FOREIGN TRADE — GENERAL

FEBRUARY 1996

# Breakthrough agreement with China

□ *Most favoured nation status for goods*

BARG 20/2/96 74C

**MAUREEN MARUD**

SOUTH AFRICA has made an important breakthrough in its trade relations with China.

A two-person Department of Trade and Industry (DTI) delegation recently returned from China with the good news it had won most favoured nation status for South African goods entering that country.

Gerrit Breyl, deputy director general of trade with the DTI, and his assistant, Kate Kuper, deputy director of foreign trade relations, say they had constructive discussions with high level Chinese government officials.

The outcome was that South African goods going into China will now enjoy the same treatment Chinese exports get coming into this country.

South Africa grants every other country's exports most favoured nation status, which is essentially a lower tariff. It is mandatory for all members of the World Trade Organisation, to which South Africa belongs, to grant each other that status.

China, which is not a member of the WTO, had not given South African exports the same privilege before.

"We are no longer at a disadvantage. The playing fields have been levelled," Ms Kuper said.

This would make an enormous difference to South African exports going into a market of 1,2bn people.

"There will be significant numbers of jobs created in this country by increasing exports to China.

"Many exporters have said lower duties into that market would make it imperative for them to employ more people."

Ms Kuper said the reciprocal arrangement with China was important also because South Africa had to increase its exports to counterbalance this country's rising current account deficit.

In return, Chinese exports would be limited only if their numbers caused problems for local industries. But, those industries would have to prove they were being injured, she said.

"We will not protect business unless there is good reason and they provide us with evidence. And that protection will be only short-term.

"Companies will have to prove there is serious injury to them from Chinese imports and that jobs are being lost as a result."

In response to industry and labour concerns, South Africa had retained the right to take whatever action it deemed necessary if Chinese exports to this country were problematical.

"We are now in the process of constant consultation with industry and labour to develop a mechanism to protect certain industries.

"There are a number of alternatives, with just one of them being a voluntary export restraint agreement by the Chinese."

FOREIGN TRADE – GENERAL

APRIL 1996

# Trade with Italy set to receive major boost

Lukanyo Mnyanda (74C) BD 15/4/96

ECONOMIC co-operation between SA and Italy will receive a major boost when the first conference and workshop on trade and investment between the two countries is held in Johannesburg later this month.

The two-day event, promoted by the Federation of Italian Industries (Confidustria) and influential Italian economic daily Il Sole 24 Ore, and with support from the Italian Trade Commission, will be held at Gallagher Estate on April 23 and 24.

Speakers will include Italian Finance Minister Augusto Fantozzi, Anglo American Industrial Corporation chairman Leslie Boyd, New Africa Investment chairman Nthato Motlana and Reserve Bank governor Chris Stals.

Italian trade analyst Alessandro Mariola said about 50 companies had already confirmed their attendance at the conference.

The event was aimed also at cementing and strengthening the growing trade partnership between the two countries, and at increasing industrial co-operation.

"Over the past three years, imports and exports between SA and Italy have grown by about 40% on average," Mariola said.

Although a number of Italian companies had opened offices in SA since the dismantling of apartheid, the conference and workshop represented "the first real initiative" for joint ventures between companies from the two countries.

He said the workshop would give SA companies an opportunity to meet and discuss possible joint ventures with representatives from Italian firms.

"The main purpose would be to make available technology, manufacturing flexibility and know-how of the Italian firms to the benefit of the growth of SA companies in an internationally competitive environment."

# SA-Chinese trade talks tardy

John Dludlu

(74C)

ALTHOUGH diplomatic relations between China and SA are showing signs of improving — following last month's visit by Foreign Minister Alfred Nzo — no significant progress has been made on trade talks between the two nations.

Trade and industry department deputy director-general Gerrit Breyl recently said there were no further developments to report on talks which could have led to preferential treatment of SA products to China.

"The department is still waiting for Chinese authorities to initiate the process."

Chinese products, according to the department, already receive "de facto" preferential access to SA under the "most favoured nation" trade regime.

A key component of the talks would be the provision for a mechanism to solve problems arising from the conduct of trade between the two nations. Recently, reports suggested that the two nations could soon sign a "voluntary export restraint" agreement.

Chinese imports to SA have generated a barrage of criticism from this country's industries.

Clothing and textile sources feel a voluntary export restraint accord will go a long way towards providing certainty to trade between the two countries. But they expressed concerns over China's ability to deliver its side of the bargain.

Chinese diplomats have complained that the lack of diplomatic relations was a hindrance to trade expansion.

While China maintained an anti-SA stance at the height of apartheid, Taiwan moved in closer and diplomatic ties were established.

However, the department said the exchange of notes on trade was not linked to diplomatic relations. The "long overdue visit" by Nzo was aimed at improving high-level dialogue with a "growing economic and political power".

# France plans 50% increase in trade with SA by end of century

(74C)

By Jon Beverley

CT (BR) 22/4/96

Richards Bay — France intends to increase Franco-South African trade by 50 percent between now and 2000, Yves Galland, the French finance and trade minister, said at the opening of the Alusaf aluminium smelter on Friday.

Galland has been in the country as the leader of a party of top French businessmen.

French technology in the smelting process developed by Aluminium Pechiney was the key to the new smelters' ability to achieve a capital cost of $3 000 a ton of aluminium.

Other smelter's costs are about $4 000 a ton.

Galland said the opening of the Alusaf plant demonstrated that France could be a more active and available commercial partner.

"At present, we are only your sixth supplier, having intentionally broken off our commercial ties for several years.

"I should like to set a target for France to have a presence here which measures up to our place in the world of commerce as we are the fourth world exporter of goods and the second world exporter of services.

**Contribution**

Later at a celebratory lunch, Jean-Pierre Rodier, the chairman of the Aluminium Pechiney, contributed R500 000 to an educational trust fund that is being set up in the area.

FOREIGN TRADE –

1996 GENERAL

MAY – JULY

# UN 'must focus on free trade problems'

ET 1/5/96 (74)

JOHANNESBURG: British Trade Minister Anthony Nelson yesterday told the United Nations Conference on Trade and Development it should focus on helping the developing countries deal with their free trade problems.

At a general debate on the future of Unctad, Nelson said unless Unctad began assisting developing countries, the organisation would remain irrelevant among those which needed it most.

Developing countries would not attract and retain foreign investment if they could not provide stable economic environments, Nelson said.

Similarly, countries which were ignorant of trading opportunities or which could not communicate effectively with the outside world, would not benefit from trade. "If Unctad is to secure its place as an international institution, it must demonstrate that it has the capacity to help developing countries tackle these problems." — Sapa

# Erwin urges Unctad to shake off apathy to ensure its survival

(74) Star 1/5/96

By Caroline Allen

Johannesburg — South Africa is laying its political credibility on the line with its presidency of the United Nations Trade and Development Conference (Unctad), aiming to shake up the body and ensure its technical programmes become better known.

Alec Erwin, the trade and industry minister, opened the first working session of the ninth meeting of the conference yesterday.

He urged delegates to get rid of apathy if they wanted the organisation to survive.

"Unctad stands poised, there is a real danger it will cease to exist. This conference has to be seen to be conducted differently — with a sense of vigour, urgency and purpose, and with greater efficiency," said Erwin.

He told the 2 500 delegates to "speak your minds, address issues and seek solutions, but be economical with your words".

He said the organisation should "look beyond its institutional history and determine its precise location in a changing world economy".

*SA is uniquely placed to forge a partnership between developed and developing countries*

The four-year presidency of the organisation marks South Africa's latest move to raise its profile on the world political stage.

The organisation, which opened its two-week conference on South Africa's Freedom Day, is openly leaning on the global standing of President Nelson Mandela.

South African officials say the country is uniquely placed to forge a partnership between developed and developing countries but privately admit that assuming the presidency of the organisation contains great risks alongside the potential rewards.

A European nation delegate said if the organisation could be reshaped and made relevant, it would boost South Africa's influence enormously. "If it fails, it will be a very expensive exercise both in terms of raw costs and credibility."

He said South Africa's foreign policy was sometimes "erratic", indicated most recently by its friendly approach to Libya, but it already had enormous influence in developing countries and could be a successful broker in trade and political disputes.

Erwin, a former trade union official and academic, said he wanted the organisation to focus on concrete programmes.

The organisation is working on a trade efficiency review mechanism, which aims to measure each country's competitiveness against an international benchmark, and is pioneering work in risk management strategies for commodity producing countries.

Unctad officials acknowledge that they have been so busy defending their existence after the creation of the World Trade Organisation (WTO) that Unctad's practical programmes are hardly known.

William Rossier, the president of the board that prepared the central document and the meeting of the conference, said Unctad was vital.

"If Unctad did not exist, you would have to create it. WTO is purely about negotiations, and you cannot go straight into negotiations. You have to have a forum where issues can be raised and debated without having to commit."

He said Unctad's Global Trade Point (GTP) network, which puts producers and buyers in touch with each other at selected sites, was one of its most exciting projects.

"Until now, if a government wanted to develop an area it had to build extremely expensive infrastructure and hope that investment and business would follow.

"These GTPs do it the other way round. Using satellite communications at these points, they can get in touch with buyers and ensure there is the business to support the infrastructure spending." — Reuter

# SA off US watch list 'provisionally'

BD 2/5/96 (74)

Simon Barber

WASHINGTON — The US government has announced it is "provisionally" removing SA from its "watch list" of countries seen as providing inadequate protection for US intellectual property rights.

Acting US Trade Representative Charlene Barshefksy made it clear SA would not be given a completely clean bill of health until changes in its trademark regime discussed at December's US-SA Binational Commission meeting were implemented.

US trade representative special counsel Howard Reed, the chief US negotiator on the issue, emphasised the positive. "By taking the South Africans off the list, we have reached a point where US companies should not use (lack of intellectual property protection) as an excuse not to invest in SA."

A number of US firms, including McDonald's, rival fast food chain Burger King, Toys 'R' Us and clothing retailers Victoria's Secret and The Gap, have protested that SA traders have exploited their absence to use their trademarks, and in some case demand large sums for giving them back when the original owners return to SA.

Toys 'R' Us has since reached an agreement granting an SA franchise to Redgwoods, but the other complaints remain unresolved.

Although the SA embassy publicly welcomed SA's removal from the watch list, there was disappointment that the step had not been taken unconditionally and that the US trade representative office was still insisting on conducting an "out of cycle review" of SA in September.

Sources said this had been the result of a turf fight between the US trade representative and the commerce department's foreign commercial service which wanted a much tougher line than Reed's.

The purpose of the review, according to the trade representative, would be "to confirm (1) that legislative changes to which SA committed itself in December 1995 are being expeditiously accomplished; and (2) legisla-

Continued on Page 2

## US list

(74)

Continued from Page 1

tion has been introduced in Parliament and other appropriate measures have been undertaken which would bring SA into compliance with its international obligations and resolve outstanding trademark concerns".

Washington wants to be reassured that US companies which stayed out of SA during the sanctions period cannot be stripped of the marks they registered in the country because they did not make local use of them.

The other major concern is over the definition of "well known" marks that are automatically protected under current SA law. BD 2/5/96

Last year, the Transvaal Supreme Court found that US sanctions did not constitute "special circumstances" that would save McDonald's from losing its SA-registered marks for non-use, because there had been nothing in US federal or state law to prohibit the fast-food giant from trading in SA.

The court also ruled that McDonald's marks were not protected by the "well known" doctrine because the company was not that well known outside SA's more cosmopolitan suburbs. The case is on appeal.

The US is still seeking changes in SA law and administrative rules that would formally acknowledge US sanctions, which outlawed new investment in SA but only discouraged the maintenance of existing operations, as "special circumstances".

The US argues that a company should enjoy "well known" status if it is famous within its sector rather than among the public at large.

However, it should be taken into consideration that the above-mentioned figures are based on registration figures for the 29 May 1996 election, which date has now been postponed to 26 June 1996. An additional registration period will be allowed from 24 to 27 May 1996. These registration figures will affect the above-mentioned figures.

(b) In the Western Cape, the following number of voters have been registered for the 29 May 1996 election:

| | | |
|---|---|---|
| Metropole: | 1 315 847 | (±92% of available voters) |
| Rural areas: | 157 296 | ±80% of available voters) |
| Total | 1 473 143 | |

(2) A statement is not regarded as necessary at this point in time.

†Mr H J BEKKER: Madam Speaker, arising from the hon the Minister's reply in respect of the number of people on the voter's roll for KwaZulu-Natal, I should like to ask him whether he can tell us how the voters' roll for KwaZulu-Natal compares with the previous roll for Gauteng as far as correctness is concerned. Is it true that the voters' roll is much better and contains far fewer mistakes than in Gauteng, for example?

†The MINISTER FOR PROVINCIAL AFFAIRS AND CONSTITUTIONAL DEVELOPMENT: Madam Speaker, the voters' roll for KwaZulu-Natal compares very well with those of all the other provinces as far as the percentage of registered voters as well as irregularities arising therefrom are concerned, and in many instances the voters' rolls there are better than many of those we have seen in the elections in other provinces. Considering the steps taken under the leadership of the presidential task group and the excellent co-operation from the local MEC, as well as everything that still needs to be done before 26 June, I believe it is safe to say that KwaZulu-Natal will be going into the local government elections with excellent voters' rolls.

**Tourists: increase/decrease**

*18. Mr J C N WAUGH asked the Minister of Environmental Affairs and Tourism:†

(1) Whether there was an increase in the number of tourists in 1995 compared to 1994; if so, what was the percentage increase; if not, what was the percentage decrease;

(2) whether he will make a statement on the matter?

N633E

†The MINISTER FOR PROVINCIAL AFFAIRS AND CONSTITUTIONAL DEVELOPMENT (for the Minister of Environmental Affairs and Tourism):

(1) Yes. Tourists from overseas countries increased by approximately 52% during 1995, compared to 1994. Tourists from countries in Africa increased by approximately 12%. The percentage increase in the total number of international tourists during the mentioned period was approximately 22%.

(2) Yes, various statements have been made concerning this matter.

**Lomé Convention: SA membership** 74

*19. Mr M VAN S HAMMAN asked the Minister of Trade and Industry:†

(1) Whether his Department is currently engaged in negotiations with regard to South Africa's membership of the Lomé Convention; if not, what is the position in this regard; if so, (a) with which bodies and (b) when will these negotiations be completed;

(2) whether he will make a statement on the matter?

N634E

The MINISTER OF LABOUR (for the Minister of Trade and Industry):

(1) Yes. The Department of Trade and Industry, in conjunction with the Departments of Foreign Affairs, Agriculture and Finance, has engaged in negotiations with regard to South Africa's accession to the Lomé Convention with the European Union Commission since June 1995. These negotiations are still in progress. It was our intention to complete the Lomé track as soon as possible to allow South Africa's accession during the June ACP-EU Ministerial Council meeting. However, the EU Commission and certain member states kept on insisting on linking the finalisation of the Lomé Protocol to the conclusion of the bilateral trade negotiations.

In trade terms, the Lomé offer would be severely restricted and qualified. South Africa would not be eligible for market access under the Convention. Similarly the cumulation of the rules of origin, which will allow South African inputs in ACP (African, Caribbean and Pacific) exports to the EU, will only be permitted on an "ad hoc" basis. South African firms will only be able to participate in the European Development Fund (EDF) tenders for the EU-funded contracts in ACP countries offered under the 8th EDF.

(2) The relevant departments will regularly issue press statements in order to keep interested parties informed of developments and the outcome of the negotiations.

*20. Mr A G MOHAMMED—Public Works. [Question standing over.]

*21. Mr C M GEORGE—Arts, Culture, Science and Technology.† [Withdrawn.]

**IBA: decisions taken**

*22. Mr J J DOWRY asked the Minister for Posts, Telecommunications and Broadcasting:†

(1) Whether the Independent Broadcasting Authority (IBA) took any decisions during the period 1 April 1996 to 19 April 1996; if not, why not; if so, how many;

(2) whether he will make a statement on the matter?

N638E

The MINISTER FOR POSTS, TELECOMMUNICATIONS AND BROADCASTING:

(1) No. During April 1996 there were no Council meetings as Councillors were engaged in hearings on amending legislation and broadcasting Bills as instructed by the Minister.

(2) As above.

*23. Mrs T J MALAN—Education. [Question standing over.]

*Business interrupted in accordance with Rule 199(3) of the Standing Rules for the National Assembly.*

*24. Dr W A ODENDAAL—Health. [Question standing over.]

**Exploitation of shingles between Struisbaai and Franskraal**

*25. Mr N J J VAN R KOORNHOF asked the Minister of Mineral and Energy Affairs:†

(1) Whether his Department is currently considering applications for permits for the exploitation of shingles on the coast between Struisbaai and Franskraal; if so,

(2) whether he or his Department will consider undertaking an environment impact study or having such a study undertaken before such permits are granted; if not, why not; if so, what are the relevant details?

N642E

The MINISTER OF MINERAL AND ENERGY AFFAIRS:

(1) My Department is currently considering two applications for mining permits for the small scale removal of shingles from the beach (between the high and low water marks) between Struisbaai and Uilenkraalsmond. Three other similar applications over the same area have in the past been rejected by the Regional Director in Cape Town.

The applications which are currently under consideration were submitted by Messrs W C Theron and E Visser, both being applicants to whom permits have been issued in the past.

(2) Any applicant for a mining permit or mining license, in terms of the Minerals Act, 1991 (Act No 50 of 1991) must submit an environmental management programme to the Regional Director concerned, before mining activities may commence.

In 1987, the CSIR, together with the Department of Environmental Affairs and Tourism, conducted an abridged impact study on Mr Theron's behalf. The opinion then was that the shingles represent a continuously supplemented source. Their small scale removal would not have a significant effect on the beach. The above authorities supported Mr Theron's applica-

# Rupert warns on intellectual rights

(34) BD 3/5/96

Samantha Sharpe

SA WAS in danger of losing billions of rands in international investment for failing to protect intellectual property rights, despite the country's removal from the US government's "watch list" of countries, Rembrandt group chairman Johann Rupert warned yesterday.

He said in an interview SA had been removed provisionally from the "watch list", which included countries seen as providing inadequate protection for intellectual property rights.

However, SA's removal from the list was conditional, with the US trade representative office to conduct an "out of cycle review" of SA in September.

Although the country's recently introduced trademark legislation was in line with international standards, it was unable to protect companies absent from SA from 1985 to 1991, he said. SA still had to produce a verdict on the McDonald's trademark dispute, expected to be heard by the Appelate Division later this month.

Business sources said yesterday an unsatisfactory verdict could bode ill for SA's trading relationships with other countries, resulting in hundreds of millions of rands in lost investment.

McDonald's was only one of a number of US firms, which included Burger King, Toys 'R' US and retailers Victoria's Secret and the Gap, which accused SA traders of exploiting their absence in SA to use their trademarks.

US trade spokesman Holly Kenworthy said it would be difficult to forecast how the outcome of the pending McDonald's case could affect SA's status on the "watch list". The "out of cycle review" in September would check whether legislative changes to which the country had committed itself in December last year have been accomplished and that legislation had been introduced to bring SA's trademark law in line with international standards.

"We've been impressed so far with the new government's commitment to bringing intellectual property rights in line with international norms ... and we're confident that we're going to make good process on outstanding issues," she said.

# Rand 'a boost' to balance of payments

(74) BD 3/5/96

Greta Steyn and
Lukanyo Mnyanda

SA's balance of payments should receive a R6bn boost from the rand's depreciation this year, and a further R7bn next year, according to Reserve Bank calculations.

Bank deputy economics head Bernie Dejager sketched a rosy picture of the economy after the rand's depreciation. But he pointed out there was a catch — these benefits would accrue only if workers accepted the downward pressure on real wages generated by currency depreciation.

Dejager, who was addressing a Wits Business school forum on the exchange rate "crisis", said the current account of the balance of payments would improve unambiguously from the levels it would have been at without rand depreciation. He also saw the improvement occurring immediately — unlike many other economists, who expected an immediate deterioration with a delay before a subsequent improvement. The improvement of R6bn was based on the rand maintaining a level of R4,25 to the dollar rather than R3,65.

The effects of the depreciation on GDP should be to add 0,75 percentage points to the growth rate (all other things being equal), and provided there was wage restraint, 45 000 jobs would be created. The cost would be 2,5 percentage points added to inflation.

Dejager said: "There is a real danger that the inflationary impact may be taken further by a strong response in the labour market. This will nullify completely the potential gains of the depreciation." The major depreciation of the 1980s saw all the gains wiped out by a big wage push.

Commerzbank spokesman Andre

Continued on Page 2

## Rand

Continued from Page 1

Cilliers warned foreign bankers were still predicting a further weakening of the exchange rate. "We are now looking towards the elections in KwaZulu-Natal, the adoption of the new constitution and before we know it, we will be close to the next election. Foreign investors are building these uncertainties into feasibility studies before they make long-term investments."

Reserve Bank governor Chris Stals, speaking at the SA/Canada Chamber of Business AGM last night, said the recent turmoil in the foreign exchange market could lead to a long-term escalation in the rate of inflation.

Stals said economists had predicted a 2%-3% rise in inflation over the next year, but these forecasts had been based on the direct or immediate effects of price rises that would result from the depreciation of the rand. "The forecast also does not take into account possible corrective actions that might be introduced deliberately by the monetary authorities."

Stals said the rand's fall could turn out to be beneficial for SA and the country needed a flexible anti-inflation policy that could accommodate relative price adjustments that contained important signals for change.

"The depreciation of the rand can, for example, turn out to be beneficial for the SA balance of payments if a greater part of domestic production can now be diverted to exports, and even more so if domestic production can now be increased," he said.

However, he warned that the competitive advantage for SA's exporters would be short-lived unless inflation was constrained and production costs per unit of production did not rise. It was important that wage and salary increases reflect rises in productivity because the currency fall had created inflationary pressure on the economy.

The rand stayed stronger than R4,37 to the dollar during a day of "orderly" trade. The embattled unit ended the day at R4,3575 from a R4,3625 low and a previous close of R4,3350.

The money market has not yet recovered from last week's shocks, with the shortage hitting a record R10,93bn.

# Mainland China, SA in trade status accord

(74)
BD 3/5/96

Alan Fine

SA AND the People's Republic of China yesterday signed a "most favoured nation" status agreement as visiting Chinese Foreign Trade Minister Wu Yi expressed confidence that the two countries would establish diplomatic relations soon.

Wu, in SA for the Unctad conference, was speaking at a lunch in Johannesburg hosted by the Chinese Centre for SA Studies — China's official mission in SA — Nedcor and Johannesburg's Chamber of Commerce and Industry.

Wu said President Nelson Mandela had made it clear to her during a private lunch on Tuesday that SA was "keen to establish diplomatic relations with China at an early date".

Given China's refusal to countenance dual recognition of itself and Taiwan, that would imply a breaking of diplomatic relations between SA and Taiwan.

Wu said the status agreement was "very exciting news" for the nations' business communities.

Mandela's spokesman Joel Netshitenzhe said yesterday, however, that Mandela had merely repeated the same view he had been expressing since 1994 — that SA would like to establish diplomatic relations with China, and this would require discussions with both China and Taiwan.

This did not represent, at this stage, any change in Mandela's previous undertaking that relations with Taiwan would be maintained. He declined to comment on possible changes to that position.

Meanwhile, **John Dludlu** reports that Trade and Industry Minister Alec Erwin said SA was keen to pursue talks to further deepen trade relations between the two nations.

# Unctad set for rebirth with SA at the helm

Star 4/5/96

74

The United Nations Conference on Trade and Development is set for rebirth under South Africa's leadership, with consensus starting to replace the body's old confrontational style, a delegate said yesterday.

"There were fears in the run-up to the meeting that it would deteriorate into the old Unctad of confrontation, and that the United States and the European Union were out to emasculate the organisation," said Xavier Carim, a member of the South African delegation to the ninth Unctad conference. "But it's on track."

The US feels that South Africa has the muscle to urge developing countries to confront their own shortcomings and abandon their previous "victim mentality", he said.

"The South African presidency is just what Unctad needed right now, because it has credibility on both sides of what has been a development divide," said a delegate from an EU country.

**BLUNT STYLE:** Minister of Trade and Industry Alec Erwin

There has been much support among delegates for proposed Unctad help for less developed countries to prepare for World Trade Organisation talks.

Until now, developed countries have wanted trade talks restricted to the WTO forum, but they now say most developing countries need preparation for the negotiations.

"What the developed countries seem to want is for Unctad to give these countries technical help to fulfil their current trade obligations," Carim said.

He added that said Unctad's role was evident in WTO talks on a telecommunications agreement in Geneva. "Developing countries have not signed it because they don't know what the issues are. The talks are stalled. Unctad can help push the WTO agenda forward."

Carim said it was fair to say that Unctad had "turned the corner" at the conference, but industrialised countries were suspending judgment until they saw what happened over the next four years.

He said SA Minister of Trade and Industry Alec Erwin was making Unctad a priority. Erwin's blunt style went down well at the conference, winning over the more sceptical developed countries and giving confidence to developing countries. – Reuters

# US trade policy on Africa comes under fire from all quarters

Washington – US investors, analysts, and African activists are criticising the US's Africa trade policy, drafted by 19 US government agencies.

The complaints come as Congress begins work on legislating the policy, submitted to US President Bill Clinton's administration in February.

The policy aims to expand US business on a continent that has been the bastion of Europe for centuries. However, even one of its architects, US Treasury African affairs director Edward Barber, concedes it is "not as bold as we would have liked". He blames "domestic concerns."

African activists call the policy a tool for US exports, while the business sector charges that it focuses more on development than on trade.

A coalition of 18 Africa-focused non-government bodies says the policy "takes a one-size-fits-all approach to development". African diplomats say it is dictatorial and shows no interest in understanding Africa or its problems. Gambian embassy charge d'affaires Tombong Saidy said: "It says 'this is what we want you to do for US business', not what we will do for African business."

Ordered by Congress in 1994, the document orders state agencies to design programmes for trade and investment in Africa. Washington, for its part, would pursue trade treaties with a view to setting up free trade areas.

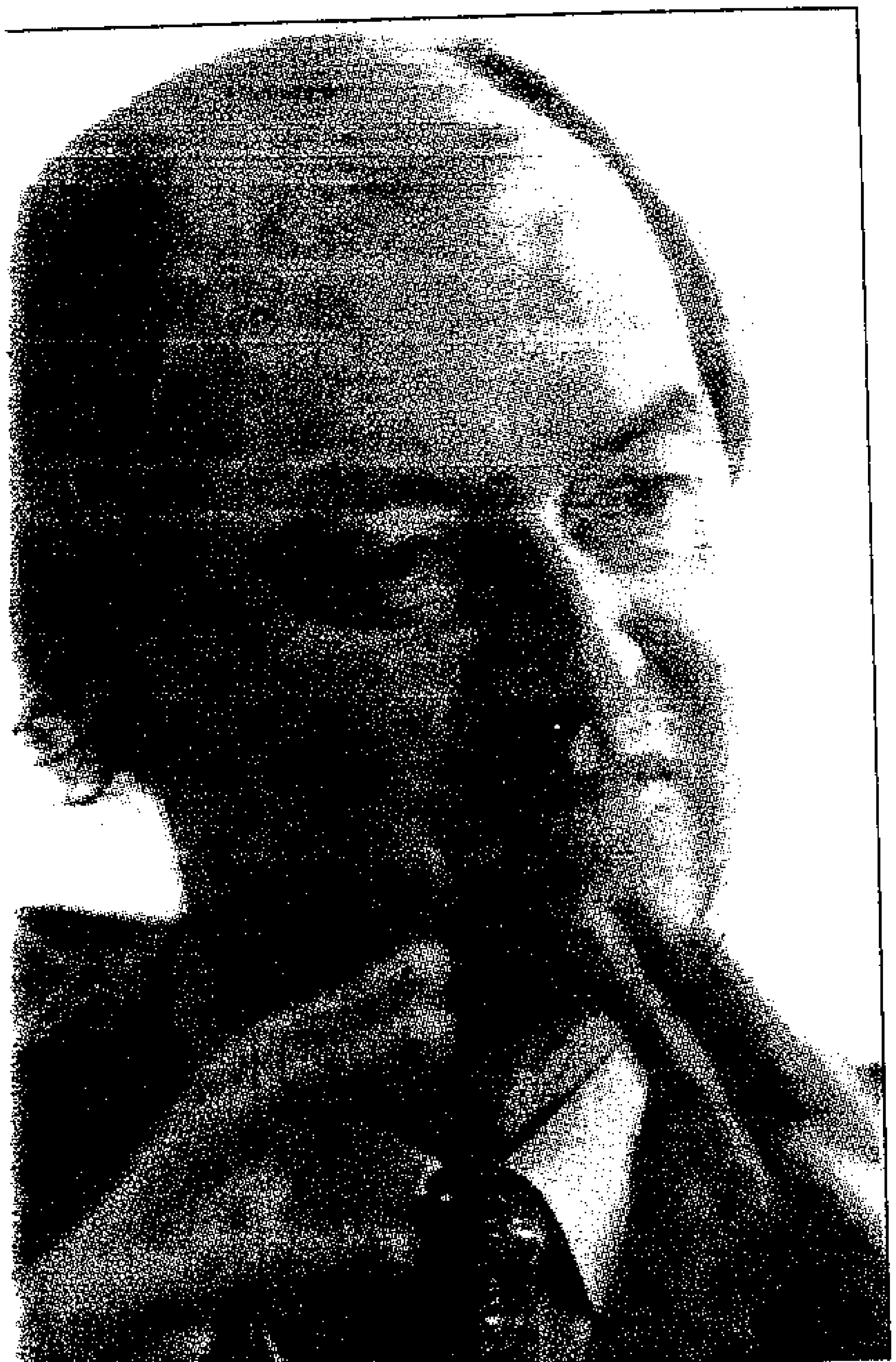
The policy expects African governments to speed up compliance on intellectual property rights and would have US ambassadors lobby senior African officials on behalf of US firms competing for contracts.

However, investment adviser Samuels International said that by not budgeting funds to implement the policy, the administration had not given it teeth to confront other economic players in Africa. It "obstructed the efforts of African leaders, UN agencies and non-government bodies to identify and implement programmes more consistent with sustainable development".

Said Mamadou Mansour Seck of Senegal: "The Europeans know more about us. All US firms do is complain. They never tell the good news that they export more to Africa than to eastern Europe, or that they get returns on investments of upwards of 20%." – Sapa-IPS

(74) Star 4/5/96

# SA's Mr fix·
# get better d



M SOLVER . . . Alec Erwin is president of Unctad for the years Picture: CATHY PINNOCK

By CAROL PATON

THE world's international conference jet set touched down in South Africa this week for one of their biggest talk shops — the United Nations Conference on Trade and Development at Midrand, north of Johannesburg.

The paths of Gallagher Estate have been walked in the past week by more than 4 000 United Nations and conference staff, and government officials from most countries in the world.

But while the conference seems peopled by the usual smartly turned-out set, its subject matter is a lot more austere.

Made up of 188 member countries from the developing world, Unctad IX is focused on assisting the world's poorest countries in getting access to the global economic system.

In the chair for the next four years is Alec Erwin, South Africa's new Minister of Trade and Industry and the newly elected president of the conference. Known as a problem solver and an analytical thinker, Mr Erwin has been confronted with the world's biggest problem: How to bring development to two billion of the world's poorest people in an international context that is becoming harshly more competitive.

"In this new dispensation, where the role of markets is greater, where competition is greater, not all countries started at the same point, he says. "There is a danger that countries that can't manage this change, due to lack of resources or excessive debt, are blocked from getting involved at all. There is a danger of increasing polarisation."

The phenomenon called globalisation, spurred by recent leaps in telecommunications technology, is at the heart of the change.

MR Erwin explains: "Globalisation is the process whereby knowledge is far more widely and easily dispersed. You can talk to anyone in the world easily now. And as a result of technological changes, products are changing form and the cost of production is changing rapidly.

"That has meant that trade flows are changing rapidly and financial flows are moving more freely. These movements now take place on a global scale."

Because transnational production now gives firms the competitive edge, pressure is being put on governments to liberalise trade and provide freedom of entry.

"As a result
says Mr Erwin,
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rules had to all
up of trade."

The Uruguay
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Many count
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the World Tr
next meeting
this year.

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# r fix-it leads drive to ter deal for world's poor

(74) ST 5/5/96

"As a result of globalisation," says Mr Erwin, "trade flows needed to be governed in some way and rules had to allow for the opening up of trade."

The Uruguay Round negotiations held in December 1993 tried to establish rules that would apply to everybody and open up economies. They led to the formation in January 1995 of the World Trade Organisation which replaced the General Agreement on Tariffs and Trade.

As a result of the Uruguay Round, trade flows have started to move more freely, but the sentiment expressed in the conference is that the new rules have put the least developed countries at a greater disadvantage.

Many countries are looking to the conference to redress this at the World Trade Organisation's next meeting in Singapore later this year.

Mr Erwin says: "Unctad is an extremely important forum for analysing the implications of these issues. For example, the issues on the Singapore agenda (investment rules among others) are very complicated. They have an impact on societies, on economies. Unctad's role is to analyse these things and see how they can or cannot be integrated into a rules-based agreement."

THE conference can give countries the opportunity to "pre-analyse" issues before going to negotiations in the trade organisation. It can also provide the big picture for countries grappling with strategies proposed by the World Bank and International Monetary Fund.

"This is a forum outside of the negotiating process that could bring some reason and analysis to these issues," says Mr Erwin.

Under the broad theme of formulating viable economic policies to take advantage of trade liberalisation, the conference this week covered four main agenda items in general debate. These were:

- Policies and strategies for development in the 90s;
- Measures to promote private enterprise and entrepreneurship;
- Methods to promote trade as an instrument for economic development; and
- The conference's future work.

Countries have been given 10 minutes to speak in the plenary session. Simultaneously, a smaller forum is negotiating, word by word, a detailed text outlining policies. This will provide a detailed plan of action for the conference's secretariat.

A second document, the ministerial declaration, which extracts key issues from the many plenary speeches and places these in a "clearer and more businesslike statement", will also be drafted, says Mr Erwin.

He identifies three priorities that are emerging clearly.

The first is the idea of partnerships between governments and, in particular, the private sector to drive development. Partnerships with other global institutions, governments and non-governmental organisations are also important.

The second is technical support through, for instance, the United Nation's electronic global trade point network which gives access to international information and services via computer.

The third is for the creation of new forums by the conference to meet countries' different needs.

"Unctad's role will be to create forums where countries with similar problems can work out how to strengthen their own programmes. These would provide technical and intellectual resources that allow us to think through policy packages for developing countries," says Mr Erwin.

THIS is closely related to the relationship that the conference hopes to forge with the other global agencies in the United Nations family.

"One of the concrete roles of Unctad will be to help countries develop an overall trade, investment, growth and development agenda that will allow countries to identify in a more coherent way the kind of support they want from the World Bank and the IMF."

But he cautions: "This is not an us versus them situation. It must be a genuine dialogue that is seeking solutions."

These ideas gained momentum as the conference continued.

"As chairman, I'm starting to detect a growing confidence that now we know what should be done. There is a growing sense being expressed by many of the developing countries that we will take on this responsibility."

# EU's trade terms are generous — envoy

(74) BD 6/5/96

John Dludlu

THE recent mandate by the European Union for a free trade accord with SA was far more generous than had initially been recognised by critics, the EU commissioner in charge of relations with SA, João de Deus Pinheiro, said at the weekend.

Pinheiro said the supplementary mandate — which seeks to exclude 38,6% of SA's agricultural farm exports to the EU — offered the commission enough flexibility to grant improved market access for SA's exports.

This is the first time since a full mandate was granted that Pinheiro, who has political responsibility for the talks, has openly defended it.

He said the mandate did not detract from the initial objectives. It retained both the generous principles of asymetry and differentiation, meaning that the EU would liberalise its 15-nation market faster than SA.

The vehement criticisms of the mandate were based on misconceptions which mistook it for a "pre-draft of the final outcome of negotiations".

"This is my mandate; I'm waiting for SA's mandate to see the starting points," he said.

Pinheiro, who held discussions with Trade and Industry Minister Alec Erwin last week, said his critics would realise that the proposed accord with Pretoria was generous, following the recent rejection of similar requests from Latin American countries.

Despite the "peculiar noises" in SA and Europe about the mandate, Pinheiro said prospects for the talks were "encouraging". His detractors' protests should be "discarded" as only he and the presidency could take decisions on the talks.

To address concerns on the regional effect of the accord, the union is financing an impact study under the supervision of Swaziland.

# Cursory consensus emerging at Unctad

BD 6/5/96 (74)

John Dludlu

DESPITE the sometimes furious exchanges between the developing and the developed world over economic globalisation, a cursory consensus in the UN Conference on Trade and Development seems to be occurring.

One of the powerful themes from the first week of the two-week conference of Unctad at the Ghallagher Estate, Midrand, was that poorer countries should be assisted into the liberalising global economy.

Although there was a feeling of mistrust on the agenda of multilateral institutions, notably the Bretton Woods ones, among bodies such as the Third World Network — a loose federation of non-governmental organisations in Asia, Latin America and Africa — developing countries recognised that globalisation was inevitable.

Strategies that were put forward to assist the developing world to integrate more effectively — and with less pain — into the harsh global trading system included support for enterprise development and practical assistance to the world's poor nations.

One of these initiatives was Africa Connect, a parallel private sector conference attended by about 500 businessmen, to attract the world's attention to untapped business opportunities on the poverty-stricken continent.

At the conference last Thursday the European Union commissioner in charge of relations with Africa and SA, Joao de Deus Pinheiro, said the central need in African development was the creation of wealth.

He told delegates the EU was devoting priority attention to trade promotion and private sector development in its aid programme.

Last year 30% of commitments from the European Development Fund — which finances the Lomé convention — went to production development, 16% went to economic infrastructure and 4% to trade promotion.

The EU's efforts targeted three sectors in enterprise promotion: agriculture, industry and services. "In this context, medium, small and micro-enterprises have received an important part of our assistance."

The EU supports about 42 private sector programmes — to the tune of 230-million ecus over a five-year period — in African, Caribbean and Pacific nations.

According to Pinheiro 35 of the programmes were in sub-Saharan Africa.

Other delegates stressed the importance of raising the standards of education and skills training as knowledge played an important part in determining competitive and comparative advantage of nations.

Pinheiro said the availability of telecommunications was critical to the business environment.

Many other industrialised countries, both inside and outside the EU, also had several uncoordinated development projects. One of the strategies that received a favourable response was the global network of trade points.

These points, still in infancy in SA, use modern technology to process and disseminate trade-related information, advise on international trade procedures and assist in the conducting of import and export formalities.

Trade and Industry Minister Alec Erwin, Unctad's president for the next four years, welcomed the initiative, saying it would enhance the participation of small and medium enterprises — one of the flagship projects of the Mandela administration — in the international trade arena, which had hitherto remained an evasive dream.

An obvious challenge for SA is to ensure these points fit into its national development strategy of promoting the growth of smaller enterprises and avoid duplication of services with such structures as the newly-created network of local business services centre.

Combined with the less concrete work of Unctad — such as policy advice and capacity building — to developing nations, these practical strategies could go a long way towards integrating the least developed countries of the world into global trade. And, perhaps, the emerging consensus could be galvanised into a partnership between northern and southern countries.

# Sweden opens permanent SA trade office

CT(BR) 6/5/96

By James Lamont/

INDUSTRIAL EDITOR

(74)

Johannesburg — Bjorn von Sydow, the Swedish trade minister, will open a permanent Swedish Trade Council office in Johannesburg today to mark the growing economic relations with South Africa.

Swedish exports to South Africa rose 60 percent between 1994 and last year to 2,8 billion kronor (R4,4 billion), while imports from South Africa rose 80 percent to 300 million kronor from a low base.

Peter Beckman, the Swedish trade commissioner, forecast a 50 percent rise in bilateral trade this year in spite of Swedish exports becoming more expensive to South Africa after the rand's devaluation.

Gunnar Hagelberg, a business consultant for the Swedish trade council said trade with South Africa was being revived after the apartheid era. He said Swedish companies had 25 subsidiaries in South Africa, and another 500 were dealing through local agents.

# US document on African trade raises criticism from all

(8)(74)

By Rose Umoren

CT(BR) 8/5/96

Washington — United States investors, analysts, and Africa activists are criticising their country's African trade policy after the publication of a document drafted by 19 agencies of the US government.

The Comprehensive Trade and Development Policy for Africa aims to expand US business on a continent that has been the bastion of Europe for centuries. Complaints about the document come as Congress begins work toward legislating the policy, which was submitted to the Bill Clinton administration last February.

Even Edward Barber, the director of African affairs at the US Treasury and one of the policy's architects, concedes that it is "not as bold as we would have liked". He blames "domestic concerns".

Africa activists call the policy a tool for US exports, while the business sector charges that it focuses more on development than on trade.

"Given the prominence of aid-related programmes, the report has more of a developmental tone than it does a private sector or business orientation," said Witney Schneidman, whose Washington-based firm Samuels International advised a variety of US companies doing business in Africa.

But a coalition of 18 non-governmental organisations that focus on Africa charges that the policy "adopts a one-size-fits-all approach to development, the many flaws of which have repeatedly been identified by critics in Africa and around the world".

African diplomats, for their part, say the policy is dictatorial and shows no interest in understanding their continent and its problems.

"It says, 'this is what we want you to do for US business', not what we will do for African business," said Tombong Saidy, the charge d'affaires at the Gambian embassy in the US.

Commissioned by Congress in December 1994, the 58-page document orders a range of government agencies to design special programmes for US trade and investments in Africa. Washington, for its part, would pursue bilateral and sub-regional trade treaties with an overall view to establishing joint free trade areas.

The policy expects African governments to accelerate compliance with the World Trade Organisation agreement on intellectual property rights. As part of the policy, US ambassadors would lobby senior African officials on behalf of US companies that are competing for contracts.

But the Samuels International official says that by not budgeting new funds for the policy's implementation, the administration has not given it teeth to confront the Europeans, South Africa, and other economic players in Africa.

"As reference is made to several government agencies and committees, it is hard to understand who ultimately is responsible for implementing and co-ordinating (the policy)," Schneidman told a trade forum on the policy last week.

The NGO coalition is especially peeved that the document is based on an "unambiguously favourable depiction of structural adjustment policies" at a time when even the World Bank is giving serious consideration to objections to the model.

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The model, the coalition charges, "has obstructed the efforts of African leaders, the United Nations agencies, and many non-governmental organisations to identify and implement programmes more consistent with sustainable development".

