartheid era due to "ultra-protection" from international competitors and as a result "may be a little too smug" about its contribution to the demise of apartheid.

Structural adjustment problems inherited from international isolation made normal IMF structural adjustment programmes "look simple" in comparison to the challenges SA faced. But government's attempts to make industry more competitive were courageous and far-sighted.

Trail said the NP had governed SA not altogether differently from many other African countries. "There was favouritism, abuse of office and corruption and a hugely bloated bureaucracy serving the interests of a minority."

It was difficult to cite "a grosser abuse" of human rights than that which a series of non-elected military governments had inflicted on Africa. This had been done through "sheer avarice, venality and political manipulation. Literally, the wealth of nations has been stolen".

Manuel reassures investors

Political Correspondent

SOUTH AFRICA is finalising a wide range of international agreements to ensure the security of foreign and domestic investors, says Trade and Industry Minister Trevor Manuel.

The government had no plans to interfere in private investments against the will of investors, he told a meeting of the South Africa-Malaysia business forum today.

Main guest at the forum was visiting Malaysian Prime Minister Mahatier Muhammad.

Mr Manuel said South Africa had recognised that the only way to address the iniquities in its society was by sustainable economic growth. (74B)

This meant shifting from a low growth, low wage, low consumption, protected economy to one with high growth, wages and consumption, and a globalised economy capable of absorbing labour and improving its technological base.

A complete overhaul of the industrial base, the patterns of ownership and a programme of tariff reductions in line with World Trade Organisation rules was necessary, he said.

All incentives available to South African firms were available to foreign firms.

Mr Manuel said tariff reform, reduction of corporate tax rates, and foreign exchange reforms were being implemented.

In another speech today, to the Design for Living Convention in Sea Point, Mr Manuel said innovation was a key to becoming a winning nation.

"Innovation demands a cultural shift and that we take stock of our existing capacity and fill the gaps.

"To create a culture of innovation it is necessary and important that we are bold in dealing with the obstacles in the way of global competitiveness." ARG 22/8/95

A critical aspect of competing in the world economy was to export, he said.

HUNTERS
JAGGER

HOOPER$

1JAGGER

R145, sell R160. Income 101,93 100,36 9,86 9,90 102,01 56,55

(74B) AR623/8/95

Vital for South Africa to be investor-friendly

PRETORIA. — South Africa had to create an investor-friendly environment to raise economic growth to levels needed to meet the expectations of its people, Reserve Bank governor Chris Stals said.

"To break through the existing ceiling of restricted economic growth, fiscal, labour, trade and industrial policies would have to join forces with monetary policy to pursue persistently the ultimate objective of a better economic future for all the people of this country," he said yesterday.

He told the bank's annual meeting South Africa's economy had been growing at an average of three percent during the past two years.

Dr Stals said the macro-economic limitations ingrained through many years of distortion and uncertainty were now exposed whenever the overall growth rate reached for levels beyond three to four percent.

"These constraints confine the sustainable growth of the economy to a level that is much too low to create sufficient jobs for the gainful employment of the growing labour force," he said.

He noted nearly one-third of the economically active population was unemployed as of last October.

He said investors, both domestic and international, were becoming more assertive. "They are demanding visible evidence of sound macro-economic policies, more certainty on future developments and some assurance of reasonable returns and justifiable security."

The Reserve Bank governor said the real question was whether South Africa held more uncertainties than those of the many other coutries competing for the funds of the global investor.

"If so, the foreign investor will remain shy of South Africa while the South African investor will continue to exert pressure for the removal of exchange controls," he said.

He said the current upswing had exposed structural deficiencies such as balance of payments vulnerability, insufficient domestic savings in both the private and public sectors and uncompetitive production processes.

"Together with the many remaining real and imagined uncertainties linked to the major reforms, and the continuing high level of violence and crime in the country, these structural deficiencies frustrated efforts to thrust economic growth in South Africa on a more durable basis to a higher level."

Sapa reports that Dr Stals remained committed to the gradual and cautious abolition of exchange controls in the light of the short-term nature of capital inflows into South Africa.

At yesterday's meeting Dr Stals said the Bank remained of the opinion that exchange controls should be eased gradually and with caution, "particularly as long as the capital inflows remain predominantly of a short-term nature, and while the improvement in the foreign exchange reserves is based primarily on rising short-term foreign liabilities".

Manuel allays investor fears

(74B) Sowetan 23/8/95

FEAR should not keep foreign investors from investing in South Africa, Trade and Industry Minister Mr Trevor Manuel said yesterday.

South Africa was stable, had good resources and a strong physical, legal and financial infrastructure and could open a gate to the untapped Southern African market of 125 million people, he said. Manuel was addressing the first South African-Malaysian Business Forum at Sun City resort, North West.

Five-day visit

A 250-member delegation of Malaysian businessmen is on a five-day visit.

"We have inherited a less than perfect investment climate and have commissioned a study for the exact purposes of identifying our weaknesses," Manuel told delegates to the business forum.

"But from here onwards ... we can learn from each other and improve the quality of life of our people".

WALTONS STATIONERY REF. W 79

Tentative Western investors warned of Malaysian interest

(748) CT (BD) 25/8/95

By Maggie Rowley

Western investors might well find themselves pipped at the post by Malaysian and other Eastern investors if they delay investment in South Africa much longer, warns Boland Bank chairman Christo Wiese.

Addressing the bank's annual general meeting in Paarl yesterday, Wiese forecast that trade and economic links between South Africa and the East, particularly Malaysia, would surge ahead in years to come.

While Boland "had been first out of the starting blocks" in seeking a Malaysian partner, other South African groups had followed in hot pursuit and further spin-offs from the 200-strong Malaysian business contingent accompanying the Malaysian prime minister on his state visit, indicated the extent of Malaysian interest in investment in the region.

"We have only just seen the beginning," he said.

Malaysia, was one of the world's economic success stories and South Africa could only benefit from the lessons to be learned, he said.

"The big difference between our traditional partners and Malaysia is that the Western countries see South Africa as being predominantly Third World with a thin First World veneer and having many problems but some potential.

"On the other hand, Malaysia perceives South Africa as a first world country with great potential and although there might be some problems these are not dissimilar to those they themselves have confronted in the recent past."

Wiese said that following their link up with Landmarks Berhad of Malaysia which gained a 26 percent stake in Boland Bank by injecting R273million into the group, they had had a few tentative approaches from international banks who previously had not been interested.

"In my discussions in the United States, the United Kingdom, Germany and elsewhere on the continent I have warned them that whereas they can chose where they want to invest, so too can we choose with whom we do business.

"Too often potential investors come from the West to conduct study after study without making any decisions and if they leave it much longer they could well have missed the boat."

Since Wiese became the controlling shareholder in Boland Bank in November last year he has moved quickly to recapitalise and reposition the institution to become not only a national but a global player.

Developments, over and above the investment from Landmarks, have included a 50 percent acquisition of brokerage firm Senekal Mouton & Kitshoff, a joint project home loans project with the Seeff group and more recently the formation of a financial services group as a precursor to forming a merchant bank.

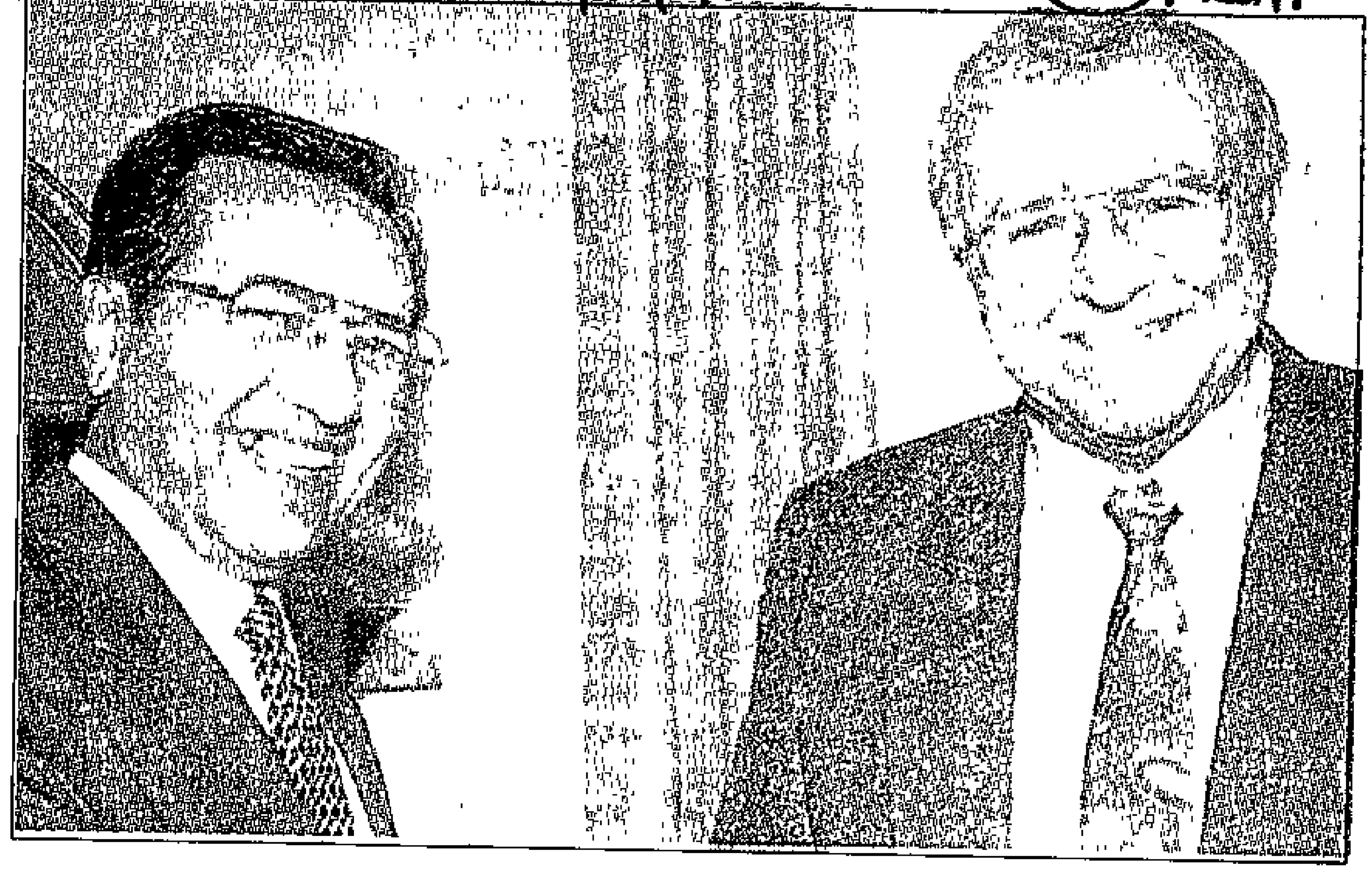
While Boland Bank will never look the same, some traditions are not easily broken.

MALAYSIANS SPEND 'HUNDREDS OF MILLIONS' IN SA

Fruit boost for W Cape

(74B) CT 25/8/95

THE Western Cape will benefit from improved ties with Malaysia as its businessmen go on a spending spree in SA. **ANTHONY JOHNSON** reports.



SHAKE ON IT: Malaysian Prime Minister Mr Mahathir bin Mohamad (left) shakes hands with Premier Mr Hernus Kriel after their talks yesterday. *PICTURE: ALAN TAYLOR*

THE Western Cape can expect a boost as a result of the ever-improving ties with Malaysia after that country's government decided to buy more fruit from South Africa.

Speaking at a news conference after addressing Parliament yesterday, Malaysian Prime Minister Mr Mahathir bin Mohamad said the 150-strong business delegation accompanying him to SA had already started investing "hundreds of millions of rand" in this country.

The investments would be concentrated in the city, Johannesburg and Durban areas.

A Malaysian corporation this week bought 100 acres of land in the Point area close to Durban harbour and several other investments in the area of hotels, food industries and educational projects were in the pipeline, he said.

Mr Mohamad said it was vital that air traffic between the two countries be increased to allow Malaysian businessmen to travel to South Africa on any day of the week to enable them to keep an eye on their investments and seek new business opportunities.

There are currently two flights a week between the two countries. An extra flight would be added soon, he said.

During his address to Parliament, which ended in a rousing standing ovation for him, Mr Mohamad told MPs the new South Africa could become the "lion" or first economic powerhouse in Africa.

"You are well-placed to take off, to be an engine of growth for the entire Southern African region."

Mr Mohamad added that while Malaysia would continue to look towards developed nations, "there is great potential for economic co-operation between developing countries in this region and those in the Asia-Pacific region".

Earlier, Mr Mohamad planted a tree in Guguletu and saw the handing over of a R2,5 million Malaysian-funded housing project in the township.

Malaysia donated R20m to the ANC in 1991 for housing projects in the city, Durban and Pretoria.

How to tempt foreign investors

(74B) WM (BM) 25-31/8/95

An international business specialist has outlined problems SA may have attracting foreign investors. Karen Harverson reports

SOUTH AFRICA has all the elements needed to join the world economy but certain core problems could force foreign investors to look elsewhere.

This is the view of of international business specialist Professor Zafar Ahmed of Minot University, North Dakota, a visiting professor at Wits University.

"South Africa's infrastructure, managerial talent, entrepreneurship, stock exchange, banking institutions and legal framework are excellent with the potential to become the best in the world," says Ahmed. However, he says the lack of incentives offered to investors is a major concern.

Zafar Ahmed: Where are the South African incentives?

"Malaysia is a far more popular choice for investors. South Africa's corporate tax is 48 percent compared to Malaysia's 30 percent. Its inflation rate is 11 percent compared to Malaysia's three percent. Interest rates in Malaysia are around nine percent compared to South Africa's which soar between 18 to 20 percent."

Unlike South Africa, other countries' exchange controls are either non-existent or very minimal.

The absence of a free-trade zone — where foreign investors can get cheap land for factories, reduced rates for electricity and water, a tax holiday and subsidised training for workers — is also a deterrent.

Ahmed says South Africa needs to draw up an inventory of incentives and then compare it with what other countries are offering investors. "China, Malaysia, Thailand, India, Poland and Hungary are offering much better incentives than this country — so most of the investment is going to them."

The lack of piecemeal wage legislation is promoting inefficiences and is another deterrent to investment, says Ahmed. "A piecemeal wage means paying someone according to what they manufacture — but in South Africa, workers are paid regardless of how efficient or inefficient they are."

"Workers' demands are too high — a foreign company can get more productive, English-speaking, skilled and educated workers in India to do the same job at a much lower price."

"And it's not only the lower sector of the workforce which is cheaper elsewhere — in Russia, one can hire a person with a PhD in computer science for $200 a month. How many South Africans with that calibre of education will work for that wage?" he asks.

Protection of intellectual property is another issue. "Investors have already lodged complaints that South African laws do not provide sufficient protection," says Ahmed. "Investors are uncomfortable about operating in an environment where counterfeit or pirated products may be the norm. For example, if the trademark issue between McDonald's and a South African company is not resolved to McDonald's advantage it could scare other US investors away."

FOREIGN TRADE: FOREIGN INVEST. B

1995

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INVESTMENT AND JOBS TO FLOW FROM AGREEMENT

ST(BT) 10/9/95 (74B)

German Chancellor Helmut Kohl's visit to South Africa is a sign to investors that South Africa is a country worth taking seriously, writes **DAVID JACKSON**

THE visit to South Africa by Helmut Kohl sets a new landmark in relations between South Africa and Germany.

Uwe Kaestner, Germany's ambassador to South Africa, says the visit by a high-profile delegation is not one of mere protocol.

"There is a high symbolism in the fact that this is a first visit by a German Federal Chancellor to South Africa — from a united Germany to the new South Africa — particularly as there have been so many impediments in the past which made such visits impossible."

Dr Kaestner says Chancellor Kohl's visit will highlight South Africa's successful and peaceful transition to democracy.

"The chancellor's visit is sending a positive signal to potential German investors that South Africa is a country that is worth serious consideration now that the new dispensation is in place and official links are being fully restored in all spheres."

South Africa is Germany's most important economic partner on the African continent. Germany, in turn, is South Africa's largest European trade partner.

There are also striking parallels in recent historical and political developments between the two countries.

On October 3, Germany will celebrate the fifth anniversary of its unification. In this period it has had to reorganise and integrate many of its institutions in order to become one integrated country.

South Africa, more than a year after the first democratic elections, has already taken major steps towards the political, economic and social reconstruction of its new "rainbow nation".

Diplomatic relations between post-war Germany and South Africa were established with the opening of a consulate-general in Pretoria in 1951. This was changed into a legation in 1952 and an embassy in 1954.

South Africa's ambassador to Germany is Lindiwe Mabuza.

An agreement initialled in Bonn between South Africa and Germany in June this year to promote and protect German investment here will be formally signed during Chancellor Kohl's visit.

The agreement guarantees German businessmen the right to withdraw profits and capital from South Africa and protects them against nationalisation without compensation.

"In the wider context, the mere fact that our governments have such an agreement in place also contains a political message — that they are determined to make it succeed, both in the spirit and the letter," says Dr Kaestner.

He says the agreement is primarily aimed at protecting new investors.

"What we are looking for is a new strata of investors, namely the small and medium-sized industries.

"In our experience, these small and medium-sized industries are the ones which are highly creative in technology and are instrumental in creating jobs. It is the small and medium-sized investor who will be looking more to the stable legal framework which this agreement provides."

Dr Kaestner says Germany is not seeking short-term portfolio-type investment with speedy returns. "We want our economic relations to be built on a stable foundation, based on long-term investment that will create jobs."

LANDMARK VISITOR . . . Helmut Kohl, the first German chancellor to visit South Africa

Development aid programme targets housing, training

ST(BT) 10/9/95.

DEVELOPMENT CHIEF: Carl-Dieter Spranger

A FRAMEWORK agreement on German technical assistance for South Africa is to be signed by the two governments tomorrow.

Chancellor Kohl is being accompanied in South Africa by Carl-Dieter Spranger, the Federal Minister of Economic Co-operation and Development.

Previously, during the sanctions years, Germany worked through NGOs (non-governmental organisations) and other bodies (such as Operation Hunger) to provide development assistance. But the way has now been cleared to establish the official development instruments.

The agreement will regulate the status of German experts in this country.

In addition, a protocol has been in place since June which identifies concrete development projects to be carried out.

Uwe Kaestner, Germany's ambassador to South Africa, says there are two main points of emphasis in the programme, both of which fall within the ambit of the RDP.

□ Housing: Germany is providing a Dm50-million (about R120-million) package for rural housing projects — as well as technical assistance in areas such as a co-operative savings bank, to enable people to invest in housing.

"We want to provide the initial start-up which could possibly assist in setting up a new system of financing for housing," says Dr Kaestner.

□ Professional training: "Germany invented a system of apprenticeship where people have part time schooling in the classroom and training on the job and this could well provide help in finding a solution to some of the unemployment problems among your young people," says Dr Kaestner.

Germany contributes 28% of the EU's budget out of which a number of projects are financed, including the special programme for South Africa.

On the question of opening international doors for SA exporters, Dr Kaestner says Germany can help SA companies seeking trade access to European markets, through the EU.

Negotiations are currently under way between the EU and South Africa on a framework agreement on trade and co-operation.

Dr Kaestner emphasises that in terms of the economic integration philosophy of the EU, "there can be no bilateral trade deals between South Africa and Germany".

He adds, however, that "what we can and will do, is advocate a greater access for South Africa to EU markets".

Dr Kaestner says tha[t] while South Africa will en[joy] certain benefits of th[e] Lome Convention, whic[h] regulates trade betwee[n] the EU and Africa[n] Caribbean and Paci[fic] countries, SA trade will b[e] regulated within th[e] framework of the Worl[d] Trade Organisation.

This would provide f[or] trade preference zon[es] among economically int[e]grated organisations, su[ch] as the Southern Afric[an] Development Communit[y].

The EU is also proposi[ng] to look at a closer partne[r]ship with the SADC. This [is] the essence of the so-call[ed] Berlin initiative taken [a] year ago under the G[er]man EU presidency.

This has important i[m]plications for German [in]vestors, says Dr Kaestn[er], in terms of whether th[ey] will have a market of [...] million in South Africa [or] more than double that [in] southern Africa.

Kohl, Mandela to witness agreements

(74B)

Edward West

BD 11/9/95

CAPE TOWN — Some of Germany's top businessmen are in the 40-strong party that arrived in Cape Town on Saturday with German Chancellor Helmut Kohl.

Kohl will meet President Nelson Mandela today and the two will witness the signing of agreements, including one covering protection and promotion of German investment in SA.

He will address a joint session of Parliament and attend a state banquet tonight before travelling to Johannesburg tomorrow. He leaves for Namibia on Thursday.

Businessmen in the party include Daun & Cie chairman Claus Daun, Daimler Benz chairman Jurgen Schrempp, German Telekom chairman Rolf-Dieter Leister, Dresdner Bank board member Alfons Titzrath, Deutsche Afrika-Linien MD Eberhard von Rantzau and Siemens chairman Heinrich von Pierer.

Kohl's visit as trade between the two countries is growing, with the volume in the first quarter up more than 25% compared with last year. Germany is SA's largest trading partner and second-largest investor, with total business investment of about R19bn. The value of goods traded in the first quarter was DM2,12bn.

There are approximately 300 German firms in SA, with about 60 000 employees. Germany made DM170m in financial aid available to SA this year, some of it via the European Union.

Repatriation of funds to SA an 'important signal'

(74B) BD 11/9/95

Edward West

CAPE TOWN — The repatriation of SA funds invested abroad during the exchange control era would be among the most important signals of confidence to foreign investors, said New York-based Alliance Capital Management International chairman Frank Savage.

Alliance Capital is one of the world's largest asset management groups. It concluded an agreement with Sanlam last week to globalise the local assurers' investment services once exchange controls were lifted.

Savage said the eventual elimination of exchange controls in SA could result in the repatriation of domestic funds, as had been the case in Egypt. In that country the lifting of exchange controls had resulted in the repatriation of billions of dollars.

As an indication of the size of domestic funds invested abroad, Savage said recent discussions with a German Bank had shown that nearly 70% of that bank's SA bond market trading activities was with overseas SA funds.

Alliance Capital chief investment officer Bruce Calvert said his company's view was that lifting exchange controls in SA would have very little impact on the country. "Those who have wanted their money out of SA have already done it," he said.

Alliance Capital, apart from managing the Southern Africa Fund, had made only a modest investment in SA equities through its emerging market funds, but investment interest was likely to improve with Sanlam's research and the lifting of exchange controls. "One must not forget that a year ago investment in SA was banned to us," said Alliance Capital Europe MD Norman Bergel.

Savage said it would be incumbent on government and the business sector to engage in a constant education programme among institutional investors abroad about potential SA investment.

GERMANY TO ACT 'AS BIG BROTHER'

Kohl to sign deal with SA

CT 11/9/95 (74B) (2…)

THE German chancellor's visit to SA this week will boost investor confidence, says **ANTHONY JOHNSON.**

TAKING A BREAK: German Chancellor Dr Helmut Kohl took time out yesterday to visit Signal Hill with his entourage before embarking on a punishing schedule today. He is to address Parliament, among other appointments. He arrived in the city on Saturday. ***PICTURE: AP***

DR HELMUT Kohl's visit to South Africa sparked official hopes at the weekend that the current strong man of European politics will act as "Big Brother" for SA interests in the European Union.

Expectations were also raised that the historic first visit to the country by a German chancellor, accompanied by leaders of German banking and industry, would spearhead a fresh wave of investment and technical assistance from the richest and most powerful nation in Europe.

Special relationship

Government officials and diplomats in both countries characterised the five-day visit as part of a far more assertive drive by Germany to forge a "special relationship" with SA, as well as other members of the Southern African Development Community.

At a meeting with President Nelson Mandela this morning Dr Kohl will sign a confidence-building investment protection agreement and a technical co-operation agreement, which includes a major vocational training programme.

Details of these and other agreements will be fleshed out today by the chancellor, Deputy Presidents Thabo Mbeki and F W de Klerk and Home Affairs Minister Chief Mangosuthu Buthelezi.

To further cement ties between SA and its major trading partner, Chancellor Kohl is expected to invite Mr Mandela to pay an official visit to Germany. No date has been set for such a visit but SA embassy officials said March/April next year was a possible date.

Dr Kohl has invited the cream of Germany's banking, industrial and business community to join him on this visit.

The delegation includes top executives from Mercedes Benz, Deutsche Bank, Dresdner Bank, the public sector trade union and the steel giant Thyssen.

Dr Kohl said at the weekend that he was prepared to use his good offices to improve SA's relations with the EU, which last year accounted for 44% of this country's total trade.

Market access

Deputy Minister of Foreign Affairs Mr Aziz Pahad had said on the eve of Dr Kohl's visit that he hoped Germany would support the improved conditions of access to the European market SA has been pushing for in negotiations with the EU.

The head of the German/SA Chamber of Commerce, Mr Klaus Schuurman, said the chancellor's visit was "a sign of German confidence in SA and will give a clear sign to German business already in the country to increase its stake."

Germany has 360 major companies in South Africa that employ 60 000 people.

Today's signing of an investment protection agreement would, he said, add to foreign investment confidence and address questions such as the free transfer of capital.

South Africa's ambassador to Bonn, Ms Lindiwe Mabuza, was equally bullish about the benefits that could flow from Mr Kohl's visit. She said the twinning of German federal states with SA provinces — an issue high on the Chancellor's agenda — would lead to management, technological, cultural and other exchanges.

Informal twinning agreements already exist between Bavaria and the Western Cape, Lower Saxony and the Eastern Cape and North-Rhine Westphalia and the Northern Transvaal. A delegation from Baden-Wurttemberg is expected to sign a twinning agreement with another province next month.

The visit will be followed by a high-powered German economic ministry delegation to ensure proper follow-through and put more meat on the bones of agreements made during this week's visit.

Investments in South Africa are secure, says Manuel

(74B)

ARG 12/9/95

Business Editor and Sapa

JOHANNESBURG. — Foreign and local investors need not fear for the security of their investments in South Africa, says Trade and Industry Minister Trevor Manuel.

"We have no plans to interfere in private investments against the will of investors," he told the Southern Africa Development Summit here.

But recognising the need for investors to feel secure, South Africa was concluding international agreements safeguarding investments. One of these agreements was signed with Germany yesterday.

However, Mr Manuel said company tax, at 35 percent, was still too high.

Mr Manuel said the government had reduced corporate tax from 48 percent to 35 percent, provided all profits were reinvested.

"But 35 percent is still too high", he said.

Much had been done to make South Africa more attractive to foreign investors, but there were no grounds for smugness.

The government was reviewing incentive packages for investors in line with the country's obligations to the General Agreement on Tariffs and Trade. But incentives were not as important as the general economic environment, said Mr Manuel.

The government had inherited an "obsolete, battle-weary and corroded ship, going nowhere fast".

It had been necessary to turn the ship around while patching up the cracks at the same time.

"As the ship turns the full 180 degrees, we can only get better," said Mr Manuel.

● More reports, page 4

Southern Africa poised for increased Asian investment

Business Editor (74b)

JOHANNESBURG. – Japanese banks are poised to build bridges between Asian investors and Southern Africa, says Tatsuro Arita, managing-director of Britain's Suji Bank.

Mr Arita told delegates to an international investment summit that the Southern African region had four major advantages for investors:

- Mineral resources.
- A strong industrial infrastructure.
- A sophisticated financial sector and securities market.
- The English language.

ARG 12/9/95

The fact that English was spoken in the region was very important for Asian investors, he said. Most Japanese investments to Europe went to Britain because of the language.

Mr Arita said he expected Asian investment in Southern Africa to increase in the near future. Japanese banks, which had experience in dealing with governments and with multinational corporations, hoped to play a part in this process.

S Africa's revival worries others

(42) (74B) EF Sowetan 12/9/95

US and UK firms leave Botswana for SA again

By Pamela Dube

DURING PRESIDENT NELSON Mandela's three-day state visit to Botswana last week many sensitive issues were left in the background.

It was not until Mandela's last day that he was confronted with bread-and-butter issues – the Botswana business community's fears of losing investment to South Africa and cross-border crime.

The Botswana business community, is uncomfortable about South Africa taking business from the smaller economies.

During the economic sanctions against South Africa, Botswana enjoyed the high flow of investment from international corporations.

When some major American and British companies pulled out of South Africa, they found the economically and politically stable Botswana a safer haven.

These trends remained in place for at least a decade, boosting the Botswana economy.

But when the process of democratisation started sweeping across South Africa four years ago, these same companies started reinvesting in South Africa – leaving Botswana's government and private sector panic-stricken.

While other states in the region had for some time been battling with a high unemployment rate, labour unrest and collapsing economies, Botswana continued to prosper.

Until 1993 Botswana's unemployment rate was below 10 percent. But the past two years have seen the rate rising rapidly when major international companies moved operations to South Africa.

This trend, said Botswana Confederation of Commerce, Industry and Manpower president Mr Neo Moroka, led to many small and medium businesses liquidating and some cutting down on their labour force.

Retrenchments were now becoming common.

But these new developments do not only threaten the region's smaller economies. If an urgent solution is not found to Botswana's increasing unemployment problem, South Africa will be forced to deal with "an influx of job-seekers, with serious social problems for South Africa", Moroka warned.

The unemployment rate was also threatening the relatively peaceful Botswana, exposing it to violent crime. Car hijacking, drug t[illegible]fficking as well as white collar cr[illegible]s on the increase, notes Botswa[illegible] Foreign Minister Lieutenant-Ge[illegible]ral Mompati Merafhe.

To assist each other to fight crime, Botswana and South Africa agreed to establish a permanent commission to deal with, among other things, security and cross-border crime.

Another issue that caused distress to the Botswana business community, Moroka stated, is that South Africa's tourism sector is growing rapidly, while it is dwindling in neighbouring states.

Moroka noted that this was impacting negatively on his country's economy. He pleaded with Mandela to see that those in the tourism sector in South Africa and Botswana meet urgently to formulate a joint marketing strategy.

"We implore our two governments to encourage and facilitate this," he said.

Also of major concern, Moroka noted, was the slow pace of South Africa's Government in correcting the abnormalities that exist in the Southern African Customs Union.

SACU agreement is such that South Africa exports 80 percent of its goods to the other member-states – Botswana, Namibia, Lesotho and Swaziland – and imports only 20 percent from these countries, an unfair advantage for South Africa.

Botswana's President Ketumile Masire welcomes South Africa's President Nelson Mandela on his arrival last week.

US invests in SA

(748)

Direct investment by American companies in South Africa totalled R13 084-million, Trade and Industry Minister Trevor Manuel said yesterday. About 500 US firms were now operating in the country, up from 184 three years ago, he said in reply to a question from David Graaff (NP). – Sapa

Star 13/9/95

R112,5m investment in Automakers

(74B)(162)(66)

Michael Urquhart

BD 14/9/94

JAPANESE industrial giant Mitsui Corporation and motor group Nissan Diesel would invest R112,5m for a 13% stake in soon-to-be-listed SA motor manufacturer Automakers, Automakers announced yesterday.

As part of the new structure of the group, which is the holding company for Nissan SA, investment group Sankorp would reduce its stake in Automakers from 100% to 55%.

Nissan Diesel would be investing R37,5m, giving it a 4,3% stake in Automakers, while Mitsui would be investing R75m.

Automakers CE John Newbury said the listing of the group, on October 24, would raise about R224m. Of this,

Continued on Page 2

Automakers

(74B)

Continued from Page 1

R125m would go into the company, and the remainder would be used to reduce the holding of Sankorp.

He said Nissan Motor Corporation in Japan had not been able to take a stake in Nissan SA, as it was busy cutting back its operations in Japan and it would not like to make an offshore investment at the same time. But further Sankorp equity could be released at a later date to give the Japanese motoring giant a stake in Nissan SA, he said.

The unions and workforce would be encouraged to take a stake in Automakers, with an assisted issue to staff members down to shop-floor level.

Newbury said the investments by the two Japanese groups gave Nissan SA strong international partners as it moved into the next phase of domestic growth and expanded internationally.

SA's investment rating likely to be upgraded

(74B) CT (BR) 14/9/95

By Neil Behrmann
London Correspondent

London — South Africa's investment rating on international capital markets is expected to be upgraded.

JP Morgan Securities predicts Standard & Poor will raise South Africa's rating to BB+ from the sub investment grade level of BB. An investment-grade rating of BBB- is also possible, contends JP Morgan.

As a result of foreign inflows and local institutional investment, South African foreign currency and rand bonds are likely to appreciate. The yield "spread", or premium, on the five-year global dollar bond over US Treasury bonds is predicted to fall to 1,8 percent from its present level of 2,2 percent. The yield of the bond should thus decline to 7,8 percent from 8,2 percent, assuming no change in the yield of US Treasury five-year bonds. In those circumstances, the global South African bonds are expected to rise.

JP Morgan is also advising its clients to buy long rand bonds. The firm predicts the benchmark South African 150 long bond yield will fall to 15,25 percent from present levels of 15,65 percent and that the rand will remain generally stable.

For the local South African investor, the return on the bond, inclusive of capital appreciation and income is forecast to be 6,3 percent in the next three months. For international investors, the return is projected at a lower 5,8 percent because the rand is forecast to depreciate slightly. Despite the recent drop in long bond yields, real interest rates continued to be high, said Eric Beinstein, JP Morgan's South African specialist.

"Currently the real interest rate is at its highest level in 15 years," he said.

For most of the 1980 to 1995 period, real interest rates were below 4 percent because inflation was high. However, since June last year, when inflation began to trend lower, the real interest rate has moved above 4 percent.

"We expect inflation to average 8 percent for the rest of this year against a background of slow growth, lower food prices and lower import tariffs," said Beinstein. Even if yields declined to 15 percent, real bond yields would remain attractive at 6,5 percent," he said.

"We expect the rand to remain firm in the coming months. Our three-month forecast for the currency is R3,68 to the dollar and the trading range will be R3,72 to R3,62."

"The rand's performance has exceeded expectations and its 4 percent volatility since the currency was unified in February compares favourably with the Malaysian ringgit and Philippine peso.

"The rand's stability reflects the confidence of market participants in the currency and volatility is expected to be low in the next three months."

Japan boosts SA motor industry

CT (BR) 14/9/95 (74B)

BY ROY COKAYNE
PRETORIA BUSINESS EDITOR

IN JOVIAL MOOD *John Newbury, Automakers' chief executive*
PHOTO JOHN WOODROOF

Two Japanese companies, Nissan Diesel and Mitsui, have invested a total of R112,5 million in Automakers, the holding company of Nissan South Africa, which is scheduled to be listed on the JSE at the end of next month.

Nissan Diesel has invested R37,5 million and Mitsui R75 million in Automakers, the first investment by Japanese companies in the South African motor industry and one of the few direct Japanese investments in South Africa.

John Newbury, the chief executive of Automakers, said the companies' investment would give them a 12,9 percent shareholding in Automakers — 4,3 percent to Nissan Diesel and the balance to Mitsui.

Newbury said Mitsui would also be represented on Automakers' board, membership of which had been set at 7,5 percent of the shareholding.

He said the investment was made through Nissan Diesel because Nissan Motor Company had just gone through a major restructuring. But he said he hoped Nissan Motor Corporation would invest in the future, and possibly Sankorp could release a piece of its shareholding in Automakers to Nissan.

Mitsui's investment is the second by the group in South Africa. It recently announced it was investing in South Africa's ferrous raw material industry through Consolidated Metallurgical Industries.

Sankorp will reduce its investment in Automakers from 100 to 55 percent in order to reduce its shareholding from absolute to effective control.

The 45 percent balance will be held after the listing by a mix of institutions, including Nissan Diesel and Mitsui, the public and staff, who will acquire their shares through a private placing and preferential and public offerings.

The prospectus for the preferential and public offerings is due for release at the end of this month. Newbury said the listing would raise R244 million, of which R125 million would go into Automakers. The remainder was to run down Sankorp's shareholding.

He said 180 million shares would be listed at an issue price of 500c a share.

Nissan Diesel, one of the world's leading manufacturers of trucks, buses, engines and special purpose vehicles and 40 percent owned by Nissan Motor Company, is listed on the Tokyo Stock Exchange and has a market capitalisation of about $1 billion. Automakers has the exclusive rights in South Africa to manufacture and sell Nissan Diesel's range of medium and heavy commercial vehicles.

Mitsui is one of Japan's giant trading houses and had a turnover of $195,8 billion in its financial year.

Investors favour State retaining small interest, summit told

APG 14/2/95 74B

Business Editor

FOREIGNERS investing in newly privatised companies prefer the state to retain a small stake, according to Susan Segal, senior managing director at Chemical Banking Corporation in the United States.

Ms Segal, who has advised governments in Latin America on privatisation, was addressing the Southern African investment summit in Johannesburg this week.