They also complain that the document offers no initiative on Africa's crippling debt burden.

In summary, the coalition says, the US has failed to use its first African trade policy to discharge its share of responsibility for Africa's woes. — Sapa-IPS

# Unctad members still negotiating

(74) [illegible]

John Dludlu

AS THE countdown to tomorrow's deadline continues, delegates from 188 countries of the UN Conference on Trade and Development (Unctad) are working long hours to reach agreement on the pre-conference text.

Trade department deputy director for bilateral relations Xavier Carim said negotiators had still not formulated a plan to involve developing countries in discussions on the proposed multilateral investment treaty.

The debate on the treaty is taking place within the Organisation for Economic Co-operation and Development, excluding poor countries.

The plans for a rules-based multilateral investment regime, along the lines of the World Trade Organisation, have already been criticised by non-government agencies from Africa, Asia and Latin America.

These groups say the plans for an investment treaty will take away governments' ability to support national industries and small firms.

Although the conference officially ends on Saturday, officials are planning to conclude work by tomorrow.

Apart from a political declaration from the presidency to guide Unctad for the next four years, agreement has to be reached on three areas of the pre-conference text: globalisation, development and trade; enterprise development and competitiveness; and Unctad's future work.

However, Carim said negotiators were moving towards agreement on Unctad's relationship to the WTO.

BD 9/5/96

See Page 17

# 'Liberal trade is key towards prosperity'

ARG 8/6/96

(74)

## *Report on what makes developing nations succeed*

CAROLINE ALLEN

JOHANNESBURG. – Developing countries which liberalise their trade and finance tend to integrate better into the world economy and grow faster in a virtuous cycle which rapidly promotes prosperity, a World Bank report said.

Seeking to find out why some developing countries have "emerged" while others stagnate, the report, released simultaneously in Washington, London and at a United Nations Conference on Trade and Development (UNCTAD) meeting here, draws a link between integration, growth and liberalisation.

Fast integrators have been the Asian "Tiger" nations while slow integrators are most of the low-income countries in sub-Saharan Africa and middle income countries in Latin America, the Middle East and North Africa.

Policies found to have a strong bearing on the pace of integration include macro-economic factors (stability of fiscal deficits and real exchange rates), trade reform, and physical infrastructure.

The World Bank, which has come under fire from many developing countries struggling to implement its structural adjustment programmes, charged that some nations were slow to integrate due partly to real internal and external factors, but also due to "perceptions of trade barriers".

Although there are genuine costs of integration, some fears are exaggerated, the report said. "Tariff barriers are much lower now than when the newly industrialising countries of East Asia started their industrialisation drive in the 1960s."

It cited "real" external obstacles as spreading anti-dumping practices, which have risen steadily since 1990, agricultural protection and the Multi-Fibre Agreement (MFA), a compulsory export tax on developing countries' textiles and clothing which ranges from 16 to 48 percent.

Anti-dumping was "rarely motivated by sensible economic criteria" and the MFA was "a major distortion to world trade".

Both should be challenged at every opportunity, the bank said.

The report noted primary commodity producing countries also tended to lag in integration but Chile, Malaysia, Morocco and Turkey "suggest commodity production in itself does not condemn a country to low productivity and inability to diversify".

Fast integrators, typically with high economic growth rates, had taken "internal" measures such as strengthening the private sector, attracting foreign direct investment and developing power, transport and telecommunication infrastructures.

The bank warned that the gap between the emerging and lagging countries was rapidly growing wider and that the longer a developing country held off integrating into the world economy, the higher the cost of doing so would be.

In the last decade, the ratio of trade to gross domestic product (GDP) actually fell in 44 out of 93 developing countries; another 17 only experienced moderate rises. Three quarters of the large increase was accounted for by just 10 countries. – Reuter.

# Delegates call for revamped Unctad

(74) · BD 9/5/96

John Dludlu

THE role and the future of the UN Conference on Trade and Development, which is holding its ninth plenary in Midrand, has been put under the spotlight by delegates.

Ministers from Unctad's 188 countries took turns in what appeared to be ritual drum-beating, punctuating their 10-minute addresses with calls for the restructuring of Unctad.

Speakers called on Unctad, the only international agency that looks at the developmental dimension of trade, to refocus and streamline its activities.

The frequency and the tone of the calls almost obscured, rather than highlighted, the crucial role of Unctad in world trade: that is, lifting the dwindling share of developing nations — notably the least developed segment of this group — in global trade.

Critics of the organisation say it is the world's most spectacular "talking shop" and lacks effect at the country level.

But this claim is likely to be countered or even overshadowed by a short catalogue of achievements. This list, according to secretary-general Rubens Ricupero, includes lobbying rich countries in the 1970s to write off $6,5bn worth of public debt owed by developing countries and pioneering the general scheme of preferences — a system that grants, on a nonreciprocal basis, tariff preferences to developing nations.

In subsequent years, the organisation also played a role in the reduction of commercial debt, which continued to weigh on poor countries.

During the many rounds of trade talks, leading to last year's establishment of the World Trade Organisation, Unctad played a supportive and advisory role for poor nations in articulating their plights.

UN secretary-general Boutros Boutros-Ghali adds to this list the role played by Unctad in international commodity agreements on cocoa, rubber and tropical hard woods.

Although the achievements are impressive, the global landscape under which Unctad emerged has changed dramatically: today, for instance, there are more actors in the development arena, compared with the 1970s in which governments and multilateral financial institutions dominated the scene.

In the trade arena the protracted talks on a rules-based multilateral trade system resulted in the birth of the World Trade Organisation last year.

In addition, UN observers say, Unctad's bureaucracy of 420 people — known as the secretariat in bureaucratic speak — is becoming huge and "top-heavy".

This situation, in spite of the many noble goals Unctad served, could not just be allowed to continue, especially when the UN system was starting to feel the pinch of financial crisis.

It is against this background that many Unctad members made the stern calls for reform of Unctad and realignment of its activities. It was, perhaps, the very same set of circumstances and the anticipation of these calls from member governments that prompted Ricupero to begin the introspection ahead of this year's conference.

On April 15 (weeks before the Midrand conference), Ricupero — with unswerving support from Boutros-Ghali — announced sweeping changes to the secretariat, cutting its nine divisions to four; appointing a co-ordinator for least developed countries and cutting the top fat.

The divisions are: globalisation and development strategies; investment, technology and enterprise; international trade and commodities; and services for development and trade efficiency.

It is still not clear how much will be saved by the restructuring or how many people will lose jobs.

Ricupero says even if there was no financial crisis in the UN system the changes, which come into effect after Midrand, would have been necessary.

Ricupero says there is a close link between the current session and the planned revamp of the secretariat. One of his wishes is to see mechanisms from the conference on implementing these areas of future orientation.

However, the real test of the changes will not be whether member states' voices are silenced; but will be the extent to which the changes in the secretariat — accompanied by Midrand declarations tomorrow — make a real difference in assisting developing countries to enjoy the opportunities of growth and trade in a globalising and liberalising economy.

# Mugabe warns a tariff war with SA is looming

BD 10/5/96 (74)

Michael Hartnack

HARARE — Zimbabwe's President Robert Mugabe yesterday warned of a looming tariff war with SA and criticised Anglo American Corporation for bringing Jonathan Oppenheimer to Zimbabwe rather than appointing a black Zimbabwean to management.

Announcing an expanded cabinet which goes against every principle of economic stringency urged by the IMF, he disclosed he is considering revoking all private title.

In legal terms this would nationalise all Zimbabwean land, a move reminiscent of former communist states.

"We will not tolerate any resistance at all. We are irresistible," he said in a message to white farmers which will not endear him to the international financial community.

Mugabe said if President Mobutu Sese Seko's Zairean government could still attract foreign funds, so too could Zimbabwe.

Confirming acting finance minis Herbert Murerwa in a post withou substantive head for most of the pa five years, Mugabe said Murerwa successor at the commerce ministr Swithun Mombeshora, would be look ing at imposing retaliatory punitiv tariffs on SA imports.

"SA industrialists want open trade with the rest of the world but not in their own region. The impression given is that they want to turn us into mere markets for their products," he said.

He singled out Lonrho and Anglo American for failing to promote blacks to senior management positions, and also hit at Zimbabwe's 10 000-strong Asian community for operating behind black "front men" in rural growth points and in taxi enterprises.

"Racialism ... is a vestige of colonialism," said Mugabe, accusing Zimbabwe's remaining 70 000 whites of rejecting his reconciliation policy and refusing to identify with blacks.

# Working for the 'excluded 2-billion'

## Unctad chief, with SA Trade and Industry Minister Alec Erwin at his side, hopes to make a difference to the poor and marginalised worldwide with three-point plan

Star 10/5/96 (74)

**By Winnie Graham**

Rubens Ricupero accepted an almost impossible challenge when last September he was appointed fifth secretary-general of the United Nations Conference on Trade and Development (Unctad).

He automatically committed himself to working for the "excluded two billion" – people in the least developed countries of the world who have been marginalised by an expanding and liberalised global market.

But daunting as the task may appear, Ricupero has one major advantage. During the next four years, he will work with the Minister of Trade and Industry, Alec Erwin, during South Africa's presidency. Together they make a formidable team, well equipped to turn Unctad's action plan into reality.

The action plan is the work of three drafting committees who have burned the midnight oil this week deciding on priorities. They have looked at the three issues which most affect member countries: trade and globalisation, investments and services and technical co-operation and institutions. When the plan is finally approved by delegates today, it becomes Unctad's "Conference Text", or business plan.

But the document is not the only one which will be published at the close of Unctad.

While the drafting committees have been negotiating, labouring and compromising on priorities, Erwin has been involved in an equally laborious task – writing a declaration which will epitomise the spirit of the Midrand conference.

His is a non-negotiable document in which he is expected to look at the opportunities, challenges and risks of globalisation, and discuss initiatives which will result in closer ties with civil societies. Sources say he will announce a South African initiative involving a triangular partnership with both developing and least developed countries.

The talk is over. Unctad is now expected to implement the demands of the nations, and this is where Ricupero and Erwin roll up their sleeves.

Erwin, a former academic turned trade unionist who was once in the thick of the workers' struggle, is very much a no-nonsense man. In his opening address to Unctad, he told delegates to "speak your minds, address issues and seek solutions". He asked them to be economical with words, adding: "We are all excellencies ..."

> **"Guardian of the world's development conscience"**

Ricupero, on the other hand, is a seasoned politician and diplomat. During a long Brazilian government career, he has been a special adviser to the president of his country. He was Brazil's Minister of Environment and Amazonian Affairs, Minister of Finance (when he supervised the launching of the current Brazilian economic stabilisation programme) and, among other things, was chairman of the Gatt committee on trade and development.

Ricupero has already said that the sole reason for Unctad's continued existence is its ability to make a relevant contribution to the tasks of fostering growth, reducing inequality and building its capacity to make a difference to people's lives.

"This is especially true in the case of those who need Unctad the most – the least developed countries," he said.

South Africa has much to gain from Unctad's success. Unskilled illegal migrants continue to pour across the borders in search of a better life. Until such time as their own countries are in a position to create job opportunities, they will continue to arrive. It is a worldwide phenomena few countries have been able to stop or effectively control. The solution is development, an imperative for stability and growth in any country.

It is accepted that globalisation has opened up the market to the world but in the process has marginalised the poorest countries who have been unable to compete. Ricupero is well aware of the problems which have resulted.

"Globalisation is, paradoxically, a powerful force for both integration and marginalisation," he said. "It promises, for the first time in history, to bring fully into active participation in the world economy two billion women and women in the fast-developing countries. But in contrast hundreds of millions of others fear these forces will shut them out – perhaps forever – from the promise of prosperity.

"They are the unemployed or low-wage earners in sectors of industrial economies that have been lagging behind in the process of change. They, too, are the poor and jobless in many developing countries that depend on a few commodities barely touched, if at all, by globalisation and liberalisation."

One thing was certain: Unctad under Erwin's presidency will be heavily involved in poverty alleviation. Various mechanisms for improving trade efficiency and encouraging the formation of small and medium sized enterprises are on the agenda. The document – almost inevitably a compromise to suit the needs of countries world wide – will detail priorities.

Even more interesting will be Unctad's "gender-sensitive" work. If the poor countries are to make headway, women have to be included in the economy. It has been said at the conference that just 6% of Africa's women hold high level jobs in management and government. By the turn of the century this figure should be 25%.

Ricupero calls the organisation "the guardian of the world's development conscience, striving for equity and a narrowing of disparities between nations".

"Without the capacity for a global vision, analysing the underpinnings of complex economic phenomena, Unctad would be unable to offer sound technical assistance and policy advice to those who most need it," he said.

The establishment of trade points to improve efficiency is one Unctad initiative which promises to accelerate the establishment of small and medium enterprises.

He has made a passionate call for the development of Africa. With Erwin at hand, Unctad is certain to do its darndest.

# SA praised for its role at UN trade conference

ST 12/5/96 (74)

ST 12/5/96

By CAROL PATON

SOUTH Africa has drawn widespread praise for its role in forging compromise on difficult questions about liberalising trade between rich and poor countries at the UN Conference on Trade and Development.

The two-week conference, which was attended by 188 countries, ended in Midrand yesterday.

Under the leadership of South Africa's Trade and Industry Minister, Alec Erwin, it emerged revitalised and with a clear set of priorities.

Mr Erwin said it had been "very successful".

The conference's secretary general, Rubens Ricupero, said: "To a great extent the success of this conference is due to the role played by South Africa — the leadership of Mr Erwin and the example of South Africa itself."

The conference spent a lot of time discussing its future role. Mr Ricupero said the organisation had experienced a "rebirth". It had agreed on major reforms which focused the work of the conference around "a few priority trade and development issues on which it can make a substantial impact".

Three commissions were established to provide policy advice and technical assistance on trade, investment and enterprise development.

The idea of partnerships between developed and developing countries, and between governments, the private sector and non-governmental organisations, as the driving force for development was a central idea to emerge from the conference — and South Africa's experience made a large contribution.

The most important outcomes of the conference include:

- The world trade system: the conference was mandated to analyse issues around trade rules before these are presented at the World Trade Organisation. This is to ensure that interests of developing countries are taken into account. In particular, the impact of the recent rules on net food importing countries and stringent intellectual property rights should be assessed;
- Investment rules: The conference is to discuss the framework for a multilateral investment agreement, an issue being discussed by OECD countries;
- Environmental sanctions: to ensure that environmental policies in developed countries are not used to prevent market access by developing countries, policies must be transparent and their impact on developing countries must be assessed; and
- Debt reduction: the conference reaffirmed the need for debt relief, and decided to encourage agencies like the World Bank and International Monetary Fund to consider ways to do this.

**TABLE TALK** *Dikgang Moseneke, the chairman of Telkom, Jacques Santer and Leslie Boyd yesterday*

PHOTO: JOHN WOODROOF

# SA and EU must get on with it, says Santer

(74) CT(BR) 14/5/96

By James Lamont

INDUSTRIAL EDITOR

Johannesburg — South Africa and the European Union should overcome their difficulties and move towards a resolution of negotiations to clear the way for a free trade deal, Jacques Santer, the EU president, said yesterday.

Speaking at a business lunch, Santer said this would help clarify the terms for South Africa's membership of the Lomé Convention.

A bilateral free trade agreement would "act as a catalyst in making South African goods more competitive and help the manufacturing sector realise its full export potential".

He said: "This is why we have put forward what we believe to be an innovative and far-reaching proposal for the negotiation of a free trade agreement.

"Our objective is clear. A negotiation of a genuine free trade agreement compatible with the rules of the World Trade Organisation, which will cover all sectors, agriculture included.

"This agreement will have an asymmetrical timetable for the dismantling of tariffs in favour of South Africa."

While he acknowledged difficulties in negotiations, Santer said the sensitive concerns of the South African industrial and the European agriculture sectors should not delay negotiations. "We are both ready to negotiate. Let's get on with it," he said.

The EU is South Africa's largest trading partner, absorbing 40 percent of South Africa's exports and supplying it with 33 percent of its imports. The United States is in second place with 10 percent of trade.

Leslie Boyd, the chairman of Anglo American, appealed to the EU to take a "broader view" in negotiations that would benefit the whole of southern Africa.

☐ See Page 17

# New focus for Unctad

M+G (BM) 17-23/5/96 (74) ~~(297)(336)~~

The Midrand Declaration has infused the United Nations Conference on Trade and Development with new life and put Africa back on the map, writes **Madeleine Wackernagel**

IN the world of international conferences, talk does not come cheap. It cost R18-million to host 3 000 delegates from 188 countries for the ninth United Nations Conference on Trade and Development (Unctad). But aside from re-affirming South Africa's renaissance on the international stage, what did the fortnight of talks achieve?

Four years ago, at the Cartagena conference, Unctad was searching for a role. Economic power had shifted during the 1980s towards the Bretton Woods institutions — the World Bank, International Monetary Fund and the General Agreement on Tariffs and Trade (Gatt) — and Unctad's place among the international forums was under threat.

With the transformation of Gatt into the World Trade Organisation (WTO), there was talk of abandoning Unctad altogether. It was felt the overlap between the two organisations was too great; there was only room for one trade body. But Gatt rounds leaned heavily towards member countries of the Organisation for Economic Co-operation and Development (OECD); least developed countries (LDCs) and developing countries in general lacked the facilities of industrialised countries to lobby their cause.

As Xavier Carim, deputy director of foreign trade relations at the Department of Trade and Industry, explains, Unctad is the only organisation with a mandate to operate on behalf of the developing world. And, indeed, it has played an important role in enabling a convergence between North and South on issues of trade and economic policy.

The Cartagena conference heralded the need for a new approach to development issues. "We have to guard against complacency, we must be pro-active and innovative and in doing so point to concrete roles Unctad will play," said Unctad IX president and Trade and Industry Minister Alec Erwin at the opening.

Judging by the Midrand Declaration, the conference went a long way to achieving a new focus. "Key advances were made in attaining greater understanding of development strategy, including the implications for development of liberalisation and globalisation," says Carim. "From the extreme polarisation of views seen in the past there has been real progress towards consensus."

And the conference served to put Africa, as the poorest continent, back on the map. "It was an important victory for the South, reinforcing the place of LDCs in the global economy," says Rob Davies, an African National Congress MP.

And as the next WTO meeting in Singapore nears, the importance of Unctad's role as facilitator for the LDCs, helping to put their case to the WTO, was underlined. Multilateral investment agreements are high on the agenda for the December meeting; foreign direct investment, as South Africa is well aware, is critical for economic growth. So LDCs will be looking to Unctad to emphasise the developmental objectives as well, says Carim. "It is imperative that any deal reflects the interests of all developing countries and Unctad will provide that support."

**Alec Erwin: 'We must be pro-active and innovative'** PHOTOGRAPH: RUTH MOTAU

South Africa will also benefit from its reintegration into the Unctad framework — not only from the R30-million cash injection into our economy thanks to the delegates' spending, but more importantly from the gold mine of policy research and analytical information that forms the backbone of Unctad's work.

In addition, contacts made between private and public sector at the conference should bear fruit in terms of investment and trade deals.

And as president for the next four years, South Africa has ample opportunity to wield its influence and strengthen Unctad's focus. Any initial anxiety when Trevor Manuel withdrew due to the Cabinet reshuffle was dispelled as Erwin very quickly made his mark.

Indeed, the Midrand Declaration is a significant departure from the usual UN language. While this is only the beginning, the document offers some hope that consensus will translate into action.

# JOBS

# Africa warned to beware of stirring giants

ST(BT)19/5/96 (74)

By CIARAN RYAN

THE world's developing nations converged at Gallagher Estate in Midrand this month for the ninth session of the United Nations Conference on Trade and Development.

With roughly US$90-billion in global private sector investment up for grabs each year, each country was hawking its attractions to the richer, more developed nations. The theme of the conference was trade liberalisation and globalisation.

For the less-developed countries, it was an opportunity to study at the feet of the masters.

"Beware China and India," says Dato Jegathesan, deputy director-general of Malaysia's Industrial Development Authority. "These two giants are starting to stir, and once they overcome some of their internal problems, most of the available investment will go here. Africa could find itself left out in the cold. You better move fast."

More than 60 countries clubbed together to form the World Association of Investment Promotion Agencies to share non-competitive information and experiences in attracting investment.

Mr Jegathesan outlined 10 requirements for an ideal investment environment: political stability, domestic economic strength; a welcoming attitude, government policies with respect to foreign equity ownership, employment of expatriates and exchange controls; a harmonious and trainable labour force; a modern and efficient finance and banking environment; an efficient government bureaucracy; a sound infrastructure and business environment, and an acceptable quality of life.

"The civil service must become the partner of the private sector," says Mr Jegathesan. "The government has no business in business. You must search and destroy any part of the bureaucracy which stops or inhibits investment. Inculcate the idea in government that profit is not a dirty word — after all, it creates more tax revenue. Foreign investors do not want to enter a country where labour is always fighting with management.

"Competition for global investment has never been more vigorous. Cheap labour is no longer the important factor in attracting investment. Malaysia continues to attract large-scale investment yet the surrounding countries have cheaper labour costs."

With huge wealth disparities and an ethnically diverse population, Malaysia embarked on its new economic policy in the late 1960s which aimed to raise living conditions and redistribute wealth through rapid economic growth. By the 1980s it had become one of the fastest growing economies in the world with nearly full employment. Labour-intensive investment no longer qualifies for special tax incentives.

Overseas investment provides employment for almost half of Ireland's manufacturing workforce and 70% of manufactured exports. With just 1% of Europe's population, Ireland accounts for 14% of greenfields manufacturing investment into Europe from the US, Far East and other European countries.

"The most important area of competitive advantage is our young well-educated workforce," said Paid McMenamin, managing director of Ireland's Industrial Development Agency. "We do not have the lowest labour costs, but we score on the value stakes, taking into account the benefit of higher productivity possibilities from a more sophisticated workforce."

About 90% of the IDA's annual budget of $150-million is distributed as grants to overseas investors.

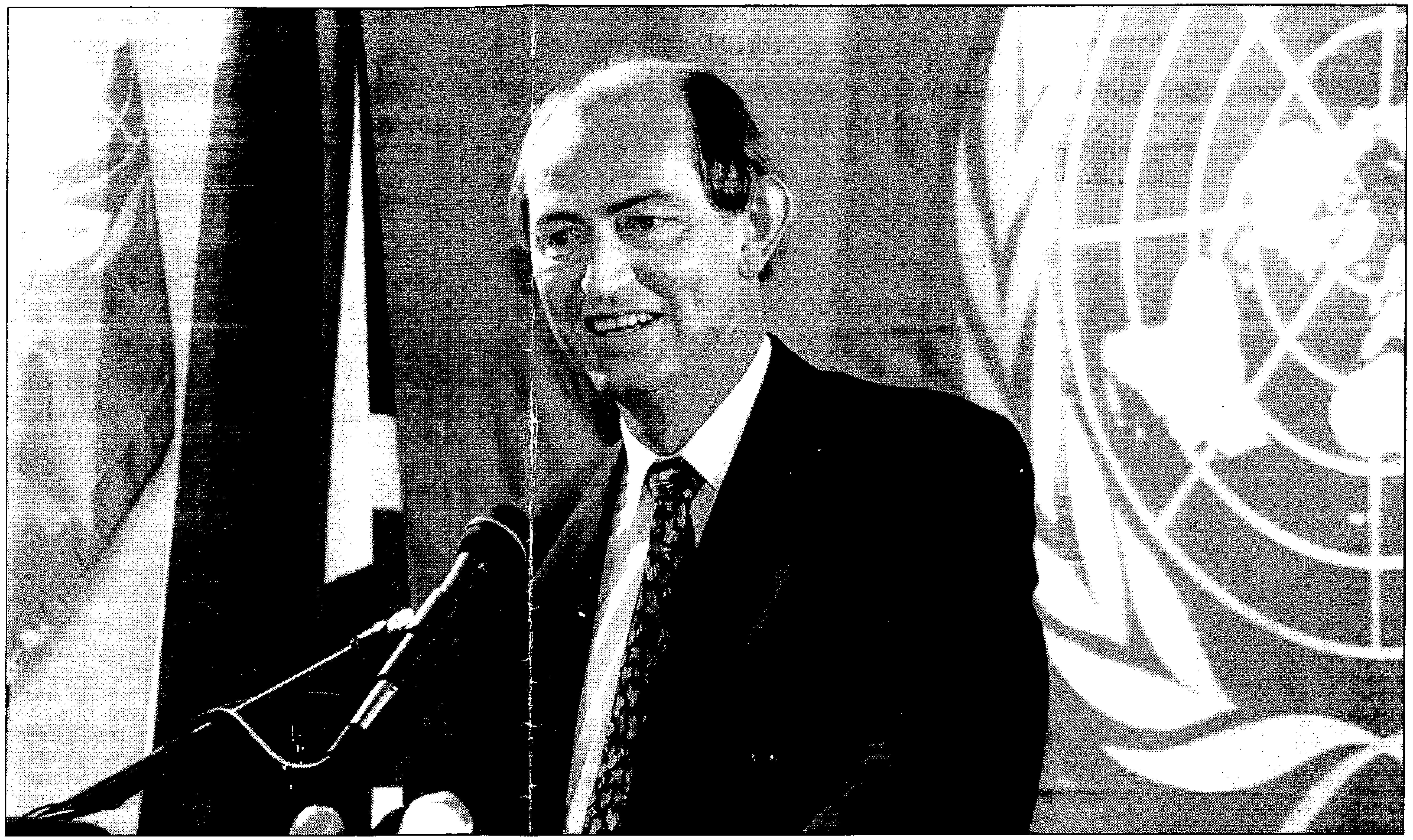
Two years ago Togo classified the entire country as an export processing zone. In the past 18 months it has approved 50 applications for export processing zone tax and customs incentives, attracted 30 new foreign companies and created more than 5 000 jobs.

In contrast, South Africa recorded a net loss of manufacturing jobs over the past year. This is despite a minimum wage which is 29% higher in EPZ companies than the national minimum.

"Be careful of the trade unions," says Yazas Tchohou, director-general of Togo's investment promotion agency. "They can spoil all your efforts to attract foreign investment. We made sure that we won the support of our trade unions before establishing the EPZ."

Tunisia has turned out to be an outstanding African success story, with an economic growth rate averaging 4,5% a year for the past decade, peaking at 8% in 1992. The key to its success, according to Amina Mkada of the Tunisian investment promotion agency, is massive spending on education over the past 30 years, which has created a highly adaptable and skilled workforce.

Tourism accounts for 58% of export receipts, followed by manufacturing. The country has 62 industrial zones and two free trade zones. Grants are offered to local and foreign companies locating in under-developed areas, for research and development, training and export development. Of the country's 1 600 exporting companies, half are partially or wholly foreign-owned.



TAKING CHARGE: Trade and Industry Minister Alec Erwin will head Unctad's trade and development forum for the next four years Picture: GARTH LUMLEY

# New dean hopes to embrace change

COMPETENT management is the key to success in South Africa, and it helps people to embrace change, says Robin Lee, who has taken over from Keith Yeomans as the new dean of the Wits Faculty of Management.

Professor Lee took over the deanship on May 1 from Professor Yeomans, who is leaving to become dean of the Wolverhampton Business School.

Professor Lee says South Africa's biggest challenge is to manage its transition effectively. The development and the implementation of the new constitution, for example, will require enormous management skill.

Professor Lee says he will ensure that graduates of the Wits Faculty of Management leave with a thorough knowledge of South Africa and the ability to apply their skills to the country's needs.

The faculty, through the Wits Business School, the Centre for Developing Business and the School of Public and Development Management, encompasses teaching and research across the private and public sector, in development organisations and small business. "Student interaction across these specialities produces a synergy and energy which enriches education", he says.

# Anti-dumping law faces long delay

(74)

ST(BT) 19/5/96

By DON ROBERTSON

VITAL anti-dumping legislation, which would be acceptable to South Africa's major trading partners, could take 18 months to formulate and implement, according to the Board on Tariffs and Trade.

The Government Gazette of March 15 gave notice that an investigation was being undertaken to restructure anti-dumping legislation to comply with the requirements of the World Trade Organisation and to make it efficient and equitable. Submissions had to be presented to the board by the end of last month.

As a member of the international community, South Africa has to phase out tariff protection in compliance with WTO requirements. Anti-dumping procedures are the only way local producers can protect themselves from imports.

Leora Blumberg, deputy chairperson of Board on Tariffs and Trade, says in this month's Productivity SA magazine that current anti-dumping legislation is rudimentary and makes no reference to major aspects such as injury, dumping margins or the formal procedure for anti-dumping actions.

The board does provide for the promulgation of regulations, but none have been enacted, she says.

Anti-dumping or countervailing procedures are not simple and involve complicated accounting, economic, business and legal matters. The legislation has to be formulated from scratch, and could take at least 18 months to develop, she says.

The first phase, which will take about four months, will involve research and investigation of foreign legislation as well as discussions with local industry, government officials, importers and exporters, unions and consumer groups.

This research will provide details to be built into new legislation. The second phase, about 14 months, will involve implementing recommendations arising from the research.

In the meantime, the board has embarked on a programme to recruit skilled staff, raise levels of expertise in the directorate, improve procedures and time frames and gain better access to information from the WTO.

The aim is to provide speedy and effective relief to local industry against unfair imports and to prevent the use of anti-dumping legislation as a protectionist mechanism to impede trade unnecessarily.

Responding to the plans by the board, the Independent Wire Converters' Association has called for recognition of the "two-tier" pricing system.

In terms of this system, primary producers of products such as steel, plastics and chemicals sell their goods overseas at substantially lower prices than on the local market.

Robin Bosomworth, chairman of the IWCA, says anti-dumping legislation should recognise the existence of two-tier pricing which has been particularly severe in South Africa because of its geographical remoteness, tariff policies and absence of domestic competition.

He claims that before the rand's collapse, steel producers charged local industry as much as 40% more for their products than they charged overseas consumers. They then threaten anti-dumping action against downstream industries in South Africa should they import any meaningful quantities of steel.

Earlier this month, the US commerce department ruled that alloy steel pipe from Robor Industrial Holdings was being sold in the US at a price substantially below the price at which it was offered in South Africa and ordered importers to pay a heavy duty to US customs.

"If the landed cost of steel wire rod is higher than say Iscor's export price, can the import still be deemed disruptive? If the answer is yes, we should close our factories or move them offshore where we can buy Iscor steel at a cheaper price. If the answer is no, the principle of two-tier pricing should be included in the notes, guidelines or main body of the legislation so that investment certainty will be introduced," says Mr Bosomworth.

# Prospects good for trade treaty

(74)

ST(BT) 19/5/96

EUROPEAN Union president Jacques Santer has committed the EU "to a real partnership with South Africa", SVEN LUNSCHE reports.

Mr Santer said in an interview the partnership involved the best possible access to the EU for South Africa, through the planned Free Trade Agreement, giving the country time to become competitive.

He defended the EU's current negotiating position, which allows 80% of SA goods duty-free entry, but charges high tariffs on about 39% of SA agricultural exports. "We must safeguard the principles of our Common Agricultural Policy, which seeks to address the sensibilities of our member states," he said, pointing out that the sensitive products accounted for only 4% of South Africa's total export to the EU.

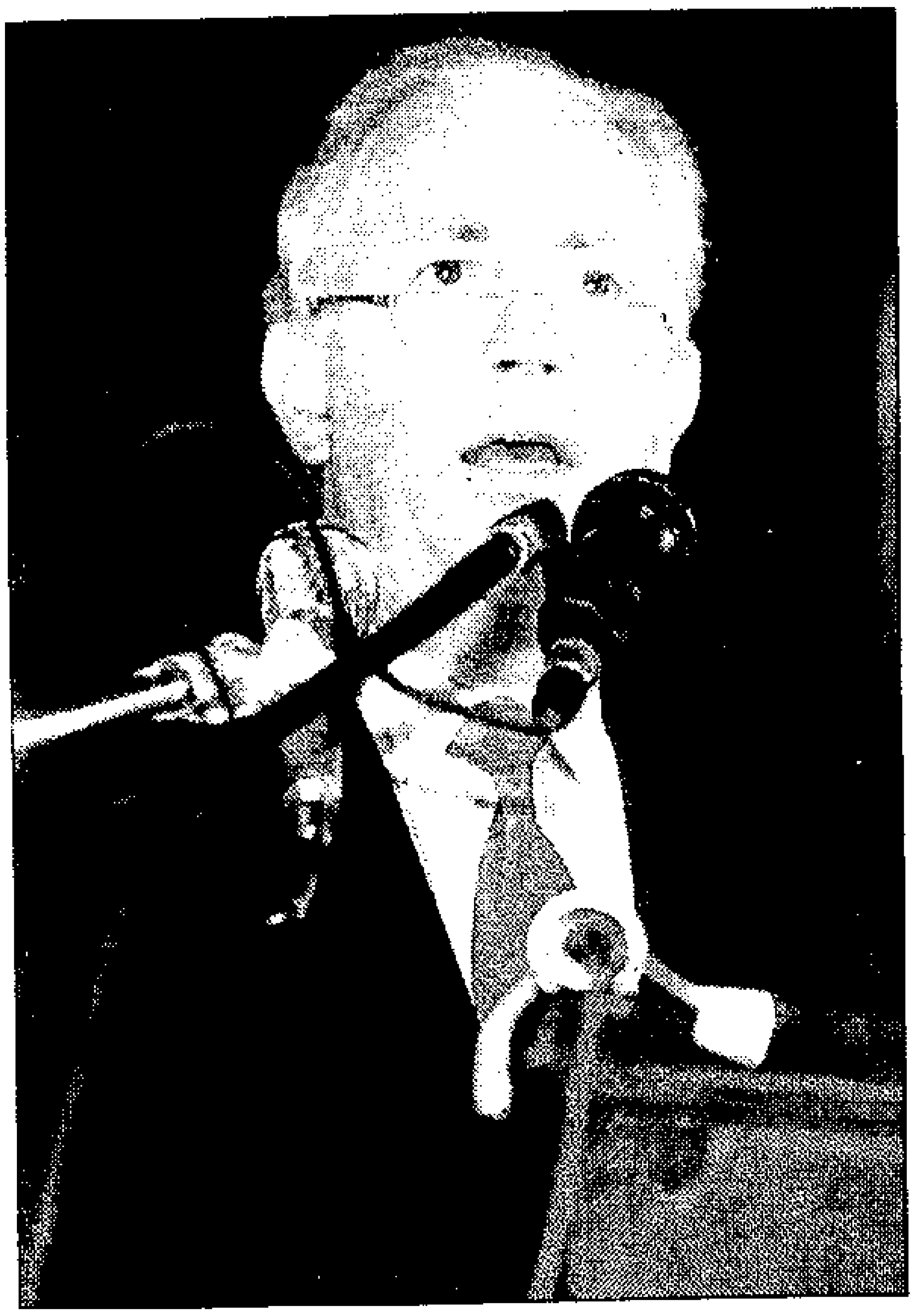
Apart from the FTA the EU has also granted South Africa qualified membership of the Lomé Convention, which defines its relationship with 70 other developing countries in Africa, Asia and the Caribbean. It is hoped that South Africa's membership will be formally ratified early next year.

The fact that agriculture was included in the FTA package offer signals the value the EU puts on its relationship with South Africa. "Not every partner has such a good relationship with us," Mr Santer commented.

He allayed fears that development assistance to South Africa would be reduced, committing the EU to at least \$150-million a year until the end of the century.

During his visit Mr Santer ratified five financial agreements, valued jointly at about R300-million.

REACHING OUT: President of the European Union, Jacques Santer Picture: CAROLINE SUZMAN



REACHING OUT: President of the European Union, Jacques Santer Picture: CAROLINE SUZMAN

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# SA could land a big fish at EU

ST (BT) 19/5/96 (74) FISHING

By ANDREW TRENCH

FISH could play a surprising role in South Africa's negotiations with the European Union on a free trade agreement.

Spain and Portugal in particular are eager to get their ships in SA waters as fish resources in Europe dwindle.

During a recent visit to South Africa, European Commissioner Emma Bonino raised Europe's interest in a fishing agreement with outgoing Environment Minister Dawie De Villiers.

The approach has been rebuffed with South Africa arguing that it is not in a position to enter talks on the issue as the government is still formulating a white paper on the industry.

However, some SA officials close to the trade talks see the approach for talks on a fishing deal as bit of a cheek when about 40% of the country's agricultural products are excluded from European markets.

However, they do concede that the approach may strengthen South Africa's position at the negotiating table.

Negotiators are trying to seal an agreement with the European Union which will provide access to the European market — the biggest in the world — without immediately having to allow the Europeans access in return.

There is little in such an agreement for the European Union's member states, some of whom — for instance Spain — have reservations about a deal with South Africa.

But the fish issue has the potential to give the country an incentive to dangle in the talks and could play an important part in securing a favourable deal during the negotiations.

John Mar, political councillor at the SA mission to the European Union who is involved in the negotiations, agrees.

"The fish issue could conceivably be a big issue ... it gives us something that they want."

Filippo di Robilant, Commissioner Bonino's spokesman, says: "We are ready to go. We are very keen to have an agreement."

He says the European Union would like a deal with South Africa which would not simply involve exchanging cash for fish. Instead it is proposing an arrangement of joint ventures and technology transfer.

However, Europe is insisting that a fishing agreement be linked to the broader bilateral talks which include the free trade aspects. This means that all agreements, whether on science and technology, wine names or fishing, have to be negotiated in parallel with and implemented at the same time as a free trade deal.

South Africa's negotiators find this linkage unacceptable. It could place them under pressure to agree to unfavourable aspects of a free trade deal simply to allow minor agreements like that on science and technology to proceed.

Although South Africa has yet to respond formally to the European Commission's opening position in the talks, it is understood that when they do they will reject the position as too restrictive.

Joao Vale de Almeida, spokesman for the European Commission, confirms the Commission's opening position seeks to link all the agreements.

"It is a starting position for negotiations," he said, but added: "We expect to have room for manoeuvre.

"We all know we will have to make a trade-off at some stage," he said.

South African diplomats privately express concern that if the country rejects the European's opening gambit as too restrictive, Europe will simply walk away from the talks.

However, European Commission officials stress this is unlikely. The agreement is not seen as important only in its trade aspects, but also as a possible future model for relations between Europe and other developing nations.

The Lomé Convention, which gives about 70 African, Caribbean and Pacific countries access to the European market, expires in three years time.

The South African talks are being seen as a test of possible new regional agreements which could replace Lomé.

# North's problems not the fault of South, says Unctad

(74) ST(BT) 19/5/96

By CIARAN RYAN

THE UNCTAD Trade and Development Report for 1995 refutes the notion that cheap Third World imports and coupling trade to labour standards are the cause of unemployment in the developed world.

"Unemployment is now a veritable scourge in the developed world," says the report. But not, it appears, because of cheap Third World imports.

Where large numbers of jobs have been created, such as in the US, their quality has been poor. Most new jobs created in the US have been low-paying, resulting in stagnant general rates of pay.

The gap between rich and poor countries is set to widen as the newly employed are denied a share in economic growth. The 44% growth in US stock prices over the past year only exaggerates the widening wealth gap.

There is a perceived wisdom that high labour and other costs in the developed world have driven investment into the sanctuary of high growth, low-cost developing countries. In many countries, low pay and unemployment are blamed on the growth in international trade and investment, especially manufactured imports from countries where labour costs are low.

Solutions typically advanced include a demand for higher labour standards in the developing world and stronger import protection. Others see unemployment at home as an inevitable consequence of falling competitiveness.

The notion is that unemployment in the developed North is a by-product of rising imports of manufactured goods from the less developed South, and that this appears to have supported the growth in unemployment in the North since the early 1970s. This is true of some sectors, but not all.

"The South's receipts from manufactured exports are largely spent on buying other manufactured goods from the North, thus generating jobs," according to the Trade and Development Report, 1995. Yet even where there is a balance of manufactured imports and exports between North and South, more jobs would be created in the South because labour is cheaper and more abundant.

The North has a considerable manufacturing trade surplus with the South, thus generating jobs in the North. This surplus declined in 1980s following the collapse in commodity prices, rising interest rates and the debt crisis — thus reducing the import capacity of the South. The result was a substantial loss of jobs in the North.

There appears to be little correlation between unemployment and trade imbalances between the North and South. Canada, for example, suffered a substantial decline in its trade balance with the developing world between 1970 and 1993, yet it had the largest increase in total manufacturing employment, while Italy — the country with the smallest trade balance — lost a fifth of its manufacturing jobs.

The notion that exploitative "sweat shop" labour in developing countries is destroying jobs in the North has attained near mythical proportions, yet the truth is somewhat different. Those developing countries which have been most successful in expanding exports of manufactured goods have also experienced rapidly rising wages, and they have upgraded skills and technology levels.

"While the greatly increased volume of manufactured imports from developing countries has indeed caused significant job losses in certain industries, the explanation for the sharp rise in mass structural unemployment lies elsewhere."

Another cause of unemployment is labour displacement by new technology. But, unlike the golden age of the 1950s and 1960s, these unemployed still have not been able to find work elsewhere in the economy at remuneration wages.

Economists blame this on labour market rigidities, such as social charges, severance pay, restrictions on job assignment and working hours. By deregulating the labour market, labour costs would in theory fall, thus creating more jobs and allowing companies to expand production. But if all companies acted similarly, none might choose to increase output unless there was an aggregate increase in demand.

Labour market deregulation could in fact reduce aggregate demand by shifting income from wage earners, who spend a high proportion of their earnings, towards profits, not all of which is spent. Furthermore, firms might respond to greater labour market flexibility by shedding jobs, particularly if they are facing a profit squeeze.

Market deregulation also creates disguised unemployment by taking people off the dole and placing then in low-paying, low productivity jobs (such as in the UK, where labour market reforms were introduced in the 1980s). Countries with highly protected agricultural sectors, such as Japan, also have a high rate of disguised unemployment in low productivity farm jobs.

The slowdown in capital formation over the last two decades has been a major factor in job destruction. The annual growth capital formation in OECD countries fell from 6% in 1960-73 to 1,1% in 1973-79 and 3,1% in 1979-1990. This falling investment is not the result of higher labour costs or low profitability, but of the macro-economic environment.

"The generally restrictive monetary policies implemented over the last two decades have shunted economies into low growth paths in which low demand growth and low potential output growth have fed back into one another," says the report.

Frequent under-utilisation of existing productive capacity has made for slow capital formation and macro-economic policies have often been shaped to accommodate this.