She said her bank advised governments to retain a stake of between 15 percent and 25 percent, for three to five years. This reassured foreign investors and also gave the government a chance to benefit from the company's profitability.

Maximum domestic participation was also an advantage. A commitment to the company by domestic participants was comforting and enabled the foreign investor to benefit from local knowledge and contacts.

"Foreign investors are attracted to South Africa. They're looking for new opportunities to complement home markets where rates of return are declining."

Elements foreign investors looked for in privatisation deals included:

- A level playing field with respect to domestic investors — "they don't want to be special but they also don't want to be discriminated against";
- A stable political, legal and regulatory framework;
- Clear parameters for the purchase;
- Good information about market size and potential for growth;
- Good information on returns on investment;
- Good information on financing possibilities; and,
- Certainty on restrictions on ownership.

Successful privatisations in Europe, Latin America, New Zealand and Australia had all been characterised by clear programmes which gave foreign investors confidence.

"It's essential to get it right from the start," Ms Segal said.

Though there were no set rules, telecommunications, electricity, energy and mining were "good places to start."

UNIT TRUSTS

SA the preferred venue for sub-Saharan investment

CT(BR) 15/9/95(74B)

Africa's rise to the forefront of emerging market thinking has occurred for a number of reasons: the carnage wreaked upon the better known emerging stockmarkets by December's Mexican Peso crisis and the rise in American interest rates earlier in that year; the end of Apartheid and the introduction of South Africa into the major Emerging Market Indices; the privatisation programmes in North Africa; and the shift away from communism and economic negligence in the rest of sub-Saharan Africa in favour of the free market.

Sub-Saharan Africa is seen very much as the "final frontier" by the intrepid, growth-hungry fund managers. To date, however, this has only produced a handful of Africa investing funds, and these have all been heavily weighted to South Africa.

This situation may well change in the next 12 months. GT Asset Management are already planning an open-end pan-African fund for launch in October this year. This fund, managed by John Legat, will look to invest in all African bourses as well as the local bond markets.

Africa is seen as potentially attractive at the moment for a variety of reasons. International Monitory Fund sponsored stabilisation packages in countries such as Uganda, are viewed as having succeeded, and investment is generally concentrated around those areas in which Africa has advantages over the rest of the world - tourism, natural resources and horticulture.

Despite confidence in these markets to succeed, fund managers still perceive high levels of risk inherent in these politically volatile, socially deprived countries with their low levels of market capitalisation and liquidity.

For this reason, South Africa is still viewed as the cornerstone market in the fund manager's Africa portfolio. Despite a number of specific concerns, from potential political fragility once President Mandela leaves office to first-hand experience of urban crime in Johannesburg, western fund managers are generally bullish on South Africa and the prospects for the region as a whole.

David Masters
Manager Emerging Markets
Micropal London

NISSAN SA (182) (74B)

Japanese buy in

FM 15/9/95

Two major Japanese corporations have bought into Automakers, the holding company of vehicle manufacturer Nissan SA. Mitsui and Nissan Diesel have invested a combined R112,5m, which will be used to buy a significant stake in Automakers when it is listed on the Johannesburg Stock Exchange next month.

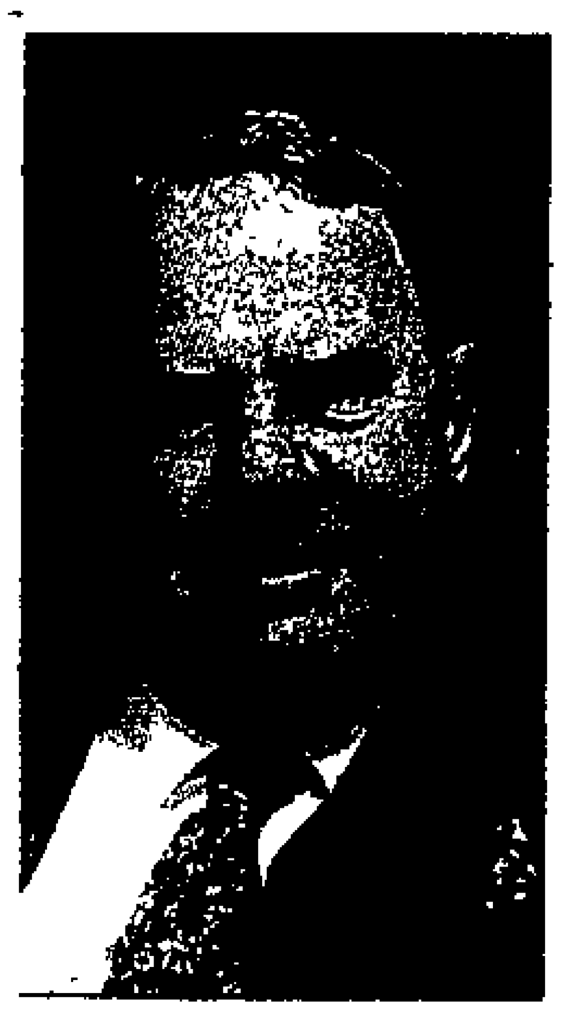
Mitsui has invested R75m and Nissan Diesel R37,5m. They are the first direct investments by Japanese companies in the SA motor industry. Others are likely to follow. Apart from the lure of foreign capital, SA companies recognise Japanese shareholdings will open doors wider to exports.

Automakers CE John Newbury acknowl-

edges the point when he says: "These (Mitsui and Nissan Diesel) investments give Automakers strong international partners as we move into the next phase of the domestic growth of the company and expand our operations internationally."

Nissan Diesel is one of the world's leading manufacturers of heavy vehicles and engines, and supplies Nissan SA with its products for the local markets. It is 40% owned by Nissan Motor Co which, for now, has declined to make a direct investment in the SA company. That is likely to change in the future.

Mitsui is one of the world's largest companies, with turnover last year of US$196bn. Its interests span industry, commerce, finance and services in 90 countries. It has provided financing for the import into SA of Nissan cars and commercial vehicles, and has helped develop the company's other import and export activities. Mitsui's investment in Automakers is its second in SA. It recently announced it was investing in SA's ferrous raw material industry through Consolidated Metallurgical Industries (CMI).



Newbury

In addition to Nissan vehicles, Automakers also builds Fiats for the SA market. Newbury recently announced that the company is about to start importing Alfa Romeos, which are part of the Fiat group. In view of the Japanese investment, it wouldn't come as a surprise if the Italians were also eventually to come in.

The Automakers listing, scheduled for October 24, is intended to reduce the 100% control of Sanlam's industrial investment arm, Sankorp, to 55%. The Mitsui/Nissan Diesel cash will secure a solid slice of the remaining 45%, to be shared between institutions, Automakers employees and the public. ■

SA must take a leaf from the East

WM (BM) 15-21/9/95

What must South Africa do to attract — and keep — Japanese investment? **Karen Harverson** reports

(74B)

THE Southern African region will almost certainly get Japanese investment in the future, but it needs to learn from the experiences of Asian countries which have attracted the bulk of Japanese investment and continue to attract it.

Speaking at the Southern African Investment Summit this week, Fuji Bank MD Tatsuro Arita said although Japanese foreign investment was concentrated in the East Asian region, diversification of Japanese interests and activities to other emerging economies can be expected as the Japanese economy recovers and becomes increasingly globalised.

He said the stable political and social systems of Asian countries and confidence in their business environments were the main reasons for the vast capital investment by Japanese, American and European countries.

"These countries, which are now mostly free market-based economies that are well integrated into the global economy, have certain attributes that distinguish them from other developing regions such as Latin America."

He listed fiscal discipline, export-orientated economic policies, higher private savings and educational attainment rates as important factors.

"More importantly, these Asian countries have adopted open trading and investment regimes while also encouraging productive relationships between investor and recipient."

Deputy President FW de Klerk said South Africa's prospects for the future were excellent, but depended on rapid and sustained economic growth.

Unless tangible benefits reached the people of South Africa, the country would pay a price in stability, law and order, and peace. "We need to grow rapidly, at least at 4,5 to six percent if we wish to make substantial progress. At the present growth of three percent, we are barely keeping pace with our population growth."

De Klerk said the answer lay in the development of an outward-orientated economy such as Taiwan, Korea, Chile, Malaysia and Hong Kong.

To achieve this, the economy has to open up in line with Gatt undertakings. "We will have to accept the challenge of open competition, not only in international markets but in our own back yard, without the cosy protection of tariffs and subsidies."

He added that South Africa must improve its labour productivity. "This will require a much more co-operative relationship between labour and management than we have now."

A genuine social contract would be needed between workers, employers and the government to work as a team to produce high-quality products and services at the right price.

'Britons more eager to invest'

(74B) (BI) CT 19/9/95

BRITISH businessmen know their South African markets and are "seriously interested" in expanding investments and exploring new opportunities in the Western Cape, but Americans are more cautious, probing joint ventures instead.

This was said by Western Cape Economic Affairs Minister Mr Chris Nissen yesterday soon after his return from a week-long investment promotion trip with 18 local businessmen to London, Birmingham, Washington and New York.

He said there was "much more interest in SA in the UK than in the US", adding that the trip had strengthened existing ties and explored new business avenues. — Political Staff

Natwest sees investment inflows

CT (BR) 22/9/95 (74B)

By John Spira

Gauteng Business Editor

Major British and American investment institutions are showing a significant interest in South Africa and while funds have not yet flowed in large volumes they are likely to build up rapidly in the near future.

That is the word from John Howland-Jackson, the deputy chief executive of NatWest Markets, who is in Johannesburg to seal the investment banking partnership deal between his company, the Board of Executors (BoE) and Ed Hern Rudolph.

Howland-Jackson said Japanese money would, before long, find its way into South African investment vehicles.

"One of the things NatWest will bring to the partnership deal is its ability to tap those seams via its vast international network, which could also be tapped by South African investors once they are enabled to invest globally."

Natwest, generally known as a commercial bank, would not enter the commercial banking market in South Africa, he said.

"Perception has lagged reality. Natwest's commercial banking activities are no longer at the forefront of the group's activities.

Broker

"We are the number one foreign-owned broker-dealer in the American equities market, the number one British broker, the number one British treasury and foreign exchange bank as well as being the number one arranger of American private placements for British companies."

Howland-Jackson said NatWest, which was to pay R90 million to acquire 50 percent of the share capital in BoE Merchant Bank from BoE, had been looking at South Africa for two years.

"We scouted long and hard for partners, meeting many bankers, stockbrokers and institutions because one has to be very careful in entering into an association of this nature.

"In BoE and Ed Hern Rudolph, we believe we have found the right partners with which to pursue a serious investment banking relationship."

Tom Boardman of the BoE said the benefits of the partnership could extend beyond what is superficially evident.

"For example, NatWest has been extensively involved in privatisation — expertise from which we could certainly benefit in this country," said Boardman.

Natwest's acquisition of 50 percent of BoE Merchant Bank will be followed by the formation of a joint-venture merchant bank, BoE NatWest, between BoE Merchant Bank and NatWest Markets.

Included in the range of services will be a securities operation, BoE NatWest Securities, which will acquire the stockbroking business of Ed Hern Rudolph.

Fixed investment vital for SA account deficit

(74B) CT(BR) 26/9/95

By Andrew Gill

REUTER

A flood of foreign-portfolio investment in South Africa this year has helped finance a bulging deficit on the current account, but offers limited value in the longer term, analysts say.

Although stopping short of warning of a Mexico-type crisis, they say a more than fourfold increase in foreign investment in South African shares and bonds so far this year must be followed by direct fixed investment.

Rowland Chute, the assistant general manager of Old Mutual, argues South African markets will suck in foreign cash as long as they remain attractive on a relative basis.

JSE statistics show foreigners have bought a net R4 billion worth of shares so far this year, compared to R527 million at the corresponding time last year, and bought bonds worth R1,1 billion from R642 million last year.

"It is normal for security-type investments to take place before fixed investment. The foreign investors come in through the market and hopefully later the industrialists will follow," Chute said.

Johan Louw, the chief economist at Sanlam, said substantial inflows were needed to counter the growing current account deficit, which he forecasts will swell to R9,5 billion this year and R12 billion next year from R2,1 billion last year.

The Reserve Bank said South Africa had pulled in a net R4,4 billion on its capital account in the second quarter, R3,7 billion of which was classified long term.

Despite their classification, Louw said much of the flows were portfolio-related and short term in nature. "It is another reason why (the Reserve Bank governor Chris) Stals is not ready to further relax exchange controls."

Louw said a scrapping of those controls was unlikely until a constant inflow of true long-term capital appeared. "This is definitely not happening now in a substantial amount. There might come a change with a better rating from Standard & Poor's."

Ironically, he said, South Africa's current account deficit could undermine prospects for an improved rating from S&P, currently below investment grade at BB with a positive outlook.

So far, said Mike Brown, an economist at Frankel Pollak Vinderine, almost all of the capital inflows have been short term or portfolio related, both of which are vulnerable to correction.

Asset swaps with offshore institutions and the advent of the Euro-rand market would see some funds moving offshore, and although not depleting reserves, it would cap a rise in foreign investment.

Factors inhibiting direct foreign investment include high tax burden and labour costs.

"These things will not change overnight," Louw said.

Meanwhile, portfolio interest should continue with local bond yields still attractive and equities continuing to post around 25 percent earnings growth.

"We need political stability and solid economic performance.

"If people don't think they are going to get those two you are not going to be seen to be that attractive," Chute said.

Brown said good interest in emerging markets, from portfolios still underweighted in terms of South Africa, should keep the flows positive. He said a potential $3 billion to $4 billion a year could come in from foreign portfolios.

"We have seen about $1 billion this year. It depends on their view of the South African economy."

Investment centre to 'cut bureaucratic red tape'

BD 26/9/95 (74B)

John Dludlu

THE planned one-stop investment centre — a quasi-state agency to attract investment to SA — would start operating only early next year, trade and industry department chief director for technology and industrial strategy Alan Hirsch said.

The first step towards the establishment of the agency was to set up a detailed data base with information for investors, he said.

The process of compiling an elaborate database was under way. Eskom, the trade and industry department and the Industrial Development Corporation were involved. This should be finalised within two months.

Trade and Industry Minister Trevor Manuel wants the centre to cut through bureaucratic red tape.

It was recommended that the centre be a government and private sector partnership.

The private sector was lukewarm on committing itself to financing the mooted centre — which will be outside state control. Hirsch was, however, optimistic business would buy into the process as the institution showed its worth.

BoP deficit at R1,5bn as imports soar

(748)

STAFF WRITER

CT(BR) 28/9/95

South Africa incurred a deficit of more than R1,5 billion on the current account of the balance of payments in August, according to provisional data from customs and excise.

But customs has recently acquired a reputation for inaccuracies in its presentations of the monthly trade figures, and its calculations for last month must be treated with caution.

But if the figures are even roughly accurate they show a massive deterioration in the current account position for August compared with July, and they indicate that the overall balance of payments remains a problem for South Africa.

Customs said that in August exports were R9,24 billion against R9,41 billion in July. Over the same period the monthly import bill surged from R9,09 billion to R9,76 billion. The net outcome was that the balance of trade moved from a surplus of R320 million in July to a deficit of R520 million in August.

However, the total current account includes payments and receipts for services, or "invisibles", headed by interest and dividend flows, tourism, shipping and insurance. In the first half of this year South Africa had an average monthly shortfall of more than R1 billion on this account.

Thus, if the customs estimate of a balance of trade deficit of R520 million for August is somewhere near correct it would mean a full current account deficit for the month of over R1,5 billion. With the Reserve Bank reporting an official current account shortfall of R5,6 billion for the first half of this year this would suggest a current deficit for the full year of a minimum R10 billion.

This could be financed by capital inflows, but the Reserve Bank is rightly worried about the extent of short-term foreign borrowing. Also, while the high level of imports can be seen as a plus, there must be concern about the disappointing level of exports.

Customs said that for the eight months from January to August this year exports were R67,49 billion against imports of R66,18 billion, leaving a balance of trade surplus of R1,32 billion, against R10,43 billion last year.

Battle for AfBank opens on another front

(748) CT(BR) 28/9/95

BY LLEWELLYN JONES AND THABO LESHILO

The battle for African Bank opened on another front yesterday as New Africa Investments (Nail) questioned a key pillar of the rescue plans proposed by the National African Federated Chamber of Commerce and Industry.

Nail said Nafcoc's plans to draft three Nail directors, including chairman Nthato Motlana, on to a new Afbank board, would leave the three facing a basic conflict of interest.

The other two proposed directors are Afbank's founder and chairman, Sam Motsuenyane, and Telkom's chairman, Dikgang Moseneke.

Motlana's group holds an effective 41 percent in Afbank but Nafcoc has claimed a power of veto over all plans to save it, saying it represents more black shareholders.

Rob Dow, the managing director of Nail's merchant bank Pleiade, said that as board members of Nail the three owed a fiduciary duty to the company and its shareholders and he did not understand how they could be proposed as directors of a reconstructed African Bank in any other capacity.

"But it depends on who Afbank's shareholders are after the reconstruction," Dow said. "If Nail were not included in the rescue programme, there would be no conflict.

"There are other plans which make a lot of sense and Nail does not wish to be prescriptive in any way."

Benjamin Wauchope, Nafcoc's chief executive director, said Nafcoc would like to see Motsuenyane included in any plan to rescue the bank, which was placed under curatorship earlier this month.

Said Wauchope: "Motsuenyane represents continuity in the bank. He is the moral authority of the bank. Any decision which excludes him will give the wrong impression that he was responsible for the bank's failure."

Mashold exceeds profit target with income of R9m

BY FRANÇOISE BOTHA

STAFF WRITER

Mashold, the Western Cape mail-order company, had exceeded its profit target for the 18 months ended on August 31, said Marco van Embden, the chief executive.

In terms of the restructuring agreement with financial institutions, the group was required to achieve cumulative operating income of R7,314 million during the period, but "this figure will be closer to R9 million", said Van Embden.

Speaking at the group's annual general meeting yesterday, Van Embden said the strong recovery had continued during the first six months of this financial year.

This had been achieved by a strong focus on asset management and a reduction in the debt burden, which would continue, he said.

The group [illegible] R12 million loss into [illegible] profit for the year to end in February.

John O'Sullivan, the financial director, said the group was expected to return profit of R4 million for the first half of this year and stronger results could be expected in the second half.

The mail-order business continued to perform ahead of budget during the present six month period and the direct-selling business, which had returned to profitability, was expected to make strong contributions to earnings growth, said O'Sullivan.

"Turnover of Table Charm was already 25 percent up and improved stock levels and an increased sales force had contributed to very strong performance since the second quarter," said O'Sullivan.

The group had established a stock disposal division to sell end-of-range and surplus clothing stocks. The actions taken to reduce stock holdings, combined with the increased profit and the cash realised from the rights issue would lead to a further drop in borrowings over the next two years, said Van Embden.

Investment must be safe in SA, says Phosa

Star 9/10/95 (74B)

BY CLYDE JOHNSON
LOWVELD BUREAU

Nelspruit – To ensure investor interest remains in South Africa, ways will have to be found to address the country's labour and other problems Mpumalanga Premier Mathews Phosa said last week.

Speaking at the launch of the community-based Public Works Programme, he said investors were shying away from business opportunities because of labour instability.

"I honestly believe there must be other ways to handle wage disputes rather than neglect hospital patients and overturn dustbins in streets," he said.

"We need for the world to recognise South Africa's commitment to change, to work very hard to ensure a climate and culture of law, order and discipline, so not only inhabitants feel safe but also foreigners want to invest here."

During the launch of the programme, Road and Transport MEC Jackson Mathebula presented R4,4-million in cheques to communities throughout Mpumalanga.

The money is intended for the building of schools, creches, bus and taxi facilities, water piping, street upgrading and brick-making projects.

Public Works Minister Jeff Radebe, who also attended the function, called on engineers, architects and quantity surveyors to plan for future labour-intensive projects.

French aid flop for Mbeki

(74B)

ARG 14/10/95

JAMES TOMLINS
Foreign Service

PARIS. — Deputy President Thabo Mbeki's three-day official visit here has ended and failed to garner the huge private and state investments that Pretoria expected.

Mr Mbeki told Finance Minister Jean Arthuis: "We are disappointed in French state aid, which seems rather modest when taking into account South Africa's need to close the gap between the lifestyle of blacks and whites."

The main official fund donor, Caisse Francaise de Developement (CFD), has opted to give 100 million francs (R71 million) for 1995, well below the 1994 grant of 230 million francs (R164 million).

A major snag, as Mr Mbeki will discover when he returns home, is that the four-month-old government of Prime Minister Alain Juppe has a habit of "freezing" this kind of financial aid for an unstipulated period.

Several United Nations agencies like the United Nations Children's Fund (Unicef) have discovered this to their bitter cost, as well as other African leaders.

The problem is that the Juppe government is shuddering under a series of blows which lead many foreign commentators to question whether it will last until the end of the year.

"Now is not the time to make massive investment or effort in South Africa," one wrote .

So Mr Mbeki has batted on a difficult wicket. Le Monde pointed out that the deputy president admitted that French financiers and businessmen "felt that there is a certain amount of uncertainty about South Africa's future".

"There was bloody agitation in KwaZulu-Natal and increased violence which could put off investors."

"But," Le Monde noted, "he excluded any possibility of civil war breaking out.

"Meanwhile, French businessmen complain about the pressures exerted in South Africa by major state and private groups."

At least Mr Mbeki received a firm assurance from President Jacques Chirac that "France will help South Africa strengthen its ties with the European Union".

ADHESION *Finance Minister Chris Liebenberg*

SA 're-enters' world finance

(74B)

By Bruce Cameron

POLITICAL EDITOR

CT(BR) 16/10/95

More than 240 American businesses have either reinvested in South Africa or invested in the country for the first time since the elections in April last year, Finance Minister Chris Liebenberg said at the opening of Standard Bank's New York office at the weekend.

Liebenberg said the global expansion of the bank formed part of the glue which held countries together. This glue was not language, religion or culture, but trade and capital flows.

"The opening of any bank or business from South Africa in another country tells me we are reintegrating with the world economy."

Standard Bank New York provides a full range of securities services on an international basis and promotes investment and trade between Africa and north America.

It is also a market maker in New York in South African equities, bonds and foreign exchange.

Other services provided by the bank in New York include activity in the sovereign debt of emerging markets and in corporate debt trading on an international basis; a wide range of corporate and project finance advisory services to corporations with investments and interests in sub-Saharan Africa and is extensively involved in trade finance through its network of branches in Africa, western Europe, eastern Europe and Asia.

Investment strategy needed, SA warned

BD 18/10/95 (7-4B)

John Cavill

LONDON — Public disputes within SA's government, crime and labour unrest were deterring foreigners from investing in the country, two international investment banking and investment executives said yesterday.

Tim Read, director of SA corporate finance at Merrill Lynch International, and Martin Kingston, director of the investment bank Morgan Grenfell (owned by Deutschebank), were speaking at a conference organised by the City Forum and SA Foundation.

In spite of the progress made in SA during the past 12 months and its investor-friendly, good economic climate, Read said the "crime wave directed against both black and white communities" was "serving to accelerate emigration by professionals and deter direct foreign investment".

Read said : "Bickering between the constituent parties of the government of national unity on the shape and detail of the constitution has projected an unflattering, and perhaps unfair, picture of the administration's stability."

Citing SA's political stability and the consensual understanding on economic policy, Kingston said: "However, foreign investors continue to discount these positive factors and demonstrate unease and uncertainty about the local elections, the post-Mandela environment, the 1999 elections and the debate over the level of devolution of political authority.

"The current disputes between the parties may well be political grandstanding to win votes during the local elections. However, they provide potential investors with the opportunity to cite concerns about prospects for survival of the government of national unity," Kingston said.

A common policy and strategy — involving government and the private sector — was needed to attract foreign trade and investment.

British Trade Minister Lord Fraser said SA had to be aware that — as was the case with the UK — it had to compete for foreign direct investment.

While its exports to SA this year were up 35% on last year's figures, the UK wanted to foster two-way trade: "We see no point in running up a surplus in trade with SA," he said.

Britain would continue to champion SA's cause in regard to fair bilateral trade relations with the European Union and to support it in the "daunting task" of rebalancing the "deficit of apartheid", he said.

Germans shy away from SA

Linda Ensor

BD 18/10/95

74B

LONDON — The SA embassy in Bonn has been inundated with inquiries from prospective tourists, emigrants and investors who are worried about the violent crime in the country.

Many said they had abandoned their travel plans in the light of the disturbing reports. For instance, an article in the Süddeutsche Zeitung described SA, as the "crime capital of the world". It accused government of being unable to maintain law and order and of being too tolerant towards criminals.

The article and others like it, which have told of the fortresses South Africans live in — protected by high walls, infrared monitors and steel mesh wire — have had a major negative influence on the German public. More than 100 concerned letters have been received by the SA embassy this month.

The article said: "For the majority of its citizens, the old SA was a country with 1 000 laws, but not a single right. Today there are 1 000 rights, but hardly any laws — at least, hardly any are enforced. The beneficiaries of the new SA are not the impoverished masses but the criminal class."

Germans have been informed that in SA there is a burglary every three minutes, an armed robbery every five minutes, a rape every 16 minutes and a murder every 29 minutes. The effect of these statistics has been profound.

Political comment in this issu... A Fine; newsbills by C Pickard-Cambridge; headlines by V Strauss; all of 11 Diagonal Street, Johannesburg.

SA market given improved rating

(74B)

Simon Barber

BD 18/10/95

WASHINGTON — SA's weighting in the International Finance Corporation's index of investable emerging markets has risen to 24,3% on a market capitalisation basis since the JSE joined the index in April.

Only Malaysia's weighting, 20,1%, comes close. But fund managers say they are advising clients to be wary of both as being too high to guide a sound investment strategy.

The corporation said its indexes were being tracked by about $3bn in passively managed emerging market funds. "We recommend that our clients look very seriously at SA and consider an alternative weighting," said Jim Francis, a senior portfolio manager with State Street Global Advisers, the leading offerer of corporation-linked products.

Many customers were now giving SA a weighting of between 10%-15%, Francis said, while others were opting for a "liquidity tiered approach". Under this strategy, markets judged to have the highest liquidity — Mexico, Brazil, Thailand and Malaysia — received the heaviest weighting, of around 11,5%, while SA was in the second tier with Indonesia at 4%-5%.

SA is represented on the corporation's investable composite by 64

Continued on Page 2

Weighting

Continued from Page 1

stocks with a market capitalisation at the end of September of $147bn. The JSE's total market capitalisation was about $245bn, according to corporation figures for August.

The highest weightings within the SA basket are Amic (8,79%), SA Breweries (6,3%), Liblife (4,2%), Gencor (3,5%) and Sasol (3,27%). The mining sector, metallic and non-metallic, accounts for more than 30%, other diversified holding companies for 27% and banking and insurance for 16%.

A key factor in the corporation's selection of stocks is their availability, either directly or through American depository receipts.

The corporation said there had been no sign yet of index-linked funds having trouble acquiring any SA stock except Consol's, which was not included in the investable index for that reason.

The SA basket performed respectably in the first nine months of this year relative to other markets in the 25-country index, posting gains of 4,9% in price and 7% in total return, far outpacing the overall composite, which posted losses of 9% and 7,6% in price and return, respectively.

While SA easily leads the emerging pack in market capitalisation, it lags in trading volume. In August, average daily traded value was $425m in Brazil against SA's $68m.

Sigcau snubs Brussels trade conference

(74) (74B) Star 18/10/95

■ BY JOHN FRASER

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

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

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

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

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

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

The conference is to be opened by the EU Commissioner responsible for Africa, Joao de Deus Pinheiro.

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

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

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

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

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

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

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

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

Investors waiting for SA to prove itself

(74B) Star 24/10/95

■ BY HAYLEY PIENAAR

Investors are looking for South Africa to prove its fledgling democracy as the country heads for municipal elections on November 1.

The polls should also pave the way for more efficient local administrations which were able to channel funding for the badly delayed RDP, economists said.

Despite some recent twitchiness in the capital markets, most local and international analysts said they expected a generally trouble-free vote, confirming the stability of South Africa's government.

The government long bond yields, after dipping below 15 percent earlier this month, have climbed above 15,30 percent, a weakening which dealers attributed partly to pre-election nerves.

But Peter Davey, an emerging market economist at Lehman Brothers in London, said international investors were sanguine about the elections.

"In general in the United States and United Kingdom there are no strong feelings. The elections are not an overriding factor," he said.

Mary Davis at CS First Boston agreed: "The elections are not having a major impact at the moment. They are not big enough to keep players out of the market ... But once they are out of the way and the RDP gets going, we could see improved foreign investment."

Boost

Economists are hoping the RDP can kick-start South African economic activity, giving a knock-on boost, particularly to building and construction companies.

So far, sluggish RDP spending has disappointed economists, the population and the companies which stand to gain.

But while the consensus view is that earnings momentum may have levelled off for the time being, South Africa could look forward to an upswing in earnings toward the end of next year and in 1997 if RDP spending finally moves into gear.

Lehman Brothers, in a recent report, said it was bullish over prospects for higher RDP spending, particularly in construction, feeding through into employment growth and higher consumer spending.

"Once the administrative bottlenecks are overcome, the RDP, especially in the area of housing, should be accelerated and the impact on the economy should start to be felt during the course of 1996," the report said.

Lehman recommends a basket of RDP stocks, including Murray & Roberts Holdings, Grinaker Holdings, Anglo Alpha, Pretoria Portland Cement Company and Iscor.

Hambros economist Nikki Nelson-Smith said people were waiting to invest in stocks linked to the RDP, but cautioned that the elections would not change the situation overnight. "In reality the elections will put in place the people, but people still have to put the structures in place," she said.

SA, UK sign bilateral agreement

(74b)

BY ROY COKAYNE

CT (BR) 31/10/95

Pretoria — In an important step for investor protection and the safeguarding of the securities market from systemic risk, a bilateral agreement has been signed by Britain's Securities and Investment Board (SIB) and South Africa's Financial Services Board (FSB).

The agreement of regulatory co-operation, co-ordination and the sharing of information was signed in Pretoria yesterday by Andrew Large, the chairman of SIB, Chris de Swardt, the chairman of FSB and Piet Badenhorst, the executive officer of FSB.

Large said last year's Mexican crisis showed that an upheaval in the securities markets could be just as serious for a country as any banking crisis.

"No initiative will provide a response either to systemic worries or investors' protection needs that does not include the regular, cross-border exchange of information and sharing of experiences. It is only in this way that we may learn from each other and promote standards of regulatory practice," he said.

Large said that these challenges called for a change from a rule-based to a more risk-based and judgmental supervisory regime.

"But it will also require firms to contribute to the process both by ensuring that the regulators are kept up to date on developments in their businesses and by establishing a more open and interactive dialogue with them about the quality of their internal controls."

De Swardt said South Africa had already started experiencing the benefits of its renewed membership of the global financial community.

Among others, these took the form of non-resident participation in South Africa's markets which had also lent support to market reforms. At the same time, South Africa had become more exposed to the volatilities of the global financial market.

US revival will spur investment in SA

(74B) Star 6/11/95

BY FRANÇOISE BOTHA

Cape Town — A staggering revival of the American economy could be expected over the next two years, spurred by a healthy growth in exports, said investment commentator David Fuller.

Speaking at an investment seminar in Cape Town last week, Fuller, who is the chairman of Chart Analysis Limited, said that the growth of the American economy was a good sign for South Africa.

Fuller said the growth of the American economy would spur development of the global market-place and further American-owned manufacturing bases were likely to be established outside the country.

"South Africa is likely to attract some of that investment.

"The American economy is ahead and leading the current GDP growth cycle and this is going to have a huge impact on the growth of other countries," he said.

Fuller warned, however, that American growth would support a strengthening of the dollar over the next two years which was likely to push the rand-dollar rate above R3,70.

Commenting on Wall Street, which had been putting on between 120 and 160 points a month this year, he said the climb was expected to continue as long as yields on American bonds continue to fall.

"When yields start to climb, the market will turn but the bull run is not over yet," he said.

US revival will spur investment in SA

(74B) CT(BR) 6/11/95

By Françoise Botha

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"When yields start to climb, the market will turn but the bull run is not over yet," he said.

Malaysians invest R1bn in SA, and more is likely

BD 7/11/95 (74B)

John Dludlu

MALAYSIAN investors had pumped about R1bn into the SA economy in new investments — mainly in the leisure industry — since last year's all-race elections, sources close to the companies involved said.

According to information supplied by the Malaysian trade commission office in Johannesburg, about 18 Malaysian companies had invested in SA, either directly or through representatives or distributors.

The list mainly covered firms with direct investments, with the exclusion of portfolio investments.

Interviews with the companies show that Landmarks was the largest single investor. To date the company, which owned 700ha of land in Midrand, had spent R300m on developing the property. The whole development would cost R700m in the next five years, a company spokesman said.

The spokesman said the firm planned to create between 200 and 300 jobs for local people. The company had also paid R270m for a 27% stake in Boland Bank.

Other investors included Business Focus Group, which had already invested R205m in the Hilton Hotel deal planned for Durban, and was now also setting up an engineering company.

The Cape Town-based owners of the Lady Hamilton Hotel said they had spent more than R200m refurbishing and upgrading the hotel since last year's general elections.

Malaysian Resources Corporation, which has spent R1m to set up an SA office, said it would soon make announcements of media investments, and was also looking at opportunities in the leisure and property industries.

Other companies have set up distribution agents in the country to sell a range of Malaysian exports.

The trade commission list names other Malaysian firms in SA, like Kuala Lumpur-based Idris Hydraulics, Sime Darby Corporation, YTL Corporation, Renong, Serting Group, Mycom and Granite.

Sources close to the Malaysian trade officials said the scale of investments could exceed the R1bn mark if all the firms divulged their investments — direct and portfolios.

A commission source expected the investment growth trend to continue.

Foreign investment in SA reaches R3bn

BD 15/11/95 (74B)

John Dludlu

FOREIGNERS had pumped more than R3bn in direct investment into SA since early last year, trade and industry chief director for industry and technology strategy Alan Hirsch said yesterday while addressing an executive round table discussion on direct investment in Johannesburg.

However, he expressed concern at the nature of these investments. Most had entered SA through buying into existing operations, forming joint ventures or buying SA-owned firms, thereby limiting efforts to promote SA as a platform for manufacturing.

Gauteng finance MEC Jabu Moleketi echoed Hirsch's sentiments that the growth in investments was not accompanied by new jobs. "Unemployment and job creation should be everyone's top priority," he said.

Premier chairman Doug Band said short-term interventions were needed to buoy the confidence of investors. These strategies included the resolution of conflict in KwaZulu-Natal.

Trade and Industry Minister Trevor Manuel said government wanted to shift from Schedule 3-type incentives, which were becoming expensive and unsustainable, to a more long-term package of incentive instruments.

Schedule 3 incentives were aimed at facilitating investments in far-flung areas. One of these was the long-awaited package of state-funded supply-side measures which would be unveiled tomorrow at the National Economic, Development and Labour Council.

"We want to shift from supporting the economy by raising prices to lowering prices," Hirsch said. Government had also set up a competitiveness fund, based at the trade and industry department, to upgrade small firms' ability to use and manage technology.

Manuel said the proposed laws were aimed at maximising efficiencies.

Anglo American Industrial Corporation director Rupert Pardoe said: "We are looking forward to the Bill. It seems to follow the European model." Business would have problems accepting US-style competition laws.

Yesterday's debate also focused on the lack of opportunities for black business, raised by Kunene Brothers Holdings director Zoli Kunene.

Restrictions keep foreigners at bay

(74B) ST(BT) 19/11/95

By JOHN CAVILL: London

SOUTH Africa's rehabilitation as an international investment destination has accelerated during 1995, helped by its inclusion in the two main emerging markets indices — of the International Finance Corporation and Morgan Stanley.

Even the legendary George Soros said his Quantum funds, which run $12-billion of assets, had invested in SA gilts. But, he added: "We are a bit like a supertanker. There are only a limited number of deep-water ports where we can call."

In spite of buoyant corporate prospects, improving macro-economic data such as falling inflation, the supertanker metaphor encapsulated why it remains difficult for SA to take its rightful place on the investment stage as the world's 13th biggest stock market and top of the emerging markets league.

The word "illiquidity" has become part of a litany of frustration on the part of overseas investors. Of the string of specialist funds set up over the past three years, the biggest remains Morgan Stanley's pan-African closed-end investment fund which, at last count, had a net asset value of $252,5-million but a market capitalisation of just $191,2-million — a discount of 24%.

Added up, the funds which focus on Africa, and hence in a large part on South Africa, amount to less than $1-billion. And Tim Read, investment banking executive with Merrill Lynch, points out that SA shares amount to under 2% of the $100-billion in portfolio assets which all the emerging markets funds have built up over the past five years. That compares with the IFC investables index for emerging markets of over 24% and the Morgan Stanley figure of nearly 15%.

Other investors, of course, buy SA equities and bonds. According to Merrill Lynch the estimated foreign holdings of Johannesburg-listed stock is $7-billion, with the US and Britain accounting for $3-billion each.

But compared with all non-domestic holdings of $975-billion, SA stocks are a minute proportion: less than 1% of US and British cross-border investments and just 0,3% for other foreign institutions. Based on the Morgan Stanley Capital International weighting of nearly 2,3% for SA equities, the global investment community is severely underweight on the JSE.

The MS-dollar index for SA is up nearly 30% from its 1995 low. And over the past 12 months the average performance of international SA funds has increased 27,5%, led by Old Mutual South Africa, the London-listed investment trust, with 34%.

The reasons are familiar: exchange controls which mean that SA institutions have to remain net buyers. Foreigners cannot get in. Even after doubling, turnover on the JSE last year was just 7% of market capitalisation, compared with 32% on the Malaysian market, the second biggest among the "emergers" and 200% on the Taiwan bourse which is third.

It is quite the opposite in the rand-denominated bond market which at $85-billion is just over a third of the value of equities. The monthly turnover in bonds is $90-billion and some 20% of it involves foreign buyers or sellers.

International issues by SA companies have increased since Liberty Life's pioneering effort four years ago — which was quickly bought back by SA investors. And as the number of SA funds has grown so the flow back has dropped.

As an international investment destination, SA has to compete with other markets. On Old Mutual's reckoning, on a prospective price:earnings multiple of 12 (at the end of 1996) it falls between the Philippines on 18 and Turkey on 5.

While privatisation remains on hold, there are also supply constraints given that apart from asset swops, South Africa's big investing institutions remain locked in. Also the JSE restricts new issues for cash by a company to 10% of its market value in any year and 15% in any three years.

And, said Mr Read, the JSE "has very strict timetable requirements which are broadly incompatible with normal international bookbuilding offerings" and the Reserve Bank has to be assured that any new issues to overseas investors will not promptly come back into the domestic market — and drain forex reserves.

"As long as exchange controls remain, many of the structural problems of the SA markets will remain," he said. "These, in turn, lead to misallocation of resources, an increased cost of capital and inhibitions to enterprise."

On the weightings accorded to South Africa by the various international indices, there should be increased potential investor demand worth 8% and 15% of the current capitalisation of the JSE, according to Mr Read. That is between $18-billion and $34-billion. But, given that it took the Old Mutual South Africa Trust eight months to invest $60-million of its funds, the day when the JSE takes its rightful place on the global scene could be some way off.

Government initiatives to promote jobs and investment

(~~[illegible]~~)(74B)

BY BRUCE CAMERON

Pretoria — The trade and industry department is to press ahead with a number of initiatives to promote jobs and investment.

These will include a one-stop shopping centre for foreign investors and a new institutional framework for small business development which will incorporate a new wholesale finance agency.

Legislation will go before parliament next year to facilitate the new structure for small business, including the whole finance agency, a national small business council and a small business promotion agency.

The trade and industry department is to establish a chief directorate for small business promotion by the end of January next year.

The wholesale financing agency will be known as Khula (the Zulu word for support) Enterprise Financing, and will focus on loans, a national credit guarantee fund, institutional capacity building and grants. A core team is discussing the capitalisation of Khula with the finance department. Operational details are expected to be announced next month.

The Ntsika (Tswana for "doing the right thing") Enterprise Promotion Agency will be responsible for non-financial support to small business.

CT (BR) 20/11/95

Czech investment of R120-m 'ignored'

Sowetan 23/11/95 (74B)

Benoni mayor says council will be happy to hear businessmen's ideas

By Isaac Moledi

TWO CZECH REPUBLIC businessmen say they are prepared to invest more than R120 million in this country's economy but they are disappointed at the lack of interest shown by the South African authorities.

Mr Frank Mochac, a representative of a Czech outfit Future Group, says he has been talking to various authorities in the Gauteng region, particularly the Benoni Town Council, and has been sent from pillar to post.

Mochac and his partner, Mr Alex Muron, say they have been researching investment opportunities with the aim of setting up joint venture companies with local black businesses since 1993.

He says his company is prepared to bring substantial investments into South Africa provided the country is prepared to receive them.

He says his company has tried to impress upon the Benoni Town Council authorities without success that it wants to build an assembly plant for heavy trucks, a beverage and brewery plant and introduce new technology and finance for housing.

Bringing the Czechs to the East Rand . . . Reginald Nkosi.

Mochac believes that his company will be able to pump more than R120 million into a car assembly plant and housing in the first 12 months of operations in South Africa.

"If all goes according to plan, the sponsors intend pumping in more money which can increase the R120 million five fold," says a local partner Mr Reginald Nkosi.

Mochac says they have convinced the Czech Republic that South Africa is a good place for investment but they are disappointed that no one has responded so far.

"We don't want an impression to be created that it is difficult to invest in South Africa. We are ready to invest and help with jobs and housing. Let South Africa tell us whether they want our investment or not," he says.

"The emphasis is that we need more help from government institutions for the protection of this money and need relevant partners in our joint ventures.

Mayor of Greater Benoni Mr Ronnie Kuta says he is aware that there is a group of local black businessmen known as the G7 who, together with the Czech delegation, made a representation. No decisions were taken as their representation was made during the interim phase before the election of the new councillors. He called on the businessmen to submit their proposals to the new council.

Bay Hotel sold in R37,5-m deal

ARG 29/11/95 (74B)

JOHN VILJOEN, Business Staff

THE sale of Camps Bay's luxurious Bay Hotel will be finalised this week when new owners O I Investments take transfer after a R37,5 million deal.

The hotel will continue to be operated by Halcyon Hotels.

Bay Hotel general manager and Halcyon managing-director Mike Wassung said his company had signed a fresh 10-year lease with the new owners.

O I Investments bought the property from The Camps Bay Consortium earlier this month and take transfer on Friday.

O I Investments director Maree Brink said that although the company had foreign shareholders, initial reports that the hotel had been sold to Malaysians were incorrect.

O I Investments was a South African-registered company with interests in property and leisure, Mr Brink said.

The company had a "long-term investment strategy towards the Western Cape property and hospitality business", he said.

Stellenbosch-based Eugene Brink is its chairman.

SA moving too slow to attract investors

BD 4/12/95

(748)

John Dludlu

THE greatest challenge facing SA was to formulate economic policies that would attract investments and create jobs, newly appointed Business SA chairman Leslie Boyd said at the weekend.

Boyd, who is also chairman of Anglo American's industrial arm, Amic, said although SA had started moving in that direction, the pace was too slow.

"Nothing is lost yet; it is just that we are moving too slow."

The challenge had to be addressed by all key stakeholders in the economy — labour, government and business.

To meet it, SA had to lower its tax rates, remove forex controls and ensure political stability.

The removal of forex controls would result in the depreciation of the rand, thereby boosting SA's exports overseas, and would help solve "most of the problems government has with big business".

He did not believe a social accord calling for wage restraints could propel the country towards desirable growth levels.

He also lashed out at calls for minimum wages, saying this would be "economic suicide".

"This is in conflict with job creation and investment."

SA had to emulate the experiences of the Asian "tigers" which had managed to achieve higher growth levels.

He said SA's investment incentives were not adequate and called for attractive packages. But all investors should be subject to the same treatment. "There should be no discrimination."

Commenting on the newly unveiled package of supply-side measures, Boyd said it was "pretty weak" and did not go far enough.

"Where is the beef?"

As chairman of Business SA, which includes Sacob and the Foundation for African Business and Consumer Services, Boyd, together with Nafcoc president Joe Hlongwane, lead the business delegation at Nedlac.

He had already met Hlongwane and one of his priorities would be to ensure a united voice for business in SA.

R2bn investment from Asian countries

BD 6/12/95 (74B)

Sello Motlhabakwe and Lukanyo Mnyanda

SOUTHEAST Asia countries had committed R2bn to Gauteng in investment and cemented trade contacts and economic ties in the past six months, Gauteng premier Tokyo Sexwale said yesterday.

This followed a visit by an SA trade delegation to Singapore, Malaysia, China, South Korea and Hong Kong in May.

At a report-back meeting on the trade mission, Gauteng provincial MP Andrew Feinstein, a member of the delegation, said trade resulting directly from the mission was estimated at more than $20m.

Trade with Hong Kong since May had risen 33% according to figures provided by a Hong Kong-based trade-monitor group. Exports to the countries visited by the delegation had also increased substantially since the visit.

Direct investment in Gauteng as a result of the trip included an investment of about R500m in an industrial park development in Midrand, a R750m investment in a television assembly plant and a colour television tube production facility. Further investments were made up of the construction of a R7m hotel in Johannesburg, the purchase and refurbishment of a Pretoria hotel at a cost of R3m and the development of a footwear manufacturing plant and distribution network, worth R15m.

Between R30m-R50m was invested in the establishment of distribution networks and representative offices to service overseas interests. A Malaysian company recently announced plans to invest R25m in agricultural land.

Feinstein said the Hong Kong Trade Development Council and Sino Resources organisation have set up offices in Johannesburg to investigate trade and investment opportunities.

The meeting was told that a Gauteng Promotion Agency to facilitate international trade liaison would be launched next year. Further trips were planned.

Meanwhile, **Nomavenda Mathiane** reports that Sexwale and Greenland Prime Minister Lars Emil Johansen met in Johannesburg yesterday.

Johansen, in his second term of office as Greenland premier, was accompanied by 11 businessmen.

He said he was impressed by the lack of desire for revenge by black people and was looking forward to sharing expertise on areas of common interest which were mining, fishing and tourism.

Sexwale said SA was a leader in mining technology and hoped the visit would benefit both countries.

Gauteng attracts R1,3bn from Asia

CT(BR) 6/12/95 (74B) (297)

By Thabo Leshilo

Midrand — Southeast Asian companies had invested more than R1,3 billion in Gauteng since a visit by a government and business delegation led by premier Tokyo Sexwale, provincial legislator Andrew Feinstein said yesterday.

Feinstein, who is the head of the province's economic affairs committee, said the investment comprised a R750 million television tube production factory; a R500 million industrial park in Midrand; R10 million in two hotels; R15 million in a shoe factory; and between R30 million and R50 million in the setting up of representative offices by the Asian nations.

He told a report-back meeting on the trip, attended by some of the countries' ambassadors as well as top Asian and South African businessmen, that the 17-day trip had been successful.

The delegation had signed technical assistance, economic promotion and friendship agreements with the five nations — China; Taiwan; Malaysia; South Korea; and Hong Kong.

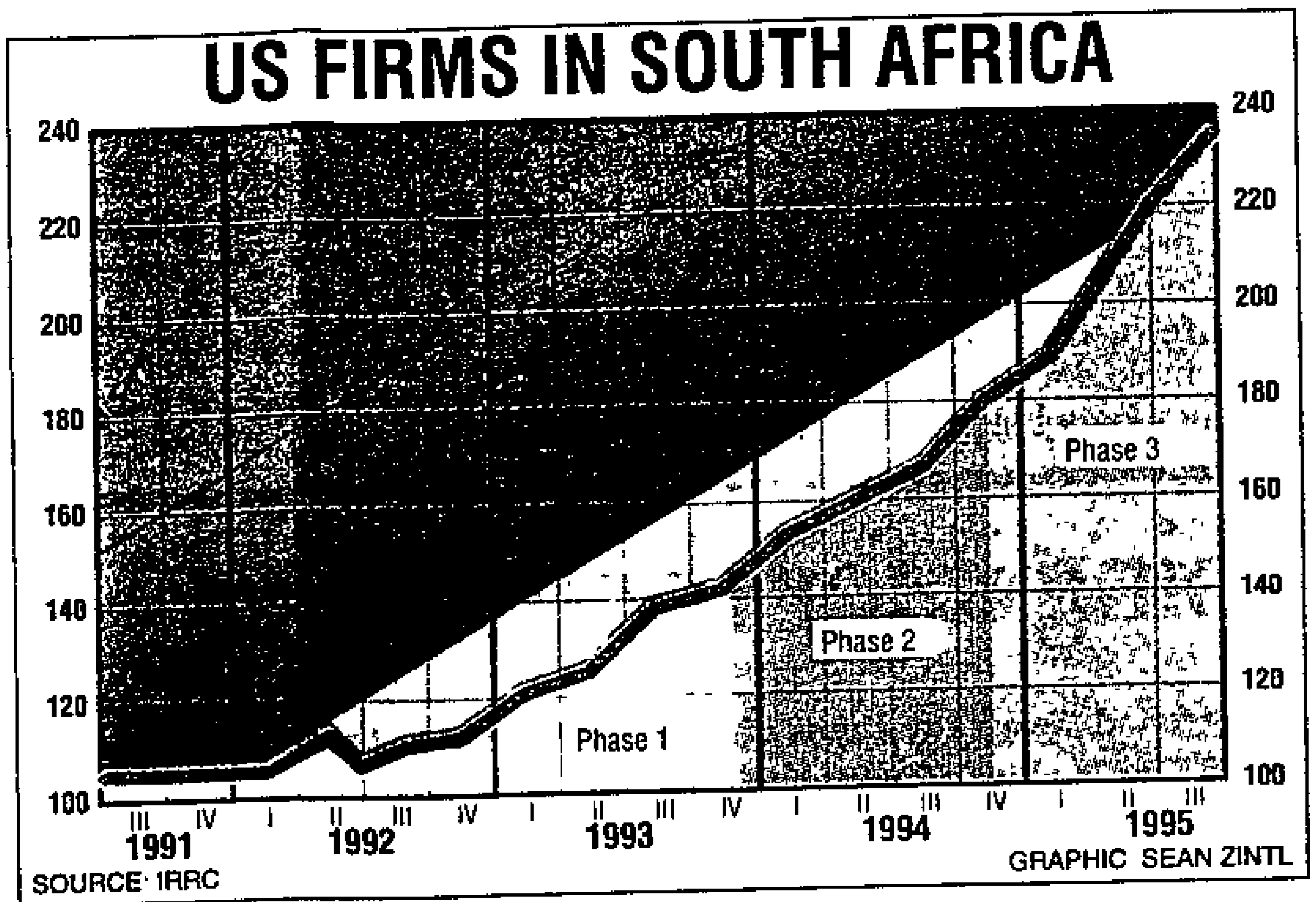
The trip had also facilitated trade agreements estimated at R20 million with the countries and promoted tourism in Gauteng.

Speaking at the meeting, Sexwale called for greater co-operation among government, labour and business so that the country could match the high economic growth rates of between 7 percent and 14 percent achieved by southeast Asia in the past 14 years.

Said Sexwale: "We require a more flexible labour market in which wage increases and productivity are linked; in which all stakeholders in an enterprise are part of the process of macro-strategic decision-making and where the benefits of economic success are tangibly shared."

He said education and vocational training systems must focus on commercial disciplines, standards of service must be radically improved and production methods and machinery updated.

Jabu Moleketi, the Gauteng minister for economic and financial affairs, said the Gauteng Promotion Agency would be launched early next year to co-ordinate such trips in the future and promote the province's economic development.



Investment trends: US companies are entering South Africa at a record rate

Foreign investment in SA is on the up and up

M+G (Bm) 8-14/12/95 (74B)

Simon Segal

EVIDENCE is mounting that foreign investment in South Africa is picking up and could well be higher than popular perception has it. Information services group BusinessMap SA, the only known source to be developing a database that monitors foreign investment, calculates that since the elections last April some R8,5-billion has been committed by foreign firms in investment money.

Of this, R6-billion has been committed this year, indicating the trend.

These monies are only committed and thus their final numbers will change. They are committed over a period of a few years. The figures are thus not fully comprehensive, based only on press reports, but they are nevertheless an indicator of a trend.

The numbers, notes BusinessMap, are almost certainly an underestimate as many deals are announced where figures are undisclosed.

The largest investments are from Malaysian group Landmark Berhad (who have announced an investment of R500- to R700-million), Nestlé (R600-million over three years) and Samsung (R600-million over five years).

BusinessMap's trend is borne out by the Washington-based investment monitoring group Investor Responsibility Research Centre (IRRC) which reports "a surge of US business activity in South Africa since January".

Some five new US firms per month are opening offices or placing employees in South Africa. This is the highest rate since US firms began to return to South Africa in 1991 after years of disinvestment. In that year there were 104 US firms involved in South Africa, compared to 280 at its peak in 1985.

There are now a total 235 US firms with equity ties or employees in South Africa.

Since July, 12 US firms have invested or committed to invest over $200-million in South Africa. These include household brands such as McDonald's ($5,5-million), Nike and Levi Strauss ($9-million).

"Not only are US companies establishing operations in South Africa at a record rate, but they are also banking that popular consumer goods and services, such as Big Mac and Levi's, will have strong marketability in South Africa," states the report.

IRRC director Meg Voorhes cites four factors behind this trend — economic growth, the strong response to major US brands, government pledges to reduce tariffs and global competition.

Despite this improving trend, foreign investment is still small relative to the size of the economy (not even two percent of the gross domestic product). It is not yet being converted into the type of large-scale, long-term investments that will substantially expand the economy's productive capacity that creates jobs and wealth.

Most firms setting up in South Africa are still largely confining their involvement to setting up branch offices. Some have assumed direct control of distributorship. Others have entered through non-equity ties such as licensing and distribution agreements.

Still by far the largest foreign monies invested in South Africa are in short-term portfolio flows. In the first 11 months of this year a net R4,5-billion was bought (purchases were R22-billion and sales were R17,5-billion) on the Johannesburg Stock Exchange, compared to R185-million last year.

SA markets may help region find investors

(74B) CT(BR) 8/12/95

By Fiona Leney

Johannesburg — South Africa's financial markets could be useful to help its southern African neighbours find private investors for infrastructure projects, John Postmus, the head of exchange control at the Reserve Bank, said yesterday.

Postmus told delegates at the World Bank symposium on power reform that South Africa was viewing financial movements into the Southern African Development Community sympathetically. He said the Bank viewed such capital flows as an essential part of a long-term view of the region.

Access to South Africa's capital markets offered diverse financial instruments such as loan debentures, equity transactions and bank financing, he said.

Eskom had been involved in power-grid projects outside the country's borders on extended payment terms.

Postmus was responding to suggestions from international bankers on ways for cash-strapped African governments to approach the private sector for finance.

Simon Morgan, of Standard Bank's London merchant banking arm, said that the World Bank could act as a catalyst for private investment in Africa.

"Why can't we push for greater co-operation between the African Development Bank and the World Bank, along the lines of the Asian model?" he asked.

Support

The African Development Bank, the continent's only pan-African lending institution, was set up to fund projects for the benefit of the poorest of the poor.

Morgan's colleague, Nick Howard, suggested that Africa could be a more attractive prospect for developers and investors than Asia, since there was less competition for projects and stronger donor-agency support.

SA, Cuba sign agreement on investments

(74B) ARG 9/12/95

PRETORIA. — South Africa and Cuba have signed a Protection of Investments agreement, further strengthening relations between the two countries.

The investments agreement, signed yesterday by Trade and Industry Minister Trevor Manuel and Noemi Benitez, Cuban Vice-Minister of Foreign Investment and Economic Co-operation de Mendoza, ensured protection for South African companies investing in the Cuban economy and vice versa.

"This kind of agreement is requested and supported by the private sector," Mr Manuel said, adding several South African companies were "close to making investments in Cuba".

There was "great need among the people" of Cuba, said Mr Manuel, who visited the country last year.

Ms De Mendoza said: "For Cuba this is very important. It is very important also for the solidarity that has always been shown by the people of South Africa.

"We assure you that the agreement ... will benefit the people of South Africa, it will benefit both economies and create jobs in Cuba and South Africa."

Mr Manuel said South African companies looking to invest in the communist state included mining houses, agricultural and tobacco companies, as well as a company that exported chemicals used in sugar cultivation.

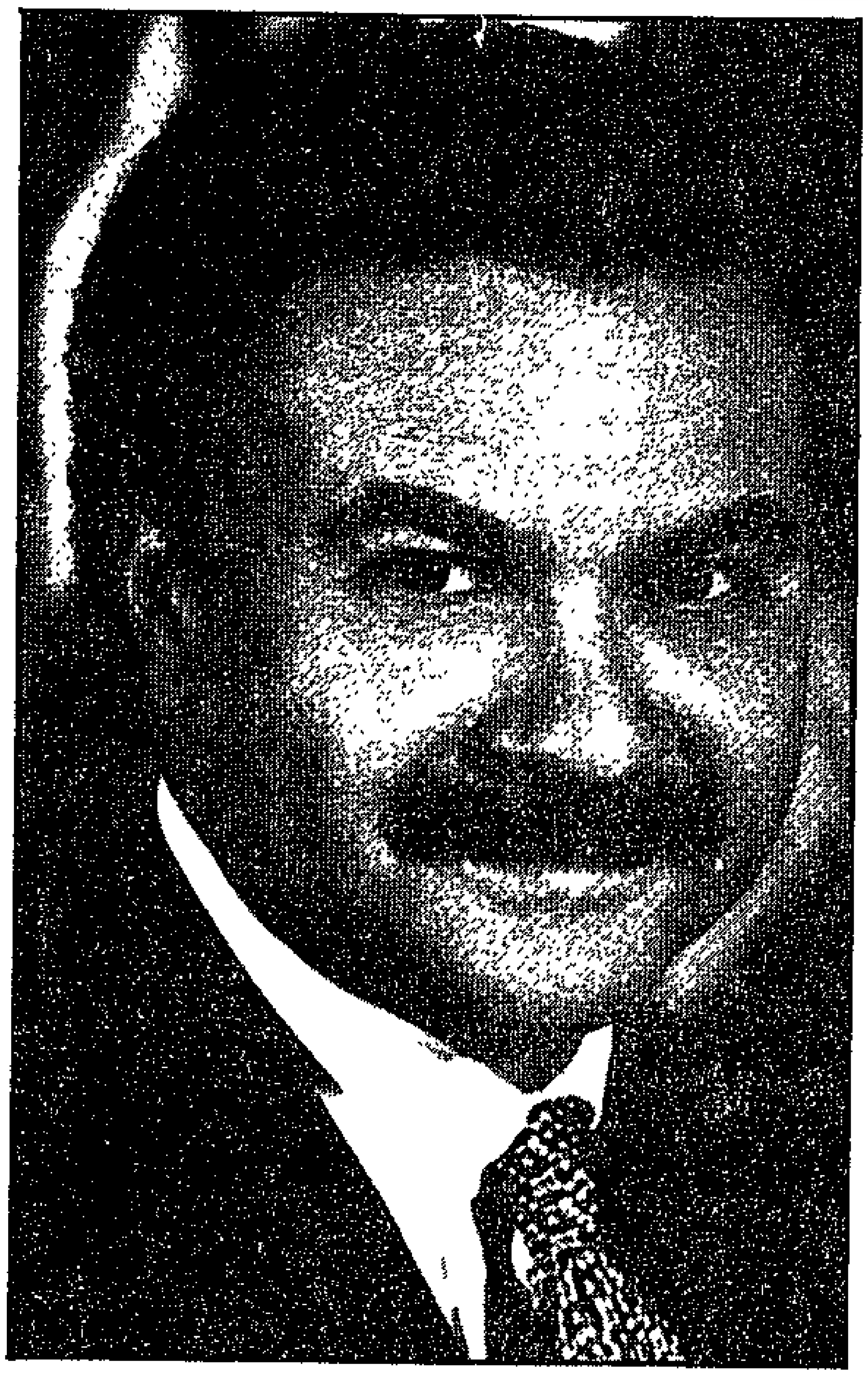
Cuba's largest trading partners included Spain, Mexico and Canada.

The two American states formed part of the free trade area with the United States, with which South Africa this week signed several binding bi-national agreements.

"We will endeavour to select our own friends," Mr Manuel said about the United States' possible reaction to the signing of yet another agreement between South Africa and Cuba.

South Africa recently established full diplomatic relations with the island state when it opened an embassy in Havana.

Health Minister Nkosazana Zuma recently announced Cuban doctors would be comming to South Africa to assist with primary health care in rural areas. — Sapa.



BUSINESS COMING UP ... So says US commerce secretary Ronald Brown.

'US keen to invest here'

(74B) CP 10/12/95

MORE US companies are expected to do business with South Africa, US commerce secretary Ronald Brown said this week after a tour of Vinto Minerals, a bottling plant in Nelspruit.

The tour was part of Brown's mission to promote US companies' involvement in black economic empowerment in the country.

Coca-Cola, the world's largest soft drinks company, has forged strong ties with Kunene Brothers, forming a joint bottling venture.

Vinto Minerals employs about 150 people.

MD Zanosi Kunene said that the Kunene Brothers and Coca-Cola "have now established a strong partnership".

The Kunene Brothers operate one of the country's largest and most successful Coca-Cola distributorships.

Distributorship

Kunene said his outlets cover an area of 200 km in Mpumalanga and their distributorship in Vosloorus and KwaThema provides for a population of approximately one million with total sales of 1,5 million cases a year.

Keith Kunene, chairman of Kunene Brothers, also announced the planned merger between Vinto Minerals and the South African Bottling Company (Sabco).

Praising Coca-Cola's commitment to black empowerment, Kunene said his company is proud of its association with Coca-Cola.

Asked if US companies would contribute towards the RDP, Brown said housing and tourism were definite "target areas".

Brown had earlier opened the US/South Africa Business Development Committee (BDC) – which he co-chairs with Minister of Trade and Industry Trevor Manuel.

French surveys urge for investment in SA

(74B) ET (BR) 12/12/95

By James Tomlins

Paris — France's two major dailies, Figaro and Le Monde, have published favourable surveys on South Africa's economic prospects, urging "the time is ripe for investment".

The conservative daily Figaro noted from its Johannesburg correspondent that "Mandela's first balance sheet shows that business confidence reigns in the country.

"This is due to the ANC's pragmatic policies and healthy economic indicators."

Theuns Eloff, the executive director of National Business Initiative (NBI), told Figaro: "The general enthusiasm over opening up the country to the rest of the world is a tremendous asset.

"Naturally, foreign investors talk to you about our high unemployment, rising crime and strikes.

"But at the end of the day they have only one phrase at the tip of their tongues — South African business has finally got airborne."

Eloff admitted that strikes had cost the country one million lost working days. "That is a problem, because we are already no longer competitive with most of Asia."

Figaro said that the credit side of the SA economy included free meals daily to 3,5 million schoolchildren, electrification benefiting 3 million people and effective free health care for pregnant women and small children.

The debit side included building only 10 000 of a promised target of 200 000 homes, fewer than 30 000 new jobs created and delays in providing running water to 4 million people.

The liberal afternoon paper Le Monde reported that: "Slowly but surely French firms are returning to South Africa.

"This is reflected by the French dairy products company Danone investing about Ff400 million (R285 million) in Clover."

Le Monde said there were 30 French firms in South Africa in 1990, compared with 110 in 1995, and their investments had more than doubled in this period.

"However, France is only fourth amongst foreign investors and a long way behind Britain, Germany and the United States."

It noted that "South Africa is a springboard to enter other African markets".

One third of French firms in South Africa use their position there to invest in the rest of the continent, it said. — IFS

French in R600m CBD deal

By JEREMY WOODS

ST(m) 17/12/95

A FRENCH consortium has signed a R600-million deal to develop the prized foreshore site behind the Waterfront and turn it into a new shopping and pedestrian mall, with two new five-star hotels.

The deal comes after years of planning wrangles over the Imperial Cold Storage site which, when completed, will link Cape Town's vibrant Waterfront development with the rest of the Mother City's CBD.

The property, which was identified by Hilton International as an outstanding hotel site, will also include an office complex, currently being contemplated as a new headquarters for BP South Africa, and parking for some 400 cars.

Hilton International took the deal to French construction and development group, Compagnie De Batiment Et De Construction (CBC), who have now bought the whole site and will develop it.

The largest hotel will become a luxury Hilton Hotel, while CBC are negotiating with several international hotel groups for the second hotel.

Top CBC executives flew to Cape Town from France this week to finalise the deal, which was signed on Friday by Cape Town's mayor, Rev William Bantom, acting on behalf of the city council.

"This is a fantastic deal for Cape Town as the city badly needs more five-star hotels. We also had to develop this prime foreshore site and create a link between the busy new Waterfront and the older business centre of Cape Town," said Mr Rod Young, the city council's development co-ordinator.

Although there are plans for an extended water canal and an overhead light rail from the Waterfront to the new development, these schemes may prove too expensive to be incorporated.

"We no longer have an empty space in the middle of our city. Once the development is completed the space that separated the Waterfront from the rest of the CBD will form a natural link," said Mr Young.

The new hotels will mean an addition of about 675 new rooms for Cape Town's booming tourism industry.

With the deal finally signed, work on the site is expected to begin almost immediately.

Germans (74B) ready to pour cash into SA

CT(BR) 18/12/95

By Llewellyn Jones

Johannesburg — The Germans are bullish on South Africa, with a leading German bank characterising the political and economic climate as "more welcoming and stable".

The successful political breakthrough in South Africa has opened up new economic prospects not only for South Africa itself, but for the whole southern African region, said Jurgen Krumnow, a member of the board of managing directors of Deutsche Bank.

In a survey entitled Southern Africa: A region re-emerges, Krumnow said trade partners and investors had found that the political and economic climate had become more welcoming and stable.

He said the outlook for the next ten years was bright. "Estimated at between 3 percent and 5 percent, growth potential could be more than twice as high."

Whether this potential could be realised would depend firstly on external conditions: the momentum of the world economy, commodity prices, the availability of foreign assistance and, in some cases, debt relief. But, as elsewhere, the economic performance in the region would depend largely on a calm political situation and good governance, especially sound market-based economic policies.

South Africa had a number of points in its favour — vast mineral resources, a sophisticated banking and financial system, a strong physical infrastructure, comparatively low external debt, a charismatic political leadership and responsible economic policies. "The government has underlined its belief that market-based and investor friendly reforms, as well as fiscal and monetary discipline, are crucial pre-requisites for economic growth, employment and improvements in living conditions for the poor."

While foreign direct investment has been slow to materialise, he said the turning point may have been cleared here as well. "There is growing evidence that international companies are overcoming their reservations and are again seriously considering South Africa as a viable investment location and as a hub for their international activities."

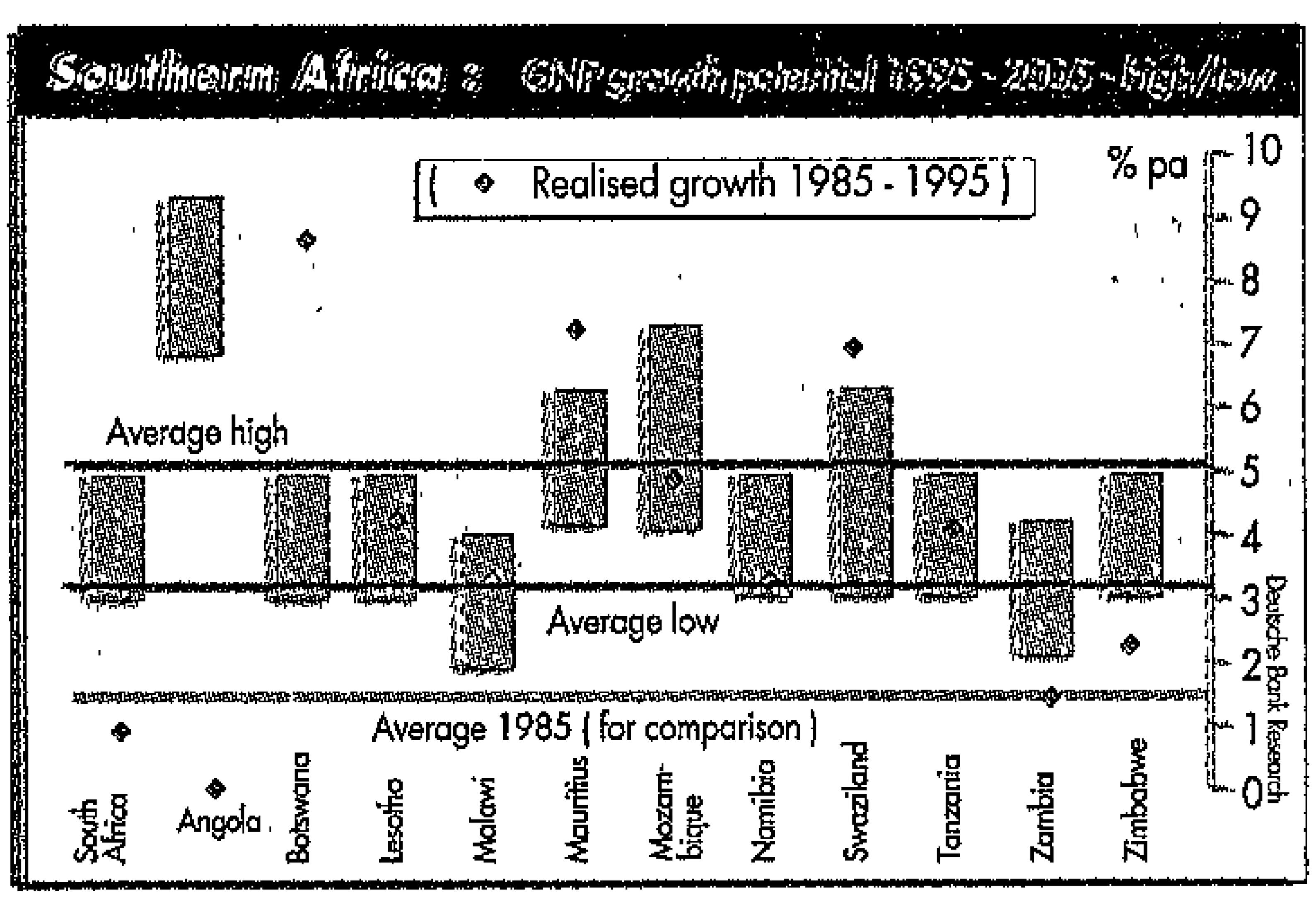
A recent survey among German companies based in South Africa showed that 90 percent regarded the current economic climate in the country as excellent, good, satisfactory or at least sufficient.

More than half the respondents indicated their intention to increase their investment and to create new jobs.

The commitment to regional co-operation and integration was an especially encouraging feature of the environment for doing business in southern Africa.

Credible arrangements for regional co-operation not only improved the business environment in the region, but also enhanced the availability of development finance from the World Bank and other international financial institutions and governments.

"Regional co-operation backed by sound economic policies has worked in other parts of the world, and should promote trade investment and growth in the region," he said.



Samsung considers R200m TV tube investment for SA

BD 20/12/95 (74B)

Paul Vecchiatto

KOREAN electronics group Samsung would consider investing $200m to establish a television tube factory in SA, the company said yesterday.

Samsung SA MD Brian Cape said the company intended to build eight new colour picture tube plants worldwide in the next five years. SA's market would be able to support a plant producing a million units a year.

The go-ahead would hinge on suitable supply-side incentives from SA's government. Rival plans by Amic's joint venture with Daewoo would have to be shelved, he said.

Amic's plans have been on hold for 18 months pending clarity from government on investment incentives. Amic said yesterday the plans would be scrapped if government failed to provide suitable answers by April.

Cape said: "The local market will be worth between 550 000 and 580 000 colour television sets next year." He expected demand to increase to approximately 1-million by 2003.

The plant — which would take three years to establish — would allow Samsung SA and other local manufacturers to export televisions.

Amic said it had shifted its demands to government from import tariffs to supply-side incentives. Director Laurie Olivier said a decision was needed by April. The opportunity would be lost unless construction started by July.

Tubes accounted for half the cost of television sets. It was cheaper to import assembled sets than to import parts for local assembly, Olivier said.

Samsung's proposals emerged just days after Phillips SA warned that it would close its Johannesburg plant, blaming high costs and an unstable political climate. However, Samsung said the workforce at its Northwest assembly plant was as productive as its Korean staff, given the right training.

The plant assembles more than 100 000 sets each year.

Increasing foreign investment helps raise employment in Western Cape

BD 27/12/95 (259) (74B)

Edward West

CAPE TOWN — Rising foreign investment and burgeoning tourism could have lifted formal sector employment in the province for the first time in more than a decade, Western Cape economic affairs MEC Chris Nissen said last week.

There were no employment statistics available for the whole province, but Nissen said the region's economy had grown more than 4% in 1995 against a 3% national average.

The provincial government had been involved in nine projects in the past year that had created around 2 000 new jobs, and further investments would be unveiled in the new year, he said.

His department had met "hundreds" of foreign companies who were interested in investing in the region, and several joint ventures had been signed with international partners.

Opportunities in food and catering, manufacturing, financial services and tourism had opened up to black businesses.

Economic development agency Wesgro estimated 600 000 foreign tourists had flocked to the region in 1995 against 350 000 in the early 1990s, which had boosted employment in catering and hotels.

"Our prospects for the next year are unquestionably good," Nissen said.

However, he said unemployment remained unacceptably high. Official figures put the province's unemployment figure at 17% but Nissen said up to 40% of households in Mitchells Plain and Khayelitsha were living below the breadline.