Restrictive monetary policies and financial deregulation pushed up interest rates to historically high levels. In the US, France, Italy and Canada, real long-term interest rates between 1981 and 1993 were three times their level in 1956-80.

Financial deregulation, together with an increasing tendency to gear monetary policy to monetary aggregates or price movements, has made exchange rates and interest rates more unstable.

Refuting the prevailing wisdom that unemployment is the result of too much regulation and inadequate skills, Carlos Fortin, officer-in-charge of UNCTAD, says the real culprit is the macro-economic environment: high real interest rates, volatile interest and exchange rates and high fiscal burdens brought on by the rising cost of servicing public debt.

"What is required is an expectation by business that demand will grow vigorously enough over a prolonged period to justify heavy investments in plant and equipment. Without the inducement of higher sales, private firms will continue to be cautious, preferring to invest less and to cut costs rather than increase capacity."

To stimulate investment, businesses require cheaper capital and improved prospects for sales. If governments and central banks attempt to contain economic growth to 2,5%, companies will not expand capacity faster.

Accelerating demand expansion is unlikely to result in higher inflation, as it did in the 1970s.

**WORLD OUTPUT 1980 - 1995**

(% change)

| COUNTRY GROUP | 1990 | 1991 | 1992 | 1993 | 1994* | 1995# |
|---|---|---|---|---|---|---|
| World | 2,9 | 0,2 | 1,2 | 1,7 | 3,1 | 2,9 |
| Developed market-economy countries: | | | | | | |
| USA | 2,7 | -1,1 | 2,6 | 3,0 | 4,1 | 2,7 |
| Japan | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| European Union | 2,3 | 0,7 | -0,4 | -0,5 | 2,8 | 2,8 |
| Germany | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| France | 2,3 | 0,7 | 1,4 | -0,9 | 2,7 | 2,5 |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| UK | 2,7 | -2,3 | -0,5 | 1,9 | 3,8 | 2,8 |
| Central & Eastern Europe | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Developing countries: | | | | | | |
| America | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Africa | 1,6 | 2,8 | 1,8 | 1,4 | 2,0 | 3,3 |
| Asia | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Least developed countries | 2,2 | 0,6 | 1,0 | 3,3 | 1,4 | 2,3 |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

* Estimate # Forecast

Graphic: FIONA KRISCH

Source: UNCTAD - TRADE AND DEVELOPMENT REPORT 1995

# EU defends its stand on trade accord with Pretoria

(74) BD 20/5/96

John Dludlu

WHEN the EU ministers finally agreed to approve a supplementary mandate to negotiate a free trade accord with SA a month ago, the news was greeted with vehement criticism from commentators, here and abroad. Sober voices of reason were drowned by screams of blue murder.

The problem is that the supplementary mandate, dealing with the trade elements of the accord, seeks to exclude 39% of SA's farm exports. This means these items will continue suffering discrimination of high tariffs, making it difficult to sell them in the EU's 15-nation single market.

Critics of the mandate — drawn from the ranks of academia, SA government officials and so-called Friends of SA in Europe — point out quite correctly that the trade aspect of the deal will lose its generous character if the exclusions are allowed in the final accord. The exclusions, included after months of stonewalling by the EU's protectionist bloc, notably France, Germany and Spain, have been seen in some quarters as being out of step with the EU's earlier commitment to grant SA better market access and to help Pretoria integrate its economy back into global trade.

João de Deus Pinheiro, commissioner in charge of relations with African, Caribbean and Pacific nations (including SA), feels the criticisms are based on misconceptions.

In his own words, Pinheiro, the author of the twin-track approach on which the negotiations are based, says his critics are mistaking "a tree for for a bush".

He says his latest trade mandate, which supplements an earlier one paving the way for SA's partial accession to the Lomé Convention and co-operation in other fields, has been seen — wrongly — as representing a "pre-draft of the outcome of negotiations". Put differently, the final accord or its trade element, will not exclude 39% of SA's farm exports to the union.

"This is my mandate; this is the starting point (not the final outcome). I am still waiting for SA's mandate (or shopping list of items Pretoria would like covered or excluded from the proposed accord)".

In his view, the mandate still addresses SA's initial request of better market access, since about 96% of products exported by SA stand to get further preferences as the liberalisation gets under way.

He denies the EU has reneged on its earlier promise of a generous deal.

Pinheiro says the mandate opens the possibility for negotiators to explore items currently not traded by SA, but which could be of interest in future.

The criticisms have obscured the crucial role played by the commission — the EU's executive arm — as Pretoria's ally in the face of a furious debate among divergent member states, questioning the very principle of a free trade accord.

Internal documents, detailing debates within the EU, clearly illustrate the commission's support for SA.

The commission's proposal, which was thrown out by protectionist member states, had suggested the exclusion of only 25% of SA's farm exports to accommodate the sometimes unrealistic fears among EU states that SA exports were a threat to the union's heavily subsidised farmers.

At the height of the member states' internal wrangle, which held up the mandate for months in the ministers' council, the commission produced a general study — demanded by countries like France — showing the proposed deal with SA would not harm their economies and that such an accord would be compatible with the provisions of the World Trade Organisation on free trade. If it fails the WTO test of covering "substantially all trade" between contracting partners, Pretoria and Brussels face the real threat of being asked by fellow WTO signatories to compensate them financially, or to extend the preferences to them, Pinheiro says.

To calm legitimate concerns of people such as ANC MP Rob Davies, the EU is financing a study to look at the possible impact of the accord on SA's neighbours in the customs union.

In the final stages of the debate, as it became clear the deal was slipping away from the Friends of SA, including Britain and the Scandinavian nations, the commission — it has been accused of amassing an incredible amount of power for itself — managed to secure the right to come back to the council for a further review of the exclusion list during negotiations with SA. In everyday language, this has been interpreted to mean that if SA feels, after empirical studies, that certain items are crucial to its economic development, a possibility exists for these to be removed from the list.

During his visit to SA, commission president Jacques Santer seemed reluctant to entertain this idea, but said the final outcome would be shaped by the "dynamics of the negotiations" or, perhaps more simply, by the strength of SA's negotiators.

Pinheiro says critics will realise how generous the offer to SA is now that requests for similar deals with closer and long-standing partners in Latin America and Meditternean nations, have received a thumbs down.

# The real purpose of Unctad

(74) BD 20/5/96

**BEN TUROK**

THE editorial "SA's Unctad role" (Business Day, May 13) missed the main point of the Unctad conference. This was not a basket case meeting of the poor of the world at all. It was a meeting of top-level delegations from most countries and from the major world institutions to discuss the condition of the global economy.

The starting point was something accepted by all, namely that the economies of the world are being unified by flows of trade, finance, information and technological change. This is the phenomenon of globalisation, which is proceeding rapidly irrespective of the wishes of governments. It is accompanied by liberalisation, or opening up of markets worldwide, which will be speeded up by the implementation of the Marrakesh agreement supervised by the World Trade Organisation.

The problem is that this process of global integration is uneven in its effects. This is partly because countries enter this system from very different starting points.

Some countries have benefited a great deal from globalisation. Others become increasingly marginalised; there are 44 such countries and two-billion people at present. The expectation is that this will become eight-billion early in the next century. Some speakers argued that the effects of the marginalisation of so many people will become the major concern of the world.

There is a further problem. Even within the industrial countries, substantial numbers of people are also marginalised in the sense that living standards are falling and unemployment rising. In Germany it now stands at 11,5%. The social wage is under threat everywhere.

One of the main sessions dealt at length with the fears in the northern hemisphere of jobs being lost through the migration of enterprises and investment to the developing countries. The truth is that the pressure for opening up is coming from the industrial countries, which urgently need markets for their goods and services, as well as openings for investment.

Thus although Unctad was indeed founded to give a platform for the developing countries, this was not a meeting for special pleading for aid or assistance, but about how the world economy is shaping in the era of relatively free trade, investment and communication.

The idea of liberalisation was not opposed, although common sense would lead to the conclusion that this is the kind of situation favouring the strong. It is well understood that rampant liberalisation which exacerbates competition could do a great deal of damage.

It was that great theorist of development, Andre Gundar Frank, whose studies of Brazil's economy showed that it performed best when its connections with its European colonial masters was weakest. This notion led to the dominance of dependency theory in development studies and to the view that some form of delinking based on import substitution-industrialisation was necessary.

The Asian tigers have all followed a policy of building up their domestic capacity as a priority and used protectionist measures to do so. Even now, Japan remains highly resistant to foreign corporations and investors. The Japanese have established a highly complex system of state support for industrial exports which is hard to detect but which is tantamount to dumping.

India informed the conference that it had spent 45 years in creating productive capacity at home before turning to outside technology.

SA also followed a path of protectionism to start its industrialisation. Subsequently, the state played a major role in sponsoring a cluster of parastatals which now constitute the foundation for a strong steel industry, a massive electricity capacity, a chemical industry and the rest. Unfortunately, protectionism was overplayed and became subsidisation, so that some of our industry is now uncompetitive in world markets and in relation to foreign imports. This must now change.

The message from Unctad is that all countries, including the developing countries, must be afforded an opportunity to participate in the world economy on an equitable basis. This means that they require support in the realm of policy formation and they require access to markets, capital and technology.

Much was made also of the low commodity prices in the industrial countries for primary commodity exports, and of the protectionism which persists there. Indeed some of the strongest arguments for free trade came from the developing countries.

This demand for even-handedness is important because of the increasing intensity of negotiations in the WTO. This rule-based institution has massive powers to impose its will on recalcitrant countries. Failure to comply could lead to a trade sanction or "cross-sectoral retaliation" being imposed. No developing country could withstand this.

These measures become particularly significant in the light of the proposed multilateral investment agreement sponsored by Europe and due to come before the first ministerial meeting of the WTO in December. This agreement would allow foreign corporations freedom in any developing country to take over any industry or sector, and expatriate its profits. This will deprive the home government of control over who invests where and how much, and over its balance of payments.

These are some of the concerns about globalisation and liberalisation which affect all the world's citizens, not just the developing countries. The response from the latter is by and large to move towards "strategic integration". This includes the requirement of access to industrial country markets, fair prices for commodities, technical assistance to improve their own industries, increased aid and relief from their massive debt service costs.

Implementation of these proposals would be by "partnerships for development", one of the dominant themes of the conference. Partnerships need to be built for intergovernmental co-operation between rich and poor countries, between developing countries themselves, by better co-ordination between multilateral organisations, between the public and private sectors, and by involving civil society.

Much of this is directly relevant to SA. We are by no means a basket case on the world scene. Yet we are undoubtedly a developing country which requires fair access to the markets of the industrial countries. We also need to improve our co-operation with our neighbours. We have yet to overcome the effects of isolation and badly need comprehensive information and analysis about trends in globalisation and liberalisation so that we enter the world economy in a phased manner.

If we are not careful we shall be absorbed, not integrated into the world system.

Our presence in Unctad is therefore of utmost importance. After all, we witnessed one of the most extraordinary sessions where the presidents of the top five institutions in the world all appeared on a panel: the IMF, the World Bank, the WTO, the UN Development Programme and Unctad. The UN secretary-general also addressed the conference.

Unctad will no doubt be an important participant in the generation of new rules for globalisation. We need to be there, and we need to be there with a common view.

□ **Turok, an ANC MP, was a member of the SA delegation to the Unctad conference.**

**BOOKS**

# SA warned on free trade pact with EU

BD 21/5/96

Wyndham Hartley

(74)

BONN — Any attempts by SA to negotiate better terms with the EU for a free trade zone could unravel the entire agreement, say sources close to the European Commission.

The commission is negotiating with SA on the basis of an amended council mandate announced in March.

The sources said yesterday that the balance of interests in the mandate was "very delicate". They said it was extremely unlikely changes could be made to the mandate without making the entire agreement fall apart. In addition to juggling the interests of the 15 EU member countries there were also differences of opinion within member governments over the mandate's contents. Attempts to balance these interests had led to accusations that the EU was inflexible.

The amended mandate, which included 68% of agricultural products from SA and gave it 10 years to remove tariff protection from industrial prod-

Continued on Page 2

# Trade pact (74)

Continued from Page 1

BD 21/5/96

ucts, was described as "a big success".

European agriculture has, as a result of GATT, had subsidies reduced and faces a decrease in revenue. The 38% exclusion of agricultural products from SA shared the pain equally between the member nations of the north and south. It was also said that to blame only France and Germany for not delivering on the free trade zone was unfair.

Sources said the compatibility of the free trade agreement with SA and World Trade Organisation rules had also to be taken into account. If the agreement did not stand up to the organisation's scrutiny, EU farmers feared the deal offered to SA would have to be offered to others.

European agriculture was highly protected because it was uncompetitive in several spheres. Trade liberalisation on 62% of SA's products was a major achievement, the sources said.

□ SA flags flew alongside Germany's national flag in Bonn's streets last night as the final touches were put in place for President Nelson Mandela's state visit today. Mandela will address the Bundestag tomorrow — an honour accorded few visiting heads of state.

# Diplomats query delay on free trade

BD 22/5/96 (74)

John Dludlu

SA's delay in formulating a position on a free trade agreement with the European Union could thwart plans to seal the deal this year, raising the spectre of a less generous agreement, diplomatic sources said yesterday.

The SA government has been studying the mandate — which seeks to exclude 39% of SA agricultural products from the accord — since receiving it in March, but still has to adapt an official stance with the EU.

SA officials have also asked for more time, given that they were occupied with the recent UN trade conference. The EU is ready to begin talking, but SA has still to set a date.

If the process dragged on, sources said, this risked pushing the matter beyond the EU presidencies of Italy and Ireland, to countries which may offer a less generous deal to SA.

The EU's commission, which is negotiating on behalf of the EU's 15 states, is hoping to conclude the talks by the end of this year. This will enable SA's partial accession to the Lomé Convention to be implemented next February — with other changes in the accord with Africa.

The ANC's Rob Davies has expressed severe doubts on the commission's timetable. He said negotiations with Brussels should take into account parallel talks in southern Africa, especially the review of the customs union and the formulation of a 12-nation trade protocol in the region.

Consultation with customs union partners on meetings with the EU could take months. "We have to define our approach to the talks and this may take time".

Delays in concluding the review of the customs union could also delay meetings with the EU, a Brussels source said.

If the talks are not concluded by the end of this year, this will pose the danger of delaying the participation of SA firms in projects financed by the European Development Fund — which funds Lomé — and affect SA's limited access to Lomé-related trade benefits.

Another hurdle is the role of the customs union in the talks.

The commission is known to be concerned that further postponement could be interpreted in Europe as a reluctance by SA to conclude the deal.

Commission official Jean-Claude Boidin said he was optimistic of the year-end time frame, but said tariff liberalisation by SA's industrial sector — and institutional integration of the customs union into the final accord — could present more difficulties to the negotiators.

# Provision in import law is upheld

BD 22/5/96 (74)

Deborah Fine

TEA supplier Ynuico Ltd has lost its Constitutional Court bid to have a section of the Import and Export Control Act declared unconstitutional.

The section prohibits the company from importing foreign tea unless it also purchases a percentage of domestically grown tea.

It empowers the trade and industry minister to prescribe in the public interest that "no goods of a specified class or kind or no goods other than goods of a specified class or kind" may be imported except in accordance with the conditions stated in permits.

The trade and industry ministry, in a Government Gazette notice in 1988, prohibited the importation of tea into SA without a permit.

The company submitted that the section fell foul of section 37 of the constitution. It argued that section 37 meant only Parliament had the power to make laws.

In a unanimous decision yesterday, the Constitutional Court ruled that the section and the notice had been enacted before the 1993 interim constitution.

Section 37 dealt only with legislative power after the 1993 constitution. Moreover, all laws prior to the commencement of the 1993 constitution were preserved by section 229 of the constitution which stated that such laws would remain in force subject to their repeal or amendment.

# Dispute over political canvassing in factories

BD 22/5/96

**Linda Ensor**

CAPE TOWN — Western Cape clothing manufacturers and the SA Clothing & Textile Workers' Union have clashed over factory access for canvassers ahead of next week's local government elections, with employers taking a hard line barring entry.

Rex Trueform and House of Monatic and others such as Pals Clothing, Modern Fashions, Peerless Shirt Manufacturers and Val Hua had refused access to canvassers in contravention of the provincial electoral ordinance, Cosatu provincial treasurer Randy Pieterse said yesterday.

In refusing Cosatu-affiliated Sactwu's request for access, several employers said they were abiding by Cape Clothing Manufacturers' Association policy.

Association chairman Jan Baard said the association believed that electioneering during work hours for party political purposes was "undesirable" and undermined the commercial interests of employers.

He believed it caused disruption and division among workers and lowered morale and productivity. Employers were therefore justified in turning down requests for access if they had a reasonable apprehension that these negative consequences would result.

Baard felt chaos would ensue if all political parties were given access to factory premises during working hours, and would not accept canvassers had right to unfettered access.

In terms of the provincial electoral regulations "any canvasser or educator of voters shall have reasonable access to any public or private area where voters live or work". Baard said, however, that while the association was prepared to abide by a court ruling, it believed that electioneering on factory premises was not reasonable.

Rex Trueform personnel manager James O'Brien stated in a letter to Sactwu that "political electioneering in our factory is a sensitive issue with some workers having strong views on their political affiliations. Past experience has resulted in an unsettling of the work force which we can ill afford at this point in time."

Shop stewards were concerned, O'Brien said, that all political parties be given an opportunity to canvass.

Cosatu said it would continue addressing membership outside factories until the matter was resolved.

# Internationalisation a headache for neighbours

(74) BD 23/5/96

**GAVIN MAASDORP**

SA's trade relations with Southern African Development Community (SADC) countries north of the Limpopo are at a low ebb. The reason is to be found in a conflict between SADC expectations of the new SA and SA being tied into the new order of global trade liberalisation as well as trade negotiations with its Southern African Customs Union (SACU) partners and the European Union.

SADC countries have not appreciated the implications of the World Trade Organisation (WTO). Zambia, for example, has pressed SA for a trade agreement, but this is not possible on two counts.

First, the Marrakech Agreement, to which SA is a signatory, is based on the principle of most-favoured-nation treatment. Because it is classified as a "developed" country in the WTO, SA could give trade preferences to a developing country such as Zambia, but it would have to extend those preferences to every other developing country. Thus, Zambia would not benefit uniquely from an agreement with SA.

Secondly, bilateral agreements are not easily compatible with customs unions, and SA has to take its common membership of the SACU into account. If country A in a customs union enters into an agreement with a third party, its partner countries X and Y are faced with the problem of trade deflection, that is, the entry at preferential rates of third party goods into the geographic area of A and the subsequent ease of infiltration into X and Y.

The proper control of trade deflection is costly and negates the value of a common external tariff in a customs union. Some bilateral agreements have been allowed to exist under the present SACU agreement, examples being SA's agreements with Malawi and Mozambique, and Namibia's agreement with Zimbabwe.

However, all parties to the SACU renegotiations realise that these agreements are problematic. The new agreement should not allow bilaterals; the SACU as a whole should decide what trade agreements it wishes to enter into with outside parties. Thus, the SA-EU Free Trade Area agreement will ultimately have to be concluded at a SACU level.

The only exception to most-favoured-nation treatment allowed by the WTO is if the parties agree to the formation of a free trade area or customs union within a 10-year period covering substantially all trade. Thus, the only way out for the SADC north is to seek a free trade area or customs union with the SACU. This is in effect what the proposed SADC trade protocol is all about. But have the countries of the SADC north done their homework in pressing for free trade with SA?

A forthcoming World Bank study finds net costs accruing to those countries from including SA in a trade bloc. In the meantime it is not the absence of a trade protocol but the lack of effective sectoral cooperation, which is inhibiting the operation of the SADC as a vehicle for regional development.

It could do worse than to take a leaf out of the Association of South-east Asian Nations' book: years of effective co-operation led to greater intraregional trade volumes and only then to the agreement to form a free trade area (scheduled to be in operation in 2003).

Do SACU countries see a benefit in entering such an agreement with the SADC north? This is not an easy question to answer. Not only are the SACU negotiations some way from completion, but the SACU is still settling into its period for implementing the GATT tariff reduction.

Key industries such as clothing and textiles, which employ thousands of people, are already reeling in the face of cheaper imports now entering the SACU. To subject them to free trade with competitor countries such as Zimbabwe under a SADC trade protocol would hardly be welcome.

Part of the north's criticism of SA is that it is using various industrial incentives to export to SADC markets, in the process overrunning competitors there. Certainly, SA cannot afford to see de-industrialisation occurring in SADC countries any more than it can afford the de-industrialisation which it itself is suffering in certain sectors.

The general export incentive scheme (GEIS), which has caused so much ill feeling in the region, is being eliminated, but SA should also consider ways of overcoming the perception that it is trying to dominate the entire region economically and politically. This is not the expectation the region had of post-apartheid SA. The best way of overcoming neighbours' fears is by being a good neighbour in fields where SA's hands are not tied by international agreements, namely, in sectoral co-operation, eliminating non-tariff barriers, facilitating investment and the movement of business travellers and tourists, and so on.

It could do this by giving its strongest possible commitment to making a success of the financial and investment portfolios in SADC for which it is responsible.

It is important that SA, both business and government, send out signals to the region that it is committed to being a good neighbour. The consequence of being an economic giant in a region of de-industrialisation and economic decay is increasing illegal immigration.

☐ **Prof Maasdorp is director of the economic research unit at the University of Natal, Durban.**

LETTERS

# Anti-dumping laws may change

BD 24/5/96 (74)

John Dludlu

SA's anti-dumping laws may be in line for far-reaching changes, including the separation of anti-dumping and tariff functions, once the results of an investigation initiated last year by former trade and industry minister Trevor Manuel become available.

Board on Trade and Tariffs deputy chairman Leora Blumberg said in an interview yesterday that one of the most crucial areas of agreement in submissions to the board had been calls to separate the functions of tariff-setting and anti-dumping.

In terms of the system, the two functions are carried out by the board, which has a small directorate devoted to anti-dumping. The separation of the functions was also one of the recommendations of the now defunct National Economic Forum.

Other planned changes included shortening the time frames in investigations and bringing SA's anti-dumping laws closer to the provisions of the World Trade Organisation.

"We would like to be able make a provisional finding within 100 to 120 days (from the date of an official notice of the investigation)," Blumberg said.

A public liaison unit had been set up to increase public awareness of anti-dumping issues. It would also help companies complete questionnaires.

Another priority was to raise skills levels in the anti-dumping unit.

To this end, the World Trade Organisation had held a five-day seminar for officials from the customs union nations this week.

The anti-dumping system was a source of concern to SA's trading partners because of a lack of detail in legislation, she said.

Blumberg said she would like to see closer co-operation between competition policy authorities and the anti-dumping unit.

# Setting the record straight on board's approach to tariffs

(74) BD 24/5/96

**NIC SWART**

THE Board on Tariffs and Trade met the parliamentary portfolio committee on trade and industry on May 15 in Cape Town. The purpose was to discuss the results of one of the biggest operations completed by the board since its inception nearly 75 years ago: transformation of SA's total tariff book to meet the country's obligations under the Marrakesh agreement (GATT) and to improve its competitiveness.

The process of restructuring the country's anti-dumping system to adhere to the requirements of the World Trade Organisation (WTO) was also discussed.

Press reports after that meeting may have created perceptions about certain aspects of the process and the content of the results — for example, that the board on its own scaled the tariffs further down; that the portfolio committee wants to interfere with the tariff-making process and that I personally may be at loggerheads with the department.

Tariffs are of such importance in SA's economic development, and it was all along the board's aim to stabilise the tariff situation to create certainty in investment decisions, that I want to put the tariff revision process in proper perspective.

Firstly, the board does not determine industrial policy, including tariff policy. That is the prerogative of the government of the day, more specifically the trade and industry department.

The portfolio committee expressed the intention to become more involved in formulation of industrial and tariff policy. The board welcomed this decision and promised its total co-operation.

The clearer tariff policy is spelled out, the easier it becomes for the board, which only makes recommendations to the trade and industry minister within given policy parameters, to perform its function.

Secondly, there is a healthy working relationship between the board and the department. This relationship has been structurally strengthened by reorganisation within the trade and industry department which resulted in six directorates for industry being set up.

These directorates work for both the department and the board. But the latter is concerned only with tariffs and not with implementation of industrial policy such as supply-side measures. A variety of supply-side measures are already in place at the department, existing measures are being upgraded and some new measures have been implemented.

Thirdly, the board does not implement tariff changes. It recommends, after a transparent process of information gathering and consultations and based on scientific investigation, changes to the trade and industry minister.

If he accepts the recommendation, he in turn requests the finance minister to amend the Customs and Excise Act accordingly. If the minister does not accept the board's recommendation, he can refer it back for reconsideration by the board.

In order to get the necessary perspective on the tariff adjustments resulting from the Marrakesh agreement, one must start at the offer the department made to GATT in 1993 on the binding rates of the various tariff lines.

The department did not negotiate with trading partners before it consulted the National Economic Forum, now Nedlac. Therefore, business and labour was part of the offer on the levels of the binding rates. Special arrangements were made for the motor industry and the textile and clothing industries.

In terms of the Marrakesh agreement signed in April 1994, tariffs had to be reduced by a third on average from the base rate (the 1989 rates). In the case of the majority of products the reduction was to be over five years, starting last year.

It was never the intention that the binding rates would be the target rates for the end actual rates.

The binding rates only set a ceiling above which SA cannot move without negotiations as per the said agreement. The actual rates are determined by circumstances applicable to each industry, so as to back the overall drive to improve the economy's competitiveness.

Against this background, the National Economic Forum submitted an application to the board in 1994 covering nearly 8 000 tariff lines on industrial products to be adjusted on a phasing down scale. This application was published for comment by the board.

The board accepted about 70% of the recommendations by the forum and passed them on to the minister. These changes were implemented in January last year and the phasing-down schedule was announced.

The board decided, however, to republish approximately 2 500 tariff lines or 30% of the forum's application. The motivation was that while we were revising the total tariff book we wanted to get rid of tariffs on products not made in SA, to look especially at tariffs on inputs in order to reduce cost structures, and to make sure the level of duty on these lines was correctly pitched.

In this last exercise, the board took a flexible stand insofar as comebacks were considered sympathetically. Decisions in this regard, along with phasing-down schedules will be announced in due course.

A net result of the whole exercise is a significant simplification of the customs tariff through reducing the number of separate provisions and number of different levels of duty. This will significantly facilitate administration of customs and excise.

Generally, the reductions implemented thus far have been relatively small and they should not have major effects.

The policy of tariff liberalisation in SA was, therefore, to an important extent, internationally driven. Secondly, with a new political dispensation, the country became part of the international community.

Protectionism had to be replaced by endeavours promoting international competitiveness and the integration of the SA economy into the global economy. Sustainable economic growth in the harsh world of international trade can be achieved only by improving the competitiveness of the economy.

Special attention was given to major sensitive industries such as the motor industry and the textile and clothing industries. The motor industry task group came forward with the motor industry development plan which was implemented on September 1 last year. The development in this industry is closely monitored by the department.

The textile and clothing panel could not reach consensus and recommended two tariff options — a low and a relatively high one. The board, after making certain adjustments, recommended the relatively high option. Structural adjustments are now taking place in these important industries and the board will remain sensitive to their needs.

The process of replacing import control in respect of agricultural products is nearly completed. Attention should now be focused on a customs tariff policy with regard to agricultural products which can in the medium and long term serve as guidelines to all role players.

A green paper on a customs tariff policy for agricultural products was released for comment recently. The outcome of this process will decide future tariff decisions.

With tariffs now limited to maximum bound rates, the board will have to rely to a greater extent on the appropriate mechanisms to combat unfair trade practices, such as anti-dumping duties.

Anti-dumping applications will increase, as is already the case. The system is now in the process of being restructured. Capacity is being increased and the timespan of finalising investigations shortened.

Throughout the tariff restructuring process the board tried to be transparent, to secure public participation and be subject to public scrutiny. The approach was to reach that fine balance between enhancing efficiency and competitiveness and maintaining local capacity. The future holds many opportunities and requires a co-ordinated effort from the department, the board, business and labour.

☐ **Swart is chairman of the Board on Tariffs and Trade.**

# SA in Indian Ocean Rim pact

ALIDE DASNOIS (74)
Business Editor
ARG 24/5/96

A COMMUNITY of Indian Ocean states, including South Africa, is to see the light of day later this year when ministers from 14 countries meet to sign a charter.

Deputy Prime Minister of Mauritius Paul Berenger said yesterday at the Southern Africa Economic Summit in Cape Town organised by the World Economic Forum and the Southern Africa Development Community (SADC) that trade would be one of the priorities of the new organisation, which has yet to be named.

Mauritius has been driving the Indian Ocean Rim initiative.

Mr Berenger said at a media briefing he hoped the secretariat of the new organisation would be located in his country.

The date and place of the ministerial meeting had not yet been set but it was due to take place "before the end of the year".

The Indian Ocean Rim organisation would complement and not compete with the SADC, he said.

Mauritius joined the SADC at the end of last year as the 12th member and the only island state.

Since the first meeting of seven Indian Ocean Rim countries in Mauritius in March last year, progress had been made on drafting a charter. The number of members had now swelled to 14. Some SADC countries which did not have an Indian Ocean coast but which were served by ports on the Indian Ocean would have liked to join the group, Mr Berenger said.

"But we have to stop somewhere. For the moment we are limited to countries in and on the Indian Ocean Rim."

All SADC countries would benefit from the strengthening of regional links in the new organisation, he said.

"And observer status will be considered".

In drafting conditions for closer co-operation on trade, South Africa's "complicated situation" would be taken into account, Mr Berenger said.

Areas for co-operation included air-sea links, development of human resources and banking and finance.

# Mandela gets Bonn's backing on EU trade

Star 24/5/96 (74)

**Swell of support for social and economic reforms and plea to South Africans to be patient over the pace of transformation**

Reuters
Berlin

President Nelson Mandela has ended a three-day state visit to Germany, claiming success after Bonn voiced its support for closer European Union ties with Pretoria.

"We have succeeded in strengthening the relationship between South Africa and Germany," he told journalists yesterday after attending the Berlin launch of an initiative, sponsored by government and industry, to increase German trade links with South Africa.

The president flies into Cape Town this afternoon.

On Wednesday, Chancellor Helmut Kohl had pledged to back Mandela's social and economic reforms and to support South African efforts to improve trade links with the EU.

Mandela reiterated that Germany's post-war reconstruction was a model for South Africa.

"Germany has had the experience of being devastated in war. We had a similar experience – apartheid – which was a war against the masses of innocent people," he said.

Economics Minister Guenther Rexrodt added his voice to the swell of political support for Mandela at the trade initiative launch, urging firms to invest in South Africa, which he said would be a springboard for the whole southern African region.

Mandela responded by repeating that the Government was committed to industry and was determined to follow stable economic policies.

Before flying to Berlin, the president had danced to a German choir singing freedom songs at an official farewell in Bonn.

He was apparently taken by surprise when the choir struck up freedom songs in Xhosa as he left the government guesthouse with German Foreign Minister Klaus Kinkel.

"This is important. This is what has enabled the democratic forces in South Africa to take over," Mandela said, after dancing to the Bremen-based choir's rendition of a song reminiscent of the anti-apartheid struggle's early days.

"The support of the international community has been crucial for our victory," he told the Shosholoza choir, which ended its farewell with South Africa's national anthem, *Nkosi Sikelel' iAfrika*.

Kinkel, paying tribute to Mandela, said South Africans needed to be patient because the country could not be transformed overnight: "The people of South Africa has shown its desire for reconciliation and to overcome the enormous economic and social difficulties together.

"President Mandela is a unique symbol of this desire for reconciliation and willingness to create a new South Africa. The South African Government's efforts to combat the economic and social consequences of apartheid have our full support."

ANDREAS ALTWEIN / AFP

Hero's wave ... Madiba and daughter, Zinzi Mandela-Hlongwane, are flanked by Berlin mayor Eberhard Diepgen and his wife Monika at the Brandenburg Gate yesterday.

## 'I wish we had a politician like him here'

Berlin – Holding daughter Zinzi Mandela-Hlongwane's hand, President Mandela waved and smiled to hundreds of admirers yesterday as he walked through the Brandenburg Gate that once marked the Cold War division of Germany's capital.

The crowd gave a hero's welcome to the man who has worked to breach South Africa's racial divide. They cheered as his motorcade pulled up to the west side of the stone arch.

A beaming Mandela stopped many times to shake hands and give out autographs, exuding a cheerfulness that impressed many in the crowd.

"We need a politician like this in Germany," said Friedhelm Lennartz, a human rights activist who said he had organised commemorations at the Brandenburg Gate on Mandela's birthday during the 27 years he spent in jail for opposing white-minority rule.

"We have problems in Germany, but not so big as in South Africa. And our politicians are so egotistic. Mandela is a fantastic type."

German schoolchildren chanted the ANC cry, "amandla", as Mandela walked towards them.

"I don't know why, but I started to cry when I saw him," said Aleksandra Jertovic (15). "I still feel like crying."

Aleksandra and classmate Danielle Allam were lucky enough to shake hands with Mandela, their brush with a historical figure almost enough to make up for not having enough time to get an autograph. – Sapa-AP.

# Attempts to link EU deals raise concern

(74) BD 27/5/96

John Dludlu

AN ATTEMPT by some EU states to link various co-operation agreements between Pretoria and Brussels has raised concerns in SA, say informed sources close to the talks.

A Brussels source said at the weekend that the move could delay the implementation of certain of the less controversial agreements — such as the one on science and technology co-operation — as talks on a free trade area proceed.

Pretoria was concerned that an attempt was being made by certain EU member states, including Spain, whose bilateral fishing agreement with SA has become dormant because of its EU membership, to link talks on fisheries with the bilateral trade negotiations, the source added.

Although the recent negotiating mandate, approved by the EU ministers' council, does not create a firm link between the various negotiations, certain EU member-states are known to be keen to have the various agreements negotiated in parallel and concluded simultaneously.

In his recent visit to SA, EU commission president Jacques Santer confirmed this approach, saying that although the Pretoria government had asked for more time to finalise its fishing policy, he expected parallel negotiations on fishing to begin in September or October — months after the start of talks.

EU sources said the commission — which will negotiate on behalf of the union's 15 states — was concerned that de-linking difficult areas from less controversial ones could remove the sense of urgency in concluding negotiations among protectionist member-states. This could then lead to protracted talks.

Trade and industry chief director for foreign trade relations Faizel Ismail, who will co-ordinate the trade aspect of the forthcoming negotiations, said the SA team was finalising consultations with key stakeholders in Nedlac.

Simultaneous consultations were also underway with SA's partners in the Southern African Development Community and within the customs union.

Ismail said Pretoria's mandate would be finalised "in due course".

Sources said top of the list of SA's concerns would be the EU's proposal to exclude 39% of SA's farm products from the accord.

# Mugabe slams SA for punitive trade practices

HARARE — Zimbabwean leader Robert Mugabe has castigated SA industry for refusing to co-operate with its neighbours on trade, and asked it to review its attitude towards Zimbabwe, its largest trading partner on the continent.

"We have asked SA to change its attitude in the area of trade because of the incompatibility of our stances," Mugabe said after returning from Cape Town, where he attended an economic summit of world business leaders and southern African politicians.

He slammed SA for dumping goods on the Zimbawbean market while maintaining stringent controls on Zimbabwean imports to protect its own industries and said his government would introduce measures to protect local industry against the unfair competition.

This is probably the first time Mugabe has openly criticised SA over its unfair trade practises, despite complaints from Zimbabwean industrialists and economists that trade was heavily skewed in favour of Pretoria, and to the detriment of Zimbabwe.

"South Africa cherishes the notion that because it is the most developed country in the region, it can use other SADC countries as receptacles for its goods. "Time has come to protect our own industries. We must act in defence," Mugabe said, hinting that the protection measures could be put in place as early as next week.

Meanwhile Trade and Industry Minister Alec Erwin said that SA had agreed to review long-stalled trade talks with Zimbabwe. Erwin would lead government officials, business representatives and unionists to Harare for trade talks on June 10. — Sapa-AFP.

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BD 27/5/96

# Business and labour to join talks

(74) BD 27/5/96

John Dludlu

HARARE's negotiators have accepted a proposal from Pretoria counterparts to involve business and labour unions in talks to reinstate trade preferences for Zimbabwean clothing and textile exports to SA, according to trade and industry department chief director for foreign trade relations Faizel Ismail.

Interviewed at the weekend, Ismail said formal talks involving SA's clothing and textile industries as well as the Southern African Clothing and Textile Union would start "fairly soon".

It is understood that SA industries have previously requested representation at the talks, but the request was turned down.

Continuing discussions at ministerial level were taking place, even as recently as last week in Cape Town, Ismail said.

Trade observers saw the acceptance of the proposal by Zimbabwe as giving a "glimmer of hope" that the trade concessions, which lapsed in December 1992, could be reinstated this year.

Bilateral talks, excluding unions and industries, hit a snag when the Zimbabweans rejected an SA offer to reinstate the proposal on condition that Harare agreed to add 75% local content to their exports.

The 75% proposal, which was seen as "unreasonable" by Zimbabwe and SA government negotiators, was later revised to 25%, with a proviso that it would be increased by an annual 5%.

Zimbabwean industries turned this down, saying the 5% condition was like "giving with one hand and taking with the other".

The slow pace at which the year-long negotiations have progressed has been used by SA's critics as an indication of Pretoria's reluctance to open up its markets to neighbours.

# SA-EU negotiations caught up in beef trade row

BD 29/5/96

6 (74)

BRUSSELS — Progress in Europe's negotiation of a free trade agreement with SA would be blocked unless Britain abandoned its policy of obstruction of EU business, Spain warned the UK in Brussels yesterday.

The warning shot from Spanish Development Minister Fernando Villlalonga was fired after Britain used its veto 12 times in two ministerial meetings in Brussels in line with Prime Minister John Major's strategy to force the EU to lift the ban on UK beef exports.

Among the resolutions vetoed by British ministers was the formal approval of a mandate for the commission to negotiate the progressive liberalisation of the EU's trade with Mexico, a move which clearly irritated Spanish officials.

"I hope that this behaviour is horizontal and applies to all subjects without discrimination regardless of national interests," Villalonga said, indicating that he would expect Britain also to block any decisions relating to the terms of a free trade agreement with SA. "If the UK does not, we will."

Britain signalled clearly yesterday it was prepared to apply the policy of disruption even to proposals it supported. — Sapa-AFP.

# Minister, deputy attack EU trade mandate

(74) BD 31/5/96

Debra Percival

BRUSSELS — Outgoing Agriculture Minister Kraai van Niekerk and his deputy, Thoko Didiza, attacked the EU's free trade mandate yesterday, saying it would not boost development as it excluded nearly half SA's farm products from the 15-nation market.

Van Niekerk and Didiza are lobbying European capitals for bigger concessions ahead of talks in June. The EU mandate excludes 39% of farm produce currently exported to Europe and the other items not yet traded.

However, Van Niekerk said he did not view the European position as "fixed in stone".

"It's like a game of football. The final whistle has not been blown and there

Continued on Page 2

# Trade deal

(74)

Continued from Page 1

BD 31/5/96

could be a goal at the final moment."

Many EU countries were sympathetic to the special development problems in SA. They included Sweden, which was forced to reimpose tariffs on SA products when it joined the EU.

Van Niekerk said he was also seeking to kill the myth that SA was preparing to dump cheap farm produce. SA would be able to increase its farm output capacity only 2% because of marginal climatic conditions.

SA exports were seasonally complementary to EU output. He raised the possibility of higher EU exports to SA during SA's off season.

Sapa-AFP reports Didiza said SA was "looking at what is on offer. If it is not good ... we will review our stance."

**John Dludlu** reports trade and industry department foreign trade relations chief director Faizel Ismail said last night the June 20-21 talks would focus mainly on SA's proposed qualified admission to the Lomé convention.

Ismail, who would co-ordinate the trade aspect of talks, said that SA was drafting its own mandate with partners in southern Africa and the National Economic, Development and Labour Council. This should be ready within the next few weeks.

EU acting head of mission in Pretoria, Angelos Pangratis, was confident the EU offer remained a "good one", but this would begin showing only during the talks, which could still be concluded this year, he said.

ANC MP Rob Davies said an agreement that would be beneficial to SA's developmental needs would have to be a "considerable distance away" from the current mandate.

# Kenyan minister warns SA of 'trade wars'

(74) BD 31/5/96

NAIROBI — Kenya's commerce and industry minister has warned that SA could ignite mini trade wars with other African countries if it failed to regulate its tariffs, the pro-government Kenyan Times newspaper reported yesterday.

It quoted Kirugi M'Mukindia as saying that a host of African countries, among them Kenya and Zimbabwe, were not happy with SA trade practices.

He said SA could not continue to ingore regional requests that Pretoria should level the playing field for a fair trade environment.

The country now needed to harmonise its tariffs with countries that are spread out in the eastern and southern African region. — Reuter.

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President Robert Mugabe ... "protecting Zimbabwe against unfair SA competition."

# Stiff Zim tariff plan welcomed

(74)

Sowetan 31/5/96

ZIMBABWEAN economist Erich Bloch says his country's industrial and manufacturing sector welcomed his government's intention to adopt stiff tariff measures against imports, particularly from South Africa, to protect the local industry.

His view echoes that of President Robert Mugabe, who last week said countries in the Southern African region were not happy with South Africa's protective attitude towards regional trade and would retaliate.

Bloch says the Zimbabwean government should first remove all duties on industrial raw materials to enable the manufacturing sector to produce competitive products.

In terms of World Trade Organisation protocols, Zimbabwe can raise tariffs on imports which are in competitive with local goods to force imports to be sold at prices that are not lower than local products.

At issue is the trade imbalance and protectionist tariffs that South Africa has put in place which have denied Zimbabwean goods, particularly textiles, a market, leading to the crumbling of the sector and retrenchment of thousands of workers.

South Africa's industrial sector has also in the past four years blocked attempts by the two countries to conclude a new preferential trade pact, leading to an outcry for a reciprocal "trade war" by Zimbabwe's business community.

"Zimbabwe should also impose punitive duties on South African products which are effectively being dumped at sub-normal prices because of that country's export incentives," argues Bloch.

In addition, South Africa, as Zimbabwe's biggest trading partner, has to be forced to conclude a mutually beneficial trade agreement which will enable a more even balance of payments between the two countries.

He says South Africa cannot afford to counteract these measures because it was benefiting from trade with Zimbabwe.

## Not in SA's interest

It will not be in South Africa's interest to impoverish one of its biggest markets.

"If they do, we can impose tax on Zimbabweans on holiday in South Africa or a higher non-residence tax on any fees paid by Zimbabweans to South Africa, thus moving South Africa to recognise that trade is a two way process," he says.

The Zimbabwean government now appears more committed to consulting private sector players as evidenced by their larger representation in Mugabe's delegation to the economic summit in Cape Town last week. – *Sapa.*

74

# Openness and common strategies against poverty at Unctad

(74) Star 2/5/96

## The aim is to advise developing nations on how best to use agencies like the IMF and the World Bank

By Trove Lund

World leaders are talking honestly and openly about their country's predicaments, corruption and financial abuses by government officials. And they are all talking the same language on solving poverty.

This analysis of the first three days of the United Nations Conference on Trade and Development (Unctad) was given by SA's Minister of Trade and Industry, Alec Erwin, who is Unctad's president for the next four years.

The two-week summit began at Gallagher Estate in Midrand last Saturday.

At the first plenary sessions and ministerial round-table debates this week, Erwin limited each minister's speech to 10 minutes and did away with the use of "time consuming titles" at the beginning and end of each address. He is insisting that those delivering speeches talk around "concrete issues, not ideology", as far as possible.

**New partnerships will be defined**

"We are determined to get Unctad efficient and effective. The absurdly laborious format which usually characterises UN meetings has been done away with. We are getting concise input to debate.

"Overtly abstract speeches are not allowed," said Erwin's special advisor, Trevor Abrahams.

The South African delegation sees Unctad's role as that of "Big Uncle to developing nations".

It aims to advise developing nations on how best to use agencies like the International Monetary Fund (IMF) and the World Bank to overcome poverty and social conflict.

Abrahams is adamant that Third World states need this kind of advice in order to avoid the IMF and World Bank's policies "contributing to debt and impoverishment as they have been doing".

Abrahams added: "Unctad must advise the world's least developed countries before they go in to bat, and be there in support while they are batting."

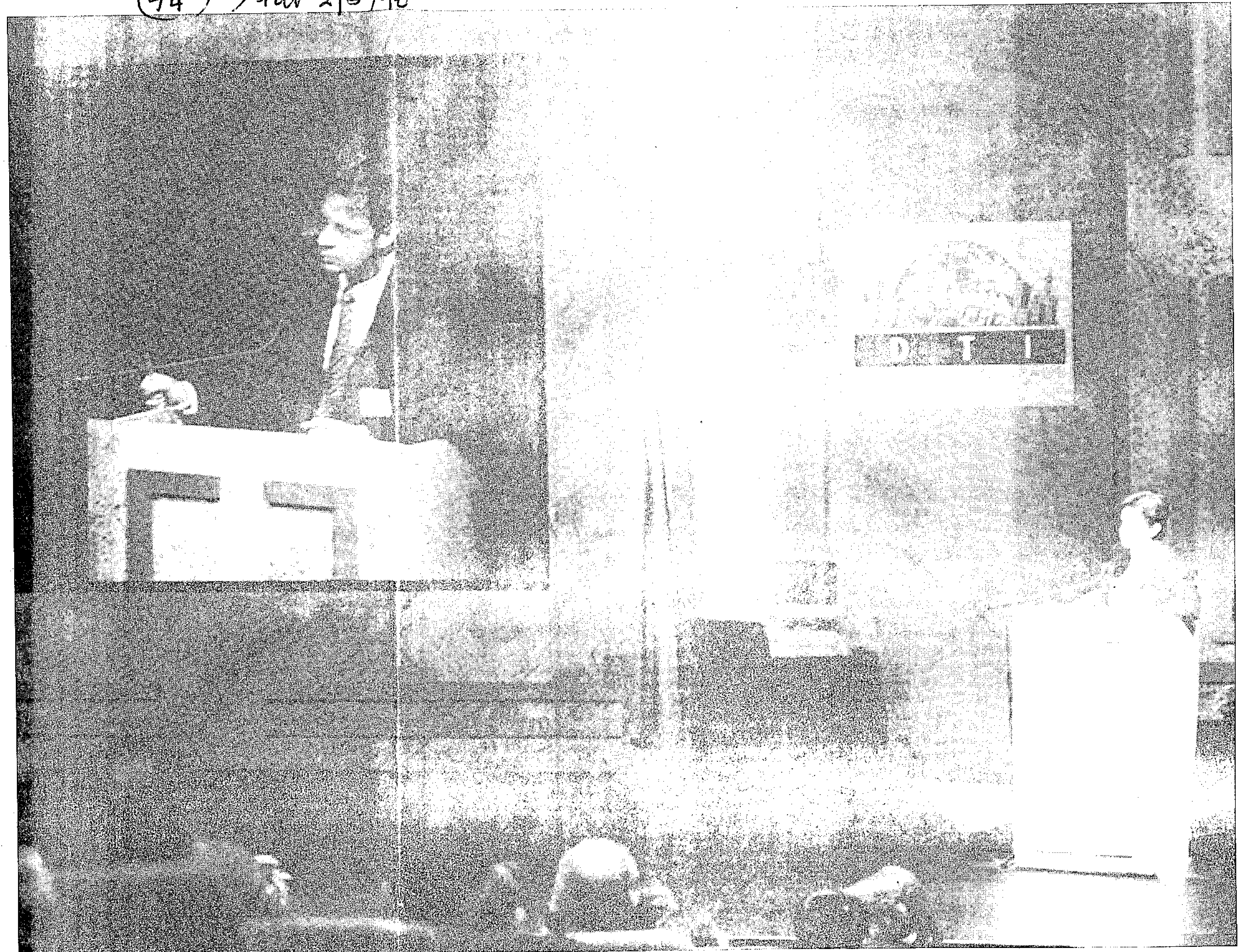
Now that inaugural meetings of the conference are over, the conference will continue on three different levels. In plenary sessions, ministers aim to reach a consensus on a political vision that will guide the work done by Unctad over the next four years.

Delegates from all 188 states will also sit on the Committee of the Whole (Cow). Here they will formulate business plans on issues like trade, investment, institution reform and technical assistance.

"This will set things in motion. Each delegate will know exactly what his/her responsibility is after this session," said Abrahams.

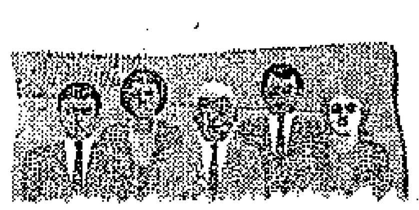
Delegates, business and non-governmental organisations (NGOs) will also attend seminars and parallel conferences. These will deal with issues such as trade efficiency, business promotion in Africa and environmental development.

"These all feed into each other and will end up seeing new partnerships defined. World leaders, business and NGOs will know why they need to come together, what they are working towards and what the world's common objectives are," said Abrahams.




THYS DULLAART

Addressing the nations ... the inaugural meetings are over, and the conference is continuing on three different levels : plenary sessions, seminars and meetings of the Committee of the Whole.



South Africa's moral obligation to help those in need

... day for countries'

THE STAR AT UNCTAD

UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

# Don't lose your soul, NGOs ask Unctad

By Trove Lund

Unctad is in danger of "losing its soul" and becoming irrelevant if it stops being a watchdog of the World Bank and International Monetary Fund (IMF), leaders of more then 100 non-government organisations (NGO) have warned.

Before the 3 000 UN delegates sat down for the first plenary session of the Unctad conference in Midrand on Tuesday, members of the NGO Third World Network told a press conference at Gallagher Estate that the IMF and World Bank were being used by the European Union and United States to force painful economic reforms on developing countries and thereby destroying the developing world's economies.

Third World Network's director, Hormeku Tetteh, said: "We are seeing northern governments use the World Bank to inflict economic fundamentalism on the developing world.

"Even emerging countries like Ghana have been crippled."

These sentiments were added to by Chakravarthri Raghavan, a Third World news bulletin called The Suns.

To illustrate that the World Bank and IMF continue to force governments of developing countries to adopt free trade practices while leaving richer countries to retain protectionist policies he said: "Nowhere in the world is there real free trade.

"Yet the World Bank and IMF tell us in the developing world to lower barriers and allow foreign multi-nationals take control of our resources."

In response South African Unctad delegates, who will be presiding over the organisation over the next four years, said they had committed themselves to making Unctad more effective and efficient. They are determined, by the end of the two-week conference, to have set in place mechanisms that will ensure sustained Third World development through concrete ties and partnerships.

By Trove Lund

South Africa has a moral obligation to help Africa's poverty-stricken countries, most of which were on its doorstep and posing an unbearable financial burden.

This was said by Trevor Abrahams, special advisor to the Minister of Trade and Industry, Alec Erwin, in an interview yesterday at the United Nations conference on trade and development,. which South Africa is hosting for the next two weeks at Midrand.

"It is much more than a moral sense because African states helped South Africa during apartheid," he said.

"We cannot stop people moving out of the poverty-stricken countries and flocking to SA, and we cannot afford to accommodate many more illegal immigrants, so we have to ensure these countries get the support they need to develop and stabilise."

The 3 000 UN delegates from 188 states attending the conference will be debating how rich countries can become involved in developing poor ones so that the world's two billion impoverished people will also benefit from and participate in the global economy.

This debate was initiated by the UN because it fears that, at the rate the world economy is changing and unifying, poor countries stand a good chance of being left in the cold, to become more destitute.

The incentive for rich countries to become involved in developing the third world was not altruistic, Abrahams said .

"Common humanity is not the order of business.

"On a crude level, if Unctad ensured American companies set themselves up in Ghana, for example, there are definite financial gains for both.

"On a more refined level, we all have to realise that financial earthquakes in one part of the world are going to affect markets in New York and London.

"The world economies are unifying and we can't live in such a world without having shared interests.

"People and their trading move and we can't stop that," said Abrahams.

By the end of the two-week conference the South African delegation are aiming to have formal commitments made between rich and poor states as well as between the private businesses and non-governmental organisations of both.

Midrand – Free trade does not always help the world's poorest countries, representatives from China, Canada and India told Unctad IX yesterday.

A Canadian member of parliament, [illegible] Godfrey proposed to a round table session of about 180 government representatives that member countries of Unctad be classified in five categories, according to their domestic incomes.

This would allow the UN organisation to allocate most of its resources to the world's poorest countries, Godfrey told AFP, adding that trade concessions "may be one way" of helping these nations.

In addition, he added, free-trade arrangements should not be pushed on countries with almost no exports or income-generating industries.

"The only way free trade can help a country is if that country builds industries and income capacity first ... and then looks for free trade," Godfrey said.

Chinese Foreign Trade Minister Wu Yi said during the round table meeting that developing nations faced a "heavier burden" under the World Trade Organisation (WTO) than richer, industrialised countries.

"We must search for a fair and [illegible] these least developed countries," he said.

World trade must be liberalised and should not be impeded by international disputes over environmental and labour standards, he added.

India's Commerce Secretary, Tejendra Khanna, said his country, the world's second biggest by population, had not benefited from an increase in international trade in recent years.

The country's international trade was rising by 22 % a year but its gross domestic product was increasing by only 6%. – Sapa-AFP.

# Confused by all those acronyms? Here's a guide to UN organisations

By Ross Herbert
Independent Foreign Service

Midrand – Haggling, speech-making, closed-door caucusing and the occasional shot-across-the-bow declarations are the real stuff of world governance.

Unctad offers a glimpse at the inner workings of the real world order. If aliens were to wander among the 3 000 participants at Gallagher Estates, they would see little of the gallant UN vision of one-nation, one-vote world democracy.

Instead, otherworldly visitors would see a world system run by economic clans and power blocs, gently jockeying for position and quietly making major decisions far from the public eye.

Blocs of nations have been active within the United Nations system since its inception. But the collapse of communism and the race to a global free market has greatly accentuated the importance of clans of like-minded nations and the key institutions they dominate.

The complex relationships between such institutions are clouded by a sort of UN-speak, rich in acronyms and treaty names. Here is a primer on some of the key players in the international system that will collectively decide the fate of Unctad.

■ **Group of 7** :The United States, Japan, Germany, Britain, France, Italy and Canada form the G 7, which began meeting in 1975. The presidents of the seven countries plus the European Commission president meet annually for an economic summit. Finance ministers, central bankers and other officials of the G 7 meet more frequently and solidify group positions on a wide range of issues, from currency stability to market access to security issues. In the World Bank and International Monetary Fund, the G 7 dominates because voting is in proportion to contributions and economic size.

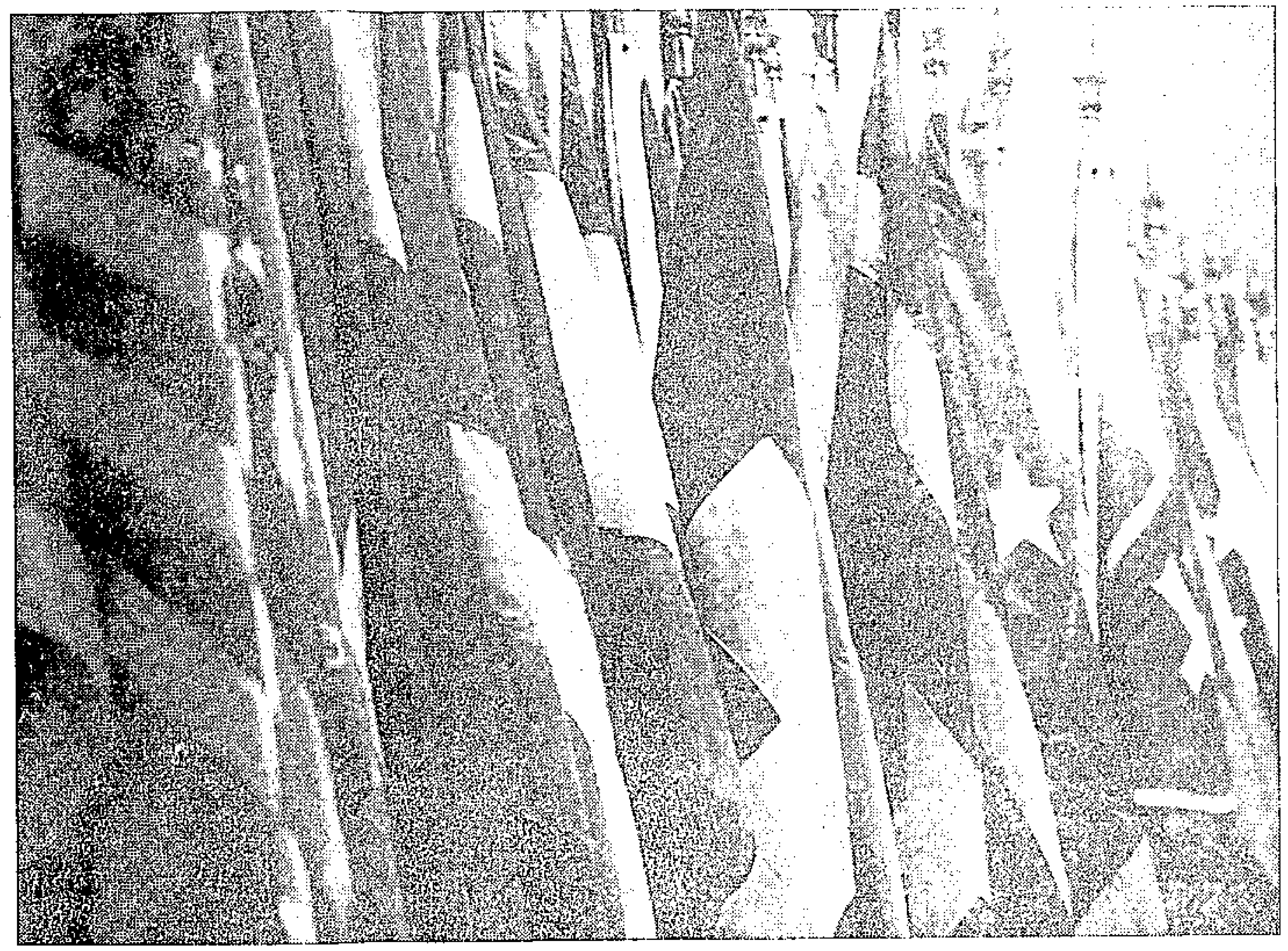
**Group of 77**: This group emerged from the first meeting of Unctad in 1964 as a kind of caucus of Third World nations. The G 77 has expanded to 132 nations, including South Africa, but kept its name. It has been most active within Unctad, but also advocated developing country positions in other bodies. It was founded on idea that unity among developing countries would be their only leverage against more powerful industrial countries. Its influence waned in the 1970s and 1980s in part because its recommendations were too radical and complex. Concern over the plight of the poorest countries in the new free-trade world has helped revitalise the group.

■ **Organisation for Economic Cooperation and Development (OECD)** : Also known as the **Group of 24**, it includes the G 7 and the next tier of wealthy industrial countries. It began officially in 1961 as a successor to the Organisation for European Economic Co-operation, which had dispersed US Marshall Plan aid to rebuild Europe after World War II. Headquartered in Paris, it serves as a caucus within the UN agencies and Unctad. Members co-operate on economic affairs and in co-ordinating aid to the developing world.

■ **European Union** : The success of the European Coal and Steel Community in creating a common market for coal, iron and steel among Belgium, Germany, France, Italy, Luxembourg and the Netherlands led to the creation of the European Economic Community, and the European Atomic Energy Community, collectively known as the **European Community**. It forged a common agricultural policy and eliminated tariffs on industrial goods between members. Under the **Maastricht treaty**, EC members agreed to form the European Union, whose 15 members are moving toward common foreign, economic, monetary, defence and trade policies. Its institutions include the European Commission, which proposes legislation, the Council of Ministers, the Court of Justice and the directly elected European Parliament. It has special preferential trade relations with developing nations through the 1975 **Lomé Convention**.

■ **Lomé Convention** : It now has 70 members, among them the poorest nations of the world. South Africa made a bid for membership as the trade aspect of the convention provides the best market access there is to the European Union. However, South Africa is viewed as "too developed" to qualify and will probably be awarded only partial membership of the convention by way of its political protocols and one or two co-operation and tender access provisions.

■ **Paris Club** : It includes industrial country governments who meet to negotiate rescheduling of debts owed by developing world governments. The exact membership varies depending on which country's debt is being rescheduled and to whom it is owed. Before debt is rescheduled, the club requires that debtor nations negotiate a stabilisation plan with the International Monetary Fund and show progress toward economic reform. It only deals with government-to-government debt. Private banks renegotiate their loans to developing countries through the **London Club**.



THYS DUILAART

Complex relationships ... Unctad offers a glimpse at the inner workings of the real world order.

■ **Bretton Woods Institutions** include the World Bank and International Monetary Fund, which were established in 1944 at the Bretton Woods Conference. Traditionally the World Bank president is an American, while the IMF is headed by a European. Both organisations are dominated by wealthy nations with voting powers granted in proportion to donations. The top five countries command about 40% of votes and rules requiring super majorities of votes mean the rich nations hold an effective veto over many decisions. The World Bank is considered more lenient toward failures to reform.

## A system run by power blocs

The **World Bank** is based in Washington and called simply The Bank by insiders. It consists of the International Bank for Reconstruction and Development (IBRD), the International Development Association (Ida), the International Finance Corporation (IFC) and the Multilateral Investment Guarantee Agency (Miga). IBRD is the main lender in the Bank, but was criticised for only lending to governments, often for large, uneconomic projects. The Ida was created to lend to the poorest countries, offering 40-year, no-interest loans. It subsists off of donations from rich countries and a share of IBRD profits.

To manage competition for its lending, the Bank established a threshold denying Ida loans to countries with per-capita income over $800. Competition has grown, resulting in an effective threshold of $500 to $600, too low for South Africa to qualify. The IFC's focus is on lending to the private sector, while Miga provides guarantees against default.

The **International Monetary Fund** has become lender of last resort to developing countries and the world's most important fiscal watchdog. It imposes economic structural adjustment programmes (Esaps) as a condition of lending. In 1995, the fund loaned the equivalent of $17,6 billion. A key issue is the proposal to sell off some of the fund's 3,2 million kilograms of gold reserves, which could be used to buy interest-earning securities. The United Kingdom initially proposed that the interest could be used to write off debt of the poorest countries. However, the Paris Club has resisted the idea.

■ **World Trade Organisation**: The WTO was created during the Uruguay Round of negotiations for the General Agreement on Tariffs and Trade (Gatt). Gatt was created by 23 members in 1946 and has since expanded to 128 members and undergone eight rounds of negotiations. Gatt established the rules of trade, but had no enforcement mechanism.

WTO was created to negotiate trade agreements and adjudicate disputes over unfair trade practices. WTO membership began at 76 in January 1995 and a further 50 countries are in the process of acceding to its terms. Another 24 are eligible to join. Gatt only covered merchandise trade, but WTO was expanded to include trade in services and intellectual property issues. A contentious issue at Unctad is whether international labour and environmental standards can be defined as unfair trade practices.

4

# Pretoria latest link in UN trade efficiency programme

## System is so advanced the paper work usual in international dealings is fast being eliminated

The South African government has established it's first "trade point" – an Unctad initiative designed to promote trade efficiency, reduce customs corruption and help small and medium-sized enterprises. The centre is in Pretoria.

The announcement was made at the Unctad conference in Midrand yesterday when the director-general of Trade and Industries, Dr Zavareh Rustomjee, outlined the benefits to business.

THYS DULLAART

**Alec Erwin, Minister of Trade and Industry and president of Unctad.**

Trade points are a core component of Unctad's trade efficiency programme and the brainchild of Jean Gurunlian, head of its Special Project on Trade Efficiency.

About 97 countries world wide are already involved in the programme which observers says could revolutionise international trade.

The "trade efficiency" was demonstrated at the UN conference. It is estimated that the implementation of trade efficiency measures could effect savings of up to US$100 billion a year by the turn of the century.

A trade point is a trade facilitation centre where people involved in foreign trade transactions, (such as banks, freight forwarders, chambers of commerce, transport and insurance companies and customs departments) are grouped together under a single roof to provide all the required services for trade transactions.

It is also a source of trade related information and a gateway for global networking. All trade points are being interconnected to the Global Trade Point Network (GTPNet). The system relies on the most advanced technologies available for networking and multi-media communication

Gurunlian said in an interview that in the early Eighties it was already obvious that one of the major obstacles in trade efficiency was the lack of know-how, organisation and technology. It became apparent, even in those early days of electronic software, that this was the route to follow if trade was to be more efficient, the collection of customs better monitored and small businesses assisted.

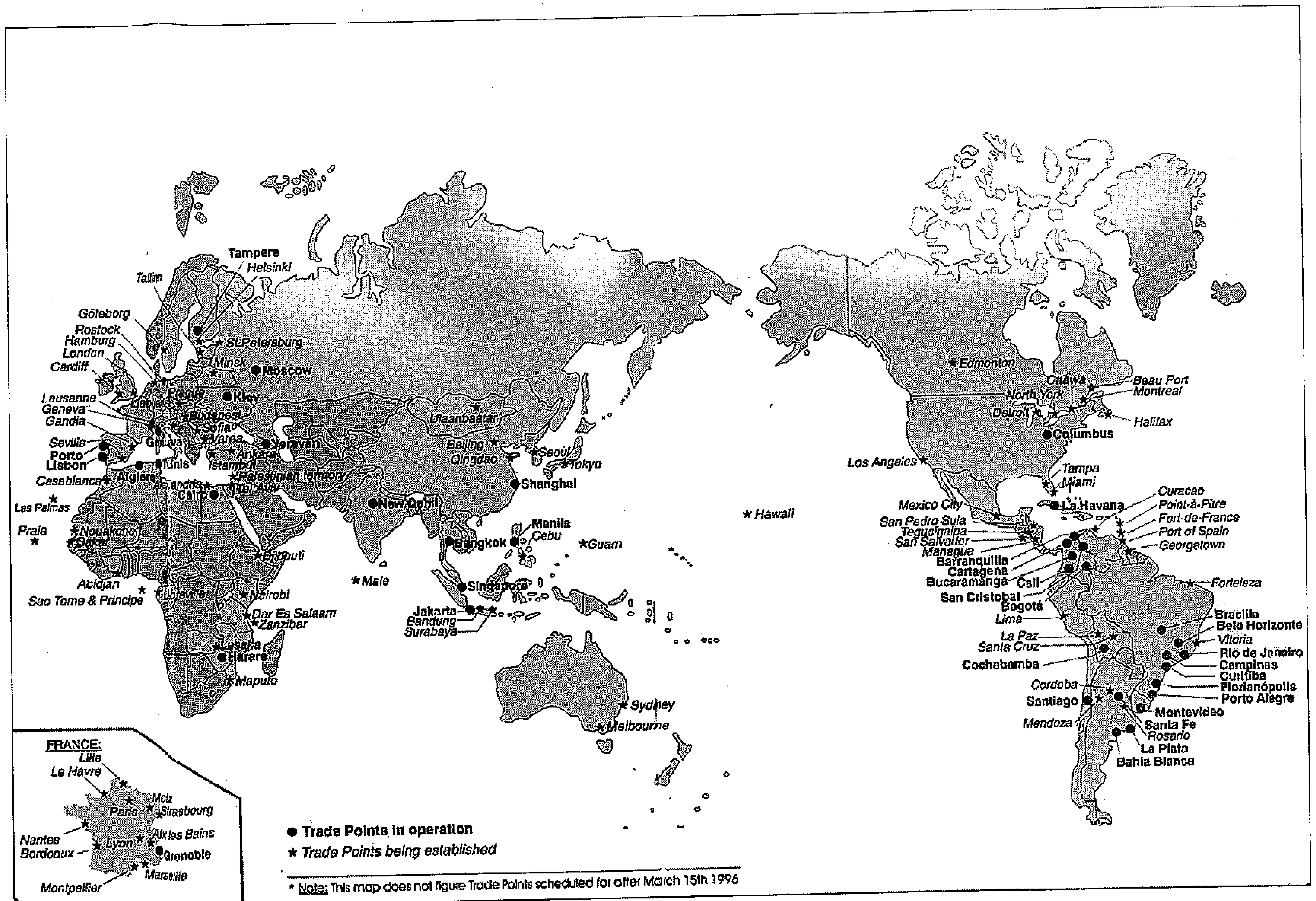
A total of 32 trade points are already operative world-wide and a further 142 are being set up.

Gurunlian said the system was so advanced that the paper work usually necessary in international trade was fast being eliminated.

It helped exporters retain better control of stock, effected enormous time savings and had facilitated the reform of customs inspections.

"People laughed when I first suggested it, but the French government and later the Swiss gave me support," he said.

A pilot project set up in Mauritania worked so well that the government was able cut tariffs following savings of more than 300%.




The scene was set for expansion. As technology advanced, so more improvements were incorporated. Unctad has identified key areas – customs, transport, financial services, business information and business practices – which must be improved by governments, service providers and traders if participation in international trade is to be increased.

Alec Erwin, Minister of Trade and Industry, told a press conference at Gallagher Estate what he found exciting was the range of initiatives the trade point would make accessible to small enterprises through the local business service centres.

The trade point would also lead to the reform of customs and excise and to the better management of South Africa's ports and airport.

It would help traders track down containers and provide vital trade statistics necessary for accurate trade projections.

## 'Geneva of Africa' draws statesmen from all over

By Winnie Graham

Gauteng is being hailed the "Geneva of Africa" as the ninth session of the United Nations Conference on Trade and Development (Unctad) gathers momentum at Gallagher Estate in Midrand.

The conference, considered the most important ever held in this country, is being presided over by South Africa's new minister of Trade and Industry, Alec Erwin, who was elected president by acclamation at the weekend.

Trevor Manuel, the new Minister of Finance, is also at the conference.

Statesmen from around the world – including heads of state and cabinet ministers – are among the 3 000 delegates who have come to Gauteng to debate international trading and the world economy.

Both the venue – South Africa – and the theme, "promoting growth and sustainable development in a liberalising and globalising world economy", are said to be responsible for the enormous interest the event has generated.

Venter Odendaal, the chairman of Gallagher, believes the Unctad conference is a major coup for South Africa.

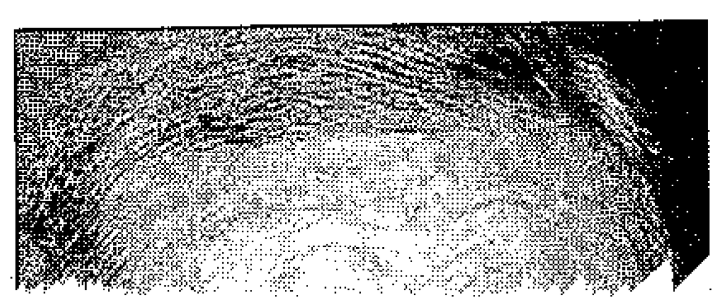
"The conference is bound to have a major influence on our thinking," he said. "It will change our outlook and help us fulfil our

66

**It will help**

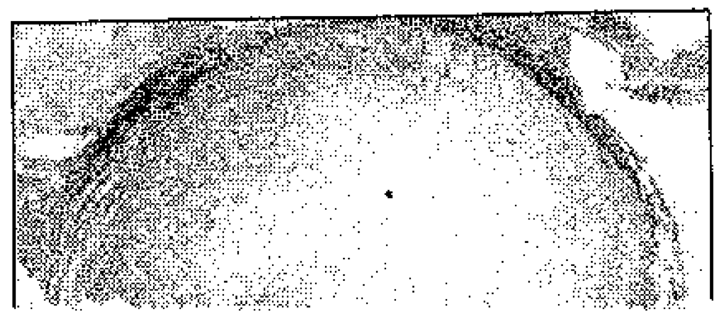
## Conference 'an irreplaceable forum' of the global community

Some of the world's most influential leaders – many concerned with the plight of the poor – have addressed the United Nations Conference on Trade and Development since it started at Gallagher Es-



a globalising and liberalising international economy."

Unctad, a valuable tool, stood ready to assist the international community with the economic and commercial con-



during long years of colonialism," he said.

King Hussein said years of war in the Middle East had brought uncertainty. "However, we have turned a corner towards building a future for the region,"

## New fund for emergent businesses

A private fund has been launched by the Banque Internationale a Luxembourg (BIL) to help emerleaders in Africa

role as leaders in Africa. This is a role our neighbours are increasingly looking to us to provide.

"The bringing together of so many high-ranking government officials and business people from around the world provides this country with a unique opportunity to expand global trade and economic ties.

"It is bound to impact on South Africa's economic development."

The invitation to host the conference in Gauteng was made by both President Nelson Mandela and Gauteng Premier Tokyo Sexwale.

Gallagher started preparing for the event immediately the announcement was made in August last year. An army of sub-contractors moved in to provide facilities for heads of state, politicians and journalists.

Configurations of Gallagher's office blocks and conference halls were changed to provide the some 400 separate offices needed by UN staff, non-governmental organisations and foreign visitors. Telkom has provided the necessary telephone lines and satellite feeds. All available accommodation at 23 hotels in the area was reserved for the delegates weeks before the start.

Restaurants and refreshment stops have been provided. Security was installed.

"We wanted to show that South Africa was capable of handing a conference of this calibre," Odendaal added.

Unctad meets every four years. Its ninth conference comes at a time of great challenge for the international community. Spectacular technological advances have turned the world into a global market with unprecendent increases in productivity and wealth production.

Yet, despite the enormous promise of growth, about two billion people in developing countries are at risk of being marginalised and excluded from the process.

"Depriving half the world's population from the benefits of globalisation is not only indefensible on moral grounds, it is short-sighted and unsustainable on the grounds of self-interest," a UN spokesman said. "It is our aim to reduce the risks. This challenge is at the heart of the concern of the conference."

Representatives from more than 190 countries, as far flung as Afghanistan, the Solomon Islands, Romania, Vietnam and Vanuatu, are attending the two-week conference.

President Nelson Mandela was one of the first to touch on the problems of the disadvantaged.

He told the gathering that despite immense economic and technological gains, the world at the end of the 20th century was still not secure for most of its inhabitants. Poverty continued to blight their lives.

"Our mission," he said, "must be shaped by the real needs of those whom history has marginalised.

"We have a shared responsibility to roll back the harsh effects of past policies. We owe it to future generations not to perpetuate patterns of domination and dependence, of pessimism and crude self interest."

Unctad, he added, had forged a position in the world economy that enabled it to accomplish in the 21st century the objectives for which it had been established.

UN Secretary-General Boutros-Ghali.

He was supported by United Nations Secretary-General, Boutros Boutros-Ghali, who likened South Africa's long struggle for social justice to Unctad's fight to ensure that international trade became "a force for the durable development of all peoples and nations."

He said Unctad 1X challenged the international community to "promote growth and sustainable development in

It had to be a forum where countries could formulate, express and share their views on development issues; a provider of technological assistance to the most disadvantaged countries so they could become part of the international order, and the "conscience" and advocate of the developing and most disadvantaged countries.

"Unctad is certainly an irreplaceable – and I mean irreplaceable – forum of the global community," he said.

Earlier this week the heads of state discussed the challenges of integrating marginalised people and countries in the global economy.

Included in that segment of the ninth session were King Hussein of Jordan, President Mandela, President Jose Maria Figueres of Costa Rica, President Benjamin Mkapa of Tanzania, as well as President Jean-Pascal Delamuraz of Switzerland.

Mandela once again stressed that South Africa was committed to addressing the needs of the country's poor but added "that cannot be achieved

King Hussein of Jordan.

overnight."

He said that the current world order, which involved the integration of countries through trade and technology, was a positive step, but it caused major problems for the developing world which lacked clout.

"Unctad has a special role in promoting development in disadvantaged countries where education was undermined

President Delamuraz called on investors not to wait for changes to be completed before investing in countries. Solidarity was required between developed and developing countries.

President Mkapa – asked whether so-called orthodox economic policies were enough to ensure that Africa would not be marginalised – said that privatisation would involve economic cuts.

"Internal reform measures could bring uncertainties."

He added that the very serious debt burden was hampering the capacity of the least-developed countries from competing in the international market. He called for measures to stop further marginalisation.

He said his government was seriously tackling corruption and had established a commission of inquiry to investigate, among other things, the issue of bribes.

"For the least-developed countries to do better, they need more development assistance," he said.

tries.

The announcement was made by the Secretary of State for Foreign Trade and Co-operation of Luxembourg, Georges Wohlfart, at the UN Conference yesterday.

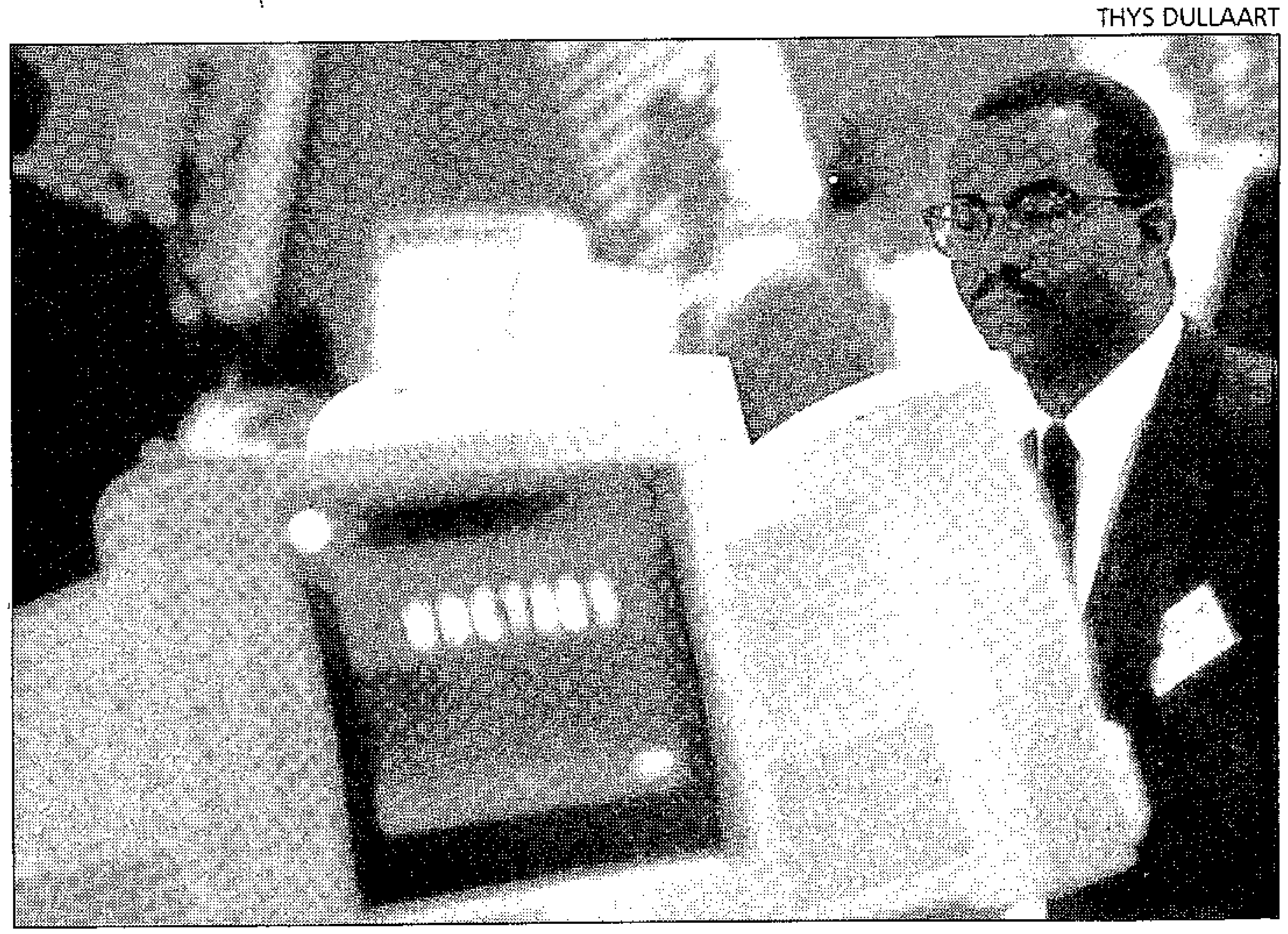
The fund is being created at the initiative of Unctad.

This is the first time the public and private sectors are pooling financial resources for a potential market long ignored by international financial markets.

"We are in an economy led by the private sector," Wohlfart said. "This is a fact of life and we need to find new ways of using the market economy for the benefit of the poor."

The fund will invest in bonds or other short and medium term debt instruments issued by micro banks in developing countries: that is in private institutions, financial companies as well as NGOs.

THYS DULLAART



**Cyber Café ... up-to-date facilities are available at Unctad in Midrand, allowing delegates to browse through all the offerings of the Internet, including the conference's own home page.**

# Concern for excluded billions

Delegates at the United Nations Conference on Trade and Development are increasingly revealing their concern for the poor, prompting Alec Erwin, South Africa's Minister of Trade and Industry and the newly elected president of Unctad, to proclaim that he was heartened by the sense of compassion conveyed by the heads of state when they addressed the enormity of the poverty problem.

Concern was first expressed by Unctad Secretary-General Rubens Ricupero when he outlined the problems of globalisation.

It was, he said, a powerful force for both integration and marginalisation.

"It promises, for the first time in history, to bring billions of men and women in fast growing countries fully into active participation in the world," he said.

"But, in contrast, hundreds of millions of other people fear that the same forces threaten to shut them out – perhaps forever – from the promise of prosperity.

"They are the unemployed or low-wage earners in sectors of industrial economies that have been lagging behind in the process of change. They are, too, the poor and the jobless in many developing countries that depend on a few commodities barely touched by globalisation and liberalisation."

The theme of the "excluded billions" has recurred again and again in addresses delivered by delegates.

Erwin said that delaying the development of the marginalised billions was a horrifying prospect.

"If Unctad has an important role to play in trade and development – and I believe it has – then to eliminate that role by failing to mobilise our energies during this conference would be a great indictment of the delegates here," he added.

Kari Nordheim-Larsen, Minister for Development Cooperation of Norway and chairman of the high-level intergovernmental meeting on the mid-term global review of the implementation of the Programme of Action for the Least Developed countries for the 90s, said: "The ultimate test of the world's social and economic health is development in the least developed countries."

Mario D'Urso, the deputy minister for foreign trade of Italy, speaking on behalf of the European Union yesterday, emphasised that it was the countries that had been left behind and were having difficulties adjusting to a globalised economy who needed the most help.

"It is right that this ninth conference is being held on the African continent, to which most of the least developed countries belong," he said.

"Unctad must concentrate its attention on the less fortunate countries to facilitate their integration and to enable them to participate better in the international trading system."

The European Union, the world's largest donor, had consistently placed development among its objectives "with actions involving all regions and directed mainly towards the poorest countries."

Mofazzal Karim, the secretary of the Bangladesh Ministry of Commerce, stressed that the process of globalisation had created a particularly difficult challenge for developing countries "which are weak players in the process."

Although a number had undertaken painful economic reforms and structural adjustments, the economies of most of these countries continued to experience stagnation and decline.

He added: "We note with great concern that although there was recovery in the world economy, the least developed countries as a group have suffered a decline in per capita income.

"Their share in global trade has declined. Their overall socio-economic situation has continued to deteriorate, leading to further marginalisation.

"Actions taken so far have failed to halt the social and economic decline of the least developed countries.

"A majority are, in fact, experiencing deteriorating living standards and becoming further marginalised.

"Reversing this trend is one of the most pressing challenges confronting the world today."

# Countries unable to regulate inflow

Most developed countries are now unable to fully regulate their immigration inflows and illegal migrants, Jagdish Bhagwati, professor of Political Science at the Columbia University, told the Unctad conference this week.

Migrants, he said, were usually heavily biased in composition towards the unskilled, and hence the more resented for their feared economic impact on the wages of natives.

"The liberal traditions of developed countries, where basic humanity prompts citizens to shield those who violate the immigration laws (including prohibitions on employing illegal aliens), and where governments rightly cannot bring themselves to shoot at people crossing the border illegally, increasingly confront the agitations of those who fear the economic consequences of such an influx," he said.

Critics of the global age, he said, maintained that continued integration with countries of unequal power (in this instance developing countries of lesser strength) would cause predation.

"Current fear-fed demands in major developed countries for changes in the rules and regimes that govern world economy are too often ill-designed," he said. "Leaders of the developed world should defuse these fears and, where fears may have some basis, act like statesmen who recognise these pressures but deflect them into more creative proposals."

# Net facilities popular with delegates

**By Troye Lund**

To catch up on developments back home and to update themselves with UN trade pages, delegates at Unctad are jamming the Cyber Café to surf the Net.