Nissen said the reconstruction and development programme was working well in the province. About 350 000 children were being fed through the school feeding scheme, new clinics had been built and hundreds of unemployed had been involved in public works programmes.

Union to plan its stand on key economic issues

(74B)

John Dludlu

BD 27/12/95

THE Congress of SA Trade Unions is to meet early next month to formulate policy positions on a range of key economic issues, including its participation in the planned national investment promotion agency.

Cosatu reserved labour's support for the report on a framework for investment promotion in SA at last month's executive council meeting of the National Economic, Development and Labour Council (Nedlac). The document forms the basis for the planned investment promotion agency, which will be established next year.

In an interview last week, general secretary Sam Shilowa said one of the problems labour had with the agency was that it had no clear parameters.

Cosatu felt that agreement should first be struck on a national framework for investment promotion before creating an implementing agency. But, in principle, labour had no objection to the agency: "We all support investments in the country," he said.

The agency recommendation received broad support from Nedlac partners, but business and labour have still to buy into the process. So far only government and parastatals appear to be on board.

Cabinet has approved an initial budget of R15m, from government and donors. Labour sources said that unions first wanted to see finality reached on incentives to investors.

Labour has especially opposed the idea of using export processing zones to attract investments — arguing such zones could compromise labour standards. The January meeting would also come up with Cosatu's position on SA's proposed competitition policy, and other economic policy issues.

Hansard

(74B)

QUESTIONS

†Indicates translated version.

For written reply:

American companies investing in SA

367. Mr D de V GRAAFF asked the Minister of Trade and Industry.

(a) How many American companies had invested in South Africa as at the latest specified date for which information is available and (b) what is the total (i) amount of capital invested and (ii) number of employees employed by these companies?

N767E

The MINISTER OF TRADE AND INDUSTRY:

Considerable efforts have been made to investigate whether existing South African Reserve Bank (SARB) records could be analysed to trace foreign Direct Investment (FDI) by examining the standard application forms for foreign exchange transactions through the Financial Rand (FR) which are stored at the SARB. However, as most investments made in South Africa during this period were being scrutinised by various international organisations to ascertain whether disinvestment laws or prohibitions on new investments in South Africa have been observed, those companies that did invest during the existence of the FR, channelled their investments through front companies via third countries. This use of fictitious names mades it impossible to trace an investment to either a parent company or the true country of origin. The USA companies which had disinvested during this period or hid their investment through various means, also complicated the task of ascertaining the level of direct USA investment in South Africa. As a result, whilst existing records on FR transactions at the SARB could be analysed, the results would be so inconclusive as to make this exercise futile.

At the request of the Cabinet, the SARB and the Department of Trade and Industry are in the process of finalising a more comprehensive recording and reporting system for FDI. It is hoped that more detailed data should start becoming available on a monthly basis towards the end of the year whilst the historical investment position will be recorded through a census planned by the Reserve Bank. A complete investment tracking record should be available by the end of 1996.

Information gathered in the meantime from a number of sources, including the USA Embassy in the RSA, the South African Reserve Bank and the South African Embassy in Washington indicate the following:

(a) Over the past three years it is estimated that the number of American companies operating in South Africa rose from 184 to over 500 of which more than 200 have invested in manufacturing sectors.

(b) (i) The Investor Responsibility Research Centre of the USA estimates that the value of total direct investment in South Africa by American companies is US$3 580 million (R13 084 million). According to the South African Reserve Bank, total investment (direct and indirect) from the USA at the end of 1993 was R26 305 million; and

(ii) it is estimated that USA companies employ some 45 000 people in South Africa.

Employees of SANDF: membership of trade unions

418. Mr D H M GIBSON asked the Minister of Defence: Hansard 11/9/95

(1) Whether any employees of the South African National Defence Force are members of trade unions; if so, (a) how many and (b) which trade unions represent employees of the SANDF;

(2) whether all employees of the SANDF are able to join trade unions; if not, (a) which employees are not permitted to join trade unions and (b) why are they not permitted to do so?

N892E

The MINISTER OF DEFENCE:

(1) Yes, however, a distinction must be made between civilian employees of the SA National Defence Force and members in uniform.

FOREIGN TRADE (74B)

1996

JANUARY _ JULY

Foreign billions

CT 4/1/96

pour

(74B)

into JSE

JOHANNESBURG: Foreign investors returned with a vengeance to South Africa last year, pouring a record R6,68 billion into stocks and bonds, the Johannesburg Stock Exchange (JSE) said yesterday.

Non-residents bought a net R4,81bn of shares and R1,87bn of bonds in 1995, against just R185 million and R1,10bn respectively in 1994, JSE statistics showed.

"We're absolutely delighted by the return of the foreign investor to the JSE in a meaningful way in 1995," said exchange president Mr Roy Andersen. He added that foreign turnover on the stock exchange now accounted for 51% of total turnover.

Most analysts are confident the money will keep rolling in in 1996. — Reuters

● See Page 13

Foreigners return to JSE with a vengeance

ET(BR) 4/1/96 (74B)

By Ben Hirschler

Johannesburg — Foreign investors returned with a vengeance to South Africa last year, pouring a record R6,68 billion into stocks and bonds, the JSE said yesterday.

Non-residents bought a net R4,81 billion shares and R1,87 billion bonds last year, against just R185 million and R1,10 billion respectively in 1994, according to JSE statistics.

"We're absolutely delighted by the return of the foreign investor in a meaningful way in 1995," said JSE president Roy Andersen.

He said foreign turnover on the JSE now accounted for 51 percent of total turnover.

Up until 1993, South Africa experienced large capital outflows, but the picture started to reverse as apartheid crumbled, with foreign inflows accelerating following the abolition of the two-tier currency system last year.

All but R600 million of the R4,81 billion net foreign inflow into stocks came after the abolition of the financial rand in March last year.

With local stock and bond markets in a buoyant mood, most analysts are confident the money will keep rolling in this year.

Terence Moll, an economist for Old Mutual Unit Trust, said South Africa remained the flavour of the month in international financial circles. Others argued the country should benefit from a worldwide trend back to high-yielding emerging markets after the Mexican crisis frightened investors last year.

Caution

Economists said foreign investment in South Africa still lagged well behind the 18,7 percent weighting given to the country in the International Finance Corporation's Investable Composite Index for emerging markets.

However, independent economist Edward Osborn cautioned that foreign interest in South African bonds could falter if yields fell too far, while companies could struggle to maintain their recent track record.

The sharp increase in portfolio capital has helped fund a yawning gap in the current account of South Africa's balance of payments.

Most analysts expected a current account deficit of R11 billion to R12 billion for last year, climbing further next year. This would reflect the increased imports, which were fuelled by higher fixed investment by industry and increased private consumption expenditure. The shortfall in 1994 was R2,1 billion.

Chris Stals, the governor of the Reserve Bank, remains sanguine about the current account gap.

He says it is modest by international standards at less than 3 percent of GDP.

"It is possible that the current account deficit will increase further, but the net capital inflows should also continue," said Stals. — Reuter

R3bn in foreign investment expected

John Dludlu BD 5/1/96 (74B)

FOREIGNERS were expected to pump more than R3bn in direct investment into SA this year, the trade and industry department said yesterday.

The department's chief director for industry and technology strategy Alan Hirsch said the increase in foreign investment — which stood at R3bn in 1995 — would gather pace, but with the focus shifting from stake-building to job creation.

Hirsch said the re-entry of old companies which pulled out under apartheid would continue. New entrants — both in the form of stakes in existing operations and new business — were expected.

The establishment of the National Investment Promotion Agency, which will help lure new investment, was also expected to bolster the capital inflow, he said.

Although foreign investment has increased since the April 1994 election, much has gone into existing business, which has failed to spark new job opportunities.

Hirsch said government seemed to be winning the battle to convince the world that there was life after President Nelson Mandela — one of the main concerns among foreign investors.

Investors were also worried about market access outside SA, fiscal incentives and the quality of labour. Other concerns included violence and crime, he said.

"But some investors are relatively immune to that."

SA offers a 'cold welcome' to investors

(74B) CT (BR) 10/1/96

By Llewellyn Jones

Johannesburg — While the overseas offices of South Africa's banks are doing their utmost to attract foreign investment to the country, the stark reality is that South Africa's welcome to foreign investors remains very cold when compared to many other countries also attempting to lure bricks-and-mortar foreign investment.

This is according to Anthony Ginsberg, the president of American-based GinsGlobe Communications which publishes the Offshore Outlook magazine.

He said the danger of the short-term capital the country was attracting was that it could turn and run at any moment as it had in Mexico.

He said many of the concerns of foreign investors could be summarised in the following points:

☐ Very little fixed investment has occurred in South Africa since the government of national unity came to power;

☐ With an annual 4 percent increase in new entrants to the job market, the country's low 2,8 percent GDP growth rate remained half that required to absorb the growing unemployment problem;

☐ How could a country with no investment incentives, a 48 percent tax rate for foreign investors and corporations, a high cost of labour and import duties between 10 percent and 50 percent ever expect to attract the large-scale manufacturers needed to set up factories and provide jobs?

☐ With seven unemployed workers lining up for every unionised job it was amazing that the cost of labour had risen to become one of the highest of all emerging markets, said Ginsberg. Millions of South Africans would work for a competitive price if given a chance through well-formulated economic policies.

☐ Whereas Ireland, Singapore and Chile have larger domestic markets for $120 Reebok/Nike tennis shoes than South Africa, those countries offer low-tax regimes for manufacturers (5 percent to 10 percent), while South Africa prefers to charge excessive rates, he said.

Competitive

Before manufacturers would decide to establish large-scale plants and factories in South Africa, its fiscal policies had to become far more competitive, Ginsberg said.

It was high time that the government woke up to these facts before 6 million unemployed voters revolted and decided on a different path, he said.

Was it any wonder that the South African brain-drain continued unabated?

The government's key strategy for improving the lot of South Africans, the reconstruction and development programme, had become a bureaucratic black hole into which the country's dirty laundry had been thrown, from trade policy to housing, water and electricity needs, he said. As a result, fewer than 50 000 houses had been built, although 250 000 were promised by the end of July this year.

If South Africa could not attract foreign investment with a goodwill ambassador and leader of President Mandela's stature, how would it perform over the next three years as the question of his succession continued to mount?

Foreigners' share of JSE growing

CT (BR) 16/1/96 (74B)

By John Spira

Johannesburg — Foreign investors increased their share of the JSE's market capitalisation from 3,3 percent at the beginning of last year to 4,1 percent in November.

They accounted for as much as 40 percent of total stock exchange turnover in the first six months of the year, according to the New York-based stockbroking firm, Lynch Jones Ryan. The firm predicts that privatisation should further stimulate overseas shareholding in the coming months.

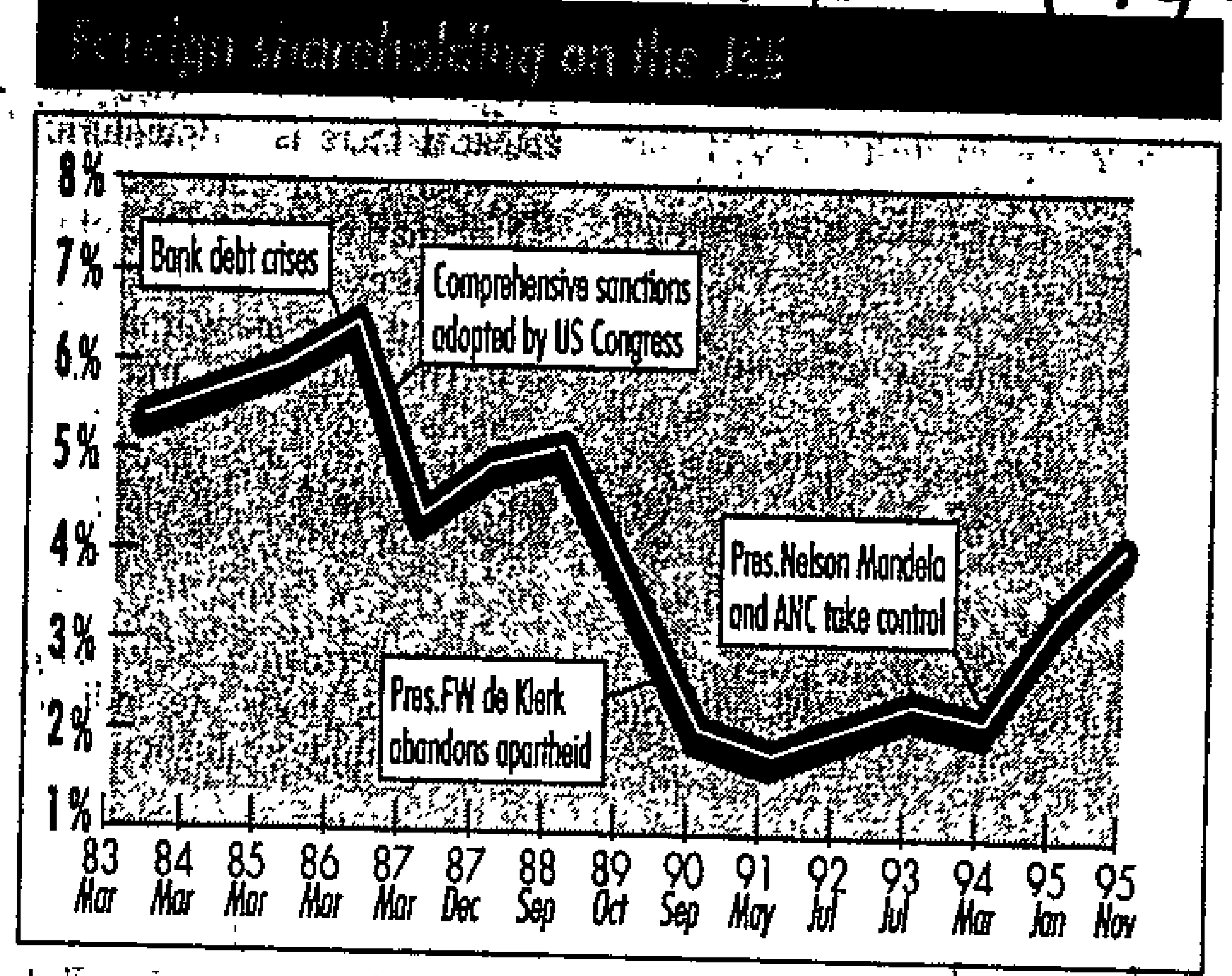
It says that although the 4,1 percent participation is "modest" by world standards, and well below the 6,4 percent peak of March 1986, "it sets the South African market back on a healthy upward path".

When FW de Klerk announced the scrapping of apartheid, the unbanning of the ANC and the release of Nelson Mandela, foreign holdings on the JSE stood at a fraction above 2 percent.

"In the 18 months since the inauguration of President Mandela," the firm says, "foreign shareholding on the JSE has almost doubled to 4,1 percent. In this period, the investor-friendly actions of the ANC-led government of national unity, including the scrapping of the financial rand, reassured sceptical overseas investors.

"Investor-grade ratings by Standard & Poor's and Moody's further buttressed confidence. South Africa's weighting on the International Finance Corporation's index of investable emerging markets rose to 24,3 percent on a market capitalisation base since the JSE joined the index in April last year. Only Malaysia's weighting of 20,1 percent comes close."

Lynch Jones Ryan draws attention to the "far-reaching reforms" proposed by the Katz commission that may reduce "prohibitive" taxes on foreign shareholders and to the first phase of the stock exchange's big bang, which "is already showing results".



So far, says the firm, 11 of South Africa's 46 brokerage houses have formed alliances or have been purchased by large local banks and American, Swiss and British institutions.

"The scrapping of fixed commissions and the introduction of screen trading will further bring the world's tenth-largest stock exchange in line with New York, London and Tokyo."

On prospects for the economy, the firm presents the following forecasts:

☐ The expansion phase in the world economy and that of South Africa will continue this year. A real economic growth rate of 3 percent is foreseen for South Africa;

☐ The prospects for commodities in general appear relatively favourable;

☐ South Africa's inflation rate is estimated at about 8,5 percent;

☐ The current account of the balance of payments should show a deficit of about R13,3 billion;

☐ The exchange rate of the weighted rand will depreciate only moderately;

☐ Short-term interest rates have probably already reached a high. Long-term rates could move between 14,5 and 15,5 percent;

☐ A slight improvement in the provision of employment is expected. Wages could rise by an average of 11 or 12 percent; and

☐ Company profits will still perform well, but the rate of increase could decelerate in association with a lower rise in gross domestic expenditure and strong competition from imported goods.

Mungo Soggot

SA turns off foreign investors

(74B) BD 24/1/96

SA WAS one of the world's least attractive countries for foreign investment in the petrochemicals sector, Chem Systems partner Terry le Roux said yesterday.

The international consultants had ranked a selection of countries according to policies on repatriating dividends, foreign control, investment incentives, tax holidays and company tax.

SA trailed last with 44% of the maximum possible score — behind the US (56%), Middle East (80%), Australia (56%), Indonesia (68%), Thailand (84%) and Singapore (92%).

Le Roux was addressing a conference for players from the plastics, chemicals and synthetic fibres industry, organised by the trade and industry department.

"Alliances with multinationals are a feature of expanding petrochemical industries in developing countries," he said.

The SA petrochemicals sector needed to improve its quality of labour and management and cut the cost of inland transport to attract investment. It was crucial SA's upstream and downstream sectors coordinated their expansion — the upstream sector could not expand in isolation from the downstream sector.

Earlier on, Trade and Industry Minister Trevor Manuel spelled out his department's mission for the industry, which he said could create 400 000 jobs by 1999.

The department would encourage partnerships, beef up efforts to clamp down on dumping, and consider imposing tariffs — "not from a protectionist point of view but to enhance industrial development".

It would also address transport costs and extend supply-side measures to the industry.

Director-general Zav Rustomjee said the department would be running similar conferences between industry players, labour and government representatives for other sectors.

The department was shifting away from giving "handouts" to business — such as the general export incentive scheme — and would instead invest resources in these kinds of "sectoral investigations".

Crime threat to BMW investment

BD 24/1/96

Samantha Sharpe

(74B)

CAPE TOWN — German car manufacturer BMW warned yesterday that its plans for a R1bn investment in BMW SA would be scrapped if crime continued to escalate.

Announcing the four-year investment programme, BMW said the investment would be used primarily to upgrade and increase the capacity of SA manufacturing facilities to meet increased domestic and export demand.

But BMW AG chairman Bernard Pischetsrieder said a continued escalation in crime, especially car thefts and hijackings, would "undoubtedly force us to reassess the considerable investment we intend making over the next four years".

"However, we are optimistic that crime levels will be suitably addressed and we are prepared to play our part," he said.

BMW SA has supplied police in Gauteng with 100 cars worth R22m.

BMW SA MD Rainer Hagemann said the capital injection would raise SA manufacturing capacity by about 20%, although production levels were running at only about 50% of their potential. This meant BMW SA's manufacturing staff complement was unlikely to show a substantial increase, especially given the group's drive to enhance productivity.

BMW injection shows confidence in SA

CT (BR) 24/1/96 (74B)

By Roy Cokayne

Pretoria — About 15 months ago, Bernd Pischetsrieder, the chairman and chief executive of BMW in Germany, warned his South African subsidiary — and the South African government — that the Bavarian car manufacturer's commitment to South Africa was not infinite.

He would not, he said at the time, forever prop up a business that did not make business sense.

Yesterday's announcement, then, that the German parent plans to pump R1 billion into BMW South Africa, is a fairly spectacular change of tone. As Chris Moerdyk, the local company's public affairs spokesman remarked in Cape Town, BMW does not abandon countries.

Pischetsrieder's 1994 challenge to the local company was to prove it was able to make cars to high standards of quality, productivity and delivery efficiency — and become a fully-fledged member of BMW's global manufacturing and distribution network.

To an extent, his announcement yesterday to invest R1 billion in production at the group's factory in Rosslyn, near Pretoria, over the next four years is a measure of how easily the local company has passed the test he set them.

However, allowing Rosslyn, however (relatively) inefficient it still is, to wither on the vine, closing it down or isolating it would have been expensive and politically risky. International companies are not supposed to be abandoning South Africa now. As it happens, BMW needs extra capacity to serve its Asian markets and doing so via its German plants would be expensive.

Remote car plants far from the mother companies of the world's big producers also make little sense if they are not locked into a wider global market, and South Africa can benefit from this truism.

Volkswagen serves much of the lower end of the Americas market through Mexico, and may one day find it useful to use its South African facilities to pick up export markets too expensive or too narrow to serve out of its European plants.

Focus is the key. The bulk of BMW's investment will be spent on the 3-series models.

Volkswagen has come under pressure to reduce the number of models it makes here. So will Daimler-Benz. The more rational the costs, the more competitive the cars become as exports.

Pischetsrieder's R1 billion pledge yesterday was not inevitable, however. His challenge to the local company was issued shortly after a six-week motor industry strike in 1994. The strike, he said at the time, "sent a clear message abroad that total commitment is still a long way off".

"The South African motor industry and its employees need to urgently come together to start building mutual trust and commitment with regard to world competitiveness goals," he said. "Export customers abroad are not interested in South Africa's domestic problems. They want quality products delivered on time. No more, no less.

POLL POSITION *Rainer Hagemann, the managing director of BMW South Africa, said the changed political climate contributed to yesterday's announcement of a R1 billion investment by the German parent company* PHOTO: ANDREW BROWN

There are also scores of hungry and determined suppliers in other countries that would be delighted to take export business away from South Africa."

It is obviously easier for foreigners to talk that bluntly, but much has also happened in South Africa and its motor industry since Pischetsrieder made those comments.

In the wake of the election in 1994, investor confidence and access to export markets has grown.

Within the motor industry, a three-year car manufacturing industry labour agreement — which laid down wage policy and wage rates, productivity guidelines and contained a peace clause — was signed in June last year. It was clinched at the Auto National Bargaining Forum, representing all the important players in the industry: the Automobile Manufacturers Employers' Organisation, the National Union of Metalworkers of South Africa and the Suid-Afrikaanse Yster, Staal & Verwante Nywerhede Unie.

The Motor Industry Development Programme (MIDP), which replaced Phase VI of the local content programme from September last year, was another milestone and an important contributor to the BMW parent company's change of attitude.

Most importantly, the MIDP granted motor manufacturers a duty-free allowance for components and further rebates if they exported components or vehicles. One of the results of the "tradeable" duties was that it encouraged exports and promoted greater competitiveness.

Most manufacturers are expected to rationalise their product range and concentrate only on high volume models for both the local and export markets — and import low-volume models as completely built-up units.

The BMW South Africa managing director, Rainer Hagemann, said when Pifchetsrieder issued his challenge, he felt both the South African government and the local company believed everything was fine and were relaxed.

But he said the parent company had set some very tough first world benchmarks for the local subsidiary to achieve.

"We have got most of the benchmarks into place. It was very hard for us, but we had to get it right or die. A few things are still missing but they are related to technical matters and investment is needed to get them right," he said.

Hagemann agreed the changed political situation in the country, together with the MIDP and the three-year motor industry agreement, were important milestones.

"If the MIDP had not been introduced and agreement had not been reached on the labour front, we would not have announced the investment we have just had."

But he said there was still a missing link — addressing the crime situation — which was still one of the stumbling blocks.

Investors 'sure' of SA growth

(74B) BD 30/1/96

Adrienne Gilliomee

FOREIGN investors were eyeing SA with nervous optimism as many international funds had lightened their portfolios of local stock amid perceptions that the market was overvalued, Syfrets International London head Rob Nichol said yesterday.

But the reduction of exposure to SA stock signalled a period of caution, rather than one of withdrawal, he said. "Many foreign investors are still sure that SA will enter its cycle of growth and that we will still see an increased capital inflow into the country."

An added advantage for the SA market was the growing pressure on portfolio managers to produce superior returns, which had forced them to consider emerging markets as vehicles for investment, Nichol said.

Nichol was speaking at the launch of two new Syfrets International products, the Personal Portfolio Bond and the Planned Investment Account, both of which link insurance to investments in one or more of the funds underlying the Syfrets Global Funds umbrella.

The Global Funds umbrella fund consists of 15 top-performing international unit trust funds, bonds, equities and money market instruments denominated in leading currencies, from which investors can structure an investment portfolio to suit their individual risk and reward requirements.

Asked whether Syfrets would enter into asset swaps for the new products, he said that the instrument had large cost implications.

"The cost of asset swaps lies in the discount the international investor demands on the assets he wants to buy. We do not want to give up that much in the process and thereby take the first year's growth potential out of the investor's pocket," Nichol said.

ARG 5/2/96

'Stability fear' keeps investors on sidelines

(74B)

DAVOS (Switzerland). — Misconceptions and fear about South Africa's stability have blocked investment into South Africa, Deputy-President Thabo Mbeki said here.

Speaking at the World Economic Forum (WEF) yesterday, he said he hoped investment from countries like Japan would increase if business leaders understood the country better.

"We are dealing with preconceptions about South Africa. You need to address them directly with people who take important decisions," he told a Press conference at the summit of business and political leaders.

In particular business leaders have been cautious about the post-apartheid government and its ability to ensure a stable economic climate in which investment would flourish.

"I know many business people for some time had the notion that we had succeeded too well" after the transition to majority rule went off with few problems.

"All of a sudden everything went smoothly. There was an election and everything becomes peaceful and Nelson Mandela becomes president.

"Many people thought there must be something wrong with all of this, saying: 'Its too good to be true, so lets wait a little while for an explosion to happen — its going to happen, its bound to happen'.

"So they hesitated when there was no explosion that was coming ... there are misconceptions of this kind."

Mr Mbeki said his stay in Davos had encouraged him that the international community was committed to helping South Africa re-integrate fully into the world economy after the end of apartheid.

"There is clearly a sustained interest in South Africa by business and political leaders — and the multi-national leadership in the form of organisations such as the World Trade Organisation," he said.

On Japan, he said he had held meetings with business leaders including Toyota boss Shoichiro Toyoda, and had encouraged them to invest permanently in South Africa rather than on a franchise basis.

"The point about Japan is that historically companies have not invested in South Africa ... they felt they didn't have sufficient knowledge about the country.

"So it becomes easier to trade rather than to put in money there permanently. We want to move them a bit beyond that kind of approach." — Sapa-AFP.

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The Argus, Monday February 5 1996

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'Too many fears, misconceptions about SA'

(74B)

Star 5/2/96

Investment would flourish if influential foreigners had true picture about SA, Mbeki tells world

AFP
Davos, Switzerland

Misconceptions and fear about South Africa's stability have blocked investment into SA, Deputy President Thabo Mbeki said yesterday.

Speaking at the World Economic Forum in Davos, he said he hoped foreign investment would increase if business leaders understood the country better.

"We are dealing with preconceptions about South Africa ... You need to address them directly with people who take important decisions," he told a press conference at the summit of business and political leaders.

In particular, business leaders had been cautious about the post-apartheid Government in South Africa and its ability to ensure a stable economic climate in which investment would flourish.

"I know a lot of business people for some time had the notion that we had succeeded too well.

"There was an election, Nelson Mandela becomes president and everything becomes peaceful. A lot of people thought there must be something wrong; it's too good to be true so let's wait a while for the explosion to happen, it's going to happen, it's bound to happen."

Mbeki added he was encouraged by the international community's commitment to helping SA to reintegrate into the world economy. "There is clearly an interest in South Africa by business leaders, political leaders and the multinational leadership such as the World Trade Organisation."

He also lamented the fact that negotiations with the European Union over a tariff agreement with SA have been delayed.

SA attracts the major share of foreign funds in Africa

CT(BR) 8/2/96 (74B)

By Darius Bazargan

London — The word is out: Africa is the new attraction for emerging market fund managers in the West.

But how much is being invested? Who benefits? And how profitable are such investments?

"Investment in Africa is still incredibly risky," said Jill Insley, an independent analyst. "But as with all new markets, the opportunities are very good as well."

In the past few months a number of investment houses have launched Africa-specific funds. In December, Barings Securities and Mercury raised $60 million with the launch of two. The company's Simba fund raised $30 million which, though short of the hoped-for $50 million, is indicative of the new interest in African stocks.

But the spread of the Simba fund also illustrates how uneven private investment in Africa is as a whole. While South Africa receives the majority of investment with about 40 percent of the portfolio, central, west and north Africa receive only 10 percent each, with east Africa getting only half that.

Some observers argue that while South Africa may become a booming market, it distorts the true picture for the rest of the continent.

"When people talk about investing in Africa, I think 80 percent of them really mean South Africa," said Tew Jones, the research director at Fund Research, a quantitative research company that advises firms like Barings.

"But there are 25 other African stock markets too. Egypt, which was established in 1883, is actually three years older, and even Zimbabwe's bourse is celebrating its 50th anniversary this year."

Other observers agreed that South Africa was taking the lion's share of foreign investment in the continent.

"If you take South Africa out of the picture there are very few funds that are involved elsewhere. And you are only talking about tens of millions of dollars, which is, in reality, minuscule," said Paul Bennell, a research fellow at Sussex University's Institute of Development Studies

Bennell said that research carried out by the institute indicated that the levels of private investment in most African economies were either stagnant or in decline.

'The country has a First World infrastructure in terms of finance, roads and so on'

"One of the key indicators that structural adjustment is working is to have an increase in private investment," said Bennell. "This is definitely not occurring. The figures for the 12 largest African economies, with the exception of Mauritius and South Africa, show that private investment as a percentage of GDP has been falling since 1991."

One reason for South Africa's dominance is that the country is far better developed than many other African states.

"The key difference in South Africa is that there you have got a First World infrastructure in terms of finance, banking, roads, communications and so on," said Jones.

If the same could not be said for many of the other sub-Saharan African economies, those of north Africa and the Arab Maghreb were trying to present themselves as attractive opportunities for foreign investors.

"The investable markets of north Africa are Egypt, Morocco and Tunisia," said Edmund O'Sullivan, the editor of the London-based journal, the Middle East Economic Digest.

"The advantage of the three places is that they are genuinely emerging markets. This means that there are companies which have previously been listed, or are going to be listed, which are undervalued by international standards. The usual theory is that if you buy in early you will appreciate a lot and generally get a good capital gain."

But O'Sullivan said investors had to account for political and environmental risks associated with these countries.

He said the growth of foreign investment in developing markets came from privatisation programmes which were derivatives of economic restructuring programmes being applied in Africa.

"One of the conditions associated with World Bank and IMF support is that there should be privatisation measures," he said. "So these governments are only really doing it as a result of their desire to receive international support.

"The privatisation process, having been very slow to get off the ground for many years, is clearly accelerating," said Bennell.

He said the bigger, more technologically advanced companies such as breweries and cement works were being bought by foreign firms, but generally those with a history of involvement in Africa.

"But what is interesting is the South Africans themselves," Bennell said.

"The whole brewery industry in southern Africa, from Tanzania right through to Mozambique, Zimbabwe and Namibia is now run by South African breweries or their subsidiaries," he said.

"South Africans are prepared to take more risks than European investors — since 1992 a lot of South Africans began investing in other parts of the continent."

Bennell said that for political reasons, African governments would prefer to sell their assets to nationals, but where no such group existed, foreigners were moving in instead.

According to Barings, it was the huge appetites of the Asian markets that would rejuvenate Africa's economy. "The story we see for Africa is basically generated from Asia," said Iban Ortuzar, an investment analyst at Barings Securities.

"Africa is very much a commodity player and Asia is clearly the fastest growing region in the world, but it lacks any natural resources whatsoever to feed its rapidly growing industry. Africa is making more and more of a market with these areas."

Ortuzar said that Asian business would not only rejuvenate the natural resource sectors of African economies, but would cause a multiplier effect, helping surrounding industries like breweries and the retail sector.

But not everyone is convinced by Barings' claims.

"Africa is still a tiny market of only 500 million to 600 million people, the markets are very thin and companies will prefer to trade into them than invest directly," said an analyst. — Sapa-IPS

Supply-side measures may be delayed

BD 9/2/96 (74B)

John Dludlu

OBSERVERS within the National Economic, Development and Labour Council (Nedlac) last night expressed doubts that the new and extensive supply-side measures would be implemented this year.

The trade and industry chamber, in which the matter was discussed, yesterday had identified investment incentives, support for sensitive industries and training as key priorities. But a Nedlac source said some of these measures might take some time before being implemented.

This followed increasing signs that government was prepared to implement some of the measures after the announcement of the Budget next month.

However, Nedlac executive director Jayendra Naidoo ruled out chances of a "big bang" approach in implementing the measures.

A Nedlac source said: "In the short-term we could see more cash channelled towards the expansion of measures such as the export marketing scheme and making the scheme less restrictive. But I can't see how we can get tax incentives (this year)."

Government has said these measures would be financed through savings on the general export incentive scheme. Naidoo also said parties appeared to be inching towards a deal on labour's proposal that SA's trade partners be asked to uphold basic human and worker rights such as the rights to strike, collective bargaining and a ban on child labour.

A compromise was likely to be to push for a social clause in bodies like the World Trade Organisation and the International Labour Organisation, but taking a softer line on bilateral trade agreements.

Yesterday's public finance chamber meeting, which covered key aspects of the forthcoming Budget, was attended by Finance Minister Chris Liebenberg and his deputy, Alec Erwin.

Naidoo said the discussion was "thought-provoking and mature", but felt it inappropriate to reveal positions of various constituencies. It is understood Liebenberg gave "no indication of a particular cause of action", except to stress the need for striking the delicate balance among key aspects of the Budget.

WORLD TRADE OPPORTUNITI

SA still a top target for US capital — official

John Dludlu (74B) BD 19/2/96

SA WAS still one of the top destinations for US capital despite the geographic barriers, a senior US government official said at the weekend.

Oregon-based legislative director Christopher Porter, who is accompanying a 26-firm trade mission to SA led by Congresswoman Elizabeth Furse, said although US firms normally preferred trading with Pacific Rim counterparts, SA was still very attractive.

The multisectoral mission demonstrated that interest in the new SA had not died down, Porter said, dismissing claims that interest in SA had evaporated.

US firms were "enthusiastic" about the Nelson Mandela government's commitment to conservative economic policies which were crucial to financial stability.

Porter noted also that concerns about SA's political leadership in the post-Mandela era seemed to be disappearing as the new SA forged ahead. However, he said crime remained one of the key reservations in the minds of US corporations.

He said Furse, who grew up in SA, and the trade delegation were here to build bridges between firms from the two nations. Sectors in the mission included agriculture, venture capital, housing, paper and pulp as well as health care services.

During the week-long visit, the delegation, which visited Durban, Johannesburg and Cape Town, was expected to hold discussions with Water Affairs Minister Kader Asmal, Public Enterprises Minister Stella Sigcau, Health Minister Nkosazana Zuma as well as officials of the trade and industry department.

Germans set up SA office

Stephen Laufer (74B) (133)

NORTH Rhine-Westphalia would open an advice office in Johannesburg for small and medium-sized businesses contemplating investing in SA, the German state's economics and tourism minister, Wolfgang Clement, announced yesterday.

Clement is in SA for the German industrial and technology trade fair in Johannesburg and to intensify contacts with Mpumalanga.

A skills enhancement programme for tourism managers from Mpumalanga had been agreed on at the weekend and a tourism school for the province was under discussion. Clement said his province would also help plan a new international airport for Mpumalanga.

The German state had set almost R1,5m a year aside for assistance to Mpumalanga, with the state chambers of industry and trades contributing an additional R250 000 for skills transfers.

BD 27/2/96

SA 'a priority' for Germany

BD 28/2/96 (748)

Lucky Madikiza

GERMANY is SA's main trading partner and is fast becoming the biggest investor in the country, trade and industry director-general Zavareh Rustomjee says.

He told the Made in Germany trade fair at Nasrec yesterday that an important aspect of the economic tie between the countries was the exchange of technology and expertise, which, coupled with German firms' investment, would help alleviate joblessness.

"Last year we went to Germany to set the target of attracting DM1bn of direct investment within a year. We are well on the way to reaching that target."

SA was in a "harsh world" of competition and globalisation. To gain a competitive edge, the trade and industry department planned to steer SA from self-sufficiency and import substitution to international competitiveness.

German ambassador to SA Uwe Kaestner said Germany had made sure SA was a priority in Africa and was considering long-term investments and partnerships.

"We are looking for a privileged partnership with the new SA, based on long-term confidence, on open markets, on fair opportunities and on social responsibility."

Kaestner welcomed recent statements by President Nelson Mandela, Finance Minister Chris Liebenberg and Reserve Bank Governor Chris Stals that exchange controls would be lifted in the near future.

Regus opens SA business centre

CT(DR) 28/2/96 (74B)

By Françoise Botha

Cape Town — Regus, a global player in the fully serviced office rental market, has moved into South Africa, opening its first business centre in Sandton yesterday.