Twenty-five computers have been set up at Gallagher Estate to provide 3 000 delegates with 24-hour access to up-to-date information on the conference and other topics.

"Most of them come here to read the newspapers in their own country.

"The UN trade pages are also a favourite, but many come and surf just to unwind," said an attendant at the workstations.

A page on the Internet has been launched to commemorate the theme of this first UN summit to be held in South Africa, which is to promote sustained development in Third World countries and to devise mechanisms that will enable them to benefit from the globalising economies of rich countries.

"If anything, this Internet reminds us all what a global village the world really is and how we all, rich and poor, have to interact and support each other," agreed two delegates from Malawi.

4

# Mainland China, SA in trade status accord

74C BD 3/5/96

Alan Fine

SA AND the People's Republic of China yesterday signed a "most favoured nation" status agreement as visiting Chinese Foreign Trade Minister Wu Yi expressed confidence that the two countries would establish diplomatic relations soon.

Wu, in SA for the Unctad conference, was speaking at a lunch in Johannesburg hosted by the Chinese Centre for SA Studies — China's official mission in SA — Nedcor and Johannesburg's Chamber of Commerce and Industry.

Wu said President Nelson Mandela had made it clear to her during a private lunch on Tuesday that SA was "keen to establish diplomatic relations with China at an early date".

Given China's refusal to countenance dual recognition of itself and Taiwan, that would imply a breaking of diplomatic relations between SA and Taiwan.

Wu said the status agreement was "very exciting news" for the nations' business communities.

Mandela's spokesman Joel Netshitenzhe said yesterday, however, that Mandela had merely repeated the same view he had been expressing since 1994 — that SA would like to establish diplomatic relations with China, and this would require discussions with both China and Taiwan.

This did not represent, at this stage, any change in Mandela's previous undertaking that relations with Taiwan would be maintained. He declined to comment on possible changes to that position.

Meanwhile, **John Dludlu** reports that Trade and Industry Minister Alec Erwin said SA was keen to pursue talks to further deepen trade relations between the two nations.

# Enormous potential for trade between South Africa, Australia

CT (BR) 14/5/96 (74C)

That Australia Week should take place at all in South Africa is an indication of the growing awareness of the trade potential that exists between the two countries.

Trade between South Africa and Australia has increased dramatically in the last year, leading to calls that more should be done to improve trade relations between the two countries.

Australia Week, an initiative of the Australian High Commission in South Africa, started yesterday and runs until May 19. Its aim is to give added impetus to this growing trade relationship.

It is designed to allow both SA and Australian businessmen an opportunity to become better acquainted and to provide useful information on products, markets and investment opportunities.

Ian Porter, the Australian High Commissioner in South Africa, estimated that bilateral trade between Australia and South Africa would breach the A$1 billion mark by the end of the current year.

"Considering our exports in 1991 were under A$200 million and our imports under A$100 million, this figure is good."

"It was small-time stuff because of apartheid," he added.

"But trade is booming now from what was a low base. If you look at the increases from 1991 to last year, A$194 million to A$660 million (Australian exports to South Africa) and A$94 million to A$365 million (exports from South Africa to Australia), it's an enormous increase."

In the past five years Australia's exports to South Africa have increased by 238 percent and South Africa's exports to Australia in 1992 to 1994 increased by over 50 percent, clearly indicating the potential for even further mutual growth.

"The South African economy is 2,2 times as large as New Zealand's, and yet the Australia-New Zealand trade is 10 times larger than the Australia-South Africa trade," Porter said.

"Closer trading relations between countries with similar economies – like Australia and New Zealand or Australia and South Africa – can lead to significant increases in intra-industry trade.

"We want to see those increases and capitalise on the potential for the ultimate benefit of all Australians and South Africans."

Ivan Chait, the chairman of the Australian Southern Africa Business Council, agreed: "South Africa and Australia are competitors in the international markets but between themselves there's great opportunity for trade.

"Over the next five years there are R4-billion worth of contracts for infrastructural projects and R1 billion this year which Australian companies are bidding for," he said.

***LANDMARK ARCHITECTURE*** *The new RMIT gallery, Storey Hall in Melbourne, has been described as 'brilliant chaos'*

As both countries increase their exports, in what could almost be looked upon as pioneer markets, companies of all sizes are finding it less difficult to gain access because the trading language is English, the legal system and conventions are broadly similar, the market size is manageable and, historically, Australia and South Africa have much in common.

South Africa mainly exports chemicals and base metals to Australia, but a strong second tier of exports is arising in the areas of higher value added products in the wood pulp and paper sector and mechanical and electrical equipment.

"The scope for differentiation and complementary trade within and across sectors is substantial from both a trade and investment perspective. The similarity in our exports to each other bears this out," said Kate Kuper, the South African deputy director for foreign trade relations.

"It also indicates the potential for further diversification of our trade patterns with Australia. South Africa would like to see greater diversification in trade into the more downstream industries, and this would be greatly influenced by future investment trends between the two countries," she said.

Australia invested over R583 million in South Africa in 1994 and this figure has climbed substantially since. Significant potential exists for investment in both directions as well as joint ventures.

"This year has already seen some exciting prospects emerging in the investment arena worth over R300 million," said Kuper.

"And the Department of Trade and Industry (DTI) is encouraged by Australian companies' apparent willingness to contribute to the growth and job creation goals of the Reconstruction and Development Programme," he said.

There is a natural level of trade that has not yet been reached between Australia and South Africa. Australia's population is half that of South Africa's, but income per head is more than twice the size.

Despite this, South Africa is still not giving Australia priority attention.

"South Africa is behind in trade terms because Australians are looking at South Africa as a business opportunity, but there is nowhere to contact anybody, except in South Africa, for business information," said Chait.

"They're looking at the idea of a trade representative in Australia, but it won't be in the short term."

The DTI in South Africa agreed that such a representative was long overdue. A process has been set up to reassess and re-allocate South Africa's foreign office and marketing resources in line with careful analysis of global potential.

"This 'global strategy project' is still in process, but initial phases have already indicated the need to prioritise Australia as a key country in South Africa's international economic policy," explained Kuper.

"A greater presence in Australia and more active promotion from within South Africa would no doubt go some way towards remedying the negative trade balance that currently exists against South Africa," he said.

At present South African exporters are targeting the European market, where growth rates are around 2 percent. The market in Europe would not appear to be growing fast enough to support South Africa.

"The DTI is fully aware of the critical importance of the Asia/Pacific region in the global economy and of the particularly dynamic growth points in South-East Asia," said Kuper.

"Australia saw overall import growth of over 10 percent in 1994-5, which is indicative of its economic wellbeing and importance as a trading partner.

"Australia's positioning of itself as a 'gateway' to Asia is of great interest to South Africa and to a large extent mirrors South Africa's intentions and possibilities vis-a-vis Africa.

"South Africa has earmarked the Asian region as a priority for redirecting our resources and Australia's position and learning in this regard would be most useful for South Africa," said Kuper.

# Trade with India 'on verge of massive rise'

CT (BR) 21/5/96 (74C)

By Audrey d'Angelo

Cape Town — Trade with India has soared in the past two years but is on the verge of a further massive increase, said Rajan Ghasi of Redsun Enterprises, the organiser of the first Indo-Cape trade fair, which starts on Friday.

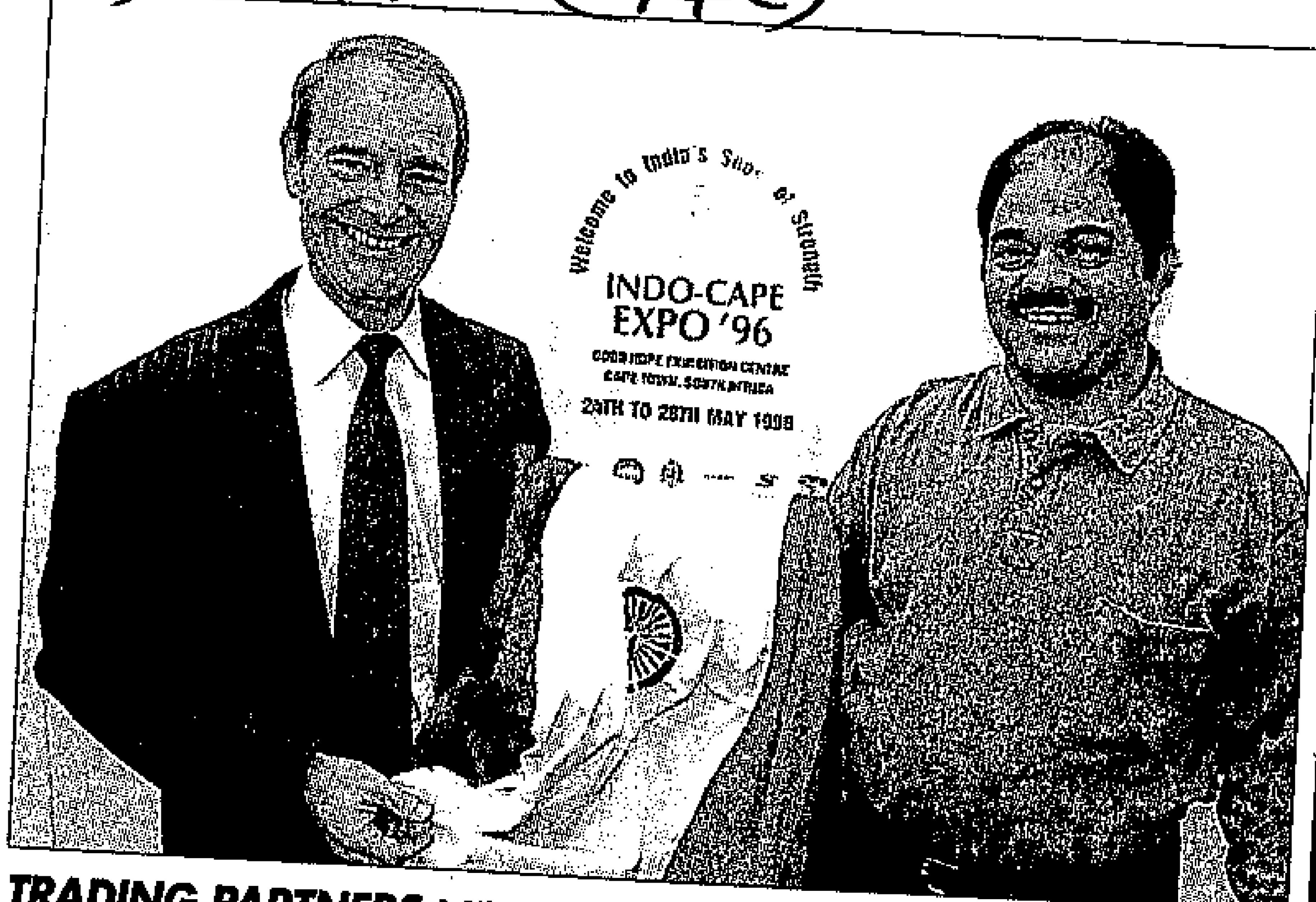
Mike Bertram, the marketing manager of the Cape Chamber of Commerce and Industry, said trade between South Africa and India grew from almost nothing to R890 million in 1994. It reached R900 million between January and September last year.

Ghasi said in addition to two-way trade he expected the fair to result in joint ventures, the setting up of factories in the Cape to assemble components made in India and help for South Africans who wanted to start cottage industries.

Exhibitors include India's National Small Industries corporation, which has set up an operation in Sandton to give advice and skills training to would-be entrepreneurs.

Ghasi said small businesses were the backbone of India's economy. Whole villages co-operated in making and marketing goods. And, since the rupee had also fallen against the dollar, Indian goods were still affordable for South Africans, he said.

He expected tourism between the two countries to grow. "South Africa was a closed country to us for 50 years and now it has opened up again there is tremendous interest in doing business here and in visiting this country. The balance of trade is still in South Africa's favour. We buy minerals, paper and mining technology among other things," he said.




**TRADING PARTNERS** *Mike Bertram, the marketing manager of the Cape Chamber of Commerce and Industry and Rajan Ghasi, the chief organiser of Indo-Cape Trade Fair*

PHOTO: ANDREW BROWN

FEATURE
REGIONAL TRADE

# GUESS WHO'S COMING TO DINNER?

FM 21/6/96 (74)

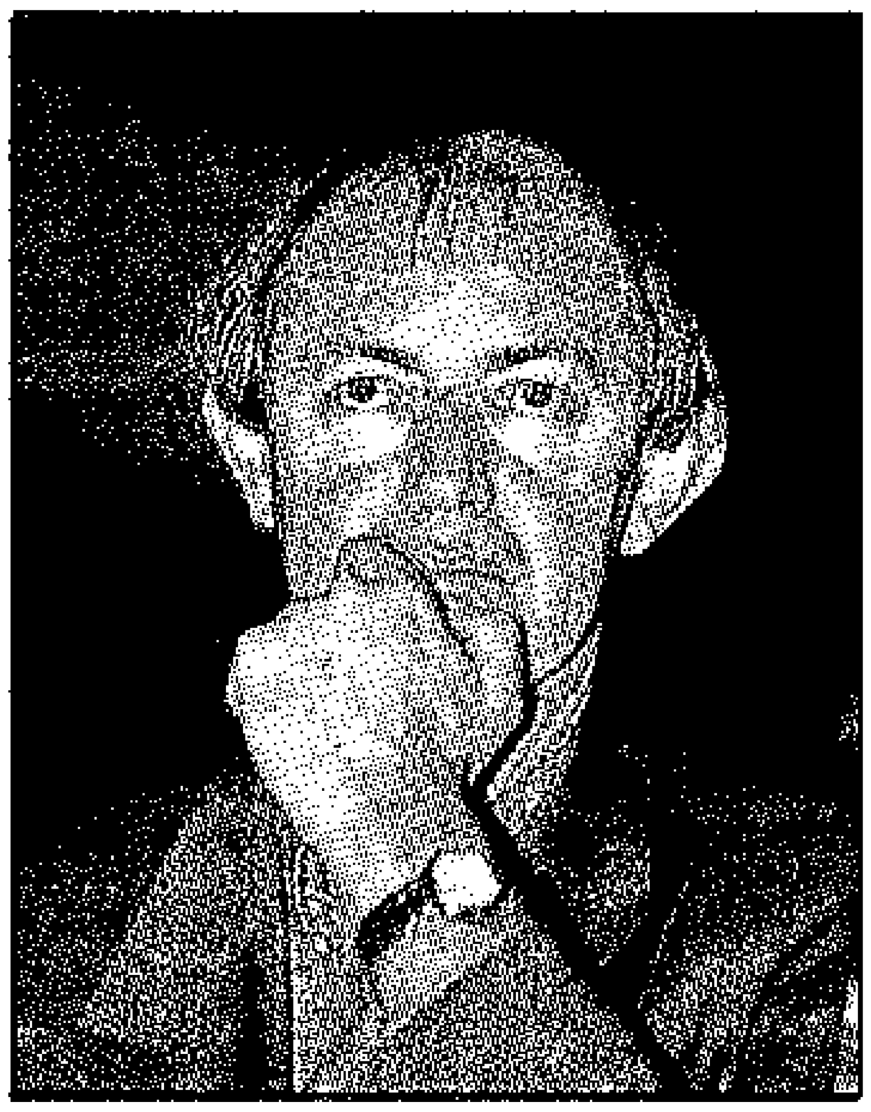
If ever a man has taken on the mantle of office with a confidence that belies trepidation, it's Trade & Industry Minister Alec Erwin. At the brandy stage of a *Business Day* banquet in 1990, Erwin's philosophic meanderings caused more than a few business moguls to choke on their Havanas.

A Cosatu economist, he spoke blithely of nationalisation, rights of workers and sharing of spoils. For the elitist audience the evening was spoilt, the digestion ruined. The consensus was *Business Day* had made the *faux pas* of the decade in its choice of guest speaker.

First as Deputy Finance Minister and now as Trade & Industry Minister, Erwin's mountebank metaphors have given way under the realities of office. It's on this man's shoulders that SA's future trade relations with its neighbours rests. With Zimbabwe hammering on the door, Erwin will have to do some quick soft shoe if he is to eschew the label "trade bully" within the Southern African Development Community (SADC) bloc.

Charges of restrictive tariff barriers levelled by some members of the 12-nation community have taken on a stridency demanding attention. The SADC — comprising Angola, Botswana, Lesotho, Malawi, Mauritius, Mozambique, Namibia, Swaziland, SA, Tanzania, Zambia and Zimbabwe — is due to meet in August to hammer out a trade protocol which will form the basis for a free trade area.

Meanwhile, Erwin is giving urgent attention to Zimbabwe's claims that SA is taking advantage of stringent tariffs imposed after a 1964 preferential trade pact was terminated in 1992. SA now exports R4,5bn of goods to Zimbabwe compared with Harare's R964m to SA. The 90% tariffs on clothing and textiles, 45% on fabrics and 32% on yarn effectively shuts the door on Zimbabwe's manufacturers.



***Alec Erwin** . . . scope for improving trade flow*

The situation is compounded in that some SADC members — Swaziland, Botswana, Lesotho and Namibia — already enjoy favoured trade status with SA through membership of the Southern African Customs Union. Others in the SADC bloc — including Zambia, Malawi and Tanzania — have also called for an easing of SA tariffs to give their fledgling economies a chance.

But, for now, the spotlight remains on Zimbabwe — SA's largest regional market. Realising the urgency, Erwin headed a 25-strong delegation at last week's vital talks between the two countries at Victoria Falls. By the end of the meeting suspicion had reportedly given way to trust, pessimism to optimism and what had looked like an all-out trade war had been averted. Committees were formed to address crucial issues in three sectors at the kernel of the dispute — clothing and textiles, leather and footwear and agriculture. A further meeting between the two countries is scheduled for later this month.

Zimbabwe's textile industry is said to be in tatters. Its agricultural sector has been hammered and its manufacturing sector claims export incentives are encouraging large-scale dumping of cut-price SA products.

Though SA manufacturers are concerned about competition to be ushered in by a new pact, labour in both countries is pushing for an agreement that will create and secure employment.

Zimbabwe's clothing and textile sectors have retrenched more than 20 000 workers in the past few years. SA has been beset by similar problems. For the local clothing industry, any concession to Zimbabwe could be the touch paper that sets off a conflagration which could see a strike by the 85 000-strong work force or employers shutting down factories in an unprecedented lockout.

Falling tariffs and a flood of illegal imports have put the industry in a vice where neither employers, with falling margins, nor employees, with wage grievances, can see a way to compromise.

Sources close to the trade negotiations say SA manufacturers will hold out on the issue of high local content for Zimbabwe's exports to close out products that do not qualify — Zimbabwe imports the bulk of its raw materials. SA is understood to be prepared to scale down from the original demand of 75% local content and may accept offers of 25%, with a sliding scale to be increased annually. This, it says, will dam the floodgates for Far Eastern companies using Zimbabwe as a conduit for their products.

SA is also expected to demand watertight protective measures in view of the influx of second-hand goods into southern Africa which has also hit employment. In addition, SA has insisted that any subsequent agreement will be of short duration aimed at relieving the depressed Zimbabwean economy.

Instead, conscious of World Trade Organisation rules which preclude bilateral pacts, SA prefers a multilateral regional agreement which it says cuts down on discrepancies that could lead to economic distortions.

Hopes are high among SADC members that a trade protocol will be ready by August. Progressive removal of nontariff and tariff trade barriers are anticipated.

Though certain countries have gone some way towards reducing tariffs, there is still no agreement on a time frame for the dismantling of barriers.

Paradoxically, what both sides may not have recognised is the need for massive regional growth. Otherwise, unemployment is merely being shifted around through different tariff policies. At this stage, the outcome is difficult to predict but no doubt guests at *Business Day*'s Business Achievement Award banquet on August 28 will sit riveted by the guest speaker — Trade & Industry Minister Alec Erwin. ■

# SA in new trade talks with EU

(74) CT(BR) 21/6/96

By John Fraser

Brussels — LT Links, South Africa's new ambassador to the European Union (EU), has emerged as the country's chief negotiator in crucial trade talks with the union.

He heads the South African team that went into battle with EU officials at an undisclosed location in Brussels yesterday.

This is the first serious negotiation between the two sides this year and follows delays in formulating the positions on both sides.

The EU has already tabled its offer. It has proposed according South Africa a free trade area with the 15-nation bloc to be phased in over more than a decade.

However, the EU is deeply protectionist over agriculture and it wants to exclude about 40 percent of South African farm exports from the free trade area. The proportion is likely to rise if the EU succeeds in the negotiations.

South Africa is disappointed at the offer.

Many in the government believe it represents a breach of the promises made to President Nelson Mandela at the April 1994 elections.

*A great deal of progress will have to be made quickly if a deal is to be reached by December*

EU officials hope the South African team will give a more detailed response to the offer at this week's session in Brussels, allowing negotiations to proceed.

The process will probably receive a political stimulus next month when Mandela visits Europe.

Joao de Deus Pinheiro, the EU commissioner for South Africa, wants to arrange talks with some of the ministers who will be in the president's team.

Ireland takes over the EU's presidency on June 1 and will want to bring the negotiations to a close.

However, officials on both sides accept that a great deal of progress will have to be made quickly if a deal is to be reached by the end of Ireland's tenure in December. — Independent Foreign Service

# Erwin unity call on trade

## *Talks begin on EU's offer of deal*

(74)

**CLIVE SAWYER** ARG 21/6/96
Political Correspondent

AS SOUTH AFRICA and the European Union began talks on a free trade agreement, Trade and Industry Minister Alec Erwin appealed to the country to stand united during the vital negotiations.

"A babble of vested interests neither benefits anyone nor establishes South Africa as an effective trade or investment negotiator," he said.

There has been scepticism about the opening offer by the EU and the degree to which it will be advantageous to South Africa. A group of Euro MPs have been among those who have warned this country of the consequences of accepting the European offer.

During a recent state visit to Germany, President Mandela enlisted the aid of Chancellor Helmut Kohl in efforts to persuade other European heads of government to concede a better deal to South Africa.

European Commission spokesman Joao Vale de Almeida said in Brussels that his team was waiting for a response to its proposals.

Mr Erwin told the national assembly yesterday that South Africa wanted an access-to-market arrangement based on the Lomé Agreement between African, Caribbean and Pacific countries and the EU.

The assymetrical free trade agreement proposed by the EU to South Africa put forward a move towards free trade between the two over the next 10 years. The assymetry stemmed from the EU being required to phase down its tariffs more rapidly than South Africa.

Products would be put into different groupings and phased down at differing rates.

Mr Erwin said several factors had to be taken into account in assessing the offer. One was that, at present, 87 percent of South African products entered the EU duty-free while 65 percent of EU products entered this country duty-free, which meant that the greater final adjustment was made by South Africa.

Because the EU was a leading trading partner, the decision to be made would have to be a strategic one on the basic tariff structure South Africa wanted at the end of 10 years.

"This is not quite as easy as it looks, because in 10 years' time the structure of our trade destinations could undergo significant structural change."

(74) Star 22/6/96

# SA arrives at EU trade talks 'empty-handed'

By JOHN FRASER

Brussels – Long-awaited trade negotiations between South Africa and the European Union failed to get off the ground in Brussels this week after South African negotiators arrived empty-handed.

However, the South Africans protested that they had never planned to give a detailed response to the EU's trade offer and denied suggestions of foot-dragging.

The two-day meeting seems to have cleared the air and the South African team was in good spirits as it prepared to fly home.

"There was a considerable amount of misperception, which we cleared up during talks," said Foreign Affairs Department negotiator Abdul Minty.

"This was really the first meeting between the two teams, in which the European side explained the mandate its members had received from their governments.

"How could South Africa come and reply in detail to that? If the Europeans had expected a blueprint from us, that was never possible.

"But we managed to clear things up and there were no more words like 'dragging our feet'," he said.

He was referring to an outburst last week by EU chief negotiator Steffen Smidt, who warned South Africa to speed up the negotiations, suggesting that the European offer might not last forever.

Nontheless, there is still some puzzlement in Brussels over the slow response from Pretoria to the EU's negotiating mandate, which was outlined three months ago.

The delays are partly attributable to the recent Cabinet reshuffle and partly to the potential importance of the deal, with the EU easily South Africa's most important trading partner.

"Some of those in the negotiations are not yet up to speed on the issues," said one EU official.

Publicly, the EU was relaxed about the South African delay, despite Smidt's reported criticisms of SA last week.

"I don't think he said that," said EU spokesman Joao Vale de Almeida.

"We needed five months to achieve consensus among the EU governments, and South Africa has been aware of our offer for three months.

"We are in no position to criticise South Africa."

Vale de Almeida said he hoped there would be a deal and that it would be concluded by the end of this year.

No date has been fixed for the next encounter. – Independent Foreign Service

# Trade deal between EU and SA unlikely this year

BD 24/6/96 (74)

John Dludlu

A TRADE deal between SA and the European Union, including SA's qualified membership of the Lomé Convention, was unlikely to be clinched this year, sources said at the weekend.

SA and EU negotiators have concluded the first round of talks with very little progress being made, sparking off renewed fears in Brussels that the deal — which includes a free trade accord — could be slipping away.

Although EU commissioners emerged from the two-day talks in Brussels saying they were confident the deal could be concluded this year, sources said there were growing indications that Pretoria was unwilling to accept the current offer. They said SA negotiators had made it clear the country would not be bullied into accepting a deal that was not in the interests of the local or regional economies.

"We now have more doubts (about the offer being accepted) than a few months ago," one source said.

To the European Commission's disappointment, Pretoria's negotiators failed to table their response to the offer, holding up progress on a range of other issues including SA's partial accession to the convention.

Although commission spokesman João Vale de Almeida said at the weekend the meeting was "useful" in clarifying the offer to SA, he said "... with every month passing, we lose out".

SA insists it is still studying the offer and consulting internally and in the southern Africa region since the EU mandate is not based on thorough research into the effect on the SA economy and that of its neighbours.

Brussels sources warned at the weekend that if the EU offer, based on a mandate which seeks to exclude 39% of SA's farm exports to the EU, was not accepted, nothing as generous would replace it. SA's trade would continue

Continued on Page 2

## Trade deal (74)

BD 24/6/96

Continued from Page 1

on the less preferential basis via the generalised scheme of preferences.

"It is 100% crystal clear that there is no alternative to a free trade area. We cannot go back to the council (for amendments to the mandate) without SA's position and without the talks having run their course," one source said yesterday.

Trade department foreign trade relations chief director Faizel Ismail said yesterday that although SA did not have a formal mandate, Pretoria's position on the EU mandate had been communicated informally to the EU.

"Our impression is that the mandate fails to address the developmental problems of SA and does not consider the impact on our neighbours."

However, after this round of talks, Ismail felt SA was now in a better position to fashion its own mandate.

Although Pretoria's negotiators had tried to push for early entry of SA companies into the Lomé tendering system, no concessions were made by Brussels. SA wants its companies to be allowed to tender for projects funded by the seventh European Development Fund, while the EU is offering the eighth fund — which comes into force next February.

One source said the problem was that SA had to table a comprehensive response before any deal-making could begin. "We cannot go to member states and say SA is ready to do Lomé and not ready for everything else."

Certain EU states insist that all the agreements should be linked — causing concern in Pretoria.

# Unionist suggests that trade treaties be revised

(74) BD 24/6/96

John Dludlu

THE economies of the neighbouring African countries would continue to export raw materials unless steps were taken to help them with industrialisation, a top union official warned at the weekend.

Southern African Clothing and Textile Workers' Union assistant general secretary Ebrahim Patel said preferential bilateral trade agreements with neighbouring nations were being used as conduits for products from Southeast Asia, but no beneficiation added to the products was taking place in these countries. That trend should be reversed, he said.

All trading arrangements should be reviewed to assess their effect on SA and the other signatories. This would ensure that the benefits of preferential trade agreements, such as jobs and exports, accrued only to fellow signatories.

He said the required level of local content could be increased as another option to encourage countries to add value before exporting.

The union had previously suggested that a revised trade agreement with Zimbabwe impose a requirement for local content of 75%, but Patel said the appropriate local content should rather be individually determined for each sector.

He said SA should avoid repeating the debacle over the Hyundai assembly plant in Botswana. Little value was being added to the cars, but they continued to enjoy preferential access to SA markets.

# EU free-trade agreement 'holds no advantage for SA'

CT (MR) 25/6/96 (74)

Staff Writer

Durban — A free trade agreement (FTA) with the European Union holds no advantage for the South African textile sector, Brian Brink, the chief executive of the Textile Federation said last week.

He said the collapse of the entire industry could follow any change in textile duty.

Brink said the European Union's offer of an agreement was a poor alternative to Lome status requested by South Africa. This would have meant South African exports could have entered the lucrative EU market duty free.

Brink said the textile industry had overestimated the post-election generosity of the developed nations. The substitute agreement would mean South Africa would forego more than it would receive.

Brink said a threat presented by a FTA was the diversion of goods through the EU into South Africa from third-party exporters, fraudulently gaining the benefits of a zero-duty trade regime.The attraction of an evasion of a 40 percent duty on fabric would be strong motivation for such practices.

Brink said tariff reduction was crucial. Because similar products in the EU and South Africa reflected only marginal price differences, any departure from tariff duties for textiles imported from the EU would have dire consequences.

In terms of the Marrakech Agreement, and the more rapid tariff phase-down by the board of Tariffs and Trade, fabric duties would phase down by three percent a year, from 50 percent in 1994 to 22 percent in 2002.

The high end-rates indicated that textiles were acknowledged as sensitive by the GATT. Brink said the local textile manufacturer was at a further disadvantage as raw material input costs were rising faster in South Africa than the EU.

# Neighbours attack SA for discriminatory trade laws

CT (BR) 27/6/96

(74)

By Richard Meares

Johannesburg — South Africa's neighbours feel that they are being double-crossed.

The former frontline states, which suffered through isolating the apartheid pariah, complain that the new South Africa they helped create is showing scant gratitude for their economic pains.

Leading the grumbling, Zambia and Zimbabwe say that President Nelson Mandela's government has retained its own economic barrier — a mix of import tariffs and export subsidies.

They find it hard to sell to Africa's economic powerhouse, while South African goods and investors are sweeping north across the continent, damaging fragile domestic industries as they go. Some critics say that the expansion smacks of neo-colonialism.

South Africa's gross national product is almost four times the combined output of its 11 nearest neighbours in the Southern African Development Community.

Its exports to Africa rose 12-fold from 1987 to 1994, reaching $6,3 billion, while stagnant imports hovered at an average $1,6 billion a year over the period.

The South African government acknowledges the problem and is seeking to normalise regional trade links that are still skewed by the legacy of apartheid.

Protectionist tariffs introduced by the previous government have been slashed. But they remain high.

The key issue is whether the government will level the playing field quickly enough to stop a regional trade war.

Trevor Manuel, the finance minister, pledged in the government's new economic strategy, released this month, to cut tariffs to an average of 8 percent by 2000.

Zimbabwe says some of its industries were almost destroyed when South Africa tripled the import duty on textiles and manufactured goods in 1992.

President Robert Mugabe is threatening retaliatory tariffs, complaining that South Africa is still reaping the benefits of unfair and imbalanced trade practices the apartheid regime set up.

However, South Africa is resisting pressure from Zambia and Zimbabwe in particular for bilateral trade deals, preferring to follow World Trade Organisation preference for a wider regional accord.

Many countries have cut tariffs under economic adjustment programmes, exposing them to cheap imports but it is South Africa's perceived double standards that annoy them the most.

Zambia's manufacturers' association said it may press for trade barriers against South Africa unless it opened up its markets and cut duties. — Reuter

# Zimbabwe in shock tariff move

Michael Hartnack (74) BD 28/6/96

HARARE — Zimbabwe yesterday announced new protectionist tariff structures which will hit imports from SA while urgent negotiations to solve the two countries' protracted trade dispute are still in progress.

The tariffs were allegedly aimed at increasing local employment and state revenue inflows.

New scales of duties which will come into force on Monday affect, among other sectors, motor and electrical components, clothing, textiles, batteries, luggage ware and agricultural products.

All are focal to the row about the obsolete 1964 most favoured nation bilateral pact, on which special talks took place in Victoria Falls on June 10.

"It has become imperative to take measures that will provide a level playing field with competing imports and also avail a level of protection which is adequate but not excessive," Deputy Finance Minister Mishek Chinamasa said yesterday, unveiling the new tariff regime.

Observers here were astounded not only by the timing of the announcement, but at Chinamasa making it in the absence of Finance Minister Herbert Murerwa, who accompanied President Robert Mugabe to a conference on private investment in Ghana.

Only the state-controlled media were invited to the news conference at which the scales were announced, but according to the official news agency Ziana, Chinamasa made no reference to the June 10 meeting.

SA Trade and Industry Minister Alec Erwin and his Zimbabwean counterpart Nathan Shamuyarira, who led delegations representing officials, organised business and trade unions, said the Victoria Falls meeting had backed away from talk of a trade war and had brought hope of a compromise.

Militants in Zimbabwean business have for the past three years been urging Mugabe's government to impose punitive duties on SA exports in retaliation for the ending of preference for their manufactures in 1993. Ziana said special new tariffs, above the present 85% ad valorem maximum, would be imposed on clothing, textiles, batteries, luggage ware and "selected agricultural products" which appear to include SA foodstuffs, alcohol and beverages.

Thousands of jobs have been lost in Zimbabwean firms that until 1993 looked principally to SA to market textiles, leather and footware, foodstuffs and electrical goods. SA enjoys a four-to-one imbalance in trade with Zimbabwe.

# Mugabe slights Mbeki

ARG 28/6/96 (74)

The Argus Foreign Service

ACCRA. – A sullen President Robert Mugabe of Zimbabwe could not bring himself to speak a word to South African Deputy President Thabo Mbeki, although the two sat next to each other at a dinner given by Ghana President Jerry Rawlings.

In the diplomatic world, where every detail counts, Mr Mugabe appeared to go out of his way to snub Mr Mbeki, which left South Africans in the audience shaking their heads in disbelief.

Thabo Mbeki

The dinner, at the end of an international Accra conference on reviving private investment in Africa, also included the prime minister of Ivory Coast, the presidents of Mali and Namibia and ministers representing Ethiopia and Tunisia.

Mr Mugabe sat between Mr Rawlings and Mr Mbeki on the dais. When toasts were offered, Mr Mugabe clinked glasses with Mr Rawlings. Mr Mbeki reached across and touched glasses with Mr Rawlings, but Mr Mugabe, sitting between them, stared ahead and would not share a toast with Mr Mbeki.

Mr Mugabe's coldness to Mr Mbeki was in stark contrast to the otherwise cordial summit gathering, which greeted Mr Mbeki warmly. Mr Mbeki was gracious throughout and all the leaders engaged in conversation.

Mr Mugabe stared conspicuously ahead as if Mr Mbeki were not there. He frequently turned to his left to try to engage Mr Rawlings but never looked right to Mr Mbeki.

Robert Mugabe

When Mr Rawlings left the table for 20 minutes, Mr Mugabe stared straight ahead, never uttering a word to Mr Mbeki, who talked freely with other guests.

Some at the dinner speculated that Mr Mugabe's slights stemmed from deep jealousy. He was once the centre of attention among "front-line states" but has now lost the spotlight to Mr Mbeki and President Nelson Mandela.

Trade tensions is another explanation. The dinner came after a discussion in which Mr Mugabe spoke of "some African countries" who kept their borders closed to trade.

Several in the audience said they thought Mr Mugabe would actually name South Africa. He has long accused South Africa of blocking Zimbabwean goods by charging high import duties.

# New Zimbabwe tariffs hit out at SA trade

Star 29/6/96

(74) (82)

By ROBIN DREW

Harare – The first shots in what some regard as an impending trade war have been fired by Zimbabwe, with moves to control the flow of South African goods into the country, which has damaged local industry.

New tariffs were announced on Thursday which will have the effect of protecting Zimbabwe's clothing and textile, electronics, battery and luggage-ware industries and selected agricultural products.

Zimbabwe and other southern African countries have accused SA of dumping goods by subsidising exports and of imposing punishing import tariffs on goods such as textiles.

Local battery manufacturers will now have a tariff protection of about 70%.

Tariffs on raw material imports for local manufacture have also been reduced.

Officials said the new tariff regime would have a significant positive impact on industry in terms of job creation and increased output.

It would stimulate demand for domestic goods in line with the "Buy Zimbabwe Campaign" being promoted by industrialists.

But Deputy Minister of Finance Misheck Chinamasa has dismissed the notion that the new tariffs were directed at SA, saying the issue of trade with SA was being dealt with separately.

"We are not at war with South Africa," he said. – Independent Foreign Service

# Zimbabwe fires first salvo in trade war

(74)

ARG 29/6/96

HARARE. - The first shots in what some regard as an impending trade war have been fired by Zimbabwe to control the flow of South African goods into the country which has damaged local industry.

New tariffs announced this week will have the effect of protecting Zimbabwe's clothing and textile industry, electronics, batteries, luggage-ware and selected agricultural products.

Zimbabwe and other countries in the region have accused South Africa of dumping goods here by subsidising exports and of imposing punishing import tariffs on goods such as textiles.

Officials said the new tariffs would boost job creation, increase industrial output and stimulate demand for domestic goods in line with the "Buy Zimbabwe " campaign promoted by industrialists.

# NEWS

*Industry stands firm on local content clause*

# Renewed effort to break textile trade deadlock

(74) CT (BR) 4/6/96

By Shirley Jones

KWAZULU NATAL EDITOR

Durban — Alec Erwin, the trade and industry minister, key figures from the clothing and textile industry and labour representatives will meet their Zimbabwean counterparts on June 10 to discuss the controversial proposed preferential trade agreement between the two countries.

But the Textile Federation (Texfed), Clothing Federation (Clofed) and the South African Clothing and Textile Workers' Union (Sactwu) intend standing firm against any possible bilateral trade agreement between the two countries.

All three organisations have unofficially questioned Erwin's political agenda, pointing out that an agreement with Zimbabwe on existing terms — just 25 percent of the goods have to represent southern African content — would completely undermine the South African clothing and textile industry with disastrous job losses.

The already shaky trade talks between the two countries broke down in November last year after Zimbabwe accused South Africa of negotiating in bad faith and refused to accept a clause that stipulated the local content provision should be increased by 5 percent a year.

Brian Brink, the executive director of Texfed, said proposals to create a delegation from the local clothing and textile industry in an attempt to break the deadlock failed in February.

Sceptical industry representatives said they would go along with the June 10 attempt to discover common ground, despite deep misgivings that any agreement with Zimbabwe would set a dangerous precedent for further agreements with neighbouring states.

"We should be looking at a multilateral basis rather than at ad hoc bilateral agreements," Brink warned.

Bernard Richards, the president of Clofed, agreed. "This is a terrible situation and comes down to exporting jobs to Southeast Asia.

"There are people who are already preparing to import from Southeast Asia, sew on a few buttons, repackage the goods and then increase their prices by 25 percent while claiming 25 percent local value has been added," he said.

Richards said Clofed would not accept anything less than a 75 percent southern African content.

"We are trying to stimulate the whole pipeline," he explained.

Hansard



*"Community self-management:*

The extent to which the project caters for the need for capacity building within the community through deliberate measures to facilitate the acquisition of skills and knowledge to enable it to take responsibility for developmental issues, the preservation and maintenance of fixed community assets and the management, in general, of its own interest and destiny on a sustainable basis."

*"Employment potential:*

The extent to which the project contributes, both directly and indirectly, to the gainful employment of community members through the use of local small building contractors and labour intensive building methods."

**Declaration of free trade area in SA waters**

74

*11. Sen J SELFE asked the Minister of Environmental Affairs and Tourism:

(1) Whether his Department is involved in negotiations with the European Union for the declaration of a free trade area in South African waters; if not, what is the position in this regard; if so,

(2) whether his Department has conducted investigations into the impact such a free trade zone will have on (a) the South African fishing industry and (b) marine conservation; if not, why not; if so, what (i) were the results and (ii) was the extent of the investigation?

S347E

The MINISTER OF ENVIRONMENTAL AFFAIRS AND TOURISM:

Mr President, the first part of the question is virtually the same as the one to which I responded earlier. The reply is:

(1) No.

The Department was approached by the European Union with a request to consider a bilateral fisheries agreement, but clearly indicated that this could not be considered prior to the tabling of the report of the Fisheries Policy Development Committee.

(2) (a) No.

(b) No.

Such an investigation will be premature, seeing that no decision has been taken that such agreements will in principle be acceptable in the new fisheries dispensation.

Senator B T NGCUKA: Mr President, arising out of the hon the Minister's reply, what is "a free trade area in South African waters" and what are the implications of that?

The MINISTER FOR ENVIRONMENTAL AFFAIRS AND TOURISM: Mr President, I do not think that the word "free trade area" is applicable to our waters. It is a question of access that we can provide bilaterally to other countries, or to the fishing vessels of other countries. However, it is not a concept that really finds application in the fishing industry.

Senator M BHABHA: Mr President, further arising out of the hon the Minister's reply, would any agreement in fact have an impact on present fishing quotas?

The MINISTER: Mr President, there is nothing under consideration at the moment, as far as access to our waters is concerned, in connection with other countries or their fleets. Obviously, should such agreements be entered into, it will affect the availability of fish to the local companies. However, this is an absolutely theoretical proposition and, therefore, the answer is also theoretical.

**Community policing forums in Western Cape**

*12. Sen J SELFE asked the Minister for Safety and Security:

(1) Whether any community policing forums have been established in the Western Cape; if so, (a) how many, (b) where, (c) from what sources are these forums funded and (d) for how long will such sources of funding continue to be available;

(2) whether any arrangements have been made for the funding of these forums once the current sources of funding are no longer available; if not, what is the position in this regard; if so, what arrangements?

S348E

The DEPUTY MINISTER FOR SAFETY AND SECURITY:

(1) Yes.



(a) Hundred and twenty five (125) Community Police Forums.

(b) See the attached list of forums.

(c) The forums are funded from the Western Cape Community Police Budget.

(d) Until at least the end of the current financial year.

(2) No.

No such arrangements have been considered at this early stage.

*Registration of Community Police Forums status of applications 3rd June 1996 (Underlined—funded for 1995/96)*

Albertinia: Registered 29 April 1996

Ashton: Registered 27 February 1996

Athlone: Registered 27 February 1996

Atlantis: Registered 13 January 1996

Beaufort West: Registered 14 October 1996

Bellville: To be registered 8 July 1996

Bellville-South: Registered 1 January 1996

Bishop Lavis: Approved—to Commissioner 3 May 1996

Blue Downs/Eerste River: Approved—to Commissioner 2 April 1996

Brackenfell: Registered 28 November 1995

Bredasdorp: Registered 19 February 1996

Bridgton: Combined with Oudtshoorn

Bongulethu: Registered 11 October 1995

Calitsdorp: Registered 11 October 1995

Camps Bay: Registered 25 March 1996

Cape Town: Registered 9 November 1995

Ceres: Approved—to Commissioner 13 March 1996

Clanwilliam: Copy of criteria sent 3 March 1996

Claremont: Registered 30 November 1995

Cloetesville: Registered 3 May 1996

Conville:

Registered 14 January 1996

Darling: Approved—to Commissioner 2 April 1996

De-Rust: Approved—to Commissioner 3 May 1996

Delft: Registered 26 October 1995

Doringbaai: Approved—to Commissioner 20 May 1996

Durbanville: Registered 13 November 1995

Dysseldorp: Registered 6 March 1996

Eendekuil: Registered 29 April 1996

Elands Bay: To be visited 30 May 1996

Elsies River: Registered 7 December 1995

Gansbaai: Registered 5 March 1996

Genadendal: Ready for approval

George: Registered 13 October 1995

Goodwood: Approved—to Commissioner 28 May 1996

Grabouw: Approved—to Commissioner 3 May 1996

Grassy Park: Registered 17 October 1995

Greyton: Registered 19 February 1996

Groot Brakrivier: Approved—to Commissioner 2 April 1996

Groot Velddrif: Registered 27 February 1996

Guguletu: Registered 31 October 1995

Hanover Park: Registered 28 March 1996

Heidelberg: Registered 5 March 1996

Herbertsdale: Approved—to Commissioner 19 January 1996

Hermanus: Registered 9 April 1996

Herold: Approved—to Commissioner 19 January 1996

Hex Valley: Registered 7 March 1996

Hopefield: Approved—to Commissioner 3 May 1996

Hout Bay: Visited 21 September 1995

Kensington: Approved—to Commissioner 2 April 1996

Khayelitsha: Registered 7 March 1996

Klapmuts: Registered 1 March 1996

;ne 6 1996

# Lomé negotiators facing tough task

(74

John Dludlu

BD 6/6/96

SA's prospects of partially acceding to the Lomé Convention — the trade and aid accord between the EU and African, Caribbean and Pacific (ACP) nations — hinged on the ability of negotiators to reach agreement before year-end, Brussels sources said yesterday.

Sources warned that if negotiations, especially on the Lomé aspect of the multifaceted talks, were not concluded this year, SA's chances of gaining qualified membership to the convention by next February would be dashed.

A Brussels source said SA's qualified membership to the convention would not be discussed at the forthcoming ACP-EU summit later this month.

Because of the late start of talks on a co-operation accord between Brussels and Pretoria, set for June 21-22 in Brussels, no proposal had been drawn up for discussion by the ministerial summit in late June, he said.

Brussels hoped agreement would be reached on the Lomé aspect, which will grant SA limited trade benefits and allow the country to take part in political dialogue with ACP nations, before the year-end ACP-EU meeting.

The challenge now was "to get their (negotiators') act together" before December, a source said.

The EU hopes to seal the talks this year, and see SA's accession to Lomé by February next year.

The other hurdle facing Pretoria and Brussels, another source said, would be an attempt by some EU states to link Lomé to other agreements.

The talks cover agreements on a free trade, science and technology, fisheries, SA's qualified membership of the Lomé Convention and wines.

However, sources said the most important, and perhaps most difficult of these agreements, would be Spain's desire to see the EU's fisheries agreement with SA negotiated in parallel with the proposed free trade accord.

SA negotiators have expressed concern at the attempt to link the agreements.

# Tension over trade imbalance in Southern Africa

(74) ([illegible]) M+G (BM) 31/5-6/6/96

Lynda Loxton

BEHIND the *bonhomie* and words of solidarity at last week's World Economic Forum/Southern African Development Community economic summit in Cape Town lurked real tension that South Africa can ill-afford to ignore.

These mainly centred around South Africa's dominance of regional trade and the need to review its trade relations with its neighbours.

The Zimbabwean delegation of business people and government officials was particularly vociferous, with President Robert Mugabe hinting strongly of retaliatory action to protect Zimbabwean industries against South African imports.

After intense discussions, South African Trade and Industry Minister Alec Erwin agreed to send a negotiating team to Harare on June 10 to review the long-stalled trade negotiations between the two countries.

Zimbabwe's preferential trade agreement with South Africa lapsed in 1992 and repeated efforts to renegotiate the pact have failed, with South Africa pushing for a multilateral trade agreement among Southern African Developing Countries states rather than individual agreements. This is tied in with efforts to renegotiate the Southern African Customs Union between South Africa, Botswana, Lesotho and Swaziland.

A massive inflow of South African goods into Zimbabwe in the past few years has threatened the viability of many industries there, with clothing and textiles worst affected.

"We have been very patient, but we think we have been short-changed by South Africa in terms of our business arrangement," said Zimbabwe's National Planning Minister Richard Hove.

At a media briefing, Botswana's President Ketumile Masire said he was also concerned about his country's trade imbalance with South Africa, but believed negotiations rather than retaliatory measures were needed.

On the renegotiation of the South African Customs Union, which is seen to have an unfair bias in favour of South Africa, Masire said: "It seems that the South Africans are much more prepared to democratise the whole thing rather than having it as one-sided as it was before.

"There are problems in that the South African economy is a much bigger economy than any of the others but where there is a will there is a way," he added.

Given the sometimes huge imbalances in regional industrial development and trade flows, it may well be that more than "will" is called for and Erwin will no doubt be kept on his toes finding a meaningful solution to the problem. His counterparts in neighbouring states are expected to keep up the pressure for some kind of action.

# Zim attacks SA on trade policies

(74) M+G 7-13/6/96

**Some Zimbabweans claim President Nelson Mandela is doing more to hurt them now than apartheid ever did, reports Brian Latham from Harare**

RELATIONS between South Africa and the rest of the region are at their worst since the end of apartheid.

When South African Trade Minister Alec Erwin visits Zimbabwe this week, he will be astonished at the level of anger which meets him over South African tariffs and subsidies which have left the region devastated by unfair trade practices.

South Africa's economy is 20 times bigger than Zimbabwe's, but prior to South Africa's inclusion in the Southern African Development Community (SADC), Zimbabwe accounted for more than 50 percent of gross domestic product in the region.

Many businesspeople in the region feel South Africa should decide whether it belongs to the SADC or the South African Customs Union (Sacu), saying that membership of both allows South Africa to move the goalposts.

John Robertson, a leading economist in Zimbabwe, claims that South Africa is a victim of its own history. "Sacu is very expensive for South Africa," he said. "Customs duty payments are shared within Sacu, but these could never be extended to a country like Zimbabwe. It was a sort of political buying off of Botswana, Swaziland and Lesotho during the apartheid years, the need for which has gone." He added that disbanding Sacu requires the assent of all members, making South Africa's position difficult.

South Africa has imposed import tariffs of between 60 and 90% on many countries in the region — and a deposit tariff of 125% on goods in transit. The World Trade Organisation (WTO), which recommends tariffs of no more than 35%, has given South Africa a moratorium on bringing import duties down which lasts well into the next century. But elsewhere in the region, manufacturers argue South Africa's high import duties were deviously imposed just before South Africa joined the WTO. "They may have done this so that they could negotiate down," said Robertson.

The dispute is further complicated by South African subsidies for manufactured exports, a measure brought in by the previous administration in its fight against sanctions. The subsidy allows, for instance, South Africa to sell car batteries in Zimbabwe and Zambia at a price well below their production price in those countries.

As a part of their economic reforms, most countries in the region have removed all producer subsidies. This is despite levels of productivity in South Africa being well below Zimbabwe and, in certain sectors, below even Tanzania and Kenya.

Elsewhere within the SADC, governments and business alike accuse South Africa of pandering to both its trade organisations and its militant trade unions who fear competition and job losses. South Africa counters that its fight is not against imported goods from the SADC alone, but also from the Far East. South African officials allege that Zimbabwe has been used as a conduit for cheap textiles from China, dressed up as Zimbabwean clothing.

Accusing South Africa of economic imperialism, manufacturers in the SADC say that it is unfair to penalise the region simply because South Africa is unable to police its civil servants.

Mark O'Donnell, chairman of the Zambian Association of Manufacturers, says that South Africa has again gone into the laager. "They would like to control the region," he claims, adding that his country's 13-to-one trade imbalance is worsening by the month.

Appearances appear to back him up. At the Shoprite supermarket on Lusaka's Cairo Road, even the milk is from South Africa — and the Spur restaurant flies in meat from Johannesburg. On the street, hundreds of hungry vendors sell cheap products as diverse as toys and perfume — often labelled in Afrikaans.

The region remains divided on how to tackle South Africa's devastating push into Africa, with many countries seemingly willing to let South Africa and Zimbabwe battle it out.

Zambia would prefer its own dispensation with the southern giant. "We cannot sustain the imbalance," said O'Donnell, "but our position is not the same as Zimbabwe's. Our impact on the South African economy would be negligible even if the tariffs were removed, whereas Zimbabwe could have a significant impact."

But there is another issue and it is charged with emotion. The countries worst affected by South African protectionism are all former "frontline states", countries which suffered, to a greater or lesser degree, the ravages of destabilisation and the torment brought about by helping and providing shelter to those who now rule South Africa.

O'Donnell says Zambians are hurt by their exclusion —and Zimbabweans say Mandela is doing more harm to their economy than apartheid ever did.

# Erwin fights back with vision for trade

MHG 7-13/6/96 (BM) (74)

Two years on, new policies have been developed to minimise the dangers and maximise the opportunities of competition facing the South African economy. **Lynda Loxton** reports

STUNG by growing criticism concerning its lack of clear economic policies, the government has started to hit back.

On Tuesday, Trade and Industry Minister Alec Erwin and his senior officials spent more than six hours explaining to parliamentarians why it had taken them more than two years since the African National Congress took over government to come up with new policy directions and a clear vision on the way forward.

In the morning, officials briefed the trade and industry committee and in the evening Erwin took to the Senate floor during the debate on his department's Budget vote.

"The careful planning and preparation that has gone into policy work ... is now beginning to bear fruit," Erwin said. "I think that there was a very good reason why this planning took a degree of time and this is basically because we have in fact revised and reviewed the whole approach to trade and industry policy."

Because the new policies were the result of "very wide-ranging consultation ... they are not policies that are likely to change because ministers change", said Erwin, who recently took over the portfolio from Trevor Manuel in a Cabinet reshuffle.

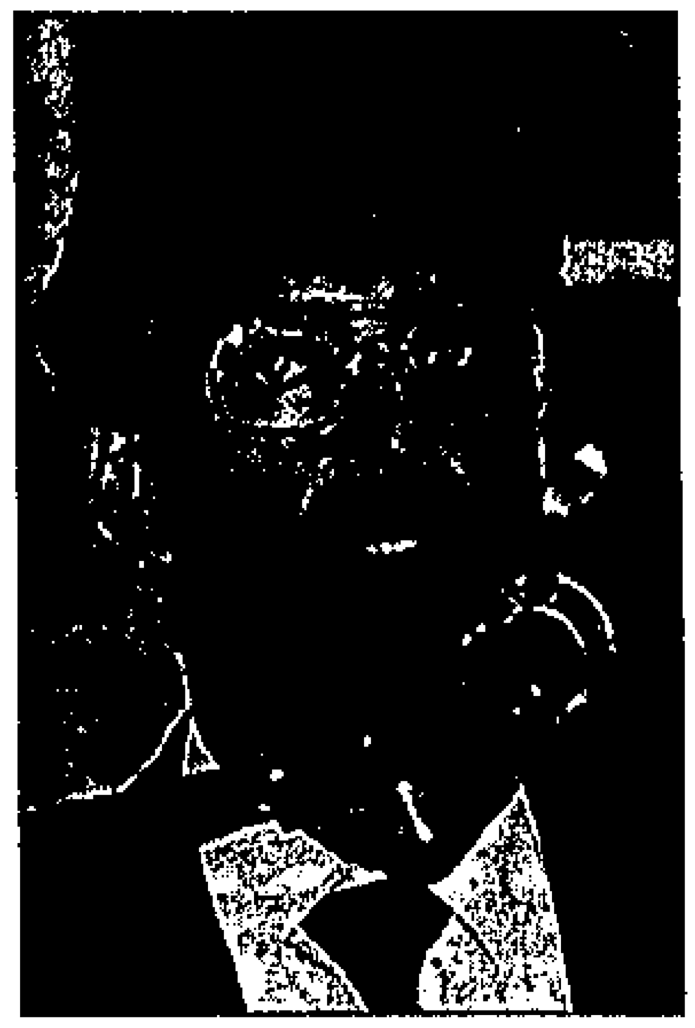
"And I need to assure everyone outside this house that they are not policies that are likely to change when the National Party leaves the government."

A policy review had been necessary because South Africa had emerged from years of isolation behind apartheid sanctions into an increasingly global economy marked by greater competition.

This competition had uneven effects on economies around the world. In South Africa, as a medium-sized economy very dependent on trade, "the challenge that we face looms even larger than in many [other countries]".

"The basic starting point of government has been that we must engage with these complex forces of globalisation. We cannot try to isolate ourselves from them.

Alec Erwin: 'Competiveness does not mean unbridled competition' PHOTOGRAPH: RUTH MOTAU



Zav Rustomjee: 'A framework has been created to maximise investment' PHOTOGRAPH: CAROLINE SUZMAN

"But in doing so, we know that increased competition and more free trade is most easily dealt with by those economies that are already powerful and pose certain dangers to the weaker and mismanaged economies."

Freer and fairer trade would, however, benefit consumers through lower costs and wider choice.

What the government aimed to do was minimise the dangers and maximise the opportunities now open to South Africa.

"This requires us to be competitive, both in our ability to compete with imports and in order to export," Erwin said.

Outlining how they proposed to make industry more competitive, Trade and Industry director general Zav Rustomjee and senior officials told the parliamentary committee that they had developed a national spatial development framework (NSDF) to maximise the impact of public and private investment.

This had assessed the growth potential of different geographic areas within the country and certain sectors, with the aim of moving from past dependence on demand-side measures such as import tariffs, quotas and export subsidies, to a more outward, export-oriented strategy supported by supply-side measures.

There has been some criticism that the supply-side measures — training, support for restructuring and the like — have not been introduced at the same pace as the demand-side measures have been phased out.

But Rustomjee and his officials assured the committee that some were already in place, mainly through the Industrial Development Corporation. Others would come on stream this year and would include a R20-million competitiveness fund and support for training.

But Erwin stressed that "competitiveness does not mean unbridled competition as many of the more naive proponents of this religion called free markets want us to think.

"It does mean regulated competition. This arises from the fact that to trade you need two parties. If the powerful completely impoverish the weak, eventually they will have no one to trade with."

Erwin, who recently came under fire from a Zimbabwean delegation for South Africa's alleged unfair trade practices, said this particularly applied to our neighbouring states. He is due to visit Zimbabwe on June 10 to discuss the problem.

"It does not help any of us to enter into arguments about possible trade retaliation against each other," Erwin said, in obvious reference to President Robert Mugabe's reported threat to start a trade war with South Africa.

"The real fact of the matter at the moment is that the trade surpluses are very much in South Africa's favour and this is an economic fact that is not necessarily a healthy fact.

"It is therefore our intention to try to expand the trade between ourselves and our neighbours, but at the same time to seek to reduce the massive trading deficits that our neighbours run with us."

This would require considering a common industrial and development strategy that took into account the problems facing each economy in the region, said Erwin.

# South Africa no winner in international trade game

(74) ST(BT) 9/6/96

By MARCIA KLEIN

DESPITE the fanfare surrounding South Africa's new government and its re-entry into the global marketplace, it still ranks below most industrialised countries in terms of competitiveness.

South Africa dropped one place to 44th out of 46 countries in the 1996 World Competitiveness Yearbook, beating only Venezuela and Russia. In 1995 it was 43rd, beating Venezuela, Poland and Russia.

According to the International Institute for Management Development, which compiles the report, the US reinforced its leadership position, increasing its lead over other nations.

The institute says this success is based on having a large and resilient domestic economy, remaining ahead in terms of introducing new technology and "taking a very flexible attitude towards work structures". The US also scores well on finance and internationalisation.

Under a headline, "The spell of resource-rich countries", South Africa, Brazil, India, Indonesia, Venezuela and Russia are referred to as being large countries, "extremely wealthy in natural resources, but not very competitive".

The reports says: "India, South Africa and Russia have, at least, conducted significant reforms that were all directed at developing a market economy ... South Africa, with a new constitution, will now probably be able to concentrate more on the country's economic development."

Paul Hatty, the South African affiliate partner of the institute's report, says: "We in South Africa tend to have an overblown impression of how important we are and how well we are doing. When it comes to international stakes, we are so involved in local problems while the world is passing us by."

Mr Hatty says South Africa has also "not realised yet what it is that creates jobs — we talk about creating half a million jobs, but have no concept of the mechanism that creates jobs". The country is also not manufacturing oriented.

The institute publishes a national competitiveness "balance sheet", reflecting the assets and liabilities of each country in a number of categories.

In terms of the domestic economy, South Africa ranks well in terms of rent and cost of living comparisons, but poorly on a number of criteria including GDP per capita growth, growth in retail sales and growth in domestic savings.

Regarding internationalisation, it scores top marks for export market diversification and fares quite well in terms of overseas postings and balance of trade. But it falls flat in areas like cross-border ventures, investment protection schemes, direct investment flows inward and immigration laws.

Its ranking on trade performance has dropped from 14th in 1992 to 27th in 1996 and its ranking on national protectionism dropped from 38th to 44th over the same period.

The government scores well on foreign debt, the environment, employers' social security contribution and transparency. But it ranks poorly in terms of market dominance, official reserves (including gold) and security.

In finance, the banking sector is rated highly and South Africa fares well in terms of stock market capitalisation and listed domestic companies. But low scores were given for access to foreign capital markets and real short-term interest rates.

There is more good news than bad when it comes to infrastructure. South Africa is given high scores for energy imports against merchandise exports, electricity costs for industrial clients, GDP and energy consumption and self-sufficiency in non-energy raw materials.

In the management category, South Africa scores well for remuneration of directors (in manufacturing), engineers and human resources directors, but poorly in terms of customer orientation, industrial relations and changes in productivity.

South Africa's scorecard when it comes to people is very poor. The institute gives a long list of areas where it is a poor performer, including equal opportunities, skilled labour, economic literacy, AIDS, worker motivation, life expectancy, the brain drain, unemployment, education, alcohol and drug abuse and society's values.

The most competitive countries were the US, followed by Singapore, Hong Kong, Japan, Denmark, Norway, the Netherlands, Luxembourg, Switzerland and Germany.

Singapore, says the report, has created a successful model characterised by a highly effective government, a sound financial structure and good management performance, despite its small size. Its leading position in terms of internationalisation places it well to meet future challenges. The report says Asian nations "continue to make a remarkable showing", and the high rankings of New Zealand and Chile prove distance is not an obstacle.

**SOUTH AFRICA'S DOMESTIC ECONOMY**

| | 1996 | 1995 | 1994 | 1993 | 1992 |
|---|---|---|---|---|---|
| Value added | 40 | 44 | 44 | 44 | 44 |
| Capital formation | 39 | 42 | 42 | 38 | 25 |
| Private consumption | 42 | 44 | 45 | 45 | 40 |
| Cost of living | 1 | 1 | 3 | 4 | 5 |
| Economic sectors | 45 | 42 | 41 | 37 | 38 |
| Economic forecasts | 43 | 44 | 31 | 42 | 44 |
| RANKING | 44 | 42 | 42 | 41 | 40 |

Graphic: FIONA KRISCH

**SOUTH AFRICA'S INTERNATIONALISATION**

| | 1996 | 1995 | 1994 | 1993 | 1992 |
|---|---|---|---|---|---|
| Trade performance | 27 | 25 | 18 | 15 | 14 |
| Exports of goods/services | 21 | 15 | 18 | 15 | 15 |
| Imports of goods/services | 39 | 36 | 31 | 37 | 41 |
| National protectionism | 44 | 42 | 41 | 38 | 38 |
| Foreign direct investments | 36 | 37 | 34 | 37 | 34 |
| Cultural openess | 34 | 38 | 42 | 41 | 41 |
| RANKING | 39 | 38 | 35 | 32 | 34 |

Source: IMD WORLD COMPETITIVENESS YEARBOOK 1996 systems, while women from a cross section of SA society, ... Johannesburg, where posters on the prevention of child abuse were distributed to deleg...

# Trade between SA, Singapore up 12%

BD 10/6/96 (74)

Tim Cohen

CAPE TOWN — Trade between Singapore and SA had increased 12% last year, Singapore's Foreign Minister Shunmugam Jayakumar said at the weekend.

He said he hoped that this trend would be maintained.

Jayakumar, who is also justice minister, held talks last week with Foreign Minister Alfred Nzo, Justice Minister Dullah Omar, Defence Minister Joe Modise and Trade and Industry Minister Alec Erwin, while on a short visit to SA and Zimbabwe.

## Obvious

Jayakumar said it was obvious that SA was an entry point into the Southern African region. He said he was keen to encourage SA businessmen to view Singapore as an entry point into South-East Asia.

Singapore's businessmen would be able to offer their SA counterparts a thorough knowledge of a region where tremendous growth was expected.

SA's businessmen could likewise offer their counterparts from Singapore similar insights and hence there were good prospects for synergies to develop, he said.

On the future of his region, Jayakumar said the prospects for economic growth were still spectacular, although there were a number of potential flashpoints that needed to be managed carefully.

These included the situation in China, the Koreas and the several conflicting claims for various islands in the South China Sea.

Asked about what stance SA should adopt on China and Taiwan, Jayakumar demurred, but said his country, like many others in the region, officially recognised only China, but was represented by trade officials in Taiwan.

He said during the recent flare-up during elections in the Republic of China, Singapore had developed a detailed position on the issue, which proposed compromises from both sides.

## Renounce

In essence, Singapore had suggested that China should provide Taiwan with more space to extend its trade and cultural ties, while in return Taiwan should publicly renounce any intention about becoming independent and should therefore drop its application for membership of the UN.

Asked whether Singapore was likely to gain from the incorporation of Hong Kong into China next year, Jayakumar said this was unlikely.

He said there was no other city in China which could perform the same function as Hong Kong — a fact the territory's new rulers would be aware of.

Jayakumar said the demise of Hong Kong as a financial centre was not something Singapore looked forward to, especially as both financial centres had benefited from the competition.

He said the topic of the proposed Indian Ocean rim organisation had been briefly raised in discussions with South African leaders and Singapore was supportive of the idea.

# Erwin to lead business officials in talks with Zimbabweans

BD 10/6/96

Michael Hartnack

74

HARARE — Trade and Industry Minister Alec Erwin today leads officials, trade unionists and business chiefs into talks with their Zimbabwean counterparts at Victoria Falls, in a summit which could shape SA's economic relations with its neighbours for the next decade.

Business and diplomatic sources in Harare suggested the South Africans would offer Commerce and Industry Minister Nathan Shamuyarira a compromise for the defunct 1964 "most favoured nation" bi-lateral pact, but feared the 25-member SA delegation might be exasperated by repetition of President Robert Mugabe's threat of a trade war.

They fear particularly that outspoken Confederation of Zimbabwean Industries president Jonee Blanchfield might cause an SA walkout if she repeats her calls for immediate imposition of punitive tariffs.

The sources said SA would try to placate both the World Trade Organisation (WTO) and the Zimbabweans by suggesting an "interim arrangement" to relieve the current crisis for Zimbabwean exports, until a regional trade agreement could be agreed under the aegis of the Southern African Development Community (SADC).

Signing of an SADC trade protocol heads the agenda for a planned August summit.

Sources also noted Zimbabwe's previously autocratic, secretive decision-making process was being obliged to follow the ANC pattern, with Shamuyarira taking with him to Victoria Falls a broad spectrum of private sector parties.

The recent appointment of Erwin was seen as hopeful by the Zimbabweans who were disappointed by predecessor Trevor Manuel's dogmatic view: "SA is just not into bi-laterals".

During her recent visit British Overseas Aid Minister Lynda Chalker urged SA to make an exception and renegotiate a bi-lateral trade agreement with Zimbabwe, in the face of previous criticism from SA employers and trade unionists, who say thousands of jobs are at stake.

SA High Commissioner to Zimbabwe Kingsley Mamabolo said: "I don't think the meeting can resolve in one day what had not been resolved all the time."

# Trade department puts focus on competitiveness

(74) (480) BD 10/6/96

**John Dludlu**

THE trade and industry department — the agency which is hoping to drive the country towards a 6% growth rate by the turn of the century — is forging ahead with strategies to tackle fundamental impediments to competitiveness.

In his 1995 annual report released last week, director-general Zavareh Rustomjee says the department is using three initiatives to identify underlying problems of competitiveness in firms and sectors, rather than continuing to "mollycoddle" them.

The three include the sectoral and cluster studies; the regional industrial location study; and the "corridor" approach such as the Gauteng-Maputo corridor.

The cluster initiative, through Nedlac's Japanese grant fund, is in line with the strategy of strengthening SA's international competitiveness. The location study — in collaboration with SA's regional partners — seeks to develop more coherent industrial and trade policies in the region and provinces.

Rustomjee's comments have been seen by trade observers as referring to the general export incentive scheme (GEIS), which is being scaled back.

Recently, Rustomjee was hit by a barrage of criticism from GEIS beneficiaries when he announced that budgetary cuts had forced him to consider hasty cuts to the subsidy scheme.

According to Rustomjee, the subsidy would have to be slashed to 6% in July (it is currently 12%) if his budget is to balance.

His answer to the criticisms has been consistently an invitation to industries to join the department in the search for solutions to uncompetitiveness.

He says in the report analysis of the factors used to measure the anti-export bias of the economy — one reason for GEIS's introduction — now indicates "much of the structural nature of the bias" has been removed.

Some export support schemes, such as the duty credit certificate (DCC) for clothing firms, have been modified to require greater commitment by companies to human resources development and work reorganisation — some of the key objectives of government's supply-side measures.

Rustomjee says last year's numbers show DCC usage has declined, and firms are choosing rebates instead. "This suggests that firms are choosing not to remove the fundamental bias against their competitiveness, namely past neglect in raising the quality of their human resources."

The report shows 105 white officials resigned from the department last year compared with 12 blacks, six coloureds and two Indians, while 51 whites retired.

Though the intake of blacks at 84 was the highest of any population group (21 whites, 15 coloureds and 17 Indians), promotions were skewed towards whites. More than 100 were promoted compared with 22 blacks, nine coloureds and two Indians.

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# SA, Harare move on trade formula

BD 11/6/96 (74)

Michael Hartnack

HARARE — SA and Zimbabwe yesterday set up three committees tasked with reporting in three weeks on a formula to resolve trade problems between them.

The committees would examine the textile and clothing industry, the agricultural industries of both countries and the footwear, leather and financial sectors. This was announced by Zimbabwean Commerce and Industry Minister Nathan Shamuyarira after day-long talks with SA Trade and Industry Minister Alec Erwin.

Both headed 25-strong delegations representing not only their governments but trades unions and business organisations.

Shamuyarira said officials, business and labour would be represented on each of the three committees — the first time President Robert Mugabe's government has formally admitted the private sector to the decision-making process, as is practice in SA.

Sources close to the talks said SA's 1995 proposals, including a 75% minimum Zimbabwean content for goods to qualify for privileged access, were again discussed, but they raised "many complexities on both sides" — particularly over the threat to jobs perceived by trades unionists.

Shamuyarira said the committees would search for the basis for "good sustainable solutions".

Erwin said he believed a constructive atmosphere had been achieved and real progress made. SA had shown it was serious in seeking an answer to Zimbabwe's imbalance of imports over exports to SA, while the Zimbabweans had shown they were not seeking unnecessary confrontation.

Erwin said he was encouraged by a "meeting of minds" on SA's long-term goal of a multilateral trade framework under the aegis of the 12-member SADC.

Observers say an outstanding problem between the two is continuing Zimbabwean desire for revival of the 1964 "most favoured nation" pact, while SA feels it is bound by the World Trade Organisation's 1993 Marrakesh accord to seek a multilateral or regional basis for preference.

The sources said the talks were marked by notable absence of previous Zimbabwean rhetoric about retaliatory tariffs.

# UK customs officials to train SA counterparts

BD 11/6/96 (74)

CAPE TOWN — A team of British customs officers were due in SA next month to help train overstretched customs and excise officials, customs and excise chief director Fanie Basson said yesterday.

He told the parliamentary finance committee that his main problem was he had only 20 investigating officers dealing with a backlog of more than 600 cases.

But closer co-operation with the police and private sector had resulted in several successful seizures since the beginning of the year, netting an extra R10m in customs duties.

"Because of their success, we have decided to increase the investigations unit by another 30 investigators," he said.

They would be trained by the British team and over the next five years he hoped to boost the investigations unit to 320 people. This would increase customs revenue by about R700m a year.

Basson said the first two of eight scanners ordered for border posts to detect illegal imports and exports would be coming into the country soon. He said they would be in place by November and negotiations were under way with France for larger scanners. — Reuter.

# Committees to thrash out SA-Zimbabwe trade details

CT (BR) 12/6/96 (74)

From Reuter

Victoria Falls — Zimbabwe and South Africa have appointed committees of technical experts on Monday to investigate ways of boosting trade between them in terms of a new agreement they are negotiating.

Nathan Shamuyarira, Zimbabwe's commerce and industry minister, and Alec Erwin, his South African counterpart, said after a one-day meeting that they had given the committees three weeks to complete their investigations before the two sides met again in South Africa at the end of this month.

"We need to go into greater detail to improve trade between the two countries," said Shamuyarira.

The two ministers headed delegations of government, industry and labour officials to the meeting which was aimed at resolving a tariff dispute between them.

Zimbabwe says some of its industries have been almost destroyed after South Africa tripled, to about 90 percent, the import duty on textiles and manufactured goods in 1992 after a 1964 preferential trade pact between the two states expired.

Last month, Zimbabwean President Robert Mugabe threatened to impose retaliatory tariffs against South Africa.

The technical committees will focus on three specific areas: textile and clothing, agriculture, footwear and leather.

Officials at the meeting said the focus on agriculture was likely to pave the way for exports of Zimbabwe's beef products to South Africa which was importing the bulk of its needs from Europe.

"We are conscious of the trade imbalance and the need for a mutually beneficial solution because we realise there is a great deal of scope to improve flows of trade between our two countries," said Erwin.

# SA's trade policy draft likely to be unveiled

74

Sowetan 13/6/96

## Document aims to lay framework to create 500 000 jobs by year 2000

By Waghied Misbach
Political Reporter

GOVERNMENT'S long-awaited blueprint for economic policy will Iprobably be unveiled in Parliament tomorrow after much deliberation over the plan by the Cabinet yesterday.

At the time of going to press, the Cabinet was in deep discussion about the document that aims to provide a framework for creating 500 000 jobs and a six percent growth rate by the turn of the century.

It is expected that Finance Minister Trevor Manuel will release the plan during his speech in Parliament tomorrow.

Sources speculated yesterday that the Government's national growth and development strategy will attempt to ease the fears of business, in the wake of waning business confidence.

The plan is likely to drive a further wedge between business and labour, which is already involved in a public row over business's document "Growth for All".

Among the issues that are likely to feature in the document are strong measures to curb Government spending, give tax incentives for investment and the gradual phasing out of exchange controls.

The plan, apparently contained in a weighty document, is expected to also cover the lowering of trade tariffs and outline policy on how the Government plans to facilitate more competition in the South African economy and breaking down the concentration of wealth in a few hands.

The document is also likely to propose a number of measures including the privatisation of Government's "dead wood" or as it is euphemistically referred to as "restructuring of state assets".

All the major role players were tightlipped about the plan yesterday, with a spokesperson for the South African Chamber of Business saying that they will only comment once the plan is released.

Congress of South African Trade Unions representative Neil Coleman confirmed that his organisation and the South African Communist Party had been briefed by the African National Congress about the plan on Sunday, but he declined to release further details.

"It was a general briefing. We don't have the document. We can only respond if we have the document," he said. The document is, however, only a draft of what could eventually become government policy, sources said yesterday.

**'Senate told on Tuesday that the plan was not going to be one of 'wishes' but would be a comprehensive plan to get the economy back on track'**

### Submitted for discussion

The plan will have to be submitted for discussion to Nedlac, and will also be further debated in Parliament.

Sources said the plan's will seek to address all the crucial areas of the economy.

Manuel, Labour Minister Tito Mboweni and Trade and Industry Minister Alec Erwin are said to have been the major architects of the document although the driving force behind the proposals is Deputy President Thabo Mbeki, who has been spearheading the initiative since last year. Mbeki announced his "Growth and Development Strategy" in February this year, as one which would push up the growth rate and create jobs. That strategy will now come to fruition in the plan that Cabinet will finally approve this week and then pass on to Parliament for further debate and fine-tuning.

He told the senate on Tuesday that the plan was not going to be one of "wishes" but would be a comprehensive plan to get the economy back on track.

# Trade officials to meet on tariff barrier question

John Dludlu (74) BD 13/6/96

SENIOR trade offficials from the 12 nations affiliated to the Southern African Development Community (SADC) are meeting this week to finalise a foundation for the progressive removal of tariff and non-tariff trade barriers in the region.

Spokesman Kgosinkwe Moesi said the Pretoria meeting, ahead of tomorrow's trade and industry ministerial meeting, hoped to finalise the trade protocol to be ready for high-level discussion at the SADC's annual council meeting in August.

The protocol would outline areas of co-operation and buoy trade in the region. Officials close to the meeting said work was far advanced on the legal framework for trade co-operation in the region, though there was still no agreement on the speed with which tariffs and non-tariff barriers to trade should be dismantled to pave the way for countries in the region to give each other concessions.

Although certain nations had gone some way towards reducing tariffs, this had been done in the context of other obligations and not in the regional framework. One senior official at the talks said the discussions also covered time frames of progressive liberalisation. "We are trying to make it as thorough as possible."

A legal framework, binding on member states, would open the way for a "step-by-step" negotiation of products and sectors to be covered in a free trade deal.

The Pretoria talks also cover other issues handled by the SADC's trade and industry sector, co-ordinated by Tanzania, such as industrialisation, standardisation and small-, medium- and microenterprise development in the region.

In another development, sources believe last week's report alleging R11m in donor funds was missing from the SADC's coffers, will cast a dark cloud on the regular meeting of the organisation's sectors later this month.

The claims have been strenuously denied by the secretariat as an attempt to tarnish its image.

None of the donors of the SADC had so far voiced any concerns to the secretariat, headed by executive secretary Kaire Mbuende, which runs the SADC. Donors had confidence in the institution's controls.

Meanwhile, a foreign affairs spokesman said the department had asked SA's high commissioner in Gaborone, Botswana, to get clarity from the secretariat on the allegations.

# EU may lobby SA to cut steel tariffs

(1880) (74)

John Cavill

BD 14/6/96

LONDON — SA is expected to come under pressure to reduce its tariffs on steel imports in the negotiations on a free trade agreement with the European Union which start in Brussels next week.

Eurofer, the industry body which represents 90% of EU steel output, wants the EC to seek a symmetrical reduction of tariffs by SA.

A Eurofer spokesman in Brussels said yesterday: "We consider SA import duties are very high on special steels and products such as hot rolled coil.

"As SA is becoming a very important international producer and exporter we would like to see a provision in the trade agreement with the EU (for SA) to bring down its tariffs."

The spokesman said there was a huge imbalance in EU-SA trade in steel. "In 1995 exports to Europe from SA of all steel — from semis up to coated steel but excluding pipes — averaged 30 000 tons a month. EU sales to SA were only 10 000 tons a month."

SA duties on special steels range from 10% to 18%. Tubes face a 10-15% surcharge which compares with the maximum EU tariff of 7%.

A report in yesterday's Metal Bulletin said EU steel producers "are fast losing patience with the economic grace period" granted to SA since it became a full-blown democracy.

"Critics complain political change has not been accompanied by a disbanding of the protectionist 'laager mentality' economic policies of the apartheid era," it said.

SA's advantages — such as cheap raw materials and labour costs and new "state of the art" plants — have allowed it to invade Europe's domestic markets.

# Trade war looms for SA and neighbours

(74) CP 16/6/96

LET'S TALK ... SA trade chief Alec Erwin.

THE TRADE appetite displayed by South Africa, whose exports to the rest of the continent jumped 52 percent last year, is arousing concern among neighbours, who accuse the young democracy of hegemonic tendencies.

Last year, South African exports to the continent jumped to R13,08 billion, compared with R8,63 billion the previous year, according to official figures.

At the same time, the country's imports from other African countries rose by only 19 percent.

"The cordial atmosphere that characterised South Africa's formal entry into the SADC (Southern African Development Community) is evaporating," said the bulletin of the Africa Institute, which studies relationships with the continent.

"Despite the promises of regional integration, the imbalance is growing," said one diplomatic source.

South African Trade Minister Alec Erwin tried last week to calm Zimbabwe, South Africa's leading African trading partner. Zimbabwe had threatened a "trade war" in the face of dumping by the South Africans.

The country's exports to South Africa eased by 1 percent last year while its imports from South Africa surged by 54 percent.

At the end of May, Kenya warned that Pretoria's high tariffs could give rise to African trade wars.

South Africa, which has always promised to be a regional economic "locomotive", says it prefers to negotiate a general trade deal within the SADC, rather than to settled problems case by case.

"We cannot be an island of prosperity in an ocean of poverty. Our destiny is linked to the region," said one official at the South African Trade Ministry.

But its neighbours accuse South Africa of dragging its feet on the creation of a joint regional space.

In the meantime, countries in the region, which strongly fought the apartheid regime, note bitterly that the democratization of South Africa is being accompanied by economic development that is to their detriment. – **Sapa-AFP**

The precise dates when the White Papers will be presented to Cabinet will be determined by the time necessary to process the comments received and by the cycle of scheduled Cabinet meetings. The Department will take into account the comments received, revise the Draft White Paper as necessary and then submit them to Cabinet during August or September. Subsequent to this, these White Papers will be presented to Parliament.

**Trade and Industry: White Paper**

74

*32. Mr I D VAN ZYL asked the Minister of Trade and Industry:†

Whether his Department is drafting a White Paper at present; if not, why not; if so, when will it be published? N1000E

The MINISTER OF TRADE AND INDUSTRY:

The Department published a "White Paper on National Strategy for the Development and Promotion of Small Business in South Africa" in March 1995. Based on this White Paper, a National Small Business Bill was presented to Cabinet.

A "Green Paper on Customs Tariff Policy with Regard to Agricultural Products" was jointly published for comments by the Department of Trade and Industry and Agriculture. The comments received are at present being studied. The "White Paper on Customs Tariff Policy with Regard to Agricultural Products" is expected to be completed by August 1996.

**Mineral and Energy Affairs: White Paper**

*33. Mr M VAN S HAMMAN asked the Minister of Mineral and Energy Affairs:†

Whether his Department is drafting a White Paper at present; if not, why not; if so, when will it be published? N1001E

The MINISTER OF MINERAL AND ENERGY AFFAIRS:

Yes. The Department of Mineral and Energy Affairs are currently in the process of drafting White Papers on Energy Policy and on Mineral and Mining Policy.

*White Paper on Energy Policy*

A 200 page detailed and technical Energy Policy Discussion Document was written and released for analysis and comment in August 1995. More than 100 written responses totalling more than 1 500 pages were received including detailed comments from the United States Department of Energy, International Energy Agency, Danish Government, International Institute for Energy Conservation and a number of international commercial energy organisations. In addition five structured consultative workshops were organised and attended by about 900 persons. Fifteen issue rapporteurs summarised all the results, followed by active consultation with major stakeholders and the Parliamentary Portfolio Committee on Mineral and Energy Affairs. An editing committee compiled all the components and developed additional sections. The draft White Paper will be published by August 1996 and submitted to Cabinet and Parliament toward the end of the year. The final White Paper is expected to be published by February 1997.

*White Paper on Minerals and Mining Policy*

After extensive consultations, workshops and public meetings, a Discussion Document on a Minerals and Mining Policy was published in November 1995. Since then a tripartite Working Group have been consulting with the Mineral and Energy Affairs Portfolio Committee, various mining companies, the Chamber of Mines, organised labour, the Provinces and other interested and affected parties. By the end of July 1996 a Green Paper will be published for submission to Cabinet and Parliament. The final White Paper is expected to be published by October 1996.

**Public Enterprises: White Paper**

*34. Mr P W COETZER asked the Minister for Public Enterprises:†

Whether her Department is drafting a White Paper at present; if not, why not; if so, when will it be published? N1002E

The MINISTER FOR PUBLIC ENTERPRISES:

No, we have realised that the implementation of the options of the restructuring process may not be effectively implementable without the backing of the legislative process. In this regard, once the sectoral task teams have developed proposals on the option for restructuring, a policy document will have to be developed



which we envisage will result in a draft piece of legislation to be submitted to Cabinet.

**Supply of uranium to France**

*35. Mr W A HOFMEYR asked the Minister of Mineral and Energy Affairs:

(1) Whether South Africa has supplied any uranium to France since 1975; if not, what is the position in this regard; if so, what are the relevant details;

(2) whether any such sales were subject to restrictions regarding the use of uranium for military purposes; if not, why not; if so, what are the relevant details;

(3) whether it has been determined whether any South African uranium was used by the French government in the recent series of nuclear tests in the Pacific Ocean; if not, what is the position in this regard; if so, what are the relevant details;

(4) whether the Government has taken or intends taking any steps to prevent the use of South African uranium in nuclear tests or for other military purposes; if not, why not; if so, what steps? N1003E

The MINISTER OF MINERAL AND ENERGY AFFAIRS:

(1) Yes, uranium is exported to France in two forms—as ore concentrates (the so-called yellowcake), and uranium hexafluorides ($UF_6$).

Yellowcake exports to France amounted to:

| | |
|---|---|
| 1977: | 655 t (metric tons) |
| 1978: | 227 t |
| 1979: | 2 404 t |
| 1980: | 3 057 t |
| 1981: | 2 927 t |
| 1982: | 1 487 t |
| 1983: | 2 231 t |
| 1987: | 900 t |
| 1988: | 450 t |
| 1989: | 300 t |
| 1990: | 100 t |
| 1991: | 133 t |
| 1992: | 133 t |
| 1993: | 134 t |
| 1994: | 691 t |
| Total: | 15 829 t |

Uranium hexafluoride exports amounted to:

| | |
|---|---|
| 1995: | 337 t |
| 1996: | 115 t (up to present, June 1996) |

The total quantity therefore amounted to 16 321 t since 1975.