Kevin Rawnsley, the chief executive of Regus South Africa, said the centre was the first of three business centres, each averaging 1 500m², that were planned for the country.

A contract was signed on Monday to open a centre in Cape Town at the beginning of May and another centre is planned for Durban in July.

"Thereafter, we will add centres where businesses demand them."

Before opening the Sandton business centre, consisting of 43 offices and four boardrooms, Regus had rental agreements signed for seven offices.

Regus International, which has more than 120 business centres in 29 countries, rents fully serviced office space for any time period. Services include the use of up-to-date technology including computers, fax machines, photocopiers and video-conference facilities. The company also provides office staff to handle secretarial functions and translation.

Mark Dixon, the managing director of Regus International, said: "This is not necessarily a temporary office, but it offers the flexibility and reduces the overheads".

Commenting on South Africa, Dixon said: "South African companies are becoming increasingly interested in the international market. Global competition is forcing them to compete more effectively in their own market as well as looking outside.

"In fact, there is a global trend towards changing the way that people work and their reliance on improved technology."

Regus also offers free office space to its clients at any of its international offices for three days each month.

Regus charges R250 a day and between R2 000 and R5 000 a month, depending on space requirements.

These rates are substantially higher than the cost of renting A-grade office space, but include full service facilities.

"(The facilities) allow you to focus on your main business while we focus on the support systems," said Dixon.

Germany looking to create jobs in SA

(74B)

ARG 28/2/96

JOHANNESBURG – German investors were looking to create jobs through long term investments and partnerships in South Africa, German ambassador to South Africa Uwe Kaestner said yesterday.

Speaking at the opening of the German Industrial and Technology Trade Fair, Made in Germany at the Nasrec exhibition centre outside Johannesburg, Mr Kaestner said Germany had made South Africa its number one priority in its relations with Africa and was looking for long term productive partnerships.

"We are looking for a privileged partnership with the new South Africa, based on long-term confidence, on open markets, on fair opportunities, and last but not least on social responsibility."

He said German investment had an impressive track record in the country and was primarily concerned with the creation of productive jobs rather than portfolio investment.

Mr Kaestner said while Germany welcomed the creation of a Free Trade Agreement between the European Union and South Africa, nothing would impede the promotion of our bilateral trade "full steam ahead".

In his address, North Rhine-Westphalia Economic Affairs, Technology and Transport Minister Wolfgang Clement said the German federal state would open a trade office in Johannesburg to promote trade links between South Africa and Germany.

North Rhine-Westphalia is Germany's most populated state with 17,7 million people and is the country's largest contributor to gross domestic product, contributing $457,8 billion to Germany's $2047,8 billion GDP.

Mr Clement said that the Made in Germany fair would intensify economic relations between the two countries and invited German business, particularly small and medium-sized enterprises to utilise the opportunities offered by the exhibition.

He named the tourism industry as a potential growth area and said Germany was well placed to provide the support for further development of the industry.

While tourism from South Africa to Germany increased by an impressive 42 percent in 1995 from the previous year, tourism from Germany increased by 105 percent over the same period.

Mr Kaestner said he welcomed the statements by President Mandela, Finance Minister Chris Liebenberg and Reserve Bank governor Chris Stals that exchange controls would be lifted in the foreseeable future.

He was also encouraged by Mr Mandela's announcement at the opening of Parliament that 1996 would be the year to fight crime.

The trade fair is the largest German exhibition in South Africa with over 200 exhibitors and representatives from numerous German Regional Trade Offices. It [illegible] March 2. – Sapa.

Uranium deals pave the way for French investment in South Africa

(74B) ARG 1/3/96

SOUTH Africa and France have signed agreements opening the way for French investment in a South African laser-based uranium enrichment programme, Mineral and Energy Affairs Minister Pik Botha has announced.

"The agreements open the way for co-operation between South Africa and France on ... technology for the commercial enrichment of uranium," Mr Botha said in a statement.

In terms of the agreements, France would invest R83 million in developing South Africa's Molecular Laser Isotope Separation (MLIS) enrichment technology.

Mr Botha said the French state-controlled Compagnie Generale des Matieres Nucleaires (Cogema) had signed a letter of intent in Paris in 1994 but this was subject to inter-governmental agreements being reached on nuclear co-operation and trade.

"The agreement is ... subject to international safeguards and to the two inter-governmental agreements confining any co-operation and exchange of know-how and technology to peaceful uses only," Mr Botha said.

The International Atomic Energy Agency and the European Atomic Energy Community also had to be told of the plan because of the "sensitive nature of international cooperation on uranium enrichment technology".

Mr Botha said Cogema's support was vital for the viability of the MLIS programme.

If the programme had been dropped it could have led "to a considerable loss of commercial potential for the South African minerals industry".

A French company built South Africa's only nuclear power station at Koeberg. — Reuter.

BD 12/3/96 (74B)

Taiwanese investors eye SA as trade booms

Taiwan is SA's sixth largest trading partner and sees this country as an important and growing market. Total trade between the two countries in 1995 reached $1,87bn, with imports from SA totalling $1,022bn and exports to SA valued at $848,2m. ***David Jackson*** *reports.*

TRADE between SA and the Republic of China — Taiwan — continues to boom despite a level of international nervousness in the run-up to the latter's first popular presidential election on March 23.

Military manoeuvres and political sabre-rattling by mainland China may be designed to influence the outcome of this month's historic poll, but they do not directly impact on the relations between SA and its old trading partner, which seem set for a period of sustained economic interchange.

Trade with SA constitutes just 1% of Taiwan's total foreign trade, which last year amounted to $227bn.

Nevertheless, Taiwan views SA as a growing and important market and is already SA's sixth largest trading partner.

Total trade between the two countries in 1995 reached $1,87bn — Taiwan ministry of finance statistics — compared with about $1,7bn in 1994.

In 1995, Taiwanese imports from SA totalled $1,022bn, with exports to SA of $848,2m.

Source materials like gold, iron ore, uranium and stainless steel are imported by Taiwan.

The Taiwanese consumer market is also one of the world's fastest-growing.

Disposable incomes are rising and consumers in Taiwan are increasingly seeking to purchase top quality foreign products.

SA gets value-added exports from Taiwan in the form of price-competitive electronics components and parts, computers, machinery and automotive equipment and components.

An increasing number of Taiwanese investors are seeking offshore bases because of spiralling land and labour costs at home.

SA is becoming an increasingly attractive option to them.

Taiwan is also making considerable input in the form of investment and training in SA's RDP and has many lessons for this country based on its own impressive economic growth.

This has averaged 8,9% over the past 40 years.

An estimated R1,5bn has already been invested in SA by the people of Taiwan, creating more than 45 000 jobs in the process.

In five decades since the Second World War, Taiwan, in relatively quick succession, carried out land reform, become an exporter of light industrial products and moved on into heavy industry.

Taiwan's geographical relation to mainland China.

It is now one of the leading global producers and exporters of hi-tech products.

With a shared history, culture and language, Taiwan is also the gateway to the world's largest market — the 1,2-billion people of mainland China.

Investors in Taiwan have played a key role in the economic development of mainland China.

About 25 000 factories on the Chinese mainland are the result of investment from Taiwan, which is the second-biggest investor on the mainland after Hong Kong, with Japan in third place.

Taiwan will become the leading investor in mainland China once Hong Kong is re-incorporated with the mainland in 1997.

SA's stated position on the relationship between mainland China and Taiwan is that it wishes to maintain cordial relations with both countries.

Cape firms warned to jack up act

SA must learn to reap trade benefits – Wesgro

(74B) ARG 23/3/96

■ Dozens of foreign businesses are flocking to the Western Cape looking for investment but local business people could end up losing vital opportunities on joint ventures because they have a "blase" attitude.

MICHAEL MORRIS
Staff Reporter

THE Western Cape is attracting scores of foreign business and investment delegations – a dozen are expected in the next eight weeks – but local business people are being overly blase and could end up losing vital opportunities.

The warning comes on the eve of a special conference arranged by the Western Cape trade and investment promotion organisation, Wesgro, on joint ventures with overseas enterprises.

The level of interest in South Africa among foreign investors and business people is one of the most positive consequences of political change.

But sources in the business community warn that unless South African, and especially Western Cape, businesses "jack up their act", these potentially enormous rewards will be lost.

"The biggest problem we have is to get South African partners to meet these people (foreign business people looking for partners in joint ventures) with something to offer," said a leading business observer in the Western Cape.

"Too often one encounters that typical South African, or Western Cape, smugness: 'we think we are doing quite well ... what is there to worry about?'

"If things are going well, they say they're too busy. If they are not going well, they say they can't afford it.

"We need to jack up our act here if we are going to derive the benefits of joint ventures and overseas trade.

"Our stake in the international economy, and our competitiveness abroad, depend on it," he said.

It is with these shortcomings in mind that Wesgro – now being refashioned as a statutory investment and trade agency for the entire province – will be seeking to focus the efforts of the local business fraternity at its conference on Monday, and indeed, in all its future initiatives.

The urgency of revitalising the capacity of the Western Cape's business community to meet the challenge of overseas opportunities is highlighted by the fact that in the past few days, no fewer than three foreign delegations – from India, Singapore and Korea – have passed through Cape Town looking for deals.

Their areas of interest range from agriculture and manufacturing to high-tech industry and the leather and fabrics industry.

In some cases, they are merely looking for new buyers, but there is also considerable interest in finding partners for joint ventures, and in straight investment.

Over the past few months there have been similar delegations from Poland, Rumania, California, Czechoslovakia, Germany and New Zealand.

On top of this 12 new delegations are expected in the next six to eight weeks.

As a spokesman for the Cape Chamber of Commerce and Industry puts it: "We are being inundated."

Deputy director of the chamber Albert Schuitemaker notes that delegations generally seek one, or a combination, of three things: straightforward exports, joint ventures or clear investment.

"A number of important players with serious intentions are showing a keen interest.

"First they came with notebooks. Now they come, if not with chequebooks, then certainly with their calculators.

"Many of them see South Africa as a big opportunity, and they have also come here looking for a place to settle," said Mr Schuitemaker.

The Western Cape's tourism prospects – and the potential of the Olympic bid and the hosting of other major international events – were particular attractions.

"I know of at least five different projects for convention centres, for instance.

"I have also heard about some serious inquiries about electronics and manufacturing, for which we believe the Western Cape is ideally suited," said Mr Schuitemaker.

SA 'losing out on investment'

(74B)

Samantha Sharpe

BD 26/3/96

CAPE TOWN — SA and the Western Cape were losing out on international investment opportunities because of delays in responding to offshore interest, Wesgro executive director David Bridgman warned yesterday.

Speaking at a one-day workshop on investment and trade, Bridgman said there was an abundance of interest from various overseas investors wanting to strike up joint ventures with companies in the Western Cape. "But if local companies want to benefit from potential joint venture arrangements, they need to prepare well in advance of actual contact with visiting business delegations," he said.

"As a country we are losing out on opportunities to capitalise on the bubble of interest currently enjoyed by SA, and we need these to work out how to get the maximum benefit."

US firms have 'a moral obligation to invest in SA'

BD 26/3/96 (74B)

Kevin O'Grady

US COMPANIES have a "moral and tactical obligation" to invest in SA now that it is a democratic country, says well-known human rights lawyer Alan Dershowitz, who was part of the legal team that successfully defended OJ Simpson against murder charges last year.

The US also had a duty to persuade other countries which withheld investment during the apartheid years to do the same, Dershowitz said in Johannesburg yesterday.

Visiting SA as a guest of Israel United Appeal-United Communal Fund, the fundraising arm of the organised Jewish community, Dershowitz said US businesses were traditionally cautious about new investment opportunities.

US businesses knew there would be stability in SA "so long as (President) Nelson Mandela remains in charge" but needed to believe that if they invested they would not be placing their trust "in one man".

"Once that is clear, and I am confident it will become clear, US businesses will rush to invest," said Dershowitz, who once played a role in persuading US firms to withdraw from SA.

The two biggest worries facing potential investors, apart from the prospect of political instability, were crime and the likelihood of government allowing the expropriation of property.

Dershowitz also holds strong views on the issue of affirmative action. The US's affirmative action programme had failed "because we looked only at race.

"We need to move towards individual disabilities. If a person can show that they were educationally deprived, no matter what their race, then they should be given the advantage.

"Everybody should understand that affirmative action is an interim necessity, not a solution, and should quickly work towards making it unnecessary," he said.

During his visit, Dershowitz will conduct a series of lectures in which he will "talk generally about the human rights situation in the world — and particularly in the Middle East and those places where Jews are endangered".

He also plans to talk about "the challenges of the new SA". Dershowitz said he could imagine nothing "more interesting than living in SA today ... It is a wonderful, dangerous time".

The US had a lot to learn from SA's experiences as whites "will become a minority in the US in the next 100 years and it will be harder for us than for SA ... Americans are not prepared for it".

"They (Americans) talk of declaring English the official language, Christianity the official faith, and white the official colour, but that should not happen. We live in a multiracial world where whites are in the minority.

"The change I would like to see is for people to start judging people on the colour of their mind, not the colour of their skin," he said.

Dershowitz spoke of "the tragedy of the emergence of (militant and, some say, racist Muslim leader Louis) Farrakhan ... He is not the future, he is the past. If he had control in the US he would create apartheid there."

Conference focuses on foreign investment in eastern and southern Africa

Policy makers discuss aid for infrastructure

(74B)

CT (BR) 28/3/96

By Joe Khamisi

Nairobi — International foreign-investment policy makers converged on the Ugandan town of Entebbe yesterday for a three-day conference to discuss the plight of eastern and southern Africa.

The meeting is being convened by the Foreign Investment Advisory Service, a joint service of the International Finance Corporation and the World Bank.

Top executives from large companies will attend, including Antonie Moolman, the managing director of Transnet Limited, the holding company of SAA.

Moolman is also a director of Alliance Airlines, the joint venture air service of South Africa, Uganda and Tanzania.

The conference is billed as a "high-level round table on policy aspects of promoting and implementing foreign direct investment in infrastructure in southern and eastern Africa".

The conference comes two weeks after the release of a World Bank assessment report on investment prospects for sub-Saharan Africa. The 250-page report, entitled World Debt Tables, said only a fraction of direct foreign investment flowing into developing countries entered sub-Saharan Africa.

Last year, for example, foreign direct investment fell about 33 percent to $2 billion.

Most of the money was invested in oil exploration and mineral resources in Angola, Gabon, Nigeria and Ghana.

South Africa was excluded from the World Bank study.

Topics to be discussed during the conference include the role of the private sector in infrastructure, opportunities for investment in the infrastructure of eastern and southern Africa and modes of private sector involvement. —Independent Foreign Service

KENNETH CLARKE ON SA INVESTMENT POTENTIAL

PRIVATISATION: BEST LURE

(74b) FM 22/3/96

Nattily attired, in blue striped shirt and designer tie, British Chancellor of the Exchequer Kenneth Clarke gave the lie, at a press conference in Pretoria last week, to his recent nomination as Scruffiest Member of Parliament by media group Visual Image.

He is in SA with a contingent of UK businessmen "looking for the opportunity to reinvest, perhaps to enter into partnerships or involvement with local companies."

And indications are that they will be looking for privatisation opportunities.

Citing telecoms as an example, he argues government can't produce the necessary investment through taxation and borrowing if it wants to expand, make them more widely available and develop modern systems. "It will plainly need private capital."

"Privatisation has poured investment into our major utilities on a scale which

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Times have changed since Henry Ford assured the American public that they could have the Model T in any colour they liked - as long as it was black. And times have changed in the employee benefits arena, too, where Old Mutual has pioneered the concept - and the successful implementation - of Flexible Investment Choice.

As its name implies, this revolutionary capability allows individual members of defined contribution funds to choose within a range of pre-selected investment channels (selected by their trustees) their own personal investment vehicle for their retirement savings. This is a far cry from the days when employees, like Henry Ford's customers, had no choice but to go along with those deemed appropriate by trustees or sponsoring companies.

Flexible Investment Choice accommodates the growing preference for defined contribution funds in which the investment risk is borne by the fund member. As Les Geater, assistant general manager at Old Mutual Employee Benefits, explains, "It acknowledges the fact that since members bear the risk they should also have the ability to manage that risk by choosing the investment vehicle which best meets their needs."

He continues: "In traditional defined benefit pension funds, the member's retirement benefit is based on the final salary over the last few years of employment multiplied by the number of years' service. In contrast, the retirement benefit from defined contribution schemes isn't guaranteed, but rather equates to member and employer contributions plus investment returns, less expenses.

"The old school of thought believed that it wasn't feasible to offer members flexible investment options because they lacked the financial skills to make informed decisions, while administrators lacked the technology to make individual flexibility possible."

Old Mutual Employee Benefits has overcome the first issue through the development of a member training capability, which guides the member through the decision-making process needed to make appropriate investment choices.

The second issue, that of making individual flexibility possible, has been addressed by extensive investment in interactive technology centred around a paperless administration process which uses electronic data interchange (EDI) and electronic funds transfer (EFT).

Other advanced features allow members to give Old Mutual electronic investment allocation instructions, while also enabling them to view the state of their retirement fund portfolio at any time.

"What's more," adds Geater, "members

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can elect to split their investments between available channels. For instance, a member close to retirement may prefer to invest the full amount of his or her accumulated contributions in a vehicle that limits risk and volatility.

"A younger member, on the other hand, may choose to place most of his or her retirement contributions in a market-linked portfolio with a high exposure to equities. Further flexibility is provided by allowing members to change their investment mix on a regular basis, and by re-allocating units among available channels.

"Communication is, however, a key feature of flexibility," Geater stresses. "Each member's investment account is carefully tracked, and because investments are unitised, it's easy to calculate the value of the investment. Units are updated on a monthly basis and members receive reports detailing the status of their investments."

For those whose funds have a defined contribution structure, there will never be a better time to take advantage of Old Mutual's unique Flexible Investment Choice. Because giving members what they want is no longer wishful thinking; with Old Mutual it is now a reality.

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retirement fund this

would never have happened had they remained State-owned. There is scarcely a country that is not moving a large part of its State sector into private ownership.

"But we don't necessarily privatise industries With a lot of our infrastructure development we're going in for private investment in the public services.

"I don't think we will ever privatise the National Health Service. But we've devised arrangements whereby new hospitals and equipment can be provided by private finance to the Hospital Service. They don't have to wait for the Treasury; they can go out and raise money."


***Kenneth Clarke** . . .*
investment poured in

He pointed out the best stimulus for job creation can only come from "economic growth of a sustainable kind, based on sound macro-economic conditions. And I think we've discovered, over the last 20 years, that just trying to create jobs by putting more public money into one initiative or another tends to fail. Subsidising uncompetitive industries for too long tends to fail because their performance gets worse and all you do is pile up an even worse problem for yourself."

He spoke of the need to make changes, "quite rapidly sometimes, to keep competitive in the modern world. We altered our labour market practices. In the old days we used to have nationwide agreements, bad industrial relations, rigid and inflexible deals which were thrashed out between trade associations on the one hand, and the trade unions on the other

"Between them they destroyed jobs, rather than created them.

"We have the only economy in western Europe where recovery does create jobs. Our unemployment is still dropping towards 2m and it should go lower. German unemployment is 4m and rising, because they've got a more rigid nationwide labour market structure. "

The UK's freer labour market is often criticised by Europeans who regard it as evidence that, socially, things are deteriorating. "In fact," says Clarke, "it's the reverse. Industrial relations have never been better and the relationship between management and their work force in the UK, is much more co-operative than it used to be."

"The purchasing power of the average UK production worker's income is now on a par with some of the best in western Europe," he said, attributing the improvement to the passing of the era "when we had a lot of trade union activity, monster national strikes, huge inflationary pay deals. And nobody got any better off. This was the experience of the Seventies."

While SA's situation is not identical "there is the problem of a growing economy with no decline in unemployment . . and rather rigid structures between employers and trade unions. But I don't go round the world advising other countries; I've got enough problems of my own."

There has been brief speculation that Clarke might resign, because of political infighting over the European monetary union. "So there has," said Clarke, "but it hasn't come from me." And for someone so widely tipped as successor to John Major, this would seem an unlikely time to resign. ■

HALVING OF SECONDARY TAX ON COMPANIES

COUNTING THE BLESSINGS

The halving of the rate of secondary tax on companies — to 12,5% — will reduce the distortion in dividend policy created when it was moved from 15% to 25%.

In the case of private companies, it will become relatively more attractive to distribute profits by way of dividends rather than salary to the managing shareholder.

The move reflects a greater reduction than the 10% widely forecast. It applies to dividends declared after March 13, 1996. Finance Minister Chris Liebenberg expects the tax yield to be much the same. This suggests the loss of revenue, through the change in rate, will be compensated for by a reduction in the proportion of quoted companies resorting to capitalisation issues to avoid the tax.

The change represents a major reduction in the total tax paid, as a percentage of company profits, before a dividend reaches a shareholder.

Previously, out of R100 of pretax company income, 35% would go in income tax paid by the firm, leaving 65%. Assuming a full distribution of taxed profits as a cash dividend, the secondary tax would be 25/125% of R65, or R13. So, the shareholder received R100 - R48 = R52.

US investors warn against SA crime

Star 3/4/96 (74B) (3)

The American Chamber of Commerce yesterday warned that South Africa would suffer negative effects unless urgent steps were taken to combat violent crime.

Amcham said the findings of a survey conducted among its members on violence, crime and security had been sent to Commissioner George Fivaz.

While the survey indicated encouraging levels of long-term investment confidence, Amcham members, including some who had recently invested, said urgent steps were needed to combat violent crime or South Africa would lose out.

Eighty-six percent of the participants in the survey felt that police resources were inadequate to deal with crime.

The vast majority of companies surveyed were extremely security conscious and used a high level of security.

Nevertheless, 48% had experienced a break-in or burglary over the past year, 48% had experienced hijacking of a delivery vehicle and 24% had experienced a car hijacking.

Two-thirds of companies said business confidence was being affected by crime.

Amcham said the survey had two specific objectives: to establish data on crime levels, and to provide some form of guidance for Americans wishing to invest in South Africa. – Sapa.

Crime: No room for complacency

(74B) M+G(MM) 4-11/4/96

Economic issues frequently override the fear of crime for prospective investors in South Africa, writes Madeleine Wackernagel

CONTRARY to popular wisdom, South Africa's high crime rate is not a significant deterrent to foreign investment, according to a new survey.

Professor Robin Lee, who collated the research for the Nedcor Project, was somewhat surprised at the result, having expected crime to play a more important role in foreign investment decisions. In many respects, the conclusions are predictable: issues of competitiveness and economics come first, social factors second.

But local investors and foreign companies already operating here are being hit — hard. According to Lee, other research done by the Nedcor Project shows that investment plans are being postponed or, in some cases, shelved completely.

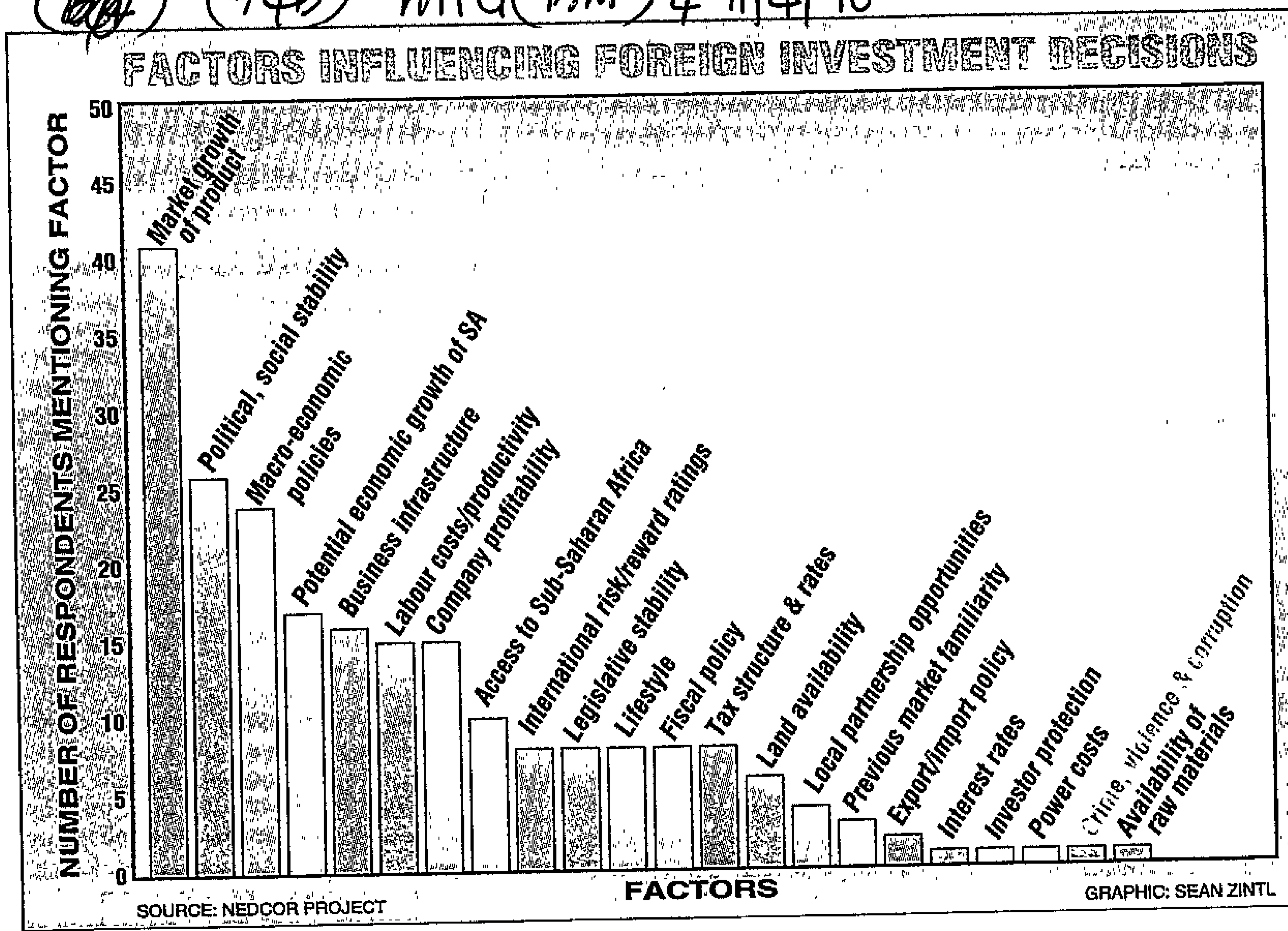
Indeed, a survey by the American Chamber of Commerce (AmCham) released this week shows that 48% of respondents — mostly companies with more than 200 employees — had suffered a delivery vehicle hijacking and 24% a car hijacking in the past 12 months. A total 27% had experienced the assault of an employee, and 48% had been victims of burglary or a break-in.

The problem is particularly acute in Gauteng. Dr Ben van Rensburg of the South African Chamber of Business (Sacob) says: "In Sacob's experience, crime is definitely a high-profile issue. Many of our members have been subjected to some sort of personal attack, especially in Gauteng."

Staffing problems are an issue, even for the big multinationals. Van Rensburg quotes a visiting Danish executive as saying he would never want to live behind barbed wire, in constant fear for his personal safety.

Smaller and medium-sized businesses are more likely to be put off by crime than the bigger corporations, says Klaus Schuurman of the South African-German Chamber of Commerce, because the impact on their investment of hijacking, personal safety, etcetera, is more immediate.

The AmCham report highlights that the cost of security protection to combat the unusually high levels of crime was an additional inhibiting factor to investment. Almost two-thirds of respondents said business confidence was affected somewhat by prevailing crime rates; 28% said they were not affected.



Surprising facts: Crime is not a significant deterrent to foreign investment

PHOTO: HENNER FRANKENFELD

Under siege: Burglars and hijackers have put foreigners in the line of fire

An overwhelming majority (86%) felt the levels of appropriate police resources were inadequate to handle the crime level, with another 80% saying they felt the service levels of the police were poor. The most serious risks to business were hijacking (27%), theft and shrinkage (17%) and threats to people (10%).

Is the government doing enough? The problem, says Graham Simpson, director of the Centre for the Study of Violence and Reconciliation, is one of co-ordination at intergovernmental level. There are no quick fixes; government should seek a co-ordinated approach, encompassing all departments from education to the prisons service and social welfare.

Most of the companies surveyed by Lee made the distinction between the transitional and permanent nature of a high crime "culture" — if the latter were to develop here, it would put South Africa in the same category as Nigeria, which is not a popular investment destination. But at the same time they did not think private intervention was necessary; it was more important for government to produce cohesive crime prevention strategies.

In addition to the above factors, for many multinationals, crime is relative. Russia and Colombia, for example, present far greater problems for companies' operations.

Said one interviewee: "What we have found to be a problem is 'opportunistic violence'. But South Africa is not Russia, where you have to hire bodyguards for visiting executives."

A more important indicator of investor sentiment is that political and social stability scored very high, coming second after product opportunities. The years of isolation and disinvestment experienced by South Africa during the apartheid era are testimony to the belief that social upheaval is a far greater threat to investment than so-called opportunistic crime.

Latin America is a case in point. Years of political upheaval and government instability have taken their toll on investment plans, but relative to the rest of Africa, South Africa still fares well.

A survey of investment risk ratings, ranking countries from nought to 20, puts South Africa second, after Botswana, at 16,33. Rwanda scores 000, with Mozambique at two, Zimbabwe 12,67 and Nigeria 5,32.

Thus it would seem that foreign investors draw a distinction between political violence — which has dropped by more than 50% since the elections in 1994 — and general crime. But should "ordinary" crime rates escalate further — and South Africa is still the most violent country in the world — foreigners may interpret this as indicating a lack of effective government.

Such a situation could well spiral. Says Lee: "Foreign investment could suffer in any one of three scenarios: the public taking the law into their own hands as regards 'ordinary crime'; corruption in government at the local level; and high levels of public discontent with government's failure to control crime.

"In these scenarios, crime or its consequences threaten political stability and go straight to the top of any foreign investor's agenda."

But, he adds, the long-awaited National Crime Prevention Strategy, due to go before the Cabinet this month, should go some way to allay foreign and local investor fears. The key is strategic direction from government. While the problem is of a long-term nature, there are short-term measures to be taken that would at least send the right signals in terms of government intent.

Control crime or lose out on investment, says new poll

(3EP)(74b)

Company executives in South Africa were optimistic about the economic future but concerned about political volatility and the crime rate, a survey showed this week.

The poll by the American Chamber of Commerce in SA said many members believed the country would lose out on investment unless measures were taken by the Government to curb crime, theft and fraud.

Citing UN statistics, the survey said SA recorded the highest number of reported murders and assault cases in the world in 1991.

The American Chamber of Commerce is made up of US and SA business bodies. Of the 104 chief executives who responded to its poll, about half had suffered a burglary and a hijacking in the past year.

South Africa remains riven by the economic gulf separating its six million whites and the rest of its 40-million-strong population.

While pointing to racial, ethnic and political tensions as well as a "culture of violence", the overwhelming majority of businessmen who responded to the poll put the high crime rate down to socio economic causes. – Reuter

Star 6/4/96

SA will attract foreign investors soon – banker

(74B) Sowetan 18/4/96

Vorld Bank's Madavo confident hat wait-and-see attitude over

ly Mzimkulu Malunga

T WAS ONLY a matter of time before foreign investors started coming into South Africa, said the World ank's new joint vice-president or Africa, Callisto Madavo.

In an interview with *Sowetan usiness* in Soweto yesterday, ladavo said the wait-and-see titude that foreign investors ad maintained so far towards outh Africa was not peculiar to is country.

He was visiting the Manelaville squatter camp in Diepkloof, Soweto. He is in the couny until Sunday.

The visit was part of Madao's programme in which he ill meet Government offiials, entrepreneurs as well as rdinary people.

What needed to happen in is country, said Madavo, was or the new Government to aintain its proper management f the economy and intensify the econstruction and Developent Programme.

ave example

e gave, as an example the hillipines, where after transion from dictatorship to democcy, investors took time to go . It was only towards the end started building up.

"I am not saying South Africa can afford to wait for that long, but things can turn very quickly once confidence is restored," he said.

Good infrastructure

Unlike other parts of sub-Saharan Africa, argued Madavo, South Africa was blessed with good infrastructure and a healthy economy.

"This country's prospects are so big that it is impossible not to notice," said the Zimbabwean-born economist.

Madavo's appointment marks the first time an African has been in charge of the operations of the whole of sub-Saharan Africa – one of the poorest areas of the world.

Continent of his birth

He has, together with Frenchman Jean-Louis Sarbib, succeeded Edward Jaycox, who has retired.

Jaycox, who earned himself the name of "Mr Medicine" as he was the architect of structural adjustment programmes in Africa, retired at the end of last month.

Madavo said he was excited to be returning to the continent of his birth after working as a

Doing it the African way ... Callisto Madavo (second from right) stirs a pot of *maimai* with the help of the head of World

MAIL & GUARDIAN
April 19 to 25 1996

Foreign investors adopt a wait-and-see attitude

(74b) M+G (Bm) 19-25/4/96

Madeleine Wackernagel

b

The rand retreated from its record lows this week, no thanks to Trevor Manuel's insistence that the government's position on exchange controls remains firm.

The finance minister is labouring the point, said one economist. He should have made suitably reassuring noises at the onset of the crisis, and then let the markets get on with it. "The more you say exchange controls won't be lifted, the more the market expects the opposite. After all, it was proven correct on Chris Liebenberg's resignation."

And while some big bang proponents think the time is still ripe to act on controls — with the rand so low there is less to lose, runs the argument — there is a growing belief that the opportunity has been lost.

If the government had acted two months ago, when the rand was trading in the late R3,90 range to the dollar, the effect of liberalisation would have been a certain depreciation, but then a rebound as foreign investors took advantage of the cheap currency and reinvested.

Now, with the prospects for a rand recovery diminishing rapidly and the threat of liberalisation at some time still hanging like the sword of Damocles over the market, investors are adopting a wait-and-see attitude. The currency could tumble further — a R5 exchange rate is not entirely fanciful — and they are unlikely to buy into this economy only to see the value of their capital dwindle if and when controls are lifted.

South Africa's structural problems are coming home to roost, says Asghar Adelzadeh of the National Institute for Economic Policy. High interest rates are necessary to maintain the capital inflows, which in turn are needed to offset the current account deficit. This trade imbalance, combined with dwindling reserves, is adding to the currency's woes.

Short-term capital made up 80% of the total inflows between 1980 and 1994; the economy pays for it in the form of interest on government bonds, unlike investment capital. Having to find these funds adds to market uncertainty, Adelzadeh adds.

But Dennis Dykes of Nedcor says whatever the size of the reserves, a confidence crisis will spark a run on the currency.

What we need now is a period of consolidation, if only on technical grounds, as the market realises the crash has been overdone. After two runs, a stabilisation is typical, and the rand is showing signs of firming.

How long it lasts is anybody's guess.

Erwin urges Italian investment in SA

(74B) (...) CT (BR) 24/4/96

From Sapa

Johannesburg — South Africa was a great admirer of the Italian economy's innovation, quality and product strength, Alec Erwin, the trade and industry minister, said yesterday.

"We would like very much to emulate that," he told an Italian and South Africa investment conference.

Erwin urged Italian investors to seek partnerships with established and new South African businesses.

"There is a lot of energy in South Africa that needs to be tapped," he said.

He outlined developments in the South African economy and the quest for new partnerships that boosted trade and investment, noting that growth was the highest in two decades and macro-economic indicators were sound.

However, the challenge was to push growth to 6 percent and improve the economy's employment creation capacity.

A quiet revolution was under way in the public service, Erwin told delegates.

The civil service, he said, was being shrunk, skills and efficiency improved and salaries increased in order for the public sector to facilitate economic growth.

Augusto Fantozzi, the Italian finance minister, said his country was a great admirer of South Africa's democratic development and move to reconciliation.

Also impressive, he said, was the shift from an inward to outward focus in the South African economy.

The challenge, Fantozzi said, was to raise direct investment between South Africa and Italy.

Italian business confidence in South Africa's economic potential was high. "Italian businesses are ready and willing," Fantozzi told the conference.

Trade between South Africa and Italy is worth about $4 billion a year showing an increase of almost 40 percent between 1994 and last year.

Italy had the fifth largest economy in the industrialised world, Fantozzi said.

Foreign multinationals bullish about SA

(74B) BD 25/4/96

Simon Barber

WASHINGTON — Foreign multinationals, responding to a new survey by the Washington-based Investor Reponisbility Research Centre, sounded a generally bullish note about d~ing business in SA, and nearly 40% said they planned to make new investments in the country this year.

But SA scored low marks for crime, labour productivity and industrial relations, compared with other emerging markets.

A broadly representative sample of 261 firms from 18 countries answered the survey. Of those, 59% had direct investments, subsidiaries or employees in SA, while the remainder had such non-equity links as distribution, licensing or agency agreements.