The quantities quoted above were obtained from the Atomic Energy Corporation's (AEC) existing records as reflected in export permits granted.

(2) In terms of the Nuclear Non-Proliferation Treaty (NPT), France is one of five nuclear weapon States (NWS). The NPT does not lay down any restrictions for the supply of uranium to NWSs.

Although SA concluded specific contracts with the UK and the USA for the supply of uranium for military purposes in the 1950s, these contracts expired in the late 1960s and early 1970s. South Africa has never had a similar contract with France.

In spite of the fact that the NPT does not lay down any requirements for NWSs, conditions of supply were gradually introduced over the years and made more restrictive. In 1982, with the creation of the present Atomic Energy Corporation of SA, Ltd, it became policy to require recipient NWSs to give an assurance of exclusive peaceful use and to subject nuclear material to international (IAEA) safeguards. In the present Nuclear Energy Act (1993) the export of nuclear material to NWSs for non-peaceful uses is strictly forbidden. Exports must be authorised by the Minister of Mineral and Energy Affairs.

(3) France has publicly stated that its civil and military nuclear cycles are operated separately and that for the latter it uses uranium, only for powering nuclear submarines, from its own uranium mines in France.

France is a large user of uranium for the production of electricity for civil use—more than 70% of the electricity in France is produced by uranium fuelled power reactors. France imports uranium from many supplier countries, especially through French companies with activities in Niger and Gabon.

# EU attacks SA over accord

BD 19/6/96 (74)

CANNES — The European Union and SA clashed yesterday over delays to a free trade agreement and said such a deal was now at risk.

The diplomatic spat was sparked when EU development director-general Steffen Smidt launched an unexpected attack on SA for its hesitancy in formulating a position for imminent free trade talks between the two areas.

Smidt told an investment conference that SA was dragging its feet. "There is no understanding in Europe for the hesitation ... the EU position seems to be considered unattractive," he said.

Smidt warned that the opportunity for a free trade agreement might not exist indefinitely.

SA officials who are at this southern French resort to present a new macroeconomic framework cast doubt on whether the country even wanted such a deal.

SA trade and industry director-general Zavareh Rustomjee said that a deal could affect the whole of southern Africa, and the effect on jobs had to be assessed.

Negotiators from both sides are due to meet in Brussels on Friday. Concern has centred on the possible effect of SA agricultural products on European markets and that of European-made goods, like cars, on SA domestic industry.

Finance Minister Trevor Manuel said the hold-up to the talks had been caused by the need to consult SA's regional neighbours.

The dispute comes at an embarrassing time for SA as ministers here had hoped to concentrate on trying to win foreign investors over to their new economic plan — which aims for 6% annual growth, and creation of 400 000 new jobs a year by the turn of the century.

Manuel said if a free trade deal fell through, it would not hurt the plan: "We have not really factored in significant contributions from the prospective EU-SA trade agreement into our macroeconomic framework." — Reuter.

Comment: Page 14

# Nzo hits out at Europe's stance

Tim Cohen

CAPE TOWN — Foreign Minister Alfred Nzo accused the European Union (EU) yesterday of reneging on earlier commitments to support development in SA in its mandate for trade negotiations.

Speaking in the parliamentary foreign affairs debate, Nzo said SA's relations with its biggest trading partner — the EU — were of critical importance.

"We are concerned that the EU's mandate for the trade negotiations has been eroded since the strong commitment in support of SA's transition to democracy which had earlier been expressed," he said.

He and President Nelson Mandela had raised the matter with European heads of state and it would be raised again.

Nzo also expressed concern over recent restrictions on democracy in Zambia. Government would try facilitate solutions.

*Motor, textile and clothing industries 'not targeted'*

CT(BR) 19/6/96

# State denies growth plan tariff stand

(74)

By Christo Volschenk and Nancy Myburgh

Cape Town — The government was forced to reassure the country's nervous textile, motor and clothing industries yesterday that they had not been specifically targeted for rapid tariff reductions in the new national economic policy framework.

A spokesman for the department of trade and industry denied that tariff reductions in these sectors would be accelerated. But Appendix 4 of the growth plan specifically refers to the sectors.

Point three in the appendix states: "Accelerated tariff reform, bringing forward by two years the scheduled adjustments on clothing, textiles and vehicles, and reducing all other lines by 5 percentage points on average in 1997. This improves competitiveness and dampens inflation."

Presenting the plan in parliament last Friday, Trevor Manuel, the finance minister, insisted that "tariff reforms will be accelerated to help lower prices for industrial inputs and low-income households, thereby avoiding job losses in sensitive sectors and removing price distortions in domestic markets".

But faced with the ire of the three labour-intensive industries, the finance ministry said yesterday that the example in Appendix 4 was simply an illustration of policy goals.

"Their concerns arise from a misunderstanding," said a spokesman. "Appendix 4 illustrates the possible macro-economic consequences (of accelerated tariff reductions). The model was not sectorally specific, so those particular industries need not fear. It's not necessarily (needed) in those sectors, as long as it takes place in some sectors."

Manuel, who is now in Europe, used fiscal deficit figures from the same appendix and model, however, to demonstrate how firmly, and specifically, the government was committed to reaching its 6 percent growth target by 2000.

Alan Hirsch, a senior official in the trade and industry department co-responsible for the revision of tariffs, yesterday denied that the clothing, motor and textile industries would be targeted. He also said that too much emphasis should not be placed on the framework timetable for the reduction of tariffs.

Until Hirsch threw cold water on the issue, the textile and motor industries and textile industry unions were outraged by government's "unilateral decision".

Separate agreements, including a timetable for tariff reductions, were concluded about a year ago between the government, the three sectors and labour unions. These timetables are now implemented.

André Roux, an economist at the Development Bank and one of the co-ordinators of the technical team assisting in the drafting of the plan, said that while the government stood behind the policy of accelerated tariff reduction, "the level of protection for local producers will be greater than it was in January (even after the acceleration of tariff reduction)".

☐ See Business Watch Page 18

# We'll stick to the plan, says Manuel

By Paul Harris

Cannes — The details of South Africa's new macro-economic plan have yet to be worked out, but the framework itself is not negotiable, Trevor Manuel, the finance minister, told an investment conference yesterday.

Manuel said the government would show that it could lead by sticking to the plan.

The framework has been welcomed by business but drawn some criticism from labour unions for being "conservative".

One of the key planks of the plan is a commitment to the partial or complete privatisation of state-owned assets, starting with the telecommunications sector.

Parts of other areas like radio, leisure, forestry, minerals and transport would follow.

He said that the plan would not be affected by inability to reach a free trade agreement with the European Union.

Earlier Steffen Smidt, the EU director-general of development, attacked South Africa for hesitating over the talks and asked if it really wanted such a deal.

"We have not really factored significant contributions from the prospective EU-South Africa trade agreement into our macro-economic framework," Manuel said.

The plan aims for annual growth of 6 percent by 2000 and to create 400 000 new jobs a year by the turn of the century. It is seen as vital for South Africa's future development.

Manuel said the free trade talks were taking time because South Africa had to consult its other trading partners on the implications thereof. — Reuter

☐ See Bifsa's reaction, Page 21

# Atmosphere at SA-EU talks has turned a little sour lately

(74) Star 20/6/96

By John Fraser
Star Foreign Service

Brussels – South African trade negotiators had their heads down here last night preparing for the re-launch of talks with the European Union but there was no disguising that the atmosphere had been soured.

Europe's chief negotiator Steffen Smidt had launched a stinging attack on SA at a business and finance forum in Cannes on Tuesday. He accused Pretoria of foot-dragging, and warned that if there was not a response soon to the EU's offer, it might be withdrawn.

Ironically, the EU itself spent more than four months reaching an agreement among its 15 nations on how generous to be to SA.

When it was finally tabled a few months ago it was not greeted with much enthusiasm by the South African side.

"The dilemma is if Europe is too mean to SA, the South Africans will say no – but if it is too generous, EU governments will say no," explained a senior diplomat.

"The stakes are high because the EU and SA are major trading partners but unless there is progress soon, a lot of momentum and goodwill will have been lost.

"Let's just hope that instead of attacking one another in public, the EU and SA will be prepared to do a deal which will be of benefit to both sides."

Europe's offer to SA is to negotiate a Free Trade agreement but at least 40% of SA farm exports would be excluded from the benefits of a deal.

SA has also caught wind that Europe wants to link these trade talks with a separate and deeply contentious issue: the still to be negotiated fishing deal between SA and Europe's fish-hungry fleets. South African officials view this linkage as manipulative.

# Trade committee to have say on policy

John Dludlu

BD 21/6/96 (74)

THE process of drawing up competition policy, formerly the domain of a task team appointed by Trade and Industry Minister Alec Erwin, will have input from the parliamentary standing committee on trade and industry.

The committee, which this week vowed to pursue the banks over alleged collusion on lifting interest rates, has set up a seven-member committee drawn from all parties to draft its own proposals, which will be passed to Erwin's team.

Chairman Edna Sethema-Molewa said yesterday the committee was exchanging ideas with Erwin's task team. The committee would also hold hearings on the legislation, possibly in parallel with discussions within Nedlac. She favoured very strong competition laws, although she declined to be drawn further. The Competition Board was "toothless" and had failed to carry out certain investigations effectively.

Sources said the committee's deci-

Continued on Page 2

# Competition

Continued from Page 1

sion had been partly driven by the board's failure to launch an investigation into the banks' action.

The move is likely to add an edge to Erwin's attempts to draft policy. Predecessor Trevor Manuel threw out previous proposals, but Erwin has reappointed to his drafting team the proposals' authors — board chairman Pierre Brooks and Cape advocate Willem Pretorius.

Other members include Wits law professor Dennis Davis, academic David Lewis and parliamentary committee member Piliso Ntaupane.

Erwin has also said the draft will be discussed within Nedlac, but not through line-by-line discussions. His department was unavailable for comment yesterday.

Meanwhile, the interdisciplinary subcommittee set up this week to probe last month's rate hike by banks met last night to draw up a list of institutions and individuals to be called to appear before the hearings.

The Council of SA Banks emerged from a "cordial" meeting with Brooks with a more conciliatory attitude, promising to co-operate with Sethema-Molewa's inquiry.

# After eight months, SA and the EU start talking

BD 21/6/96 (74)

BRUSSELS — The European Union and SA resumed negotiations, after an eight-month pause, on a free trade agreement yesterday, a European Commission spokesman said.

During two days of technical talks, SA was due to respond to the EU's trade offer made in March and agree to a timetable for completing the negotiations.

EU development commissioner Joao de Deus Pinheiro and SA Trade Minister Alec Erwin may meet in Brussels in mid-July to take stock.

**John Dludlu** reports that commission spokesman João vale de Almeida said the commission — which was negotiating on behalf of the 15 member states — was still optimistic negotiations would be concluded by year-end, so that the agreements could be implemented early next year.

Although the EU was expecting SA to table its response, SA sources in Brussels said this week that Pretoria's mandated position was still under discussion with partners in the southern African region.

He said yesterday's talks, which are continuing today, hoped to finalise other parts of a multifaceted co-operation agreement, and progress with preparations for SA's partial accession to Lomé Convention.

Sources close to the union said the hurdles to SA's membership to the convention included clarifying SA's limited trade-related benefits

The problematic clause allowed African, Caribbean and Pacific (ACP) countries to source inputs from SA on an "ad hoc basis". — something which has raised concerns in Pretoria and caused confusion among ACP nations.

SA also would like to see its firms gain early participation in the contracts funded by the European Development Fund.

Brussels sources played down this week's clash between SA and the EU over Pretoria's delays in coming up with a response. — Reuter.

# Trade standards reviewed

(74) Sowetan 1/7/96

AN international trade development expert has called for the establishment of common regional trade standards to ensure the success of Southern African trade blocs.

Sheila Page of the London-based Overseas Development Institute says most regional trade groupings could not benefit from free-trade as they lack standardised regulations to govern trade in Southern Africa.

Some of the region's economic groupings tend to touch on specific economic areas such as investment and to provide trade guarantees only in principle.

"Most countries in Southern Africa belong to either or both of two regional groupings, each of which has a different mandate. As a result, there are usually conflicts of interest as members of each grouping tend to give preferential treatment to members of different groupings," she says.

She cites SA which is a member of the SADC and the South African Customs Union. – *Sapa.*

BUSINESS

# Relief for Zim trade

sowetan 1/7/96 (74)(562)

## Simplification of the tariff structure will enhance efficiency of domestic firms

THE ZIMBABWE GOVERNMENT over the weekend announced the long-awaited rationalised tariff structure aimed at "levelling the playing field" to enable local producers to trade competitively on international markets.

Announcing the new tariffs, deputy finance minister Misheck Chinamasa said the rationalisation will address the anomalies, inconsistencies and distortions inherent in the current tariff structure.

He said the existing macro-economic environment made it difficult for companies to survive in the short to medium-term even where they had comparative advantages that allowed them in a more open trading environment in the longer term.

"It has therefore become imperative to take measures that will provide a level playing field with competing imports and also avail a level of protection which is adequate but not excessive," Chinamasa said.

He said simplification of the tariff structure would enhance the efficiency of domestic companies and promote trade through the elimination of the cofusion arising from the large number of tariff bands.

"The new tariff regime involves the categorisation of goods according to layers and inter-relationships within the industry," he said.

Under the regime, to become effective on July 1 1996, the duty on raw materials and merit goods such as educational, medical and goods for the blind and disabled was fixed at five percent, narrowing the range from the current range of between zero and 40 percent while the duty on capital goods was also fixed at five percent compared to the current range of between zero and 56 percent.

### Processed goods

Duty on partly processed goods was pegged at 15 percent compared to the current range of zero to 55 percent.

Intermediate goods and other consumables had their duty fixed at 30 percent while finished goodS duties, which currently attracted maximum duty of up to 85 percent, were fixed at 50 percent.

Lower rates of duty, he said, would apply on components for assembly in the electronic and motor vehicle sectors under conditional entry.

Chinamasa said tariffs higher than the maximum level would be applied on clothing and textiles, batteries, luggage-ware and selected agricultural products in view of the threat to these products from foreign suppliers.

Surtax at the current rate of 10 percent would be retained on finished goods and consumables.

He noted that exemptions from duty and tax posed a tremendous administrative burden on the customs administration and, furthermore, exemptions are a hidden subsidy which inhibits transparency on the actual expenditures incurred.

"I therefore propose the removal of the following exemptions: goods for government use, goods for use by the District Development Fund, capital goods, merit goods cleared on a certificate issued by the Ministry of Industry and Commerce and goods imported for approved projects."

He added that while most of the exemptions became effective on July 1, goods for use by government, the DDF and capital goods entered into consumption would become effective on or before September 30.

However, Chinamasa said exemptions provided for goods imported under technical aid agreements, mining exploration and goods for charitable and religious organisations would be retained. – *Sapa-Ziana.*

# Progress made in employment talks

BD 1/7/96 (597) (60)

Renee Grawitzky

LABOUR, government and business are said to be moving closer on four controversial sections of the green paper on employment standards — the phasing in of a 40-hour week, the scope of the proposed legislation, the variation of standards and maternity leave.

When the green paper was published, Business SA expressed concerned as to whether it could achieve a balance between maintaining labour standards and ensuring that legislated costs of employment were not imposed to the detriment of job creation. In particular it opposed the introduction of a 40-hour week.

Negotiations have attempted to trade off between a 40-hour week and increased flexibility. Parties are exploring options around the phasing in of a 40-hour week over a number of years, achieved through a national framework agreement.

Within this context, various options could be explored relating to working a compressed week, where employees work up to 12 hours per day at normal rates of pay, to averaging working time over a cycle longer than one week.

Sources have indicated that disagreement could result over whether the legislation would make any reference to a 40-hour week.

Intense debate has taken place around the scope of the proposed legislation and which type of workers and elements of business should be excluded. Labour has opposed business's demand for the partial exclusion for small business and pioneer businesses.

Business has emphasised the need for flexibility and has demanded that employment standards could be negotiated below the minimum standards through collective bargaining. Government has proposed four months (unpaid) maternity leave linked to job security. This has been opposed by business which has proposed that the current three months unpaid leave apply. Labour has proposed a minimum of six months paid leave. Sources indicated that the parties might agree on a lesser, but paid period.

Elements within some constituencies feel the negotiations have been shrouded in secrecy. This has been greater than that during the Labour Relations Act negotiations, they say.

However, National Economic Development and Labour Council executive director Jayendra Naidoo, who was brought in to act as chairman halfway, said parties were attempting to explore options to reach agreement on an overall package of issues, which necessitated that they did not negotiate through the media.

# Inflation forces new wage talks

Renee Grawitzky (142) (146)

EMPLOYERS and trade unions which are party to the three-year vehicle manufacturing and tyre agreements entered into last year have had to revisit certain clauses of the agreement due to the decline in inflation.

National Union of Metalworkers of SA spokesman Tony Kgobe said yesterday that in terms of the three-year agreements signed in both industries, the parties would have to revisit the section relating to the wage model if inflation fell either below 8,5% in the case of vehicle and below 8% for tyre or if it rose above 14%.

He said during discussions with the employers, the union had proposed a 14% increase for those workers on the minimum of each grade and 12% for remaining workers. Kgobe said employers indicated that they could not go beyond the published inflation rate of 5,9% as it would impact on the wage model, but thereafter proposed a 6% across-the-board increase and an additional 2% to increase the minimum.

Auto Manufacturing Employer Organisation chairman George Stegman said that during discussions both parties had concurred with the need to uphold the intent and spirit of the agreement and in that vein would have to find agreement on the wage issue.

Spokesman for the tyre industry Juan Dewelzin said the agreement only provided that parties should review the wage model which excluded negotiations on an across-the-board increase.

BD 1/4/96

# Erwin denies claim of down-phasing

(74) BD 1/7/96

John Dludlu

TRADE and Industry Minister Alec Erwin has dismissed claims from business that government has accelerated its tariff reduction programme to levels far below SA's offer to the Uruguay round of GATT talks.

Erwin told the SA Labour Bulletin: "The notion that there has been a dramatic down-phasing of tariffs is in general not true."

He is quoted as saying only 5% or 10% of SA's tariffs are above the binding offer made by government to GATT. Actual tariffs are in virtually all cases below the offer. The exceptions were clothing and textile, motor vehicles and certain electronic goods.

Some labour sources have called for the tariff reduction programme to be slowed down, especially as it has not been accompanied by supply-side instruments to assist industries undergoing restructuring. However, Erwin says no one has made a conclusive case that the sole reason for job loss is tariff protection. "The reason is industry is overprotected and will not sustain itself over time."

He points to the motor industry: "How are you going to compete in the car industry when you've got seven plants, the average throughput of those plants is 50 000 to 60 000 cars, and a Japanese plant produces 400 000?... The longer you leave the delay, the worse your position is."

Erwin says training should have "high levels of generic training ... portable skills. You can't have training that will equip you only for the chemical industry, because that industry will change."

NE

*Fears that SA will sever ties to gain access to Chinese market*

# Taiwan offer to boost SA trade

CT(PMR) 2/7/96 (74)

From Sapa-AFP

Taiwan — Taiwan offered to increase trade and investment in South Africa yesterday, but opposition MPs reminded the government that South Africa might eventually sever official ties under pressure from China.

"We have told them we will further increase our trade with South Africa, even though we are on the deficit side in bilateral trade," Wang Chih-kang, the economics minister, said after meeting a South African delegation led by Alfred Nzo, the foreign minister.

"We also said we strongly desire to continue encouraging more Taiwan firms to invest in South Africa," Wang said.

Nzo, who visited China in March to explore establishing official relations with Beijing, is on a three-day fact-finding trip on behalf of President Nelson Mandela to assess South Africa's relations with Taiwan.

China has told South Africa that if it wants to set up formal relations with Beijing, it must first cut official ties with Taiwan.

Local press reports said economic interest should be one large factor in Pretoria's assessment of its relations with Taipei and Beijing.

Wang said Taiwan's trade with South Africa was worth $1,8 billion last year with South Africa recording a trade surplus of $174 million. From January to May this year, South Africa enjoyed a $22 million surplus. About 300 Taiwanese firms have invested $28,4 million in South Africa, according to government statistics.

Wang said Taiwan planned to set up an industrial zone in South Africa to help develop industries and small enterprises.

According to press reports, the plan is to set up a 60ha to 100ha industrial zone in South Africa where the Taipei government would ask about 20 to 40 small and medium-sized enterprises to invest and help Pretoria develop its domestic industries.

Taiwan also has a $15 million economic aid programme, which is part of a $310 million co-operation project with South Africa.

China's trade with South Africa was worth $1,33 billion last year. It has offered South Africa most-favoured nation treatment. Beijing promised a further investment of $50 million in South Africa.

Nzo said his discussion with Wang was successful. He said both sides agreed that their economic relations needed to be extended.

Hsu Li-tech, Taiwan's vice-premier, said he would visit South Africa soon "to discuss further economic cooperation" with Pretoria.

Opposition MPs asked the government to "prepare for the worst", saying South Africa might eventually sever official ties with Taiwan under pressure from China.

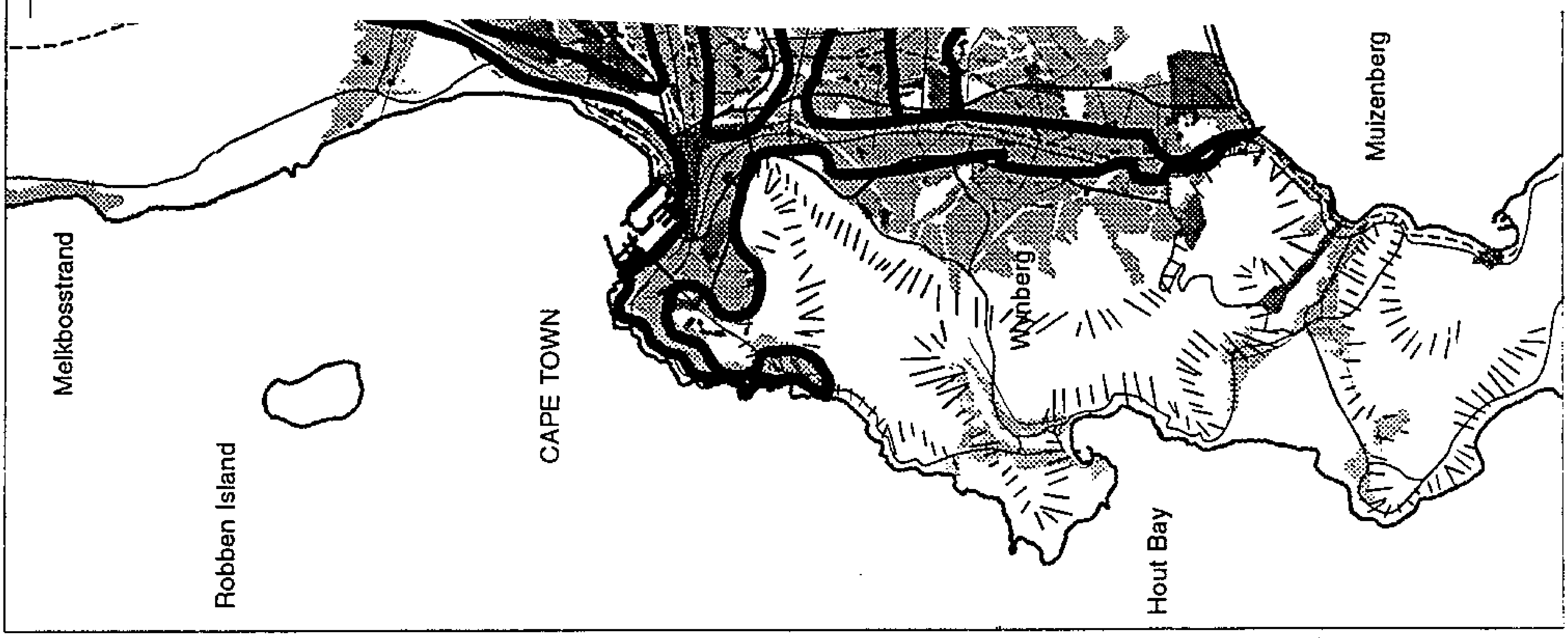
"Nzo's visit could be a trip to terminate ties with Taiwan, a showdown with the government here, and relations between the two countries would inevitably face the countdown," said Chang Chun-hsiung of the main opposition Democratic Progressive party.

He said the Chinese threat and temptation were irresistible, noting that South Africa's high unemployment rate meant it was most important for Pretoria to expand its exports and explore China's vast market.

China has threatened that after next year's handover of Hong Kong, South Africa might have to remove its offices in the territory, where Pretoria has large trade operations.

The mass-circulation United Daily News said it was likely that South Africa had already decided to switch recognition to Beijing, and that Nzo was visiting the country to inform the government of this decision.

John Chang, Taiwan's foreign minister, said the country had firm relations with Pretoria.



# SATF wants Govt to reduce tariffs

(74) (124) (198) Sowetan 3/7/96

SOUTH Africa's textile and clothing industry says it has recommended that the Government reduce punitive tariffs on Zimbabwean exports by about half.

The president of the South African Textile Federation, Mike Hankinson, says the offer was made at a meeting held in Pretoria last week between representatives of the textile and clothing sector from both countries.

The meeting was the first of several planned between three technical committees set up at Victoria Falls when Zimbabwe and South Africa met last month to resume stalled talks aimed at concluding a new bilateral trade pact.

"A lot of progress was made on the issue of local content and tariffs, and we have found common ground to negotiate from," Hankinson says.

"On the duty, we have offered a reduction for Zimbabwe on the duties in place of about 50 percent. Obviously Zimbabwe is looking for much lower duties and we continue to negotiate and there is no deadlock."

He says while Zimbabwe's demand for lower duties is understandable, it has to be accepted that international trade in clothing and textile products is depressed at present.

"It is a difficult situation not only for Zimbabwe, but for South Africa as well and the whole industry internationally. We are going through a difficult phase and everybody is trying to do their best to survive," Hankinson says.

The Zimbabwean official news agency *Ziana* reports that South African clothing and textile companies are no longer insisting on local content of 75 percent for Zimbabwean products destined for SA, saying it is "no longer an issue between the two parties".

However, Hankinson has denied that local companies have dropped the demand for local content, but will not be discussing it at the meetings as the groups believed they could reach a fair agreement.

He says a further meeting is scheduled to be held in Cape Town by the end of this month. – *Sapa* and *Ziana*.

# SA to link trade deals to worker rights

BARG 3/7/96 (74)

ESTELLE RANDALL
Labour Reporter

SOUTH AFRICA is to adopt a new foreign policy of insisting that its trading partners protect the rights of workers before entering any trade agreement with this country.

This is the effect of a landmark agreement involving business, labour and the government.

The "social clause framework", agreed to in the National Economic Development and Labour Council (Nedlac), commits the government to call for the inclusion of trade union rights, collective bargaining and fair employment practices in new trade agreements with other countries.

The framework agreement will be monitored by Nedlac's trade and industry chamber through reports from government on all trade negotiations.

The inclusion of the social clause in trade agreements would not be used as a barrier to trade, said Jayendra Naidoo, Nedlac's executive-director. It was part of a strategy agreed in the social clause framework for South Africa to lead the initiative to enforce compliance with International Labour Organisation (ILO) core conventions on labour standards by member states.

The ILO, which consists of government, business and labour representatives, is urging all countries to ratify its seven core conventions on trade union rights, collective bargaining and fair employment practices.

"Principles underlying the social clause framework mean South Africa will campaign to improve rights and conditions of workers through international organisations and in bilateral trade talks," said Mr Naidoo. There was a danger that world trade liberalisation and globalisation of the world economy would lead to worker rights being downgraded.

The social clause framework reaffirmed the principle that economic growth and development be underpinned by commitment to social justice, including respect for universally recognised labour standards as contained in the ILO conventions.

As a first step to implementing the framework, South Africa itself must ratify these conventions. It will use its leadership and presidency of the United Nations Conference on Trade and Development (Unctad) to advance further the cause of universal respect for labour standards – and South Africa's delegates to the ILO will lead the campaign to enforce compliance with the conventions by member states.

# Law society believes in most members' integrity

( ) BD 3/7/96

**Susan Russell**

THE Transvaal Law Society, when it appointed an independent commission to investigate unsubstantiated public complaints about misconduct by attorneys, said it believed the move would substantiate the confidence it had in the integrity of the majority of its members.

The relatively few complaints received by the one-man commission, conducted by retired magistrate Willem Krugel, indicated that the society's faith in its members as a whole was not misplaced.

However, the fact that Krugel, who released his report last week, was presented with evidence that an increasing number of attorneys were involved in the relatively new phenomenon of money laundering and fraud, does support public calls for more transparent disciplinary procedures by the various law societies.

While the society remains convinced that most of its members are honest, it has repeatedly emphasised its commitment to creating greater transparency in the way it exercises its regulatory and disciplinary functions. In doing so it has to balance the interests of its members and those of the public, which perceives it as being too protective of members.

The commission received about 110 complaints and allegations. Less than half were against specific practitioners, but did include 14 complaints of unethical or dishonest handling of third-party claims by individual attorneys, and allegations of involvement in money laundering against five others.

Although Krugel formally handed his report to the society last week, he and the society stressed that the names of none of the attorneys implicated would be made public at this stage.

There are a number of reasons for this. Firstly, Krugel's commission was not a public one and had no power of subpoena so that attorneys implicated could not be called to testify.

Secondly, Krugel made the point in his report that the inquiry drew an unexpectedly large response from the public, which meant there was insufficient time to give attorneys implicated by evidence notice to attend if they wished to.

Among those who did give evidence, or provided documentary proof under oath behind closed doors, were representatives from various financial institutions who submitted information about incidents of money laundering.

Krugel said he was informed by concerned financial institutions that the instances in which attorneys trust accounts were being used to launder money were on the increase.

Vast sums of money were involved, Krugel said.

Handing over his report to society president Esme du Plessis last week, Krugel said it would have been preferable if a public commission with greater powers had been appointed although he believed his commission would benefit the profession and public.

Du Plessis said the society's disciplinary bodies had already started investigations into the evidence received from Krugel. It was now policy to publish the names of members found guilty and struck off the roll, or found guilty of disgraceful conduct.

# Zimbabwe's textile woes

(74) ( )

**Michael Hartnack**

BD 3/7/96

HARARE — A further 2 000 Zimbabwean clothing workers yesterday faced redundancy, just as SA Textile Federation president Mike Hankison said it was ready to agree to a 50% tariff reduction and drop the demand for 75% Zimbabwean content.

Sources in Harare said the textile industry's problems were not only due to loss of SA markets but from interest rates of up to 40% caused by chronic government monopolisation of the money market, and protracted problems with lint production.

Industry and Commerce Minister Nathan Shamuyarira appealed to managements to stave off closures until conclusion of the latest round of talks with SA officials, business and trade union leaders, begun with Alec Erwin in Victoria Falls last month.

Hankison said that further meetings were scheduled for Cape Town later this month.

# Landmark framework for workers' rights

(74)

## SA trade relationships now linked to promotion of human rights

Star 4/7/96

**POLITICAL CORRESPONDENT**

The executive council of the National Economic Development and Labour Council (Nedlac) has reached agreement on a landmark framework which, for the first time, links South Africa's trade relationships with the promotion of human rights and, in particular, workers' rights.

Nedlac executive director Jayendra Naidoo said yesterday the Government had stalled the signing of bilateral trade agreements since taking office, pending discussions with its social partners regarding the social clause.

The agreement now enabled the Government to conclude new bilateral trade agreements.

Naidoo said that central to the Social Clause Framework was the fact that it was not a barrier to trade. Rather, it engaged SA's trading partners in a parallel dialogue which linked human rights with trade.

"This is in contrast to proposals regarding a social clause advocated by the US and France at the World Trade Organisation which are widely opposed by developing nations as being a non-tariff barrier to trade.

"The Social Clause Framework negotiated by business, labour and government delegates at Nedlac reaffirms the principle that economic growth and development must be underpinned by a commitment to social justice, including respect for universally recognised labour standards.

"The danger is that with the liberalisation of world trade and the globalisation of the world economy, workers' rights will be downgraded to requirements below the basic acceptable levels. The principles underlying the Social Clause Framework mean that SA will campaign to improve the rights and conditions of workers worldwide through international organisations and in the course of bilateral trade talks," he said.

### Country must ratify seven ILO conventions

Naidoo added that in implementing the Social Clause Framework, SA first had to ratify the seven International Labour Organisation (ILO) conventions which relate to labour standards.

"Two of the conventions (freedom of association and the protection of the right to organise) have already been ratified by Government, and Nedlac has recommended that three others (relating to forced labour, the abolition of forced labour and discrimination) be ratified during the 1996 parliamentary session," he said.

SA is expected to sign a memorandum of understanding with its new trading partners which would commit both parties to ratifying, upholding and promoting the ILO on trade union rights, collective bargaining and fair employment practices.

SA would also use its leadership and presidency of the Unctad IX conference to advance the cause of universal respect for labour standards. SA delegates to the ILO were mandated to reflect the spirit of the Social Clause Framework and lead the initiative to enforce compliance of the conventions.

Naidoo said regional initiatives to promote the framework agreement would begin by having the issue put on the agenda of the Labour and Employment Commission of the Southern African Development Community and by utilising the Social Charter of Fundamental Rights of Workers in Southern Africa to promote workers' rights.

"SA has committed itself to harmonising labour standards in observing the core ILO conventions. This is appropriate as the Social Clause Framework is consistent with the history of the struggle for human rights in SA," Naidoo said.

It was agreed at Nedlac that political, substantive and technical difficulties involved in promoting universal respect for labour standards called for a creative and multifaceted strategy with the active involvement of the social partners in implementing the Social Clause Framework.

The agreement provides that the Nedlac secretariat will co-ordinate and facilitate the development of the strategy based on the commitment of business, labour and government to the Social Clause Framework.

# Truck chaos at border in SA tariff war with Harare

ARG 4/7/96 (74)

Political Staff

HUNDREDS of truck drivers are stuck with decomposing goods at Beitbridge on the border of South Africa and Zimbabwe, in what appears to be the start of a tariff war between the two countries.

Zimbabwe increased tariffs on a wide range of South African goods on Monday, after complaining for months about cheap South African goods flooding the Zimbabwean market.

The two countries also are engaged in tough negotiations over trade and import duties. Zimbabwe has insisted on a reduction of more than 50 percent on goods exported to South Africa.

The higher Zimbabwean tariffs on South African imports include what have been described as "punitive" tariffs on such goods as clothing, textiles, electrical equipment, batteries and some foods.

Zimbabwe slapped on the higher tariffs after the apparent failure of negotiations late last month to reduce South African import duties on Zimbabwean goods.

There also have been many complaints from organised commerce and industry in Zimbabwe about cheaper South African goods flooding the Zimbabwean market.

A series of meetings between trade representatives of the two countries are scheduled to take place in coming weeks.

Speaking from his position on the Zimbabwean side of Beit bridge yesterday, driver Trevor Neuman said hundreds of trucks stood with goods at the border unable to move into or out of South Africa.

"It's so full here you couldn't fit an ant," he said by cellular phone.

Another driver, carrying apples bound for Harare, said his goods would last one more day and then his buyer would turn them away.

Drivers confirmed the problem was due to Zimbabwean tariffs having been increased on July 1. However, customs officials at Beitbridge had not yet been informed of the new tariffs and were subsequently refusing entry and exit to anyone transporting saleable goods.

A Zimbabwean customs official confirmed tariffs had increased at the start of this month, but said he could not "divulge the exact amount on the telephone".

He denied any knowledge of a huge build-up of trucks on the border, as did Zimbabwe's Department of Foreign Affairs. The Zimbabwean High Commission in South Africa could not comment, an employee saying yesterday that it was closed on Wednesdays.

South African customs officials said they had not heard of any problems, but if there were it would be on the Zimbabwe side of the border.

Mr Neuman said he had been waiting since Sunday and looked set to spend another few days "hanging out on the bridge". He said he had never seen so many trucks in a row in his 16 years of trucking.

~~Reuter reports~~ Zimbabwe's new import tariff regime is a measured response to local industry demands to curb alleged South African "dumping" and the need to keep vital trade talks between the two states on track, according to business and political analysts.

The new import tariffs, effective from Monday, include a 30 percent raise on import duty to about 75 percent on a wide range of goods that have flooded the local market from abroad.

# SA vows to hasten tariff reductions

(74)

By Shirley Jones

KWAZULU NATAL EDITOR

CT(BR) 5/7/96

Durban — Alec Erwin, the trade and industry minister, said yesterday that tariffs would be reduced at a faster rate to bring South Africa in line with the General Agreement on Tariffs and Trade (Gatt) in the wake of the rand's depreciation.

Speaking at a conference hosted by the textile and clothing federations, Erwin said his department was completing a review of all tariff-reduction programmes and would speed up tariff reduction where possible.

He said the exact method of implementation was not yet clear, but the government did not intend to disrupt programmes devised for sensitive industries such as textiles, clothing and vehicles. Erwin said the government would negotiate with each industry before acting.

His announcement followed the government's recent proposal to phase out tariff protection at a faster rate. The proposal was made in the appendices to the economic strategy document that was recently released by Trevor Manuel, the finance minister.

Erwin said that further depreciation or even a larger appreciation in the rand could have a negative effect on the economy. But structural adjustments to contain any compensatory price adjustments and prevent protectionism from kicking in could lead to constructive growth if correctly managed.

The minister took a tough line with the clothing and textile industries, which oppose the proposed moves

"I think in South Africa we have a tendency to whinge, become our own worst enemies and talk blatant nonsense," he said.

"Whingeing earns you nothing but disrespect, while international investors are looking for confidence and innovation," Erwin said.

He said South Africa would come under increasing pressure to comply with trade regulations, because countries were preparing to bring defaulters to book.

# Erwin warns of trade imbalance backlash

(74) BD 5/7/96

Nicola Jenvey

DURBAN — SA faced international condemnation if current trade imbalances between itself and its neighbours were allowed to continue unchecked, Trade and Industry Minister Alec Erwin said yesterday.

He told the joint Textile and Clothing Federations annual congress that the World Trade Organisation (WTO) demanded SA heed the cries for economic assistance from its Southern African Development Community (SADC) neighbours.

Ignoring the calls meant SA would lose the sympathy and support gained in the international trading arena.

He said the government trade policies were not a reaction to WTO requirements, but rather were fundamental to ensuring SA developed into a medium-sized internationally-competitive trading nation.

"The dramatic changes in world production techniques rather than the WTO regulations has resulted in the globalisation process.

"WTO has only formalised the structures to create non-discriminatory rules for fair trade," Erwin said.

However, Frame Textile Corporation chairman Mervyn King said the government could not adequately police illegal imports and dumping within SA, yet Erwin expected these measures to be controlled within the SADC region.

Textile Federation president Mike Hankinson said the SADC agreement required both a phasing-in period to reduce the imbalances and an effective customs control for the whole region.

Erwin said reducing protective tariffs remained a priority for the long-term benefit of SA.

Despite his assurances that these would not happen without extensive consultation with all the affected industries, King said textile and clothing needed more certainty for the future before it continued with capital expenditure.

# Zimbabwe suspends tariffs as trade talks are resumed

BD 5/7/96 (74)

HARARE — The Zimbabwean government yesterday suspended new tariffs, which became effective this week, aimed at protecting local industries from cheaper imports, Finance Minister Herbert Murerwa said.

Murerwa said the government was suspending the tariffs to allow "further" consultations with its partners in within the 12-nation Southern African Development Community (SADC).

The announcement came as SA and Zimbabwean trade negotiators resumed talks in Pretoria.

"Implementation of the new tariffs is being suspended with effect from July 7 until further notice," Murerwa said.

Industry officials were not available for comment.

The tariffs, which followed years of intensive lobbying from local companies, raised import duty on goods, including textiles, clothing and batteries, to about 75%.

They also included a three-year tax holiday for imports of capital goods.

**John Dludlu** reports that a senior official at the trade and industry department, co-ordinating the multiparty talks, had earlier in the day played down the effects of the tariff hikes. He said Pretoria was "very cautious" about Harare's actions, but the matter had not been raised officially at the negotiations.

Observers said although SA was worried about the impact of the new Zimbabwean tariffs, aimed at raising the country's employment and state revenue inflows, not much could be done as the hikes were not discriminatory measures.

Among the SA sectors to be affected by the protectionist tariffs would be clothing, textiles, motor components and agricultural products — the sectors which feature prominently in Harare's shopping list of preferential access to SA.

The official said that three working groups — set up after Trade and Industry Minister Alec Erwin's visit to Zimbabwe to revive the protracted negotiations — had yet to report on their findings.

"We are still negotiating," he said. "So far there is no conclusion. We are now looking at their requests." — Reuter.

# EU urged to relax funding controls

(74) Star 9/7/96

By John Fraser
Star Foreign Service

Brussels – The European Union is being urged to relax controls on the payment of aid to projects in SA – despite the *Sarafina 2* scandal.

EU cash was paid into the controversial R14,27-million Aids theatre project, although officials in Brussels had not approved the venture and have asked for the money back.

Next week, the European Parliament is expected to vote through a report calling for the EU's ambassador in Pretoria, Erwan Fouere, to be given a new power – to authorise grants of up to R2,7-million.

This would mean the cash could be paid over without the projects in question being subjected to the normal rigorous vetting procedures in Brussels.

The report says the change would make it easier for officials in Brussels, as they would no longer have to spend time on such "small" projects.

However, a transfer of authority from Brussels to the understaffed EU mission in Pretoria would carry the risk that some aid might be handed out without the current levels of screening and control.

The plan is being put forward by a German member of the European Parliament, Maren Gunther, who drew up the report for the European Parliament.

It notes that an earlier request for Fouere to win this new cheque-signing power was shot down by EU governments.

The EU is to fund aid of at least R2,7-billion in SA between 1996 and 1999.

The report notes that the pattern of aid is changing, with a move away from funding of non-governmental organisations towards funding through the central and provincial governments.

It warns that some of these NGOs "are destined to become redundant", but others "will be able to consolidate their activities".

It also criticises the EU for late payments of aid to the NGOs.

"Many have experienced excessive delays in receiving funds from the European Commission without any explanation or excuse," it claims.