Asked to assess the current state of the economy, 47% said "good", 45% said "satisfactory", and 60% predicted improvement this year. Firms saying they were likely to make new investments this year tended to be in finance and real estate, communications and transport, and construction sectors. However, only 8% of Japanese companies said they had any expansion plans for SA.

Outright majorities of 53% and 66% respectively preferred SA to all other emerging markets for the availability of raw materials and for infrastructure, 49% thought SA had a better legal environment and 43% gave SA top marks in its class for macroeconomic policy.

While SA did not do well in the political stability department, with only 28% putting it in the "better" category, a 56% majority considered it on a par with other developing economies. Meg Voorhes, who directed the survey, said: "A mere two years after the country completed its first non-racial democratic elections, the vast majority of responding firms perceive SA's political stability to be comparable to or better than that in other emerging markets."

The negatives grew stronger on the question of ability to repatriate earnings, with 19% saying saying SA was "worse" than others. Still, the naysayers were respectably outnumbered by the 27% who said SA was better.

On labour relations, 35% said SA was a worse place to do business, only 13% a better one. As for productivity, the split between those who thought SA a sub-par performer and those who though its compared favourably with others was 24% to 16%.

Most of the complaints about productivity and labour relations came from companies in mining, construction, transport and manufacturing. The complainers were also disproportionately European.

As for crime and violence, about 79% thought SA suffered by comparison with others, but multinationals "appear not to assign much weight to this factor in their investment decisions".

Crime rate worries foreign investors

(74B)

Business Editor

FOREIGN companies with investments in South Africa give the country a fairly clean bill of health and more than a third plan additional investments this year.

This is the finding of a survey of 261 companies by the influential Investor Responsibility Research Centre (IRRC) in Washington.

But the IRRC found that foreign companies were worried about the crime rate.

Asked to rate South Africa with respect to other emerging markets, the companies surveyed gave the country high marks for infrastructure and availability of raw materials. Four out of five also found South Africa's legal environment and management of economic policy was at least as good as those of other emerging markets.

ARG 25/4/96

But more than a third said labour relations were worse than elsewhere, 42 percent said labour productivitiy was lower and a hefty 79 percent said crime and violence was higher - though the IRRC said multinational firms probably did not give much weight to this factor in making investment decisions.

European companies - by far the largest foreign employers in South Africa - rated labour productivity particularly low.

Canadian companies were especially bullish on plans for new investments, while only eight percent of Japanese companies surveyed said they intended to expand their South African investments.

The IRRC said the survey, completed last month, was fairly representative of the 1 800 multinational parent corporations doing business in South Africa.

US companies reluctant to invest in SA

(74B)

Only one US company invests in SA after a high-powered delegation's visit

Sowetan 26/4/96

By Pamela Dube
Political Reporter

CONTRARY to expectations, only one American company has invested in South Africa following a marathon visit by a high powered delegation from Gauteng.

Yesterday – at a report back meeting on the 15-day trip to Western Europe, the United States and Cuba – Gauteng premier Tokyo Sexwale and his delegation could only confirm a R400 million investment by New York-based company called Pro Ventures.

Apart from the investment pledge by Pro Ventures, Sexwale and his delegation could only give a list of companies that showed interest to invest in the country.

While the delegation tried hard to convince the meeting that there was high foreign interest to invest in South African, reality is that investors are reluctant to commit their money to this country as they first want to have guarantees of economic and political stability.

> South Africa is union country says Sexwale

Labour costs a priority

One of the delegates, businessman Prince Muzi Dlamini, said labour cost was one of the main concerns for American business.

The cost of labour in South Africa is estimated to be five times higher than that of other emerging economic giants such as Malaysia, Dlamini said.

"Our hope as business is for the Gauteng government together with central government to address these concerns, otherwise American companies will no doubt leave out South Africa when considering investment in foreign countries," he said.

In response to the labour cost issue, Sexwale said the Gauteng government made it clear to the American business community that South Africa "is a union country. Labour has constitutional rights to demand fair wages and to go on strike".

He added that American business was convinced and "understood that for a healthy economy we have to rid our societies of slave wages".

Dlamini said the "after-Mandela" factor was also another issue that fuelled the apprehension of American business.

"Business is concerned about there being stability when President Nelson Mandela goes."

On the Mandela issue Sexwale said while business concerns were understood, "it was important to make it clear that there was continuation and sustainability of his (Mandela) policies. The concern in the ANC is not who will be Mandela's successor, but whether we will continue where he left".

> The 'after Mandela' factor was an issue

Plunge of the rand

The continued plunge of the rand was also of major concern, "but that should not keep away investors".

"It should be understood that because the rand was protected all these years, it is now suffering knocks of competition. That is just natural," Sexwale said.

Apart from the general guarantees business demanded from the Gauteng delegation, of more importance, Sexwale said, was the size of the market.

To convince investors, he added, the key focus was to present Southern Africa as one entity.

"We should position ourselves firmly within a zone of a 120 million people-regional market," he argued.

Another disturbing factor the Gauteng delegation discovered during their visit was that some states still maintained economic sanctions against South Africa.

However, the delegation which included business executives from Development of South Africa, Old Mutual, Fabcos, Chikane Hunt Lascaris, Centre for Scientific and Industrial Research, Vela International, Likusasa Trading, SA Breweries, Thebe Investment, Volkskas Bank, Capital Alliance and First African Technologies, believed it did not come back empty-handed.

Gauteng premier Tokyo Sexwale briefs businessmen, diplomats and journalists in Midrand on his recent visit to Switz land, the US and Cuba with senior government officials and businessmen.

Picture: GARTH LUM

Foreign investors still unsure on SA

Kevin O'Grady (74B) BD 26/4/96

A RECENT Gauteng government and business visit to the US and Cuba had secured likely new investments worth more than R1,7bn, but there were still several issues of serious concern to potential foreign investors, delegates said yesterday.

At a briefing on the trip, at Midrand near Johannesburg yesterday, provincial economic affairs standing committee chairman Andrew Feinstein said about 10 "major projects in a range of sectors and ranging in size from $40m upwards" were discussed.

However, he and Gauteng premier Tokyo Sexwale, who led the delegation, declined to give details of the projects, saying these would be disclosed by the organisations concerned "in due course".

Feinstein said key areas of co-operation with Cuba had also been identified, although these dealt largely with SA trade with and investment in that country than Cuban investment in SA.

Likely areas of co-operation were in the pharmaceutical industry and in the field of technology for mining and construction.

Business delegation spokesman Prince Musi Dlamini said US businesses' key concerns included SA labour costs, exchange control and fund repatriation, and stability in SA, particularly in strife-torn KwaZulu-Natal.

Defence dept 'bought car for top IFP official'

BD 26/4/96

DURBAN — The former government's defence ministry had authorised the purchase of a brand new Volkswagen Jetta for IFP deputy secretary-general Zakhele "MZ" Khumalo after a massacre of 13 people at KwaMakutha in 1987, the Durban Supreme Court heard yesterday.

This emerged during cross-examination of confessed IFP murder squad operative Bhekisisa Alex Khumalo, who is testifying in the murder trial of former defence minister Gen Magnus Malan and 19 others, including MZ Khumalo. They have pleaded not guilty to charges of murder, attempted murder and conspiracy to commit murder arising from the massacre.

Leading yesterday's cross-examination, defence counsel Jeff Hewitt said a secret military signal issued by the defence ministry in September 1988 had led to the purchase of MZ Khumalo's car to assist him with "IFP activities".

Hewitt said MZ Khumalo had requested a new car due to "the enormous amount of kilometres" he travelled while performing IFP duties.

The Jetta became the focus of the proceedings after Bhekisisa Khumalo alleged he had noticed it parked at the scene of a "mock hit squad attack" near Ulundi on the day before the KwaMakutha attack, January 21 1987.

However, Hewitt said the military signal proved that the car had been bought only in 1988 and could ther fore not be linked to the massacre.

The attack was allegedly intende to kill United Democratic Front a tivist Victor Ntuli and carried out t an IFP murder squad that receive training from the SADF at a secret i land base in the then South Wes Africa's Caprivi Strip.

IFP trainees were allegedly trans ported back to KwaZulu-Natal to tak part in a covert operation, Operatio Marion, aimed at undermining th ANC and its allies in the province.

MZ Khumalo is alleged to have beer partly responsible for the recruits' ac tivities after their return to th province. Earlier in the trial the cour heard the 1988 military signal hac been prompted by a meeting between MZ Khumalo and one of Malan's officers. Khumalo had allegedly requested a meeting with Malan after some of the trainees became "restless", the court heard. The signal also allegedly instructed military officers to speed up Operation Marion.

Earlier yesterday, Bhekisisa Khumalo said the military intelligence officer allegedly responsible for ordering the massacre had been informed beforehand that Ntuli did not appear to live at the target house. He said he had reported this information to Opperman, who later ordered the murder squad to carry out the attack. — Sapa.

SA ranked poorly on ING global market list

(74B)

By Neil Behrmann

CT(BR)11/5/96

London — The investment bank ING Barings has ranked South Africa well down the list of global equity markets in its latest global strategy report.

The bank rated South Africa 37th of 54 developed and developing stock markets.

"The currency turmoil will put off investors in the short run, but South Africa should appreciate ... when gold and metal markets rise," said Angela Cozzini, a global strategist at the bank.

She said emerging equity markets often performed late in the cycle when opportunities in developed markets faded. The bank thus expected about $45 billion to flow into emerging markets this year, three times the net inflow of $15 billion last year.

The bank was bullish about global equities because markets were awash with liquidity.

"Broad money growth of the major economies is currently the fastest for more than six years.

"Such ... expansion is typically followed by faster economic growth in six to 12 months. Thus, monetary measures clearly point to a world economic revival by mid-1996 and expansion will continue uninterrupted until 1998."

She said the bull market in bonds was over, but equities should rise further. Once economies were moving, there would be much greater demand for commodities and real estate. She predicted the dollar and gold would gain strength.

Using key liquidity indicators such as credit flows and interest rates, the bank said the most promising markets were Spain, Mexico, France, Chile, Japan, Mauritius, Colombia, Canada, Poland and China.

Asian markets were mainly in the middle and bottom of the list.

Singapore was ranked 33rd, Malaysia 36th, Hong Kong 38th, Bangladesh 39th, Germany 40th and the US 41st.

The least-favoured markets, from bottom, were the Netherlands, Morocco, Australia, Sweden, India, Indonesia and New Zealand.

Sowetan BUSINESS

Developing the Maputo Corridor will cost more than R1-billion – Page IV

The T&GWU is critical of the Green Paper on Transport – Page II

Real power is economic

Investment drive helps SA

(746) Sowetan 7/5/96

Trips by politicians overseas yielded R22 billion in investment

By Pamela Dube

THE R22 BILLION rands which flowed into South Africa last year was a result of overseas investment drive trips by the country's political leaders, says Gauteng Premier Tokyo Sexwale.

The money, he said, came in despite the political violence in KwaZulu-Natal, crime and labour uprisings.

In an interview with *Sowetan Business* over the weekend, Sexwale said his mission to East Asian countries last year resulted in R2 billion investment flow to Gauteng.

Multinational corporations like Daewoo, Samsung, Hyundai, LG International, Sarand, Bio-Supreme, Great China Trading Co, Shangai Bank and Hyatt Hotels opened operations in Gauteng following the visit, Sexwale said.

The trip, Sexwale said, also resulted in the establishment of the Hong Kong Trade Development Council office in Johannesburg.

"Just observing the industrial park signs in Midrand reflects the contribution they are making to the economy," he said.

Attracting investors

While the Asian trips seem to have succeeded in attracting investors to this country, the same cannot be said about the recent trip to the secret banking capitals in Switzerland, the United States and Cuba.

He said the 15-day high profile trip to the three countries in February "was too recent and therefore it is more difficult to quantify the benefits. But all indications are they might exceed East Asia".

However, he recognised the fact that Asians had more interest in South Africa than the West. East Asian investors were "more tolerant of our transformation realities than those from the old, industrialised countries".

European and US investors had more concerns about the political stability, the post Mandela factor, crime and productivity issues.

"Just observing the industrial park signs in Midrand reflects the contribution they (investors) are making to the economy"

He said the national Government had programmes in place to fight crime and foreign investors were "aware of our good intentions".

Sexwale believes the media and business "including our international competitors, deliberately exaggerate the crime situation".

"Nobody questions organised crime in most of the developed countries. Why is it that nobody seems to be concerned with American, Chinese and Italian mafia? It's all in the name of economic politics."

Some investors were concerned about the size of the South African market and there was a need to market the whole of southern Africa as one unit. This was in line with the Southern African Development Community (SADC) strategy.

Gateway to Africa

The region is a 120 million people market, but South Africa with its infrastructure has systematically placed itself as the "gateway" to Africa.

However, Sexwale decided to coin a new "appropriate sale ticket to the world" and sell SA as the "tollgate" to Africa.

"This way we don't have foreign business passing through our country without ploughing back into our economy."

Building the tollgate...Sexwale is bullish about investment prospects in South Africa and the rest of Gauteng region.

While the Government seemed to be more content with putting business-friendly programmes in place to attract foreign investors, the past two years had seen little impact on the unemployment rate.

The country still has one of the highest unemployment rates estimated at 40%.

The failure of massive job creation was due to the fact that most of the foreign investment flowing into this country was short-term, mainly going to the Johannesburg Stock Exchange.

"This does not do much for human resources and the growth of our economy. When the market shakes, foreign investors withdraw their money," said Sexwale.

"This way we will not have foreign business passing through without ploughing back into our economy"

'Give blacks real economic power'

By Pamela Dube

THE Government should begin unpacking the concept of black economic empowerment "otherwise we'll get hoodwinked into believing that the needs of the majority are being addressed," says Gauteng Premier Tokyo Sexwale.

In an interview with *Sowetan Business*, Sexwale said big business was paying lip service to black economic empowerment and affirmative action.

Big business has a habit of taking on board a few black faces instead of putting in place programmes of uplifting a broad section of black business people.

"All that they say is 'be black enough, be a recognised leader in your community' and you will sit in our board," Sexwale said.

This tendency, he added, was used to play down workers' demands.

Sexwale said he believed the Government and big business needed to interact and work out strategies of addressing active participation of workers and black business in the economic mainstream.

While failing to address the real needs of job creation and training of unskilled workers, big business had a tendency of donating a few rands or facilities to recognised community projects, and "they call it social responsibility programmes".

Deceive our people

"Then they invite us – political leaders – to cut ribbons and in that way we deceive our people to believe that a particular business has their interest at heart.

"I don't cut ribbons as a matter of principle. If big business invites me to open a factory in black communities, then they are talking business," he argued.

Sexwale noted that the current Government was fortunate as there are various lessons which can be learnt from other parts of the world on crucial issues such as affirmative action.

Affirmative action policies in countries such as Malaysia have been successful because they were entrenched in the countries' legislation and the South African one should follow that route, he said.

In an American state of the federal government adopted a quota system whereby 40 percent of government tenders were given to emerging black business, "then they could decide what to do with the 60 percent. If we adopt such practices, we will see positive growth," said Sexwale.

"All what they say is 'be black enough, be a recognised leader in your community' and you'll sit on our board"

BUSINESS NEWS

Union tackles vexing issue of transport

Sowetan 7/5/96

But it does not say how efficiency can be achieved without competition

TRANSPORT plays a pivotal role in the economy through its ability to link production, trade and consumption. Labour Reporter **Abdul Milazi** looks at proposals by the Transport and General Worker's Union for a national transport policy...

SOUTH AFRICA NEEDS a transport policy that will promote economic growth while ensuring the development of underprivileged communities.

In a document released last week, the T&GWU proposes that the Government should ensure that the transport system is changed from one that was moulded along apartheid lines, to one that will allow the country to grow.

The document highlights what the union sees as flaws in the Green Paper on transport released by Minister of Transport Mac Maharaj recently.

One of the flaws of the Green Paper, says the union, is that it focuses on transport as a separate entity – and not as part of the country's social and economic development programme.

The T&GWU's vision is that the policy should be based on acceptance of the fact that transport is the key integration factor in the economy, and that it has the capacity to enhance economic polarities if it is not properly managed.

The Green Paper proposes that the Department of Transport hands over responsibility for key services to the private sector, and entrusts regulatory functions to independent agencies

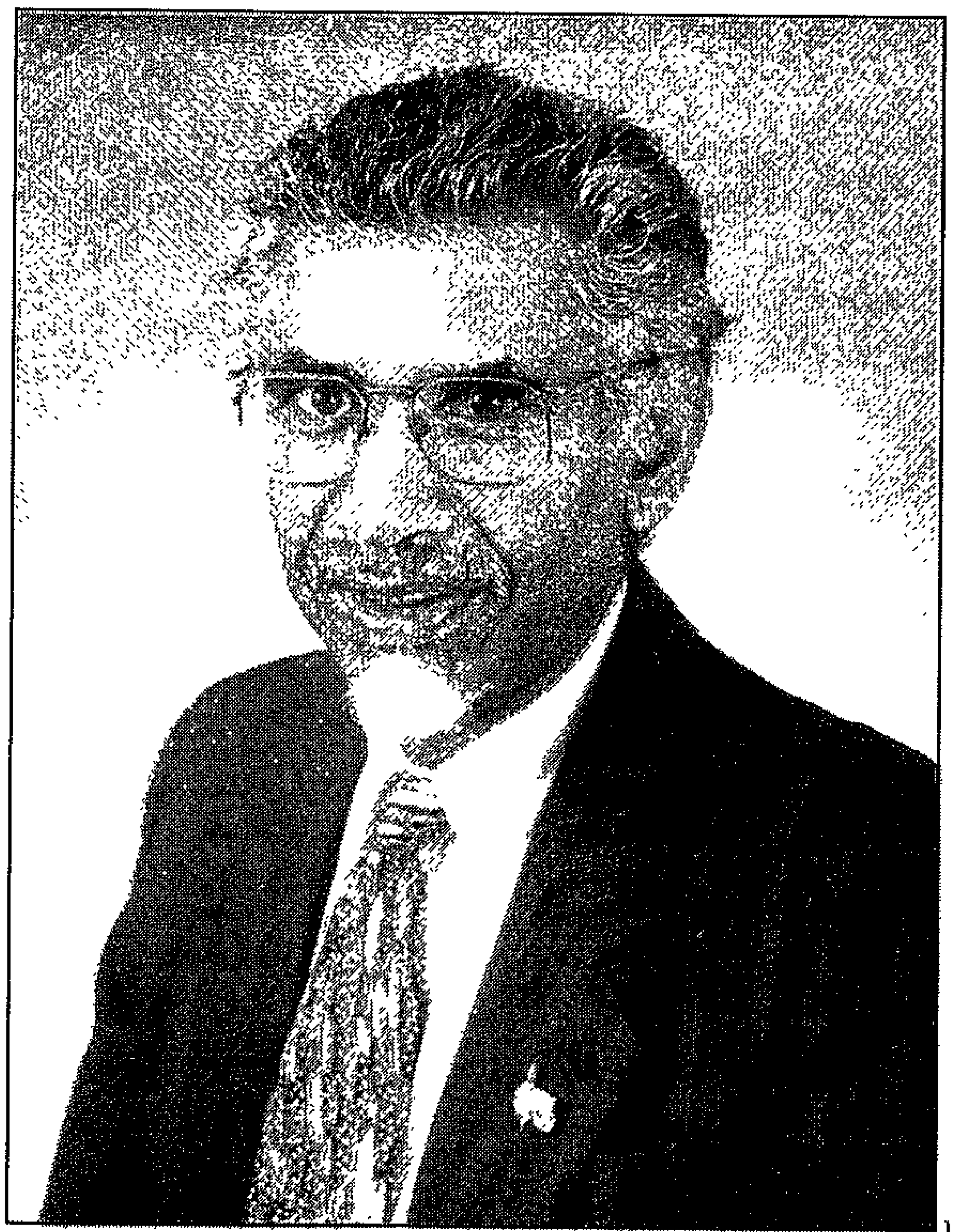
This, it argues, could save the Government much needed funds for the Reconstruction and Development Programme.

However T&GWU general secretary Randall Howard says it is the Government's duty to provide core transport services. "It is also the role of the government to provide monies to ensure access and affordability for key users, particularly consumers."

Howard also argues that a suitable transport policy should be consistent with the RDP in that it must promote job creation, advance the redistribution of wealth, increase access to goods and services in both urban and rural areas as well as ensure that services are affordable.

However, the T&GWU's document is not clear on the issue of efficiency and there is the danger that this lack of clarity could be construed to make it seem that it is in fact supportive of business's view on the issue.

Business has continually argued that as long as Government remains the sole provider of public services like transport, it leaves no room for other competitive providers to offer improved services.



The T&GWU is critical of Minister Mac Maharaj's Green Paper on Transport.

While the union's call for government ownership and control of the transport industry is intended to benefit the majority, the guarantees that efficiency can be obtained in the absence of competition is not explained.

Rejects proposals

Also, while accepting the recommendations of the National Taxi Task Team to level the playing field between the various modes of transport to promote the economic viability of the informal sector, the union rejects Government's proposals for "regulated competition" as a means to achieve this.

Howard argues that this approach contradicts the goals of the RDP and fails to address the basic economic problems in public transport.

But the union provides no viable solution on how the levelling of the playing field can be achieved without regulation. The union's proposed government subsidies for commuters to ensure affordability of services, may not appeal to external investors if it spells interference with pricing in the light of global competitiveness.

The major issue though, which all concerned should not miss, is not really that of the efficiency of public transport – but how to extend provision of such services to communities that were previously denied transport by apartheid's design.

Unctad points the wa to the future

By Maxwell P

THE Department of T and Industry (DTI) says first week of the ninth sion of the United Nat Conference on Trade Development (Unctad has been a major suc

Mr Trevor Ab special adviser to the nister of Trade and In try, told *Sowetan Bus* at the end of the first w of the conference that conference pointed in direction of things were feasible.

"We have seen a of frankness that you never see at other con ences of this mag For example, when Tanzanian minister sp of corruption he was longer pointing a fing others but at himself to

Boldness

Abrahams said such b ness by government cials "sets the tone that need to be critical of actions".

He said openness also imperative for greater coordination Unctad needed.

Notable also was high level of coh highlighted by agenc like the World Bank the World Trade Organi tion (WTO) in the f week of Unctad IX.

The global confere is seeking to promote n partnerships among member states. There i desire to move away fr the old partnerships in b tles for political liber to those that would m an impact in the fight economic liberation.

Partnerships

"And we need to ask selves, before we go i partnerships, what these new partnershi Why are we co together?

"What is our comm objective and what are working towards?

"We are here to try promote and strengthen relationships with ci society, the private sect labour as well as intern tional multilateral insti tions on issues like ent prise development"

Abrahams also call for greater coordinati among institutions such the WTO and the Intern tional Monetary Fu (IMF) which he said "ne to cooperate, not compet with each other

On the future role Unctad, Abrahams said d club "must be an arena, committee that sits to di cuss rules before they passed by the WTO f instance .

Few invest in Africa, but returns high for those who do

74B

ARG 8/5/96

MIDRAND. – Every so often the international spotlight focuses on Africa and how the continent can drag itself out of the depths of underdevelopment.

So far no magic wand has appeared that offers a fix-all solution, but delegates at the ninth United Nations Conference on Trade and Development (Unctad IX) agree that what is needed desperately is more foreign direct investment and policies to diversify African economies, largely dependent on commodity exports.

Unctad says out of every 10 developing countries, eight draw more than 70 percent of their total merchandise export revenue from commodities. The ratio is even higher in Africa, where most countries depend on one or two commodities for more than 90 percent of their export earnings. They have been hard hit by shrinking commodity prices, which fell annually by 5.2 percent in the 1980s.

According to the World Bank, it is countries like these that have been the slowest to integrate into the global economy. Those that have grown fast have diversified into non-traditional commodities such as fruits, vegetables and shrimps. Examples of such countries are Thailand, Malaysia and Chile, but opportunities for growth continue to elude many other nations.

"If they have nothing to sell they will not trade," notes British Trade Minister Anthony Nelson.

"If the goods they make are not competitively produced they will lose out. And, if they do not provide a stable economic environment they cannot attract and retain investment. Countries too heavily reliant on commodities will remain vulnerable to external shocks. Those who are ignorant of trading opportunities or who cannot communicate effectively with the outside world will be equally disadvantaged."

It is in manufacturing and industry that the greatest challenge lies, according to South Africa's Deputy Trade Minister, Phumzile Mlambo-Ngcuka. She says the continent faces enormous challenges "to dynamise the continent's economies and broaden its manufacturing and industrial bases". South Africa has taken over the four-year presidency of Unctad, whose ninth session – which has drawn 3 000 delegates – ends here on May 11.

Unctad sees foreign direct investment (FDI) as an instrument through which capital, technology and managerial skills can be channelled to developing countries.

Although returns from FDI are high in Africa, very little investment flows in. In 1995 Africa attracted only two percent of global FDI even though the rate of returns for US subsidiaries in Africa in recent years has been higher than in both developing and developed regions, the conference noted. – Sapa-IPS.

New investment moves south

(74B) ARG 8/5/96

Business Reporter

NEARLY half of the R1,8 billion in new investments approved by the Commonwealth Development Corporation in 1995 were in sub-Saharan Africa, according to the annual report just released in London.

New investments represented an increase of 15 percent over the figure for 1994. Sterling pre-tax return on capital employed was 9,2 percent.

The CDC is involved in two private equity funds in South Africa, with local partners Nedbank, Investec and Fedlife to assist entrepreneurs to develop small and medium sized businesses.

"In addition we are ready to invest up to R400-million in bigger job creation opportunities in South Africa and are currently involved in discussions with a number of interested parties," said David Morley, CDC's director in Johannesburg.

"These discussions, some of which are nearing fruition, primarily relate to developments in the country's agribusiness, infrastructure and tourism."

Mr Morley said the CDC was continuing to develop its network throughout Africa with new offices having been opened in Mozambique and Uganda.

The chairman of CDC, Lord Cairns, noted in the annual report: "Financial constraints are creating a growing challenge for CDC to maintain its momentum.

"While we all feel confident that we could justify the use of greater resources, the CDC team relishes the realities of this challenge."

Total CDC investments at the 1995 year-end totalled R9,7 billion in 369 enterprises in 50 countries.

Search for solutions

As Africa searches for the elusive fix-all solution to her problems, the ninth UN Conference on Trade and Development agrees that foreign direct investment is desperately needed. Gumisai Mutume explains why...

(74B) Sowetan 8/5/96

MIDRAND – EVERY SO OFTEN the international spotlight focuses on Africa and how the continent can drag itself out of the depths of underdevelopment.

So far no magic wand has appeared that offers a fix-all solution, but delegates at the ninth United Nations Conference on Trade and Development (Unctad) agree that what is desperately needed is more foreign direct investment (FDI) and policies to diversify African economies, which are largely dependent on commodity exports.

Unctad says out of every 10 developing countries, eight draw more than 70 percent of their total merchandise export revenue from commodities.

The ratio is even higher in Africa, where the bulk of countries depend on one or two commodities for more than 90 percent of their export earnings.

These countries have been hard hit by shrinking commodity prices, which fell annually by 5,2 percent in the 1980s.

According to the World Bank, it is countries like these, which depend on primary commodities, that have been the slowest to integrate into the global economy.

Those that have grown fast have diversified into non-traditional commodities such as fruit, vegetables and shrimps – like Thailand, Malaysia and Chile – but opportunities for growth continue to elude many other nations.

Retain investment

"If they have nothing to sell, they will not trade," notes British trade minister Anthony Nelson. "If the goods they make are not competitively produced, they will lose out and if they do not provide a stable economic environment, they cannot attract and retain investment.

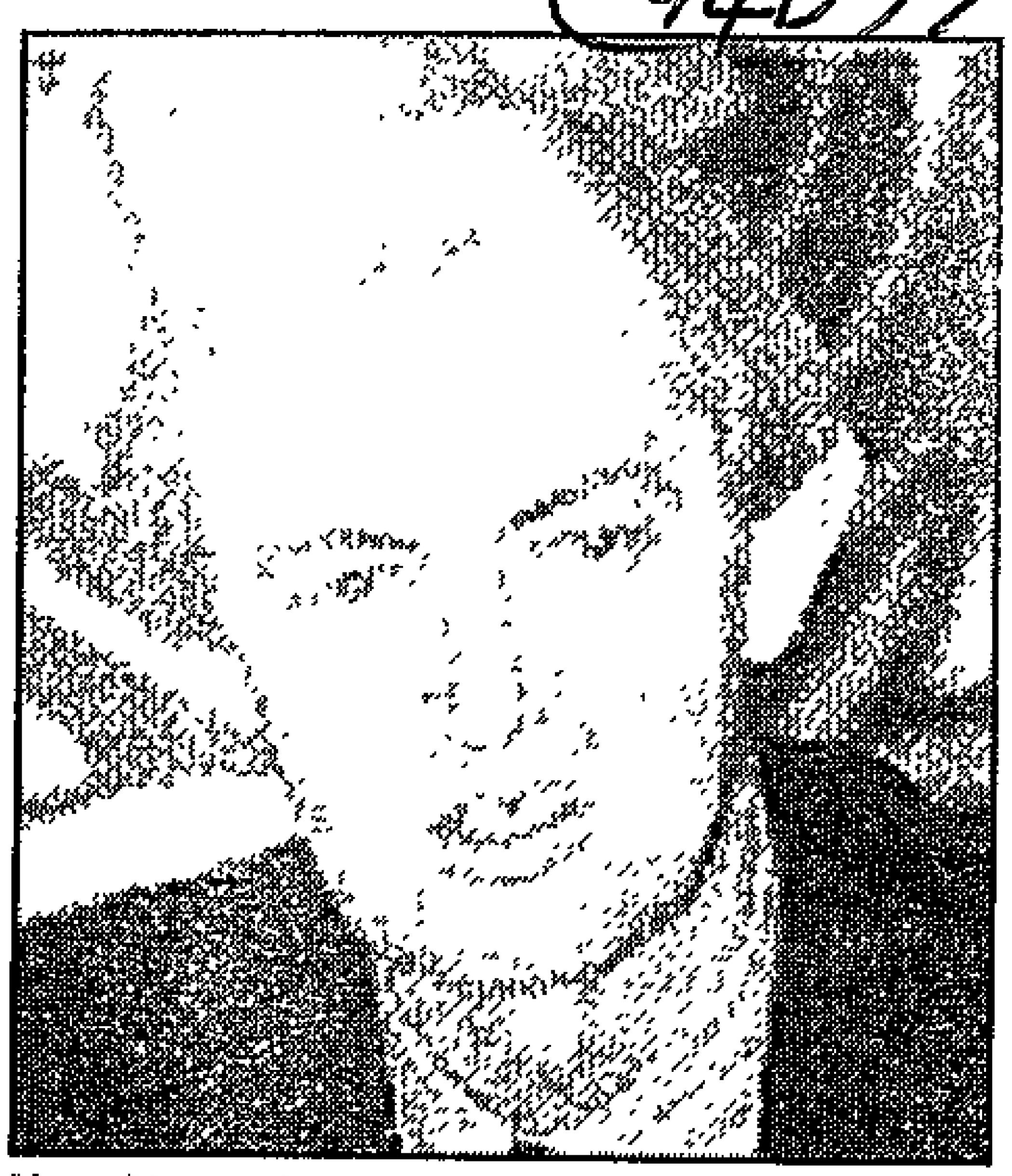
"Countries too heavily reliant on commodities will remain vulnerable to external shocks. Those ignorant of trading opportunities or who cannot communicate effectively with the outside world will be equally disadvantaged."

It is in manufacturing and industry that the greatest challenge lies, according to South Africa's Deputy Trade Minister Phumzile Mlambo-Ngcuka.

She says the continent faces enormous challenges to dynamise the continent's economies and broaden manufacturing and industrial bases.

"We are convinced, however, that only through attracting investment can we begin to address reconstruction and industrial development in Africa," Mlambo-Ngcuka added.

South Africa has taken over the four-year presidency of Unctad, whose ninth session ends on Saturday. The meeting, which has drawn more than 3 000 delegates, focuses on globalisation, liberalisation and international trade as a tool for development.



New Unctad chairman Alec Erwin ... will have to deal with sharp criticism from rich countries during his term of office.

Unctad sees FDI as an instrument through which capital, technology and managerial skills can be channelled to developing countries.

Yet, in sub-Saharan Africa, only South Africa is considered to have attained investment grade. The remaining countries are unrated and seen as having low market credit worth. Thus, although returns from FDI are high in Africa, very little investment flows in.

In 1995 Africa attracted only two percent of global FDI even though it has 12 percent of the world's population and the rate of returns for United States subsidiaries in Africa in recent years is higher than in both developing and developed regions, the conference noted.

Developing countries, both within and outside Africa, are beset by varying problems.

"For the more advanced developing countries, the issue of market access is at the centre," notes Swedish trade minister Bjorn von Sydow. "For the least developed countries, the primary concern is lack of production capacity.

"Therefore Unctad should support the developing countries in establishing favourable conditions for enhanced and diversified production and the development of an effective service sector."

Slow and weak integrators include n[illegible] only [illegible] of the poor economies of sub-[illegible] [illegible], but also many middle-income c[illegible] in [illegible] America, North Africa and the M[illegible].

The World Bank stresses that su[illegible]ful [illegible]eloping nations have strengthened the private sector, abolished public sector monopolies and removed regulatory barriers to foreign firms.

For example, when gold mines were privatised in Ghana, production soared from 8,6 tons in 1983 to nearly 45 tons in 1994. – *Sapa-IPS.*

Since it began last month, the last major Unctad meeting of the 20th century has been embraced by the world's poorest nations – but sharply criticised by the most powerful.

The most visible delegates have been South Africa's President Nelson Mandela and Jordan's King Hussein, both leaders in the developing world.

In contrast, few high-profile Western figures have appeared (US Vice-president Al Gore sent a video message to the conference via satellite from Washington last week).

Radical funding cuts

During regular debates, delegates from the US and the European Union have called for radical funding cuts and a "streamlining" of Unctad's budget.

US Government official Melinda Kimble warned that her country "will not be able to sustain political or financial support" for the UN or Unctad unless both scale down their activities, focusing on "a few well-defined tasks".

Mandela called for "surgical" changes to create a "leaner, fitter" Unctad, while Canadian Member of Parliament John Godfrey said it should have fewer meetings and issue more "meaningful" reports.

In contrast, African delegates have called for the UN to broaden Unctad's role as a watchdog on the World Trade Organisation and a source of technical aid.

Africa, with 33 of the world's 48 poorest countries, has the most to gain through Unctad's activities

"There will be a lot of arguing between rich and poor, North and South, but in the end, the issue is simple – it is a matter of money, and whether it is being well spent," said the diplomat, who declined to be named. – *Sapa-AFP.*

Investment on skids

Sowetan (746)

By Pamela Dube 9/5/96

INFLUX of illegal immigrants, crime and labour uprisings denied South Africa of foreign investment, argue opposition parties in the Gauteng Legislature.

During the budget debate this week, some legislature members felt that Finance and Economic Affairs MEC Jabu Moleketi's 1996/97 budget of R11,1 billion fell short of addressing the needs of Gauteng citizens.

National Party's Patricia Lion-Cachet said the budget was limited in proportion to the province's estimated population of eight million.

She argued that in calculating the population figure, no provision was made for the 8,5 million illegal immigrants in SA, of which 3,1 million hive in Gauteng.

Lion-Cachet argued that even though there has not been any provision made in the budget, the Gauteng government would spend an extra R850 million on illegal immigrants' education, health and housing needs.

During the budget debates, the plunge of the rand and who was responsible for the economic downswing, featured prominently

The Democratic Party, IFP and NP blamed it on the ANC and its allies for their "anti-capitalist policies".

Lion-Cachet said after the democratic evolution, the world around waited for a prosperous South Africa. "What signals did they receive from us? They saw one strike after another, road blockades and increased crime, sending shivers of apprehension throughout the economic markets of the world."

She added that unions "with their vociferous anti-capitalist approach have done us no favour in getting additional investment from overseas."

The labour movement created a "labour elite who do everything in their power to hold on to their own jobs to the detriment of the large number of the unemployed," she said.

DP leader Peter Leon said foreign investors were also wary of "capital controls and state-owned dinosaur" – where the Government was pandering to trade union interests

Leon said Finance Minister Trevor Manuel needed to recognise that "it is no use talking about amorphous markets and currency speculations. Foreign investors want to see a clear economic plan and implementation".

IFP's Musa Myeni said the South African Government needed a long-term economic plan, "not wishful thinking schemes". He said even during the apartheid years, "we never heard of a hike in the prime rate at 19,5%. Everything is going up and our currency continues to plunge. What is really going on?"

The ANC, Pan Africanist Congress and African Christian Democratic Party felt Moleketi's budget would effectively address the imbalances in the education, health and social welfare departments.

SA 'is frightening off investors'

BD 10/5/96 (74B)

Farouk Chothia

DURBAN — IFP leader Mangosuthu Buthelezi warned last night that SA risked becoming the Jurassic Park of the world economy — "a land full of Marxist dinosaurs who nationalise anything that moves and frighten off the foreign investor".

Buthelezi said at an election rally in the city hall that rather than privatising, the ANC was still hankering after nationalisation. Rather than allowing business to make a decent profit margin to reinvest, the ANC was imposing punitive levels of taxation.

Government's occasional economic tinkering had resulted in business confidence being at its lowest ebb in two years, and the rand was "sinking like a lead balloon. Foreign investors want more deregulation and more privatisation — and they are right. They want exchange controls phased out — and they are right," Buthelezi said.

The IFP was deeply committed to the tenets of a laissez faire private enterprise and free market economy. The real engine for growth was small- and medium-sized businesses and the informal sector. They would have to "save SA so big business had the breathing space to establish an internationally competitive export-based economy," Buthelezi said. Yet, the ANC did "nothing" for small- and medium-sized businesses.

Recent events have eroded investor confidence

BD 15/5/96

746

J DANIEL O'FLAHERTY and TIMOTHY E LUKENS

POLITICAL and economic events in SA during the past month have diminished the confidence in SA of many potential US investors.

Too many corporate decision-makers in the US are still unsure that SA's acceptance of a market economy includes the political will to end protectionism and participate fully in a globalised economy. Bluntly put, many are yet to be persuaded that the return of long-term direct investments in SA stacks up with those from competing investment destinations.

Although one might be disappointed by the pace of US investment, it is important to remember that large multinational companies are at least as cautious in making decisions as are governments.

Add to this the growing concern over SA's escalating trade deficit with the US and you have increasing disappointment and frustrations among SA's leadership over the US's ability to help SA's economy take off. Last year SA incurred a $540m trade deficit with the US, up from $140m in 1994.

Although more than 250 US companies have established a presence in SA since President Nelson Mandela called for the lifting of sanctions in September 1993, relatively few have made greenfield investments in job-creating, fixed productive assets. Most of these companies have returned to SA as exporters or as investors in financial markets, having only an indirect effect on the economy. What does this slow pace of direct investment mean?

US companies have initially been testing the breadth of SA's market and the potential for SA to be a regional hub. US companies are attracted by SA's assets — its established private sector and its modern infrastructure, legal and accounting systems. SA is a relatively easy place to conduct business compared with many other emerging economies. Obviously US companies are attracted also by SA's appetite for importing capital goods and high-tech equipment.

Thus the first phase of the re-engagement of our two economies has been a positive one — the continued demand of US products has confirmed US companies' belief that there is a market here.

The second phase — the transition of US companies from exporters to local manufacturers — could now begin. This process depends largely on factors controlled by South Africans:

□ Predictability. US companies do, as Deputy President Thabo Mbeki said last week, "take the long view". It is true also that in taking the long view, direct investors want the greatest possible certainty about the environment in which they will be operating. In the short run, they are subject also to the short-term, unforgiving judgments of financial markets on investment decisions;

□ Exchange controls. The liberalisation of exchange controls is crucial because of the signal of confidence it would send. Although foreign investors might understand that exchange controls apply only to South Africans, the very existence of controls is seen as a vote of no confidence in the economy.

It is a signal also to foreign investors that exchange controls are an available and accepted tool of economic management that could be extended easily to all investors;

□ Labour relations. Clearly the simple arithmetic of wage rates relative to productivity levels is a compelling cost factor for foreign investors who plan to manufacture. SA fares poorly in comparison with many competing economies. Investors also look for evidence that the government's long-term economic plans have the full support and co-operation of labour and that the terms of labour peace are not under continuous renegotiation.

The US companies that have invested directly are keenly aware of the need to undertake training and affirmative action. These companies have brought innovative management techniques and have allocated significant resources to the development of their work forces. Since direct investors take the long view, they are highly sensitive to the symbolism of events such as the recent general strike; and

□ Transparency. Prospective US investors are quite sensitive also to the transparency of government's tendering process and offset policies. This will be true particularly in the restructuring of state enterprises. Companies need to feel confident that government will honour the sanctity of contracts and that the companies are reliably informed about what is expected of them.

Themes struck at the recent UN Conference on Trade and Development in Midrand reflect the successes of other advanced developing countries that have liberalised their economies and abandoned protectionism. That includes not only reducing tariff and quota barriers, but also structures such as competitive access to local supplier and distributor networks.

Progress in these areas will go a long way to answer corporate executives' questions about why they should consider a significant investment in SA.

□ O'Flaherty is executive director and Lukens associate director of the US-SA Business Council, an association of US firms investing in SA.

LETTERS

Germans warn SA must get its house in order to lure investment

(74B)

Wyndham Hartley

CAPE TOWN — The acclaim that greeted President Nelson Mandela in Germany last week was reserved for the man, not the country, with German businessmen warning that SA needed to get its house in order before investment was forthcoming.

Mercedes Benz chairman Jurgen Schrempp — nominated by Chancellor Helmut Kohl to head the SA Initiative of German Business — said SA and its neighbours needed to tackle a number of problems "with the utmost urgency".

Political and social stability in the region should be guaranteed because "without stable parameters investment is not practicable". There is serious concern that when Mandela steps down as president the relative political stability in SA now will collapse.

Schrempp also said that SA's legal systems needed to be "strengthened and crime and violence must be resolutely combated". There is alarm in investor circles over urban crime and political violence in KwaZulu/Natal.

Referring to Cosatu's strike over the inclusion of a lockout clause in the constitution, Schrempp said it was unreasonable for "all-powerful trade unions" to strike for a strengthening of their rights when there was serious unemployment in the country.

In the context of the Southern African Development Community (SADC) Schrempp said taxation on industry needed to be reduced and controls on the movement of capital removed. Deregulation had to happen for currency and capital markets and for goods markets. There is increasing tension between SA and its neighbours over its protectionist policies.

While optimistic about the development potential of markets in southern Africa, Schrempp warned that the region's countries had to become attractive to foreign investors in the light of global competition.

In defending SA, Mandela promised that action on crime was being taken, that the message would get through to its trade union partners in government, that privatisation was a fundamental part of government policy, and that stable political leadership would follow his retirement in 1999.

But, in Schrempp's words, "the radical and peaceful developments taking place in SA are undoubtedly linked to one man, Nelson Mandela. He is striving for reconciliation and his natural authority, coupled with the support of the main political forces in SA, are the best guarantee that the drive for peace and stability will continue."

Comment: Page 12

Foreigners account for 51% of trade on the JSE

BD 16/5/96 (74B)

Adrienne Giliomee

FOREIGNERS accounted for 51% of trade on the JSE in the year to February, with net purchases totalling R6,2bn compared with R800m net sales the previous year, according to the latest JSE annual report.

The total value of shares traded on the JSE rose 19,2% to R73,8bn for the year to February.

JSE executive president Roy Andersen attributed the increase in foreign involvement to the inclusion of JSE equities in the major global emerging market indices, the abolition of the financial rand and improved perceptions of the SA economy. The market capitalisation of all securities on the JSE rose almost 36% to R1 099bn, making the JSE the 11th largest equity market and the largest emerging market in the world.

Andersen said he was pleased with the performances of the underlying indices, with the industrial index rising 30,8% for the year, the financial index 56,3%, the all share index 30,3% and the all gold index 17,1%.

Liquidity — measured on the basis of equity turnover as a percentage of market capitalisation — rose markedly towards the end of the year when it exceeded 10%. However, the average liquidity for the year came to 7,8% against 7,3% the previous year.

Andersen said constraints to liquidity were exchange controls, the maintenance of marketable securities tax of 1% on agency share transactions and the stamp duty on principal share transactions. However, a cut in the stamp duty rate, automated trading and the likely abolition of exchange controls would improve liquidity.

IFC speeds up pace of investment in SA

ARG 17/5/96 (74B)

More than R17 million earmarked for enterprises

By Peter Fabricius,
Washington Bureau

WASHINGTON. – The International Finance Corporation (IFC). the private sector arm of the World Bank, has stepped up the pace of its investments in small black businesses in South Africa and is about to channel more than $17 million into several enterprises.

The sudden spate of investment proposals follows the recent appointment in South Africa of a permanent IFC representative, Vincent Rague, who has been touring the country seeking viable projects.

The IFC last month approved a $600 000 investment in a roses-for-export farm in Tarlton, Gauteng, has nearly finished proposals to help finance a Spar supermarket in Umlazi, KwaZulu/Natal, a bank to lend money to low-income earners in Cape Town, a biscuit factory in Durban and a factory to make prefabricated panels for low-income homes in Nelspruit, Mpumulanga.

The IFC's biggest investment proposal is to place $10 million in Cashbank, which was established in April, 1995, in Cape Town by the Group Credit Company, (GCC) an NGO established in 1989 to develop financial services for low-income groups.

The bank was established only to serve the banking needs of low-income communities by providing savings facilities and credit for housing, small businesses, education and personal needs.

It is a commercially-oriented mutual bank owned by its members, with a capital base of $17 million. The major shareholders are South African insurance companies, institutional investors and pension funds.

Mr Rague said that in addition to diversifying the bank's funding sources, the IFC investment would act as a catalyst for mobilizing further funding to enable the bank to meet the strong demand for its products.

The IFC was also planning to invest nearly $5 million in Estra Homes, a new $19 million joint venture between Tamburini Spa of Bologna, Italy, which will own 60 percent and provide technical expertise, and Hlanzeni Holdings Pty, a black-owned business in South Africa, which will own 40 percent.

The company planned to establish a plant near Nelspruit to make enough prefabricated concrete panels to build 3 000 houses of 48-square metres each every year.

The IFC's Trust Funds programme helped finance the project feasibility study.

"Then IFC can now play a significant role in helping to bring affordable and respectable housing to many low-income households as well as developing capacity in the construction industry in the province," Mr Rague said.

Its investment would also help the economic empowerment of previously-disadvantaged groups like the shareholders of Hlanzeni Holdings.

The IFC was also planning to invest $1,5 million in Bismonte Biscuits, a $4,188 million project to establish a biscuit factory in Durban which will export 20 percent of its product to the UK and sell the rest locally.

This is a joint venture by South African Afzal Osman, 32, a member of a "previously-disadvantaged group", and Pakistani Mobeen Mehdi, 43, who will bring into it his experience in establishing British Biscuits, one of Pakistan's leading biscuit manufacturers, and in making biscuits in Britain.

The IFC investment was in line with its strategy of black economic empowerment. The project was expected to create 59 jobs in its first year, 44 in the second and 150 by the end of its third year, and to provide manufacturing skills.

Also in KwaZulu/Natal, the IFC intended to lend $225 000 to New Vision Distributors, a group of black entrepreneurs that plans to establish a Spar supermarket in Umlazi.

The sponsors of the $625 000 project were former bank manager Zwelibanzi Cromwell Gumede, now active in the KwaZulu Natal Traders' Forum, and Mr Cyril Gumbi, who has long experience in financial services.

Their's would be the only supermarket in Umlazi, which had a population of more than 300 000, and was expected to create about 73 jobs. The IFC would create convenience shopping for locals who now shopped outside Umlazi at great expense and inconvenience for their basic needs. The project would reduce their travel costs.

Lack of finance had also prevented black entrepreneurs from engaging in such large enterprises, and the success of this project "will therefore be an important milestone in overcoming these barriers."

These projects were all due for approval soon.

German investors 'lack info' on SA

CHARLENE CLAYTON (74b)
Business Reporter

ARGU 22/5/96

SOUTH AFRICAN business should market itself better to German investors to back up government initiatives aimed at attracting foreign investment, says a visiting German investment lawyer, Alexander Valentin.

Mr Valentin said there was tremendous interest in South Africa, and particularly in the Western Cape, in Germany.

But German investors lacked information on South African business.

Several German organisations and publications were launching information campaigns, he said.

The German equivalent of the Financial Times, Handelsblatt Dusseldorf, is to produce a special supplement on July 2 which will deal with South African topics such as the government's reconstruction and development programme, investment conditions, banking services, the Johannesburg Stock Exchange and the booming tourism market.

Another publication, Bellevue, Hamburg, regarded as the biggest real estate magazine in Europe, will publish a special section on investment in South Africa over four consecutive months starting in September. Topics include property purchasing procedures, an overview of the market, capital transfers, legal structures such as companies and closed corporations and taxation.

Mr Valentine said several chambers of commerce were holding seminars about business and investment, export and import, commercial and industrial investments.

The chambers in Hannover and Stuttgart had already presented their seminars.

Mandela asks Germany for 'ethical' investment

(74b) BD 23/5/96

Wyndham Hartley

BONN — In a historic address to the Bundestag, President Nelson Mandela yesterday appealed for investment in SA that was not motivated purely by profit.

With negotiations on a European Union free trade zone for SA set to resume soon, Mandela also thanked Chancellor Helmut Kohl for his commitment to allowing access to European markets.

In his address, only the fifth to the German parliament by a foreign head of state since the war, Mandela compared the reconstruction needs of post-war Germany with those of SA. He asked for investment that took into account SA's post-apartheid reconstruction needs.

Mandela reminded Kohl of his commitment to the removal of the disadvantages suffered by SA. He said Kohl's commitment to development through access to European markets was "highly cherished by our people".

The president reminded Kohl of his observation last September when he visited SA, that post-war Germany was in dire need until the $1,4bn Marshall Plan came to its financial assistance.

He referred to Kohl's "commitment to strengthen co-operation between SA and Germany and his personal wish to see to the removal of disadvantages suffered by SA in its access to EU markets".

Mandela told the assembled 672-member Bundestag that SA had succeeded in shifting spending from the old apartheid order to new priorities for the reconstruction and development of the country.

He said that like Kohl, German investors knew that SA needed something akin to the Marshall Plan, based on the efforts of the people themselves "but reinforced by the international community".

"These investors know that the best insurance for the survival of our democracy is in sustained growth and job creation ... Such engagement in SA should derive, on the one hand, from the real gains that they can make, but, on the other hand, they should be underpinned by the longstanding commitment to rid our society of the scourge of apartheid."

He reaffirmed SA's commitment to economic principles "that are fundamentally sound" and to fiscal discipline and sound monetary policies.

Mandela thanked the German people for their friendship. "If in the relations between our two peoples, history has decreed that the worst in human character should give way to the best that humanity can offer, today we can speak without equivocation of the flowering of a new relationship".

☐ Negotiations which will see 100 German doctors begin work in SA are to be concluded by Health Minister Nkosazana Zuma next week.

Negotiations for 50 doctors have been in progress for some time with the federal government while talks between Mandela and the head of the PDS, Gregor Gysi, yesterday have raised the possibility for a further 50 doctors to be recruited from the former communist East Germany.

German Chancellor Helmut Kohl welcomes President Nelson Mandela before their talks in the Bonn Chancellory yesterday.

Picture: AP

□ **STRAIGHT TALKING:** Deputy President Thabo Mbeki addresses the World Economic Forum meeting.

Stay with us, investors urged

ARG 25/5/96 (74B)

ESTELLE RANDALL
Labour Reporter

■ The World Economic Forum's summit ends optimistically

BUSINESS has expressed confidence in the economic potential of South Africa and investors have been asked to stay on.

Speaking at the close of the World Economic Forum's Southern Africa summit in Cape Town last night, Neal Chapman, chairman of Southern Life Association, said the seed was there for an economic miracle equivalent to South Africa's political miracle and appealed to investors to stay on.

Mr Chapman said he was heartened by the confluence of wishes and agendas shared by government, business and the international investment community which the three-day conference had revealed.

"All of us have expressed an urgency about exchange controls. We have agreed that they need to be lifted but I take comfort from the Finance Minister's wish to take this step with a sense of responsibility and due care."

He said the same applied to privatisation.

"I take comfort from Trevor Manuel's statement that privatisation should be done on a careful case by case basis," Mr Chapman said.

It was crucial that stakeholders, such as the Congress of South African Trade Unions, were part of the process.

An important discussion at the summit focused on increasing productivity, seen as crucial if the region were to compete effectively on the world market.

Labour Minister Tito Mboweni said increased productivity depended not only on the wages paid to workers, but also on "stakeholdership".

Workers had to look forward to going to work, not hate it, he said.

Other aspects included increased training and education by employers to equip workers with the necessary skills. The time for "hard" work was over and had to be replaced by "smart" work through increased use of new technology and appropriate organisation of work, Mr Mboweni said.

National Productivity Institute executive director Jan Visser said productivity had everything to do with people and wealth. Both labour and management were interested in making more money and they should work together to achieve this.

Increased productivity depended on several factors:

■ A high-quality workforce equipped with the necessary skills;

■ Co-operation between labour and management;

■ Developing a culture of productivity;

■ Knowledge of modern systems and technology;

■ Good management and leadership, since productivity began with management; and

■ There had to be a legitimate productivity promoter, such as the head of the organisation.

At the moment, southern Africa's productivity "stinks". It did not compare with any economic power in the world, Mr Visser said.

Recommendations tabled at the summit dealt with attracting foreign investment, infrastructural development, privatisation of state assets, financial services, government, labour and business relations and regional trade integration.

Establishing an environment that was conducive to attracting foreign investment meant taking concrete steps to combat crime and establishing greater regional harmonisation around financial markets, policies, integrating investment opportunities and visas and work permits.

Information about investment opportunities should be shared, corridor developments, beneficiation of primary products encouraged.

Regarding privatisation, governments should clearly define and articulate objectives which they sought to achieve through privatisation. Specific assets should be identified and prioritised. And appropriate institutional frameworks should be established to regulate privatisation.

Infrastructure should be extended in an affordable way and the private sector should be involved in financing and maintaining such infrastructure. Free trade in the region and internationally would mean a lowering of import tariffs.

Infrastructural development should be based on what was economically beneficial and regional co-operation, as in the case of the Maputo corridor, should be encouraged.

Students call for mass action on campuses

Kevin O'Grady

BD 29/5/96

THE SA Students' Congress (Sasco) has called a day of mass action on July 31 at campuses countrywide to press government into extending the national commission on higher education's deadline by six months.

Sasco secretary-general Oupa Bodibe said in Johannesburg yesterday there was wide agreement at a recent consultative conference held by the commission that its deadline should be extended to December, but this had not been done.

Labour, business and student representatives at the conference protested that the commission, which is to make recommendations on revamping SA's higher education system by July, had not consulted widely enough in drawing up a recently released discussion document.

"Our mass action will also aim to highlight the crisis in higher education and force administrations to expedite the process of transformation," Bodibe said.

He criticised "very small" student organisations — such as Azasco and Paso which instigated violent protests at Technikon Pretoria last week — for trying to turn the crisis on campuses into "racial war".

Sasco also called on the ANC to "come up with a clear economic policy" as the financial crisis on campuses was linked to a broader economic crisis.

NP slams 'tragic economic circus'

BD 29/5/96

Wyndham Hartley

(74B)

CAPE TOWN — The NP has lashed out at President Nelson Mandela and Cosatu for what it describes as a "tragic economic circus" which is seriously undermining investor confidence.

NP finance spokesman Theo Alant yesterday referred to the contradiction between Cosatu's challenge to commercial banks and Mandela's declaration that privatisation was fundamental ANC policy.

He said Cosatu secretary-general Sam Shilowa's attack on commercial banks for increasing interest rates, in which he threatened to "nationalise monetary policy", was a claim for state intervention in the banking sector — which the NP opposed.

Alant said the NP was shocked that Shilowa should "threaten a boycott against Old Mutual" simply because it was a member of the SA Foundation which expressed views with which Cosatu disagreed.

"The NP believes ... Cosatu's bullyboy tactics are at loggerheads with the democratic principles in the constitution."

Alant said his party was convinced "the economic circus staged by the ANC and its alliance partners" was detrimental to economic growth, job creation and the ability to address socioeconomic backlogs.

"Mr Mandela's "capers" on these issues only worsens the situation," he said.

He charged that Mandela had said in Germany last week that "privatisation was policy" and that the ANC would convince Cosatu to change its view — while this week Shilowa flatly rejected privatisation.

The NP also charged that Mandela was "undermining his stature as a statesman" when he accused the NP of being "racist in its support" for the death penalty. Party spokesman Johan Steenkamp said vast numbers of South Africans wanted the death penalty. He said most victims of murder and rape were black and therefore greater penalties for these crimes would benefit blacks in particular.

Investors discouraged by SA's inability to create jobs, Sacob warns

BD 4/6/96

(748)

CAPE TOWN — Foreign investors were increasingly rating SA as a bad long-term risk, Sacob's Ben van Rensburg said yesterday.

Reuter reports Sacob's economic policy director told Parliament's trade and industry committee that SA's economic position had worsened over the last six months "to an extent that is difficult to believe". The long-term perspective of SA's economy was seen by investors and bankers as extremely negative. This perception had been highlighted last week when he met a delegation from the Washington-based Institute of International Finance, an advisory body to major banks.

One of the delegates said he would advise clients their funds were safe for perhaps eight months, but "the three-year perspective is terrible, the five-year perspective is impossible".

Van Rensburg said the negative view on SA emerged towards the end of last year for a variety of reasons.

"The reason the international community is looking at SA with some dissatisfaction is because of what they see as the inability of the economy to create jobs in the next 10 to 20 years."

Van Rensburg said SA needed a major change of gear to alter radically approaches to training, attracting investment, increasing savings and creating a more flexible labour market. These had to be implemented to ensure "consistency, certainty and predictability".

John Dludlu reports the trade and industry department warned that "considerably more work" had to be done to achieve employment targets.

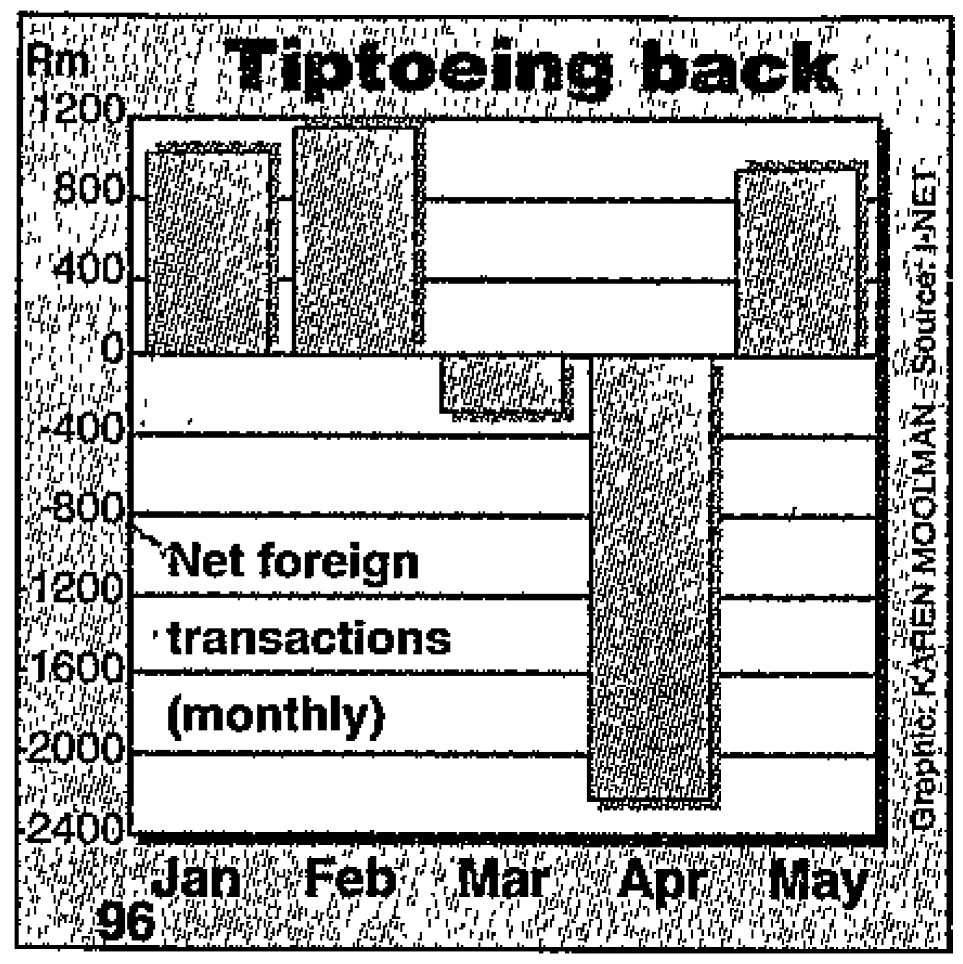
In his 1995 annual report the department's director-general, Zavareh Rustomjee, said of the target of 300 000 non-farm jobs, only 70 000 to 90 000 sustainable jobs were expected to be created in manufacturing.

The contribution of the primary and tertiary sectors to job creation was crucial. "In particular tourism, financial services and construction have the biggest potential for job creation."

Rustomjee said last year's economic performance, a 3,3% growth rate, indicated the growth target of 6% by the turn of the century was "within reach".

A substantial increase in employment had occurred last year in the financial services and trade, catering and accommodation services, with construction expected to pick up as a result of RDP implementation. The consolidation of employment levels signalled a rise in labour productivity and a decline in unit labour costs.

The structural dependence on primary exports continued last year, with primary manufactured exports growing faster than exports of finished goods, Rustomjee said.



Foreign investors returning steadily

Greta Steyn (74B) BD 4/6/96

FOREIGN investors are thawing towards SA after a massive sell-off of bonds in March and April.

Bond exchange figures showed foreigners were net buyers of R944m of bonds in May, after disinvesting to the tune of R2,2bn in April. "The steady foreign buying is helping to create a more positive mood in the markets," a treasury analyst commented.

Foreigners have remained net buyers of SA equities throughout the currency crisis, with the JSE putting the inflow from this source at more than R3bn this year. After the gilts buying in May, the inflow into the bond market from foreign sources was R579m.

A dealer said there was talk that the London branch of a major US investment bank had put out a buy order on SA. "The high yields are the main attraction, but President Nelson Mandela's trip to Germany also seems to have helped." Russia and Venezuela were "the hottest" emerging markets at the moment, but SA might draw some European interest from Russia. Uncertainty over Russian presidential elections appeared positive for SA.

Although SA yields were high, foreigners were anxious about the rand's stability, the political situation and the apparent impasse over privatisation.

Workers 'retrenched as part of deal'

BD 6/6/96 X74B

Renee Grawitzky

THE promotion of foreign investment in SA came under fire yesterday when the National Union of Mineworkers (NUM) claimed that the work force of a Kimberley diamond mine was retrenched by its SA owner as part of a sale agreement with a Canadian-based company.

The union said that more than 100 workers at Don Diamonds mine, which was owned by Diamond Land Mining, were advised of their retrenchment effective from June 30.

The union said the workers were retrenched after the Canadian-based company Kensington Resources Limited demanded such action as part of the deal.

NUM's regional co-ordinator in Kimberley Willie Lencoe said there was "much talk about encouraging foreign investors, but at what cost?

"Investors are meant to create jobs, not demand retrenchment as part of the package."

No comment could be obtained from either company yesterday.

'SA still has ability to attract large capital inflows'

CT (BR) 10/6/96 (74B)

By Marc Hasenfuss

CAPE EDITOR

Cape Town — South Africa still has the ability to attract large capital inflows, Johannes van der Horst, Old Mutual's general manager for investments, said at the weekend.

He said in the past two years South Africa had recovered almost half the R50 billion in foreign capital lost since the debt crisis of 1985 and was enjoying GDP growth after more than a decade of declining living standards.

He said the past two decades had seen the emergence of an integrated global economy which would have a far greater effect on South Africa's future than "our home-made agenda and history".

He said the country had seen recently how capital flows could cause big changes in the levels of currencies and interest rates and affect a country's economic success because money sought out sound wealth-creating environments and stayed away from areas troubled by uncertainty and inappropriate monetary and fiscal policies.

"In effect, the marketplace imposes a healthy dose of discipline on governments and nudges them, sometimes brutally, to sane and realistic policies."

Developing nations had created a market-driven world economic club which included a huge pool of cheap, well-educated labour available for global production.

"Highly mobile capital and technology constantly follow this cheap labour, in the process generating an economic boom in the developing world and a huge increase in the supply of cheap, high-quality goods in the global marketplace."

He has reservations about South Africa because local labour is expensive compared with many developing countries; hourly rates are three times higher here than in Malaysia and Poland and 10 times higher than China and Indonesia.

Crime typical in transition, study says

Violence not a major factor in investment

BD 11/6/96 (74B)

Stephen Laufer

CRIME and violence are not significant factors influencing investment decisions by foreign companies in SA, a Nedcor-commissioned study to be released today shows.

Mentioned only once out of 223 specific influences on investment decisions, crime and violence range behind 20 other factors regarded as important by the European and US companies interviewed for the survey. But the companies said political violence, specifically in KwaZulu-Natal, was of greater concern than purely criminal violence.

Japanese companies — among the most stable long-term investors in SA, but also among the most sensitive to crime — are noticeably absent from the study, as are German companies. The survey examined attitudes among 57 potential investors in Belgium, France, the UK and the US.

SA's safety and security situation was regarded as less important than the market potential of products, mentioned by 41 companies; political and social stability, mentioned 26 times; macroeconomic policies (25); growth potential (17); and other factors including labour costs, access to subSaharan Africa, lifestyle, fiscal policy, and tax structures and rates.

Comparisons with other countries appear to have tempered the attitudes of international investors to SA's crime situation. Companies interviewed spontaneously named 21 other countries or regions where they regarded the situation as worse than in SA.

Besides the expected, such as Bosnia, Nigeria, Rwanda or Russia, countries and regions named as more problematic than SA include Northern Ireland, Sicily, Venezuela, Pakistan, Egypt and the Philippines.

Comparative crime statistics included in the study also show that the situation in relation to specific crimes often seems not as bad in SA as in countries commonly regarded as a safe alternative, even when the local figures are multiplied to make up for under-reporting. Experts point out that even these inflated figures are problematic, as they are based on inadequate SAPS statistics.

At 11 443 criminal incidents per 100 000 members of the population, Canada's overall crime rate compares unfavourably with SA's 11 302 incidents. Burglary is a bigger problem in Australia, with 1 963 incidents per 100 000 people, compared to SA's 1 366. Italy registers 546 vehicle thefts per 100 000, more than SA's 468.

But violent crimes are a bigger problem in SA than elsewhere. At 60 per 100 000, the local murder rate is

Continued on Page 2

Crime

(74B)

Continued from Page 1

BD 11/6/96

significantly higher than the comparative country, Colombia, which registered 41 killings per 100 000.

Most foreign companies interviewed said they thought SA's high crime rate was transitional, connected to the emergence of a new order as observed in other countries in transition.

Several British companies warned against the Nigerian phenomenon, where transitional crime patterns had become permanent. The study said a future rise of non-political crime to extremely high levels would be seen by investors as a lack of political will or competence by government.

The availability of accurate information on crime and violence is in the interests of government and the private sector, the authors say. Investors need to be reassured that crime and violence is being tackled.

Funded "as a public service", the full Nedcor project on crime, violence and investment examines the scale, causes and dynamics of the crime wave, government responses to it and its impact on business. In the main report to be presented today by CE Richard Laubscher are recommendations to government, the SAPS and business.

SA's great expectations

(748) M+G (BM) 14-20/6/96

Selling South Africa to foreign investors will be no easy task; we will need more than just rhetoric, writes **Madeleine Wackernagel**

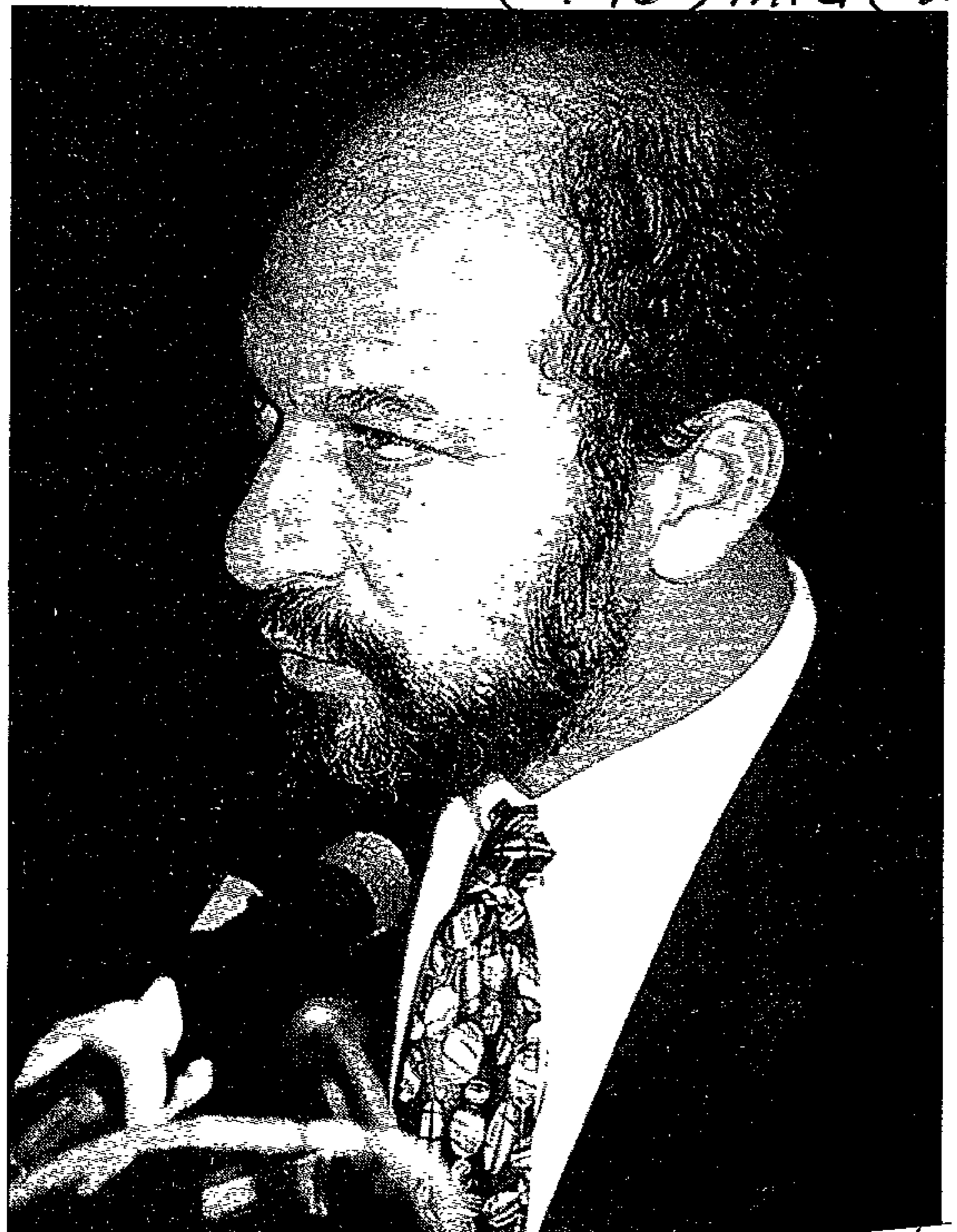
ON the eve of a top-level government and private-sector roadshow targeting international investors in Cannes, all eyes are on the government's long-awaited growth plan.

The task of selling South Africa abroad is becoming more and more a priority on everyone's agenda, says acting director general of finance, Maria Ramos. But it won't be easy: "South Africa is being looked at in a more realistic light; the post-election glow has given way to hard analysis on the part of international investors.

"Global competition means we have to offer more than most — even those countries with less positive fundamentals," she says.

Providing that may prove more difficult. The original growth scenario mooted by Deputy President Thabo Mbeki in February envisaged 6% growth by the year 2000 based on a 10% boost to exports and investment. But with the upswing in worldwide demand for commodities fading fast, that projection looks unsustainable.

Certainly our manufacturing industry is not strong enough to take up the slack. Investment goals, with



Cannes; with virtually every government department represented, the pressure will be on ministers to impress the Europeans with hard proof of policy direction. Last year's conference in Switzerland resulted in positive feedback, but this year's key speakers — Manuel, Reserve Bank governor Chris Stals, Public Enterprises Minister Stella Sigcau and Trade Minister Alec Erwin — can no longer rely on goodwill alone.

Ken Andrew, the Democratic Party's economics representative, says attainable, short-terms goals are more important than long-term plans.

"We've been let down so many times that expectations are running very high. We need to address the problems of fiscal discipline and economic growth by setting short, medium and long-term targets. Then we can quickly ascertain if they are being met and change course accordingly.

"With so much to do at once, the government has to prioritise and compromise. It must set the parameters and stick to them, enforcing them rigidly within all the different departments. It won't be easy; the Cabinet faces tough decisions, but we could end up sinking the whole country if we try to do everything at once."

The biggest sense of expectancy was felt in the financial markets — the rand was firmer and bonds weakened on rumours of concrete proposals on privatisation and the lifting of exchange

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Manuel's plan extends a warm welcome to foreign investors

(74B) ST 16/6/96

By RAY HARTLEY: Political Correspondent

THE Finance Minister, Trevor Manuel, has a simple message for foreign investors: "The sign's up, you're very welcome", following the release of his new macro-economic policy framework this weekend.

In an interview on Friday he said: "We are now saying that we want to be a nation that competes with other nations to attract investment."

According to the Finance Ministry's projections, there will be a total of R11-billion in "additional foreign direct investment" over the next five years.

The policy package contains substantial measures to encourage investment including:

- Tax holidays and other incentives for investors;
- A further relaxation of controls, the details of which will be announced by the Reserve Bank "within days"; and
- A speeding up of the reduction in the government deficit, a key indicator used by companies deciding on investment.

Mr Manuel said the government had decided to allow "a tax holiday to approved projects on the basis of regional location, job creation and for priority industries".

Investors would also be given allowances for certain plant and equipment bought between July this year and September 1999.

The government would focus on improving the productivity of South African workers, a factor which would help to attract investment.

He cautioned, however, that there would be little by way of tax relief in the short term. "Getting this whole programme synchronised and operating is going to take longer than the end of the month."

But taxpayers could expect "a better quality of service" from the government because "there'll be better controls".

Mr Manuel said his plan, which has been given a warmer reception from business than labour, was not an effort to compromise between the policy documents produced by the SA Foundation and Cosatu.

"What we very consciously didn't do was to try to cut the mean somewhere between (the SA Foundation's) Growth for All and (Cosatu's) Employment Equity," he said.

Instead, the government had concentrated on "number-crunching" to determine what had to be done to generate growth and create jobs.

"That it comes out that some people agree with it more than other people is, I suppose, immaterial for now," he said.

His deputy, Gill Marcus said: "Nobody is going to be a loser here."

Implementation of the new policy will be assisted by the establishment of two new bodies — the Budget Office and the Expenditure Evaluation Unit.

Mr Manuel said the Budget Office would be the government's financial "swat team", bringing together the departments of Finance, State Expenditure and the SA Revenue Service.

"It's about sending a signal. What we need to do is to live within our means."

Survey of investors ranks SA negatively

CT (BR) 24/6/96 (74B)

By David Chance

London — Latin America and central and eastern Europe are the top choices for emerging market investors, while South Africa and Southeast Asia are viewed negatively, according to a survey released at the weekend by Burson-Marsteller, a public relations firm.

The survey covers open-ended emerging market funds with net assets of $28,5 billion.

Interest in Latin America has burgeoned since the last survey in March but South Africa has stayed in the doldrums. "Investors' positions towards South Africa (are) now cautious and underweight."

The firm calls Southeast Asia, which accounts for two thirds of emerging market funds, overheated and expensive, yet investors still go there.

"The shift in investor sentiment regarding Southeast Asian emerging economies will not persuade institutions to re-invest elsewhere until there is evidence of increased capital flow into other less-developed emerging economies," one of the survey's respondents said.

Fund managers see increased opportunities in the Middle East, especially Israel and Turkey with Egypt described as showing "enormous potential".

The firm said $120 billion was invested in emerging market funds at the end of last year and overall equity and fixed-interest investment was $300 billion — Reuter

SA labour relations still a worry to some

John Dludlu

BD 24/6/96 (74B)

ALTHOUGH foreign investors have been encouraged by last year's drop in the level of strikes — the lowest since 1988 — some are concerned about the apparent deterioration in labour relations in recent months.

This was said by British deputy consul-general in SA Roddy Drummond, on the topic of SA's rating as an investment destination.

Drummond said SA's unit labour costs were higher than those of its competitors in Asia and the Southern African Development Community.

Britain is generally regarded as SA's top foreign direct investor, with investments estimated at £10bn, according to the embassy.

Another large foreign direct investor in SA, the US, seemed less concerned with the recent squabbling between labour and business over economic policy. In fact, US media and information officer Bruce Wharton said recently: "We are impressed by the continuing open democratic dialogue through which South Africans are shaping the future of the country. "Transparent dialogue among political parties, labour and management, government, nongovernmental organisations and all other sectors of society will chart the course SA pursues and the consensus necessary to sustain it.

"We continue to be impressed by the quality of SA's leadership and enjoy an excellent relationship with Pretoria."

Since President Nelson Mandela's inauguration, more than 300 US companies had invested in SA.

Rand Afrikaans University academic Carl Nöffke said at the weekend government's economic plan — which promised investors incentives such as tax holidays for new projects and accelerated depreciation of new investments in manufacturing plant — was "a beginning", but did not "put the shine back" on SA. More effort would be needed on investment incentives. But the new plan should be of interest to SA's main trading partners, he said.

NEWS FOCUS

Foreign investment not the issue when it comes to rampant crime

(74B) BD 25/6/96

Sandy Lewis
and Trevor Woodburn

THE recent Nedcor-commissioned study into crime and violence in SA and its effects on foreign investment found that these factors were not decisive in the reinvestment decision (Business Day, June 11).

However, before we sit back reassured that our worst fears are not about to materialise, let us bear in mind that these factors could still destroy the SA dream, for reasons including and going beyond lack of foreign investment.

In April 1994, in the wake of our "peaceful revolution" and transformation to democracy, for the first time we all dared to think that SA might still become the land of "milk, honey and gold" — the miracle of the modern world.

As it has turned out, foreign investment is only trickling in, domestic savings are dropping, unemployment is rampant, the economic growth rate, predicted at an optimistic 6%, may just reach 3,5% but will most likely be even lower, and an air of distinct unease pervades.

Police Commissioner George Fivaz says we are at a "turning point for the nation". If we cannot turn back the rising tide of crime in this year, it is going to grow out of control.

Surely at that point our entire society is threatened, never mind our investment potential.

Foreign investors have in general been very wary in their approach to SA. For example, Sylvester Green, the highest-ranking African-American at insurance company Chubb & Sons Inc in the US, and considered to be the very best black senior executive in the field of property and casualty insurance in his country, visited SA last year to assess the country for its investment potential. He turned SA down.

In his final report to the insurance company's senior managers, he wrote: "... certain risk factors in an emerging SA outweigh potential profits at this time..."

Other foreign investors, perhaps slightly less cautious than Green, have entered the SA market, but have avoided making significant capital commitments by appointing local distributors or manufacturing agents, or entering into partnerships and joint ventures with SA businesses.

An interesting comparison can be drawn with China, another newly transformed, developing country which is already well on its way to achieving an economic growth rate of 10% this year, and secured in the first five months of this year more than $35bn in foreign direct investment.

Prof Vishnu Padayachee postulates that by focusing on foreign investment alone as the cure for our economic ills we are missing the point.

He says (World Development, March 1995:163): "Although appropriate forms of foreign capital directed at addressing inherent weaknesses in the SA economy may play some role as SA makes the transition from an apartheid to a democratic economy, the country's (economic) development strategy should be geared principally towards the mobilisation of domestic resources."

Padayachee believes that domestic savings are the most important priority for developing countries such as SA.

Evidence suggests, he says, that countries which concentrate their efforts on domestic resource mobilisation, which delineate clearly the role of foreign capital in a comprehensive and coherent development strategy, and which "reduce their reliance on foreign capital as an engine for growth and development, are likely to achieve more productive and sustainable economic results".

Other writers on economic development agree with this. Economist Susan Collins, in a 1992 report to the World Bank, stated: "Disproportionately high attention has been paid to foreign capital inflows in economic development, given that it is domestic savings which make up the major share of total investment in almost every developing country."

The Bank for International Settlements said recently SA's domestic savings were among the lowest of developing nations and could be compared only to countries with the very weakest currencies, like India, Brazil, Argentina and Poland (Business Day, June 11).

The bank described the rand as being trapped in a "vicious cycle" where the lack of saving and investment meant that the country had to finance the internal demand for cash by importing and borrowing. This means in turn that long-term interest rates remain high, the economy is depressed and foreign exchange reserves and currency are at the mercy of trade deficits and foreign rand bondholders.

SA, with its struggling economy and its domestic savings rate at a pitiful 19,1% of GDP, stands in stark contrast to thriving economies in other newly developed countries like Singapore, with a domestic savings rate at 53% of GDP, and a currency happily caught up in a "virtuous circle", getting stronger and stronger relative to the US dollar.

All of which indicates that we should be looking inwards more than outwards for means to grow and develop our economy. And this is where the real constraints are to be found.

How can our population save when 46% of the employable pool is out of work and another 400 000 young hopefuls are trying (largely unsuccessfully) to enter the labour market each year?

How can people save when around 40% of the total population is living below the breadline, earning an average R600 per family per month?

And how can they save when about 30% of them are illiterate anyway (African Business, December 1995)?

And those more fortunate, who were going to enjoy reduced inflation and lower interest rates, and who thought they could probably both spend more and save more, have now had to tighten their belts.

Inflation and the bond rate are both up. Disposable income is down and so are savings.

And let us not forget the very fortunate who do have the money to save, but who choose to find crafty ways of salting that money away in foreign bank accounts "just in case".

In a country where 80% of all households have experienced crime in the past two years (according to a survey quoted in the Sunday Times newspaper of June 9), how much confidence can one realistically be expected to feel?

When one is constantly afraid and insecure, one is unlikely, if there is any other alternative available, to invest one's entire life savings in the very place that creates that fear.

One is more likely to start looking for ways out.

Before we heave a sigh of relief over the findings of the Nedcor report, and wait ever-hopeful for foreign capital to come pouring in, we may wish to remember that our real hopes for economic prosperity lie within ourselves.

And how, one may ask, does one garner hope and muster enthusiasm to build an economy when one is in a perpetual state of fear?

If, when asked "What is your greatest problem?" one has to reply, "Oh, murder first and then the rape of children", as did 81% of the Sowetans approached in a recent survey (Business Day, May 30), one probably lacks the energy and optimism to work harder and save more.

Never mind what the foreign investors might think about us; let us get our house in order for our own sakes.

□ Lewis is an executive counsellor and Woodburn the MD of management consultants Woodburn Mann.

Cosatu inhibits growth — report

BD 26/6/96 (74b)

Melanie Sergeant

MUNICH — Cosatu is a "labour aristocracy", contributes significantly to the labour market's rigidity and inhibits growth, a report to be launched today in Germany and London says.

The report, sponsored by Dresdner Bank, the International Bank of Southern Africa, Chase Manhattan and Guinness Mahon, was authored by UCT's Prof David Welsh and former Sowetan and Argus political journalist Vuyo Bavuma.

Denis Worrall's company Omega Investment Research will launch the report, Investing in SA — The Opportunities and Political Risks: 1996 and Beyond, to a high-profile investment audience at Dresdner Bank in Frankfurt.

SA's new economic policy guidelines, launched last Friday, will also be spelled out.

In the report, Welsh and Bavuma say that much of the ANC's support base is among poor rural and unemployed people whose capacity to organise and challenge Cosatu's position is non-existent.

They say that the unemployment rate is unlikely to be cut in the short term and that the unions' bargaining power may well weaken.

They do not foresee a great rift between the ANC and Cosatu; both need each other too much for this. "Despite Cosatu's strength in the ANC-led alliance, the ANC holds the whip hand, if only for the reason that Cosatu has no alternative political ally of remotely comparable strength. The formation of a left-wing 'workers' party' has been mooted by some, but it would likely prove a ticket for the political wilderness."

Another factor working against the unions could be the rise of a black business, entrepreneurial and managerial class whose impatience with the unions is likely to resemble that of its white counterpart, they say.

Worrall says that while the business community has welcomed government's long-awaited economic policy guidelines, announced last Friday, the unions detect "trouble in the wind". He says that Cosatu's opposition to some of the proposals should be seen against the backdrop of the Cosatu-ANC alliance and its position in the longer term.

Economists canvassed for their opinions included Old Mutual's chief economist David Mohr, who said government "clearly wants a more flexible labour market and one that is better suited for job creation".

Syfrets Bank chief economist Peter Hilsenrath said that while government had now given some direction, "there are insufficient details".

'SA set to struggle in competition'

(74B)

BD 4/7/96

Melanie Sergeant

FRANKFURT — SA will be hard-pressed to compete against the growing number of nations opening up for investors.

This was the consensus among the high-profile investment community invited to hear scenarios for SA's short-term future at the launch of a new book in Frankfurt recently.

Acting against SA are the high crime rate, administrative inefficiency, perceptions of the ANC majority's hegemony and the alienation of cultural minorities.

These were pinpointed as the most serious problems in the book Investing in SA — The Opportunities and the Political Risks — 1996 and Beyond.

Giving a 75% chance to a scenario of a relatively stable and well-run country, co-author Prof David Welsh of UCT consoled the audience: "SA won't go the same way of other African countries; it is different from a development viewpoint, it has a sophisticated infrastructure and its minority groups are structured differently."

However, one important question for the future would be the hardening of ethnic tensions as in other African countries. "But we believe that SA will be able to avoid this."

Welsh and co-author, former Sowetan political journalist Vuyo Bavuma, paint a picture of the ANC tightening its grip on power, with its hegemony increased by the weakening of its rivals.

They say there is a 50% chance of problems with KwaZulu-Natal not being solved by next year. This would lead to ANC impatience with the IFP's Mangosuthu Buthelezi, and the possibility of measures such as a state of emergency or starving it financially.

Looking at Cosatu they say: "... the ANC's hegemony will remain unchallenged, but the strains of its internal coalition character and its alliance with Cosatu will increase.

"Policy making will become more difficult as internal interests diverge. No split is likely."

Welsh said Cosatu's "trump card is to form a labour opposition, or to simply continue causing havoc with strikes".

INVESTMENTS FEWER BUT LARGER

Crime, red tape scare investors off W Cape

CT 5/7/96 (...) 5(74 B)

THE Western Cape has received a R700-million capital boost, but red tape and crime are hampering efforts to attract further investment, and a lack of incentives makes it difficult for the region to compete. **DAN SIMON** reports.

THE Western Cape is second to Gauteng in attracting significant international investments — but the region has lost some valuable business because of red tape, crime and a lack of incentives.

Wesgro, a parastatal which promotes economic growth for the Western Cape, said yesterday that over the past four years it was instrumental in attracting 79 international investments into the Western Cape.

These had resulted in a R700-million capital boost and the creation of more than 2 200 jobs.

The figure does not include the estimated R800m that Malaysian companies have pumped into the region's economy as part of their overall R4-billion investment in South Africa, or other business dealings concluded privately.

However, on the down side, Wesgro said the province lost 17 potential international investments over the past few years, partly through the province being an "unsuitable location" or because of a lack of business incentives.

One loss was Italian chocolate manufacturer Ferrero Spa, which initially targeted the Western Cape as the most suitable location in the southern hemisphere to plant 10 million hazelnut trees.

The company later chose Argentina when it was offered huge tracts of land for nothing.

"It (Ferrero Spa) came to us at the time of pre-elections when there was no clear policy. In the end, when the company was given land free, it chose Argentina. There is no way we could match that," Wesgro executive director Dr David Bridgman said.

Bridgman said it was initially the airline companies which moved into South Africa after the 1994 elections. These investments were soon followed by others in the tourism and services sectors.

Over and above this Wesgro had facilitated business contacts that resulted in 139 business delegations, comprising 2 300 people, visiting the Western Cape.

"The trend now is that we are dealing with fewer investors but bigger investments. More of the larger organisations are looking to buy into existing businesses."

Bridgman said an "investment coup" for the province was the R50m investment by clothing manufacturer Levi Strauss. There was also a R100m export development in the pipeline for Atlantis.

Added to this was the R275m development of a resort complex being financed by Ital Thai of Thailand.

Mr Roland Willis, Wesgro's manager of investment advisory services, said it was not only crime that was inhibiting investment but "red tape" — particularly in securing longer work permits for investors wanting to establish businesses in the country. "We have to turn the bureaucracy into investor friendly departments."

Trade minister takes whingers in SA's business sector to task

ARG 6/7/96

(74B)

Erwin warns complainers of foreign investment backlash

DES PARKER

DURBAN. - South Africans in business complain too much and international concerns will shy away from dealing with "whingers", says Trade and Industry Minister Alec Erwin.

In an upbeat speech in Durban to a textile and clothing federations combined conference, he said the impression he got on his world travels - he flew in from a World Trade Organisation meeting in Switzerland - was that South Africa was viewed as one of the winners in the world.

"We've had our share of problems in the past but now those problems are opportunities," he said.

"Unfortunately, some of us in business do not always share this view. We have a tendency to whinge and sometimes talk blatant nonsense; whingeing earns disrespect and discourages foreign businesspeople from dealing with us."

The minister reiterated the government's controversial intention in its recently unveiled economic strategy to speed up reduction of import tariffs on clothing and fabrics to, among other things, combat the inflationary effects of the devaluation of the rand this year.

The proposal, which affects other industries like motor manufacturing, is unpopular with industry.

Clothing Federation president Bernard Richards described the government's unilateral decision to cut the phase down period from seven years to five as "totally unacceptable". It compromised jobs and growth prospects.

Mr Erwin said he would gladly talk at length through the issue with affected parties. But, in apparent contradiction of Pretoria's dedication to transparency, he would not argue the point in the Press.

Reducing tariff protection that eroded the competitiveness of industry was a factor shown by international experience to be vital for a country planning - like South Africa - to double economic growth to six percent and put 400 000 additional people a year into jobs.

Successful trading countries translated research into technology and technology into increased production in ever shorter periods, giving them a growing price advantage over countries which had hidden their manufacturers behind protective tariff walls.

"Soon, consumers refuse to pay the high prices, you can't compete against imports and your businesses and the people who work in them go down the tubes," said Mr Erwin.

"We have no choice in the matter; our protective policies dating back to the '50s are not workable."

FOREIGN INVESTMENT

RESERVE BANK EASES THE WAY

FM 12/7/96 (74B)

The Reserve Bank has relaxed a key ruling on direct foreign investment in SA property or business.

Foreigners can now borrow locally an amount equal to the capital they introduce when financing a property purchase or any other business venture Previously, they could borrow up to half the value of their investment.

There has been no change in the ruling that if a foreign shareholder has a stake of less than 25% in a company, the firm can borrow funds without limitation.

The Bank has announced it will allow the repatriation of all net profits from foreign-owned businesses, including farms. Profits generated from continuing business may now be remitted abroad without Reserve Bank approval. This includes dividends, branch profits and reserves.

Until March last year when the financial rand was abolished, foreigners were not allowed to use the finrand to buy residential property or farms in SA

They had to use the commercial rand. The finrand's demise meant the introduction of a unitary entry and exit rate which encourages investment because the proceeds can be remitted abroad at the current exchange rate.

For individual owners of residential property, the income and capital profit earned on the property is freely transferable offshore.

Exchange control assistant GM Alick Bruce-Brand says. "This means that on the disposal of a property, the full proceeds may be freely remitted to the nonresident seller. While he retains ownership of the property, the income which it generates is freely remittable abroad."

Seeff Holdings says the timing of the relaxation in the foreign exchange regulations could not have been better. They coincide not only with its own SA property exhibition in London this week but with other foreign investment seminars being held in the City.

What is significant, according to Seeff, is that the Bank will take into consideration any other capital introduced by the investor in areas outside of a specific property purchase in calculating the sum which may be borrowed locally.

Commenting on the changes, Roup Slot, a law firm advising Seeff Holdings in London, says the ability to fully repatriate net profits from property and other investments, and the waiving of the necessity to apply for loan authority through the Reserve Bank, means foreigners can now follow routine loan application procedures through conventional banks.

Roup Slot spokesman Alan Marquard, who has been assisting potential foreign buyers with their investment inquiries, believes the concessions are important to foreign investors

Seeff CE Erroll Finkelstein, member of a trade delegation accompanying President Nelson Mandela's official State visit to London, says the spate of foreign buying is boosting the upper end of the residential property market

Institutional investment adviser Neville Berkowitz agrees that the residential market will benefit most from the concessions He says foreigners will not invest heavily in the nonresidential property sector until SA shows higher growth. Initial yields (net rental income) on prime offices are about 10% After company tax of 35%, plus a 25% standard tax on company dividends amounting to a total of 41%, foreigners would be left with a diminished return of 6% Coupled with an annual average 8% depreciation of the rand against the dollar, that return would be further diminished once converted back into dollars

Berkowitz believes that to achieve the oft mooted 20%-25% annual return on SA

ENDOWMENTS

MUIZENBERG GETS CULTURAL FOUNDATION

In one of the biggest endowments to the arts in recent years, philanthropist Joan Lindbergh has established a multimillion-rand cultural foundation at Muizenberg.

Still to be formally opened, the Joan St Leger Lindbergh Arts Foundation has premises in a block of four Sir Herbert Baker-designed houses fronting the resort's sunken gardens in Atlantic Road.

Two of them are occupied by Lindbergh when she is in residence, and she recently bought the others for endowment. One, Sandhills, the former home of Sir Patrick Duncan, is being restored and the other, Swanbourne, houses the foundation's headquarters.

Fronting Swanbourne is a dramatic 1,8 m bronze sculpture of an athlete saluting the sea. It was shipped from England and is the work of internationally acclaimed sculptor Stella Shawvin.

Among the items on display are various works by Lindbergh, who is a noted artist and poet. She has held several exhibitions and has published no less than three books.

Lindbergh has deep roots in publishing and newspapers. Her father, A V Lindbergh, was one of the founders of the CNA and her great-grandfather, Frederick, was the founder of the *Cape Times*.

The foundation is headed by George Hill, a former deputy superintendent of education in the Western Cape. The library is under the direction of Robin Freedy, whose curatorship brought fame to the Brenthurst collection.

There are rooms for music and poetry recitals and there's space for small conferences of up to 20 people.

An atrium houses two beautiful glass octopi commissioned from Somerset West artist Shirley Cloete.

In the computer room, researchers can travel the international information highway. Lindlife, a publishing company for struggling authors, is also housed in the complex. ■

property which comprises an initial yield of 10% plus capital growth of 10%-15%, investors will have to invest for a minimum of five years. During that period they may still face the spectre of a depreciating rand relative to their home currency.

For higher annual returns of 15%-30%, he suggests foreigners should look for development or trading opportunities. These could occur through rezoning land, upgrading and improving properties, sectional title conversions and the correct timing of property purchases where leases are coming up for review. "By their nature, foreigners are unlikely to find these returns unless they have local partners," says Berkowitz.


Neville Berkowitz

In the nonresidential property sector, he says, SA is likely to see foreign investment coming from developing countries. Citing substantial Malaysian investment in nonresidential property in Midrand and Durban Point, he says "this is because they understand the developing world better, its growth potential and inherent risks." ■

Investors coming – Mandela

(74B) Sowetan 18/7/96

Mandela tired but happy

President Nelson Mandela feels positive that trade delegations from Britain and France will start flocking to South Africa.

By Josias Charle

PRESIDENT Nelson Mandela has expressed hope that foreign investors will start flocking to South Africa after his successful trip to Britain and France.

Speaking at a Press conference at the Union Buildings in Pretoria yesterday, Mandela said he was positive that trade delegations from the two countries would start coming to South Africa.

He said Britain and France were significant partners in trade, investment and development. "I think that in terms of these issues, we have achieved all the objectives we had before the trip. I am confident that we will have increased investments."

Mandela said he received positive responses from businessmen and none of the people he addressed had raised the question of crime in South Africa.

"I pointed out to them that we have a capable Minister of Safety and Security and a national police commissioner who can ensure that we bring down crime levels.

"I also made it clear that our trade unions were led by people who understand the issues they are dealing with as well as the need not to threaten or scare off investors."

He said he had also pointed out that parity in salaries was still a problem in this country. Most blacks were still earning far less than their white counterparts. It was also true that blacks lived far from their places of work and had very limited amenities while whites had many luxuries.

Out of an era

He said his message had been that South Africa was a society crawling out of an era of racial discrimination and an environment whose features were tensions and conflict.

"The United Kingdom as a bastion of democracy wants to ensure that we have all the means we need to entrench democracy in South Africa.

"I think the UK people understand our requirements as being reasonable," Mandela said

He said he met French President Jacques Chirac on three occasions and they discussed, among other things, the restructuring of the United Nations, the writing off of African debts and issues where there was conflict and fighting

"We also discussed development aid, investment and trade links."

He said he made it clear to Chirac that there was no need for the European Union to feel threatened by SA's trade agreement requirements.

He said the main concern of European countries, particularly France and Germany, was the marketing and selling of South African agricultural products in those countries.

"Most of the producers there believe that the presence of our products in European markets threaten their situation as they do not receive any state subsidies.

"I assured them that there was no threat as our products were seasonal and were sold at the time when theirs were out of season. For that reason, there is no need to block South African products," Mandela said.

He said the German Chancellor Helmut Kohl and Chirac assured him they would attend to this matter.

"I believe that they will carry out their promises."

EXCLUSIVE AGENTS COME TO TOWN

World's wealthy target city homes

CT 18/7/96 (74B)

THE FLOOD of foreign property buyers into Cape Town is set to intensify later this year when a prestigious British property group opens offices in the city. CAROL CAMPBELL reports.

ONE of the largest international property groups opens its offices in Cape Town in October to cater specifically to an exclusive circle of million-dollar clients, among them Arab oil barons, British and European aristocracy and Asian industrialists.

The arrival of the British firm Savills — which only deals in property of R1 million or more — is expected to bring another wave of wealthy and high profile names to Cape Town as South Africa's popularity abroad continues to soar.

Yesterday the company's South African managing director, Ms Anne Mackie, said she expected to sell between R70m and R100m worth of property in the city over the next five years.

"This boils down to one R2m home a month."

Also in October Pam Golding International has been invited by the British estate agency Hamptons to send representatives to Dubai and Hong Kong to market South African homes at international property exhibitions. The invitation was extended because of the growing demand for property in South Africa.

The company's national marketing manager, Ms Vera De Hen, said they had sold R120m of property to foreigners so far this year and of this 85% was spent in the Western Cape.

"Property in the province is appreciating at 18% a year which gives buyers a far better return on their investments than anything they might buy on the stock exchange."

Mackie said the Atlantic Seaboard was especially popular with her German, Malaysian and Arab clients, and Constantia and Bishopscourt appealed to British buyers.

"Besides the usual attractions like the weather and Table Mountain our clients love the continental flavour of Cape Town which you don't get elsewhere in the country. They could choose to buy in the south of France but, with the depreciating rand, they would never get the same value for money."

She pointed out that property buyers did not have to be South African citizens to be eligible to buy land but those who did choose to emigrate had to meet the country's strict immigration requirements.

Pam Golding's London agent, Ms Joanna Leonard, said three-quarters of the inquiries she received about possible property buys in South Africa were for Cape Town.

"These are people who would usually have bought in a place like the Caribbean but they have discovered South Africa is cheaper and very beautiful. Also they love the Africa connection."

Many inquiries were for properties in the R500 000 bracket and came from "normal" people earning average British incomes.

"These people might spend £100 000 (about R680 000) on a very small London flat but this money can buy them a fantastic home in South Africa."

Mrs Golding said that in one month the company was receiving 24 000 inquiries on the Internet about possible property purchases in South Africa — 90% of them coming from overseas.

"We completed three sales recently simply by being accessible on the Internet — I've had to establish a special information office at the Waterfront to cope with this massive interest."

Last night a Scottish businessman who bought a home in upper Constantia two years ago said his other option was to settle in Spain but the cost of living was too high.

He settled in Cape Town because it was "paradise". Nevertheless, he pointed out that rising crime, an increasingly unionised labour force and low productivity was likely to scare investors.

Speaking from London, an Indian buyer, who also chose to stay anonymous, said he was flying to South Africa this weekend to scout for property.

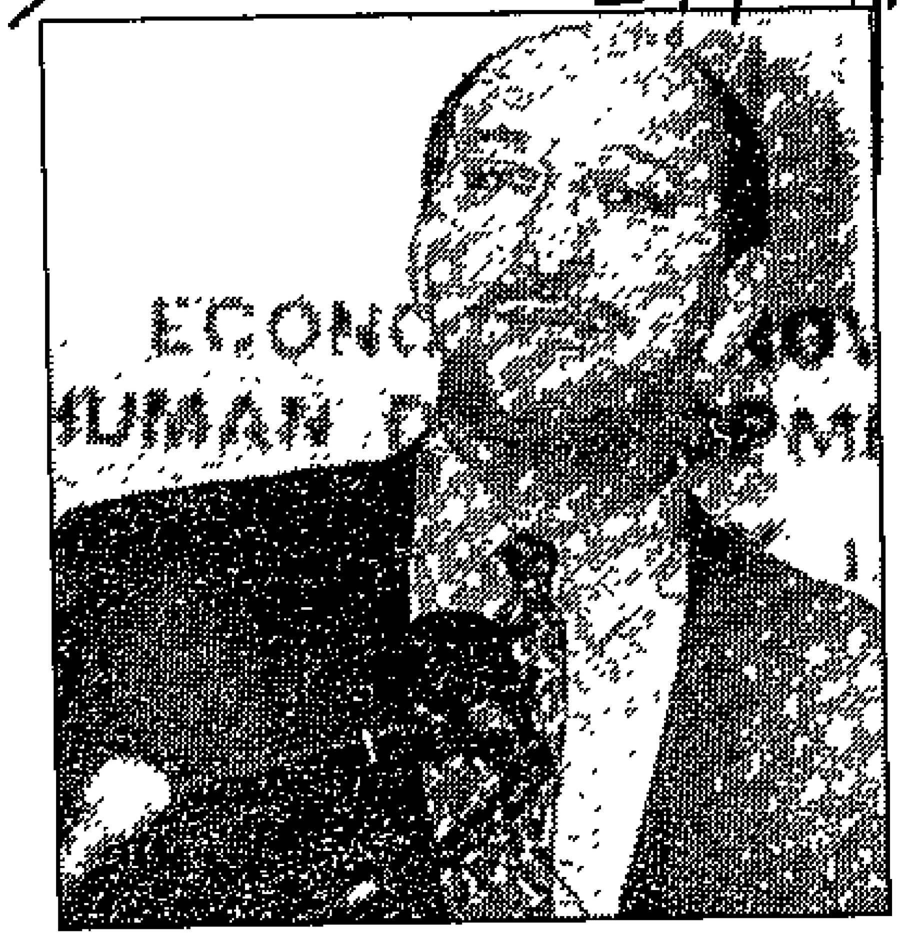
"It's a country of opportunity — there is so much one can do there. I think it will be a great place to live and I am very optimistic I will find what I am looking for in Cape Town."

Benefits 'if you invest in SA'

24/7/96

(746) Sowetan 24/7/96

By Shadrack Mashalaba



Finance Minister Trevor Manuel
PIC SIPHIWE SIBEKO

FINANCE Minister Trevor Manuel has called on local and international investors to immediately consider South Africa as a hub for investment, reassuring them that innumerable incentives and benefits are in the offing.

Addressing a United Nations seminar on economic growth and human development in Kempton Park yesterday, Manuel said investment was one of the ingredients needed by this country to counter the growing "army" of the unemployed.

Most of Manuel's address focused on Government's growth, employment and redistribution strategy and he emphasised the need for increased export of competitive goods to compete in the global arena.

Growth imminent

"Tariff reduction needs to be implemented carefully with all stakeholders involved. I believe that a six percent growth rate per year by the turn of the century will not be easily achievable, but is imminent."

The Government's strategy aims to create half a million jobs annually from 2000, concentrating on capacity building to meet the demands for international competitiveness.

"We need to create and enlarge our industrial base. This can be done through a series of tax incentives given preferably to those who invest in labour-intensive job creation initiatives," he said.

Manuel also emphasised a need for proper corporate governance, particularly with regard to state assets. He said the state should secure the best returns when it sold its assets.

On reservations expressed by the labour movement regarding restructuring of state assets, he said labour was not entirely opposed to the sale of state assets.

Yesterday Manuel officially received the United Nations Human Development Report for 1996 from UN resident representative David Whaley.

ST 28/7/96 (~~[illegible]~~)(74B)

'Trustworthy' Mbeki charms US businessmen

By SIMON BARBER
Washington

DEPUTY President Thabo Mbeki did much this week to settle the nerves of US business about South Africa's prospects after President Nelson Mandela leaves the stage.

His visit to Washington, to co-chair the third biannual meeting of the US-South Africa Binational Commission with Vice-President Al Gore, was a low-key affair but it is nevertheless likely to pay considerable dividends.

The most important single outcome was the resolution in principle of unfinished business from the apartheid past: the 1991 indictment of Armscor for conspiracy to violate US arms export controls.

By dropping his earlier insistence that the state-owned arms procurement company should be immune from prosecution in US courts, Mbeki opened the way for the early lifting of UN sanctions on Denel.

But even before the breakthrough was announced on Wednesday evening, Mbeki — viewed as Mandela's heir apparent although he himself humbly demurs on the subject — had been impressing the US corporate community.

The director of a major US business group said that, while Mbeki did not have Mandela's "charisma quotient", he had come across as "trustworthy, reliable and workmanlike . . . He has a subtle, extremely sophisticated mind."

Mbeki did not bang the drum (or tin cup) for investment, letting his American hosts do it for him instead. In his major address to business leaders on Monday he simply underlined his commitment to the government's macro-economic plan, and its dependence on long-term foreign capital.

His, perhaps innate, inability to play the salesman — he was utterly frank about crime — made him seem all the more sincere, as did the fact that when he did pay US corporations a compliment he did it out of their earshot. At a meeting with local, mostly African-American, entrepreneurs in Baltimore, it was put to him that US firms in South Africa were doing nothing for black South Africans. This was incorrect, he replied. Aside from making a profit US companies had "systematically looked at what else they could do to help . . . in the transformation of the country".

By general consensus, the latest meeting of the Binational Commission — which brings together cabinet members, officials and technocrats to foster co-operation in areas from trade to science — was the most successful yet.

This was not because there were any big initiatives to announce, apart from a declaration laying the basis for stepped up involvement in Pretoria's crime-fighting efforts. What impressed participants was the meatiness of talks covering everything from anti-dumping duties to gas policy.

Previously, some US participants were worried the commission was in danger of being nothing more than an excuse for junketing. This time, said a member of its business development committee, "everybody sensed the atmosphere was healthier, and Thabo personifies that".

There had also been fears that the committee, the only commission subgroup which includes private-sector representatives, and the most important in promoting US investment, might flounder with the death of its original chairman, US Commerce Secretary Ron Brown, and the departure of his counterpart, Trevor Manuel, to finance.

But there were rave reviews on both sides for their successors, Mickey Kantor and Alec Erwin, and the "chemistry" which was evident between them.

US companies spearhead direct investment in SA

(160) (74B) ST(BR) 28/7/96

By ZILLA EFRAT

US FIRMS have been entering and expanding operations in South Africa almost twice as fast as companies from all other countries combined.

This according to Peter DeSimone, editor of the Washington-based Investor Responsibility Research Centre's recent survey of 2 000 multinationals with direct investment, employees or non-equity links in South Africa.

The survey found that 57% of all new companies entering South Africa over the past two years have been from the US. Many were re-establishing ties broken off in the 1980s.

In the past year alone, the number of US firms with direct investments or employees in South Africa has grown from 208 to 262, the value of their assets by 29% and the number of employees under their management by 33%.

US companies account for more than a quarter of the 883 multinational firms with employees or direct investments in South Africa. But while they collectively employ 60 000 of the 500 000 employed by multinationals in South Africa, US firms are not major employers, says DeSimone.

For example, the combined employment in South Africa by the largest five US firms is roughly 12 000 — a number dwarfed by the largest single multinational employer in South Africa, British firm Lonrho at 23 000.

Among the US firms, only Sara Lee ranks among the top 20 multinational employers.

Britain is the largest foreign employer in South Africa with German and US firms competing for second place.

Since the 1994 elections, the all manufacturing sector has attracted the most multinational entrants (24%), followed by the wholesale trade (21%) and transportation and communication (20%).

DeSimone says these companies have responded to SA's recent economic growth and changes in its regulatory environment which have made some sectors more open to foreign competition.

He says in recent years large green-field investments in manufacturing and other industries have been relatively rare. However, several foreign investors, particularly Malaysian conglomerates, have invested in new property developments.

"A few other foreign firms have set up facilities in the financial services and the consumer products manufacturing sectors."

The survey also found that foreign firms in South Africa are highly concentrated when it comes to location. More than 80% of their operations are in Gauteng.

TOP 10 FOREIGN EMPLOYERS IN SA

COMPANY	COUNTRY	EMPLOYEES
1. Lonrho	United Kingdom	23 000
2. GEC Alsthom	The Netherlands	8 751
3. Volkswagen	Germany	7 179
4. Nestle	Switzerland	6 878
5. BTR	United Kingdom	6 391
6. Unilever	United Kingdom	6 369
7. Daun et Cie	Germany	5 350
8. Cadbury Schweppes	United Kingdom	4 592
9. Siemens	Germany	4 493
10. Rolls Royce	United Kingdom	4 468

Graphic FIONA KRISCH

Source. IRRC