# Erwin turns down EU trade meeting

(74)
CT (BR) 10/7/96

By John Fraser

Brussels — Alec Erwin, the trade and industry minister, has disappointed European Union officials by turning down an invitation for talks in Brussels.

Joao de deus Pinheiro, the EU commissioner for South Africa, invited the minister, who is in Europe with President Nelson Mandela, to Brussels to discuss South African trade relations with Europe.

Publicly, Brussels officials are playing down the significance of Erwin's decision not to meet Pinheiro, but privately European officials have emphasised that the EU commission is working to achieve a generous deal for Pretoria, although this is being resisted by protectionist governments in countries such as France, Greece and Portugal.

"I well understand that when you are accompanying the State President in Europe, you can't just wander off to sightsee," said an EU insider. "However, it is strange that Erwin was unwilling to arrange a stopover to see Pinheiro, particularly when the EU is South Africa's most important trading partner and he has not been in the job for long.

"We are slightly embarrassed as we had confidently announced that such a meeting was on the cards." — Independent Foreign Service.

# US/SA commission will cement good relations

(74) Star 11/7/96

## Trade body does a lot of calming behind scenes, writes Peter Fabricius

After attending the opening ceremony of the Olympic Games in Atlanta next week, Deputy President Thabo Mbeki will arrive in Washington leading what will surely be the largest delegation of senior Government officials ever to go abroad.

Seven cabinet ministers and about 80 other officials will come here to participate in the second full summit of the US/SA Binational Commission, co-chaired by Mbeki and his US counterpart, Vice-President Al Gore.

What justifies this considerable expense? Does the commission achieve anything? And is it not too pompous and insincere an expression of a relationship that has become increasingly strained?

Its general aim is to promote and co-ordinate relations between the two countries and to provide a high-level forum for dealing with any problems that might arise.

It has six committees, all co-chaired on the SA side by cabinet ministers.

These committees are mainly busy with projects to transfer knowhow and sometimes equipment such as advanced training courses for park rangers or automatic weather stations to improve forecasts.

Nine national youth commissioners tasked to find solutions for the "lost generation" of township children will accompany Mbeki to visit the National Service Corps where students get a free education in exchange for community service. Several of the committees have devoted time and money to improving the regulations for doing business in fields such as energy.

Although none of these projects is gigantic, and at times the commission seems to look for work to justify its existence, they do add to the steady stream of exchanges that has quietly become quite a river.

The business development committee is a very important arm of the commission. It has already notched up some success on the prickly issue of SA companies allegedly pirating US trademarks such as that of McDonald's.

Partly as a result of discussions in the committee, SA was provisionally removed from a US list of companies deemed to be flouting intellectual property rights.

This time the committee will focus on the difficulties SA business people face in gaining access to the US market.

But the committee has lost both chairmen whose special personal rapport boosted its success. US commerce secretary Ron Brown was killed in an aircraft crash earlier this year and former trade and industry minister Trevor Manuel was moved to finance.

Their successors, Micky Kantor and Alec Erwin, have yet to meet and it is not certain the tough Kantor will acquire anything like Brown's interest in SA. US officials and

IN WASHINGTON

business people will take this opportunity to quiz the Government about its new economic growth plan.

The binational commission has also become a forum for dealing with tricky off-agenda problems. Although the Armscor arms smuggling case could never be on the official agenda, since the Americans regard it is a purely legal matter which should not be discussed by politicians, it almost certainly will be on the unofficial agenda.

Indeed, these crises illustrate the commission's value. At moments when relations take a bad turn, it is important to have an institution that maintains good relations, perhaps until both sides – especially SA – realise they can have differences of opinion without falling out.

# Bid to ease sugar out of SA-EU pact

(74)

BD 16/7/96

PORT LOUIS — African, Caribbean and Pacific (ACP) states saw sugar on the list of "sensitive" products that would not be included in a free trade deal between SA and the European Union, Mauritian Agriculture Minister Arvin Boolell said yesterday.

"Sugar is definitely on the list of sensitive products," Boolell, the sugar spokesman for the 70-nation ACP, said.

"(We) are already working on a draft to ensure that SA would make a written declaration that it will not be a member of the Sugar Protocol when it joins the Lomé Convention, just like the Dominican Republican did," he said.

(3) SUGAR

SA is seeking a twin-track trade deal with the EU. This compromises a free trade pact and partial accession to the convention on preferential trade between the EU and ACP states, which are mostly former European colonies.

ACP states are worried that inclusion of sugar in any SA-EU trade pact would prejudice their preferential access to EU markets under the Lomé Sugar Protocol. But Boolell said SA was welcome to join Lomé.

He said: "SA on several occasions stated that it will never prejudice the hard-won acquired rights of the ACP. Both SA and the EU will keep the ACP posted on the progress of the pact they are negotiating."

"(SA Trade Minister) Trevor Manuel also stated during the ACP-EU gathering in Mauritius last year, that ACP preferences will not be prejudiced," he said.

Boolell said ACP countries felt they needed a successor accord to the Lomé Convention, which runs out in the year 2000. "But the ACP is also not impervious to changes around the world," Boolell said.

ACP states are concerned about a possible shift of EU attention away from the former colonies because of its own economic problems and changes in Eastern Europe. Reports of waste and mismanagement have also made EU governments more reluctant to respond to demands for extra aid.

"There is a will among the ACP and EU that there will be a successor to Lomé, but new parameters will need to be defined," Boolell said, referring to a document that the EU will publish in October.

An ACP heads of state meeting is scheduled for Libreville in October next year — Reuter.

# Labour 'must be protected in processing zones'

Mboneni Mulaudzi

(74)

IN ORDER to protect workers, a country's labour laws should also apply to export processing zones,' International Labour Organisation southern African multidisciplinary team director Peter Peek said yesterday.

Harare-based Peek was speaking at a Johannesburg workshop on workers' rights in such zones.

He said zones were relatively new in the region, but stressed that they would disappear within five years, because governments had begun offering general incentives to companies.

Peek said that it was not labour costs that encouraged prospective investors to invest in zones, but factors such as political and policy uncertainty, problems with basic infrastructure and foreign exchange regulations were high considerations.

He also said it was difficult to predict whether SA would establish zones, but if it was hard for government to attract investors it could resort to them.

On whether these zones benefited the economy, Peek said it depended on government's generosity in terms of the package offered to investors.

BD 17/7/96

# SA will clinch EU trade deal, says Mandela

(74) Star 18/7/96

**By Patrick Bulger**
Parliamentary Correspondent

President Nelson Mandela, returning yesterday from triumphant state visits to the UK and France, said he was confident SA would negotiate a successful trade deal with the European Union (EU).

He was addressing the media at the Union Buildings in Pretoria.

During his visits he held discussions with British Prime Minister John Major, French President Jacques Chirac, and leading business people. He was feted in both London and Paris where tens of thousands of admirers turned out to catch a glimpse of him.

Mandela said he had held discussions with Chirac on the EU trade deal which is being stalled by French and German farmers who have lobbied the EU to bar a lengthy list of SA products

**Happy birthday Mr President!**

The Star wishes you all the best on your 78th birthday today.

"I have an undertaking from Chancellor Helmut Kohl and from Jacques Chirac that they are going to attend to this matter.

"From our relationships I believe France and Germany are going to carry out their undertaking."

On the UK leg of his tour, Mandela said SA was a "society crawling out of a background of tyranny and discrimination".

"The UK, as one of the bastions of democracy, has an obligation to ensure that we have all the needs to entrench democracy in our country."

Mandela said the problems of crime and of trade union militancy had not been raised by his European hosts.

He said he had told his hosts that the trade union leadership was responsible and would not do anything to harm the country's reputation.

Mandela said trade delegations from both the UK and France would visit SA shortly.

# Absa report says Asian trade with SA has increased sharply

(74) CT(BR) 18/9/96

By Leslie Tilley

Johannesburg — Europe remained South Africa's largest trading partner between 1985 and last year, but Asia's share of foreign trade increased sharply, Absa Bank reported yesterday.

Exports from South Africa to Asia rose from 14,5 percent to 19,6 percent and imports rose from 15 percent to 29,9 percent, the bank said in a report on foreign trade. The report said imports from Asia now exceeded imports from the Americas.

The US accounted for 65 percent of all imports from America and 61,3 percent of exports to the continent.

Imports to South Africa continued to exceed exports by about 5 percent. However the report said that "merchandise exports and imports increased at a faster rate than nominal GDP, while net gold exports performed poorly. In fact, over this period the share of net gold exports declined as a percentage of the GDP from 12,6 percent to a mere 4,2 percent." Exports from the Common Customs Area, including South Africa, Botswana, Swaziland, Lesotho and Namibia, increased on average by 10,6 percent a year and imports grew by 15,8 percent.

"This was substantially faster than export growth, mainly as a result of a substantial acceleration in imports in 1994 and 1995 following the lifting of sanctions and the upturn in the domestic cycle," the report said. The only trade surplus South Africa recorded was with Africa. Above-average export growth was at 23,5 percent with Africa, 18,7 percent with Oceania, including Australia and New Zealand, Asia (14 percent), and Europe (12,6 percent).

The report said "although trade with Africa increased sharply in the last two years, total trade with Africa remains relatively small and we do not foresee that it will increase to more than 10 percent of South Africa's total foreign trade within the next decade."

As for Europe, nearly 85 percent of all merchandise was exported to five countries in the European Community and the same was true of 89,5 percent of all imports.

Most of South Africa's merchandise exports last year, excluding gold, was destined for the United Kingdom (31,6 percent), followed by Germany (19,5 percent), Italy and Belgium (11,6 percent each), and the Netherlands (10,6 percent).

# Is EU's 'free trade' offer to SA a threat or an opportunity?

(74) BD 18/7/96

FAIZEL ISMAIL

THE negotiations between the European Union and SA on a trade and co-operation agreement have reached a decisive stage. SA has not yet finalised its position and has been criticised from various quarters for being unprepared and delaying the process. It is necessary to respond by raising the many critical issues at stake for SA.

In April 1994, the EU's council of ministers called for a package of measures to support SA's historic transition to democracy. They recognised the importance of trade and market access as an instrument to facilitate our reintegration into the global economy.

The EU proposed that, in the short term, SA be included in the generalised system of preferences (GSP) and that comprehensive negotiations towards a long-term trade agreement be initiated.

Encouraged by this generous offer, SA requested access to both the industrial and agricultural GSP available to developing countries from which SA had been excluded. SA then called for a long-term trade agreement as close as possible to the terms of the Lome Convention, which offers the best preferential access into the EU market.

Although SA obtained wide support for its request from the Southern African Development Community (SADC) and the African, Caribbean and Pacific (ACP) countries, as well as the EU parliament, the EU Commission and the council of ministers rejected the request. In its place, the council of ministers proposed in June last year that SA be offered a free trade agreement (FTA) and qualified accession to Lome. SA was to be excluded from the trade preferences enjoyed by ACP countries.

In a carefully considered response to the changed EU offer, then Trade and Industry Minister Trevor Manuel agreed to explore the implications of an FTA. He acknowledged that potential benefits would have to be weighed against the adjustment costs that SA's vulnerable industries would have to bear. He pointed out that SA needed to study the implications of the proposal in more detail.

The EU began an informal process of consultation to develop its FTA offer — or mandate — to SA. This offer was finalised by the council of ministers only in March this year. The list of exclusions from the FTA that EU member states have insisted on constitute almost 40% of SA's current trade in agricultural products to the EU. This has caused some observers to question the compatibility of the offer with the World Trade Organisation requirement that 80% of all trade needs to be included in any FTA. Moreover, the exclusions, linkages qualifications and insistence on reciprocity in some sectors tend to undermine the EU's earlier promises of preferential access to its markets.

There are five sets of complex and interrelated issues that confront SA in its negotiations with the EU. The first deals with the effects of an FTA on SA. Comparative international experience illustrates that FTAs yield mixed results.

The value of an FTA must therefore be judged in terms of its potentially negative impact on industry, agriculture, employment and customs revenue, as well as on the potentially positive impetus on SA's industrial and agricultural competitiveness, employment, investment and growth.

One of the arguments in favour of concluding an FTA with the EU is that it will encourage flows of investment. However, the theoretical and empirical evidence on this issue is inconclusive and needs to be interrogated in greater detail. Potential investors may be lured to SA either in search of improved access to the EU market or by the more certain and predictable policy environment an FTA provides. On its own, however, an FTA does not guarantee increased flows of investment.

The second issue concerns the regional implications of an FTA, particularly its effects on SADC and the Southern African Customs Union. Opening our market to the EU before opening it to our neighbours in southern Africa will mean that the EU member states will enjoy better access to our market than our SADC partners.

SADC countries would have to compete on an equal basis against highly competitive EU companies in the SA market, thus negating the potential advantage for SADC countries of a FTA.

Thirdly, and crucially, the EU's current position is that all agreements with SA be embedded in a wider policy framework. In other words, qualified accession to Lome will be linked to the bilateral trade agreement on market access. These agreements will, in turn, be linked to progress on other trade-related issues such as government procurement, intellectual property rights, investment measures, competition policy, among others, on which SA still needs to finalise its position.

In addition, the EU wants to study all our trade-related legislation with a view to harmonising our regulatory regime with theirs. This will mean SA having to comply with standards of highly developed, industrialised countries, which may undermine our industry.

Fourthly, in terms of the tariff negotiations, the EU's position is that SA use "applied" rather than "bound" rates when negotiating its tariff reduction commitments for the proposed FTA. Bound rates are the maximum rates SA has already committed itself to in the WTO. In many cases, the country has reduced tariffs below bound rates in order to either simplify its tariff structure or for the purposes of industrial and agricultural policy. These are the applied rates.

Nevertheless, SA retains the latitude to raise the tariff up to its bound rates if industrial, agricultural or other policy decisions so demand. The EU's insistence will thus significantly erode SA's use of legitimate (WTO-compatible) trade policy instruments.

Fifthly, our other major trading partners in the developed world — the US and Japan — are watching our EU negotiations with keen interest. If an agreement is concluded, they are sure to demand that SA negotiate a similar agreement since, in its absence, they would be at a disadvantage. Most of the same issues that we now confront would be replicated in such negotiations.

What began as a promise by the EU to support SA's transition to democracy by providing better access for our exporters in the EU market has instead become an attempt to secure and gain privileged access into SA's market for EU companies. It is ironic that while it was the EU which initiated discussions on a free trade agreement, the exclusion of almost 40% of SA's agricultural trade from the current EU FTA offer has put into question its ability to deliver a "free" trade agreement to SA.

South Africans should engage in a vigorous debate around the costs and benefits of the proposed FTA. The trade and industry department has taken the view that the issue should not be approached dogmatically but pragmatically.

Whatever the form of content of an FTA between SA and the EU, it is bound to have far-reaching and profound effects on our country, on our relations with the SACU and the SADC —and on the well-being of our people.

☐ **Ismail is chief director of foreign trade relations in the trade and industry department.**

FREE TRADE AGREEMENT (74)

## THE FORGING OF LINKS

FM 19/7/96

**SA's new** ambassador to the European Union, Elty Links, says a free trade agreement with the EU will be signed only if it offers better possibilities than the current trade terms.

Expecting the SA mandate for negotiations on the agreement to be ready by mid-August, he says "this will allow negotiations proper on this and other agreements to start at the end of the European summer holidays."

Links, who heads the SA negotiating team, says it took time to draft the country's mandate. It is the result of input from government departments, the private sector and other interested parties. It was not presented to the EU at talks in Brussels a month ago, because SA sought clarity on certain aspects of the EU mandate. Links says the EU's technical explanation has allowed SA to move forward, adding that the SA mandate is nearly ready for ministerial approval.

Describing the EU as a long-term partner, Links hopes that SA's discovery of the emerging markets in its own region or the Far East will not lead to a scaling down of its relations with the 15 member-States bloc.

He adds that the EU is now the most important trading bloc for SA: "Securing worthwhile access to EU markets could lead to economic growth at home."

The trade talks will be Links's main task during his stay in Brussels. He joined the Finance Department in 1987 and is no stranger to multilateral postings, having served as SA representative to the IMF and World Bank from 1987-1989 and



SA financial caretaker in Zürich from 1990-1993. On his return from Switzerland, he became chief director for International Development Finance and assumed responsibility for channelling overseas development funds.

But the Brussels appointment could prove to be Links's toughest task as he squares up to the entrenched farming lobby within the EU. If previous EU offers are anything to go by, European farmers will seek to keep out, by fair means or foul, what they perceive as the threat of SA farming produce. ■

# Namibia wary of SA-EU free trade deal

Windhoek – South Africa's proposed free trade area agreement with Europe could have serious implications for Namibia, Namibian Economic Policy and Research Unit director Dr Henning Melber has warned.

"Not only will Southern African Customs Union compensation fall, but also the revenue from mining and fishing, and direct and indirect taxes will be reduced," he told a workshop in Windhoek which examined the implications of the proposed agreement.

Alternative sources of revenue or reduced expenditure would have to be considered, newspaper reports said yesterday. Melber said expanding corporate tax was unlikely and that the only option left was to increase general sales tax or additional sales duty, or to introduce value added tax, all of which would affect the low-income group.

"Increasing taxation will be in direct contradiction to the government's aims for poverty alleviation," he said. – Sapa

Star 20/9/96 (74)

4 SUNDAY TIMES, July 21 1996

# Mandela's magic could open door to EU markets

(74)

By RAY HARTLEY: Political Correspondent

ST 21/7/96

SOUTH Africa has edged closer to winning support for free access to European markets for its goods following President Nelson Mandela's high-profile visits to Britain and France.

British Prime Minister John Major publicly stated that his country supported free access to European markets, particularly for agricultural goods — the sector that European Union negotiators have singled out for the toughest restrictions.

And French President Jacques Chirac also made sympathetic noises about the union talks in several public appearances, but stopped short of endorsing free-trade access for farm products.

Unlike his colleague across the English Channel, Chirac has had to face a well-organised and vociferous domestic farming community, which has already protested at the suggestion that cheaper SA fruit could be sold in France.

The latest pronouncements follow a similar statement of support by German Chancellor Helmut Kohl during Mandela's state visit to Germany earlier this year.

But the public utterances of the three powerful European leaders have yet to be matched by changes in the union's overall attitude towards the country, reflected in the tough negotiating mandate handed to SA in March.

Trade and Industry Minister Alec Erwin and his department still have to respond to the mandate, which will make exports of fruit, vegetables and wine to the union difficult propositions.

In Paris this week, Erwin said he would like to see the most contentious matters set aside while the broad negotiations continued. SA would be ready to begin serious discussions with the union from mid-August.

Erwin also made it clear that SA did not want to be party to proposals that would undermine its Southern Africa Development Community partners, making the negotiations even more complicated.

On his discussions with British and French government officials and potential investors, he said he had detected a qualitative shift in the perceptions of foreign investors towards SA. Potential investors were happy with the framework of economic and social policies put in place by the government.

However, crime and political violence, which he described as deep-seated problems that could not be solved overnight, remained matters for concern.

Foreign governments were more understanding of government's privatisation plans than was sometimes suggested in media reports, Erwin added.

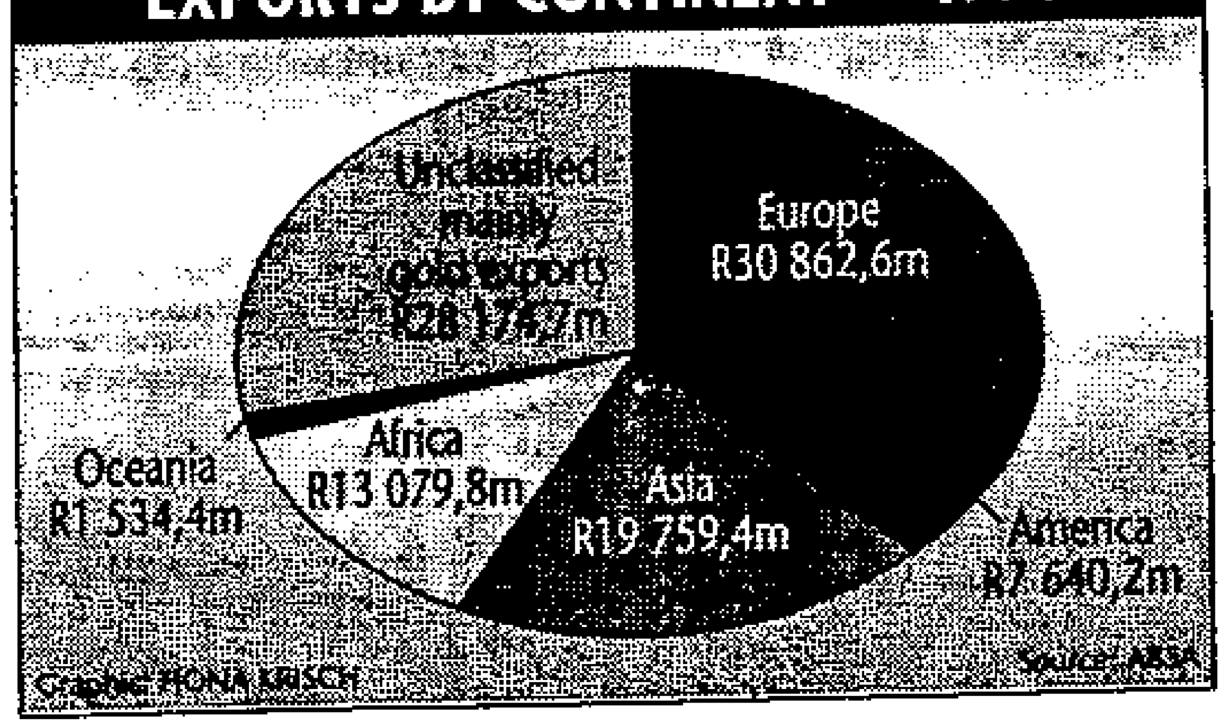
# Exports lag behind as trade spirals

(74) ST (BT) 21/7/96

## THE ECONOMY

The lifting of sanctions and the subsequent upturn in the domestic business cycle saw imports grow at a substantially faster rate than exports in 1994 and 1995, writes **MARCIA KLEIN**

EXPORTS BY CONTINENT – 1995




IN SPITE of sanctions, exports from South Africa grew by 10,6% a year from 1985 to 1995 and totalled just over R100-billion last year, according to research by Absa's economic department.

The figures are based on Southern African Customs Union data which, apart from South Africa, includes Botswana, Namibia, Lesotho and Swaziland.

Exports to Africa grew by an impressive 23,5% a year during the decade, while exports to Oceania (Australia and New Zealand) grew 18,7%, Asia 14% and Europe 12,6%. Exports to America grew by a modest 8,2% a year.

Absa says imports grew faster than exports — at 15,8% a year and to R98-billion in 1995 — mainly owing to a substantial acceleration in 1994 and 1995 after sanctions were lifted and the domestic business cycle turned.

Imports from Asia increased by 24% per annum, underlining the growing importance of trade with this region, and imports from Asia now exceed imports from the Americas. Imports from Oceania and Africa also showed strong growth.

Europe was the country's largest trading partner during the decade, and its share of both exports and imports increased.

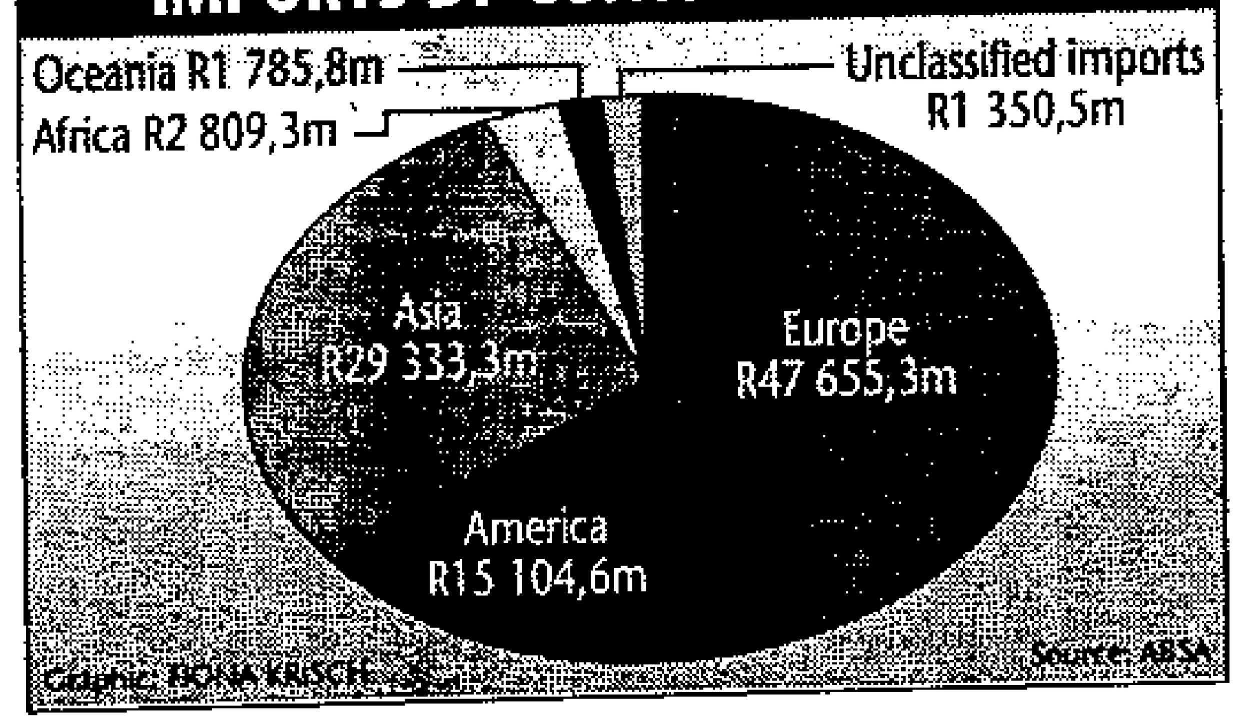
"Although trade with Africa increased sharply in the last two years, total trade with Africa remains relatively small and we do not foresee that it will increase to more than 10% of South Africa's total foreign trade within the next decade," Absa says.

Excluding gold, the most important export categories were precious and semi-precious stones, iron and steel, mineral fuels, ores slag and ash and machinery. Low value-added goods predominated, but Absa says higher value-added goods were "not insignificant".

"Given the country's low electricity costs, coupled with import tariffs on higher value-added products to be lowered as agreed upon under the WTO's trade agreement, it can be expected that the relative share of higher value-added exports will increase in future."

Exports to Japan were R11,4-billion or 12,3% of all exports excluding gold in 1995. Exports to the UK were 9,3%, Germany 5,7% and the US 4,8%.

IMPORTS BY CONTINENT – 1995




Imports were mainly high value-added items and were highly concentrated in four main categories — machinery, vehicles, parts and accessories, electrical machinery and mineral fuels (mainly crude oil). Imports from Germany amounted to R16-billion or 15,2%, followed by Japan (10,8%), the UK (10,7%) and the US (6,7%).

Absa says that in the decade to 1995, South Africa was faced with a large net outflow of capital amounting to R48-billion. This put the economy "in a strait-jacket" and was one factor behind slow economic growth. Once sanctions were lifted, there was a net inflow of capital in 1994 and 1995.

From 1985 to 1995, merchandise exports and imports increased at a faster rate than GDP; net gold exports performed poorly, with the share of net gold exports dropping to just 4,2% of GDP from 12,6%.

# SA imports given preference

(74) BD 22/7/96

THE potential for growth in SA exports is perhaps greater in Spain than among other EU member countries.

In Madrid's SA embassy, economic counsellor Theo van der Merwe said: "The spectacular increase in Spanish imports from SA last year demonstrates that (their) businessmen are becoming more aware of SA's capacity as a supplier — not only of coal but also other products like industrial goods."

"This is largely due to the preferential treatment awarded to SA products by the EU's general system of preferences," he said.

He said that SA products with potential in the Spanish market included canned fruit, frozen meat and fish; granite and ferro-alloys in the mining sector; stainless steel in the metal sector; chemical and pharmaceutical products, and also products of the security industry.

Spanish products with possibilities in SA included machine tools, ceramics, steel products, footwear and construction materials.

Van der Merwe said that negotiations for the drawing up and signing of an agreement to promote and protect bilateral investments had taken place between the SA trade and industry department and the Spanish authorities.

There were, he said, also negotiations taking place about a double taxation agreement.

A memorandum of understanding had been signed between the CSIR and Spain's industrial technological development centre, to promote technological transfers.

Also, he said, a similar agreement had been concluded and signed between the Spanish industry and energy ministry and SA's trade and industry ministry.

# SA ready to cut its tariffs 'substantially'

Tim Cohen

(74) BD 23/7/96

CAPE TOWN — SA is set to agree to cutting its tariffs substantially over a short period by signing a regional trade protocol at the SA Development Community (SADC) council of ministers' meeting next month.

Trade and industry adviser Maruping Kodisang said yesterday details of the protocol had to be negotiated before the meeting in Maseru, Lesotho, on August 22.

However, SA had acceded to its neighbours' demands and accepted in principle the need to substantially reduce its tariffs.

This in-principle agreement runs counter to proposals by academics and lobbyists who favour reaching agreement on procedural issues only at the meeting. They favour an in-depth study of the effect of tariff reductions, as well as the collation of requests by member nations for specific tariff cuts.

Kodisang said members of the 12-nation SADC believed these proposals were delaying tactics by SA.

SA has been criticised for calling for increased access to EU markets without opening its own to neighbours.

Unlike SA and Mauritius, many

Continued on Page 2

# Tariffs

(74)

Continued from Page 1

BD 23/7/96

SADC members have been forced to reduce tariffs in terms of structural adjustment programmes, enhancing opportunities for SA manufacturers. Consequently, SA is under pressure to reduce tariffs to allow manufacturers in the region similar opportunities.

The speed of the negotiations has been linked to Trade and Industry Minister Alec Erwin's determination to focus more on regional matters and establish regional deals before negotiations with the EU begin in earnest.

Kodisang said outstanding issues were time frames, rules of origin and certain procedural matters. It had been accepted that the tariff cuts would be "substantial", but phased in gradually over 10-15 years. He was confident the issues would be resolved by regional trade and industry ministers when they met in Tanzania before the council of ministers' meeting.

# Former Engen employees challenge affirmative action

BD 23/7/96

**Linda Ensor**

CAPE TOWN — The implementation of affirmative action policies in SA corporations was under the spotlight last week when oil group Engen was challenged in the Industrial Court by two retrenched employees who argued that they were victims of unfair labour practices.

The case exposed the vulnerabilities of white middle-aged men in middle management, especially in the human resources field, as a result of affirmative action.

It also highlighted the knotty problems companies have to negotiate to restructure their organisations to reflect the new SA.

Engen's former remuneration specialist Tim Overett and recruitment and succession planning manager Lani Martin were retrenched in September last year and sought redress from the Industrial Court.

They were two of 360 people who lost their jobs when Engen restructured itself to become more attuned to the needs of a deregulated oil industry and of the new SA. In the process black people were appointed as managers.

They claimed their posts had undergone title and cosmetic changes and had been filled by less qualified, internally appointed junior staffers chosen for affirmative action reasons.

The two positions they could have filled were reserved for external, affirmative action appointments, even though they believed they had "superior qualifications".

They said Engen had not followed its policy of extensive consultation with staffers subject to affirmative action dismissals.

They have demanded reinstatement with full back pay.

They have also claimed that one of the posts was filled by an old friend of human resources GM Mpumelelo Tshume. They alleged Tshume had appointed people to positions and only later drew up job descriptions to favour them.

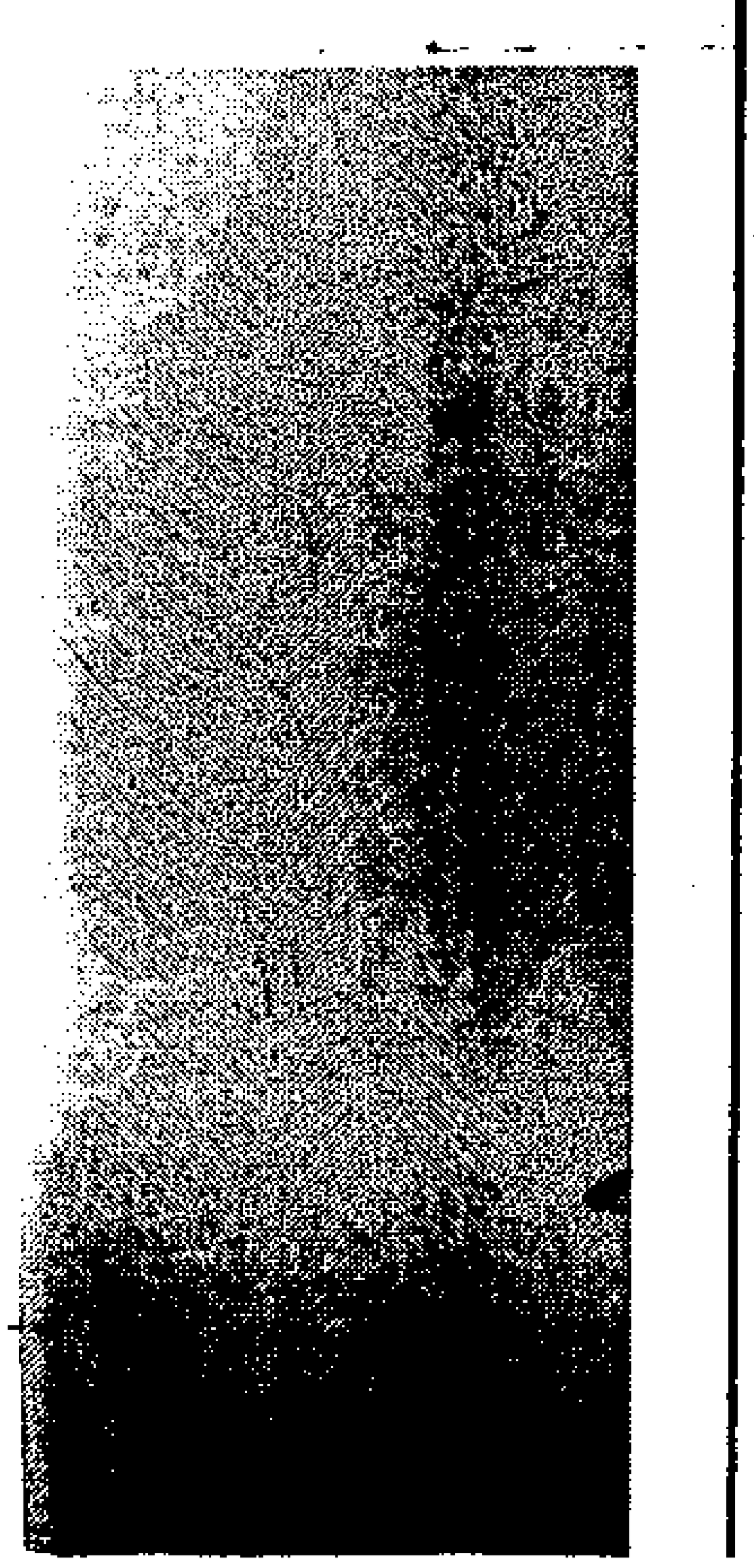
"I knew exactly what I was looking for. The job description is just something to be put on the record," Tshume told the court, insisting that the candidates chosen were more suitable in a "holistic way". He claimed that blacks possessed unique sensitivities due to their disadvantaged backgrounds. Positions such as equal opportunities manager could be awarded only to them.

The case also turns on whether a company can make external affirmative action appointments in preference to internal candidates, if the former are "more suitable".

It pitted the rights of existing employees against a company's need to implement affirmative action policies, Engen's lawyer, Willie Coetzee, said yesterday.

He said the court action differed from the Liberty Life case in which the firm was found to have violated its own internal recruitment procedures by taking on blacks from outside.

In terms of Engen's policy, an external appointment could be made only if there was no suitable candidate within the company to fill the post. However, it has argued that neither Overett and Martiny were suitable.



# Kinkel in SA for trade talks

(74) BD 23/7/96

**Stephen Laufer**

GERMAN Foreign Minister Klaus Kinkel will arrive in Johannesburg today on the second leg of a visit which will focus on SA-German trade and investment and regional co-operation between the Southern African Development Community (SADC) and the European Union.

Kinkel will be accompanied by 20 representatives of small and medium German banks and manufacturers.

"These are not the usual groups like Siemens or BMW, but companies we believe to be particularly relevant to southern Africa," German ambassador Uwe Kaestener said yesterday. They include several automotive component manufacturers, a co-operative bank, a brewery and oil and gas companies.

The parts makers would investigate direct investment in SA to supply both local and German car manufacturers, Kaestener said. The ongoing negotiations for a free trade agreement between SA and the EU would be an important item for discussion. Kinkel was also interested in discussing a common approach between the SADC and the EU on human rights and the democratisation process in Nigeria.

Relations with the US would also be on the agenda, Kaestener said, pointing out that the EU was not in agreement with US policy on Cuba.

During his two-day stay Kinkel will meet President Nelson Mandela, Foreign Minister Alfred Nzo, IFP leader Mangosuthu Buthelezi and NP leader FW de Klerk. He will also open the Johannesburg branch of the Goethe Cultural Institute, the only one in sub-Saharan Africa.

# Kinkel predicts increase in trade volumes with SA

(74) Star 24/7/96

**By Norman Chandler**
Pretoria Bureau

Germany regards South Africa's transition from apartheid to democracy as "almost a miracle" and an event which could be regarded as a "symbol of hope for the co-existence of cultures and religions the world over".

The country's Deputy Chancellor and Foreign Affairs Minister, Dr Klaus Kinkel, said last night that South Africa's introduction "under a lucky star" to globalisation – identified by him as being competitive on world markets – could also mean a certain amount of belt tightening.

Addressing the Institute for International Affairs, Kinkel said Africa in general was faced with tremendous problems like high unemployment, a housing shortage and crime.

**UN is counting more and more on SA**

He had been shocked by the squalor, overcrowded prisons and disintegration of law and order in Africa, where "there is only a thin dividing line between bitter disappointment and high hopes."

But there was also "the Africa of hope," a continent in which people could summon up the energy for a new beginning.

"The road ahead is not going to be easy, but, unlike a few years ago, you know it is the right one and that it is now up to you to shape a better future for your country. Moreover, your lucky star has given you a uniquely capable political leadership," he said.

"The way you are dealing with the past is exemplary. This, I am convinced, will give your country the confidence and the perseverance needed to master the difficult transition ahead. What matters most to foreign investors is that crime is tackled with determination and markets are further deregulated."

Kinkel added that the "springbok's leap" would not be confined to the rugby field and that Germany intended to help South Africa "make this leap forward".

South Africa was Germany's most important partner in Africa and second-largest direct investor. Trade volumes had risen by 12,2% in 1995 compared with the previous year, and this would increase in the months ahead.

"We are hopeful that negotiations on a free trade area between South Africa and the European Union will commence in the near future (although) the EU has made heavy going of it on account of the well-known agricultural problems.

"But the offer to open our markets which is now on the table gives your country considerable opportunities and goes beyond the Lome concessions. More than 60% of farm imports from South Africa would be liberalised."

Kinkel said he had encouraged President Nelson Mandela and Foreign Minister Alfred Nzo to assume greater regional and international responsibility, and that the United Nations was "counting more and more on South Africa.

## Eight broadcasters

THE Independent Broadcasting Authority has issued broadcasting licences to eight community radio stations which it believes provide services that are important in maintaining community cohesion.

Stations which received licences are Radio Rippel, Radio Soshanguve, Teks FM Stereo, New Pan Hellenic Voice, ALX FM, Soweto Community Radio, Radio TNT and UCT Radio.

REPORTS: Business Day Reporters, Sapa.

## Tariff structure 'must be revised'

BD 24/7/96 (74)

WASHINGTON — SA's tariff structure needed "serious review", Land and Agriculture Minister Derek Hanekom said on Monday.

"We have one of the most complex tariff structures in the world," Hanekom said after a meeting with US Agriculture Secretary Dan Glickman.

The two agriculture ministers were meeting as part of the US-SA binational commission and signed a pact setting up the framework for an agricultural committee.

Hanekom said SA was trying to develop an agriculture sector that was much more competitive.

"That is one part of our policy review which we're going through at the moment, to simplify our tariff regime in SA." However he said SA was well within the General Agreement on Tariffs and Trade and that its tariff levels were not extraordinarily high on most of its commodities. — Reuter.

## Maize committee calls for higher exports cap

BD 24/7/96

Louise Cook

THE maize advisory committee yesterday called on Agriculture Minister Derek Hanekom to urgently change the maize marketing laws within 10 days, after talk of possible marketing changes for exports had plunged the industry into a state of uncertainty.

The committee, an advisory body to the Maize Board, had been contemplating changes to the current marketing scheme set up in May to guide the industry to full deregulation next year.

The scheme had allowed exports through agents other than the board for the first time, but exports had been capped at 1,8-million tons.

The idea of changing the current scheme in mid-season resulted from industry fears of possible domestic shortages resulting from an oversupply to the board's export pools. The SA Futures Exchange was also thrown out of industry meetings when the exchange objected to suggested changes, saying it could cause heavy losses for those who had taken out maize futures contracts.

The committee said it now would recommend the cap on exports be raised to 3,3-million tons from 2,55-million tons. This week figures showed the crop could be 9 657-million tons or 60 000 tons more than expected.

Hanekom was not available for comment and neither was Safex.

## Mboweni in talks over green paper

Renée Grawitzky

BD 24/7/96

THE imposition of targets and quotas in employment and occupational equity legislation formed the focus of discussion between Labour Minister Tito Mboweni and representatives of the Black Management Forum yesterday.

The meeting, initiated by the ministry, was held after the BMF indicated its concern about the green paper's "perceived failure to impose rigid affirmative action quotas and targets on employers".

Mboweni said discussions with the BMF revolved around how "we can write into the legislation the issue of targets". The green paper, he said, argued for negotiable targets, and therefore there was no disagreement on this issue.

The BMF raised a number of crucial factors which were missing from the green paper.

It was agreed that the labour department's director of equal opportunities would co-ordinate a more structured relationship between the parties.

# EU deal could take a while

(74) CT(BR) 25/7/96

From Reuter

Johannesburg — South Africa and Germany said yesterday they were confident a European Union-South African trade deal could be reached, though not for a while.

"Rome wasn't built in a day," Klaus Kinkel, the German foreign minister, said yesterday on the first day of a two-day visit.

"I assume we will come to a gradual (trade) liberalisation."

Alfred Nzo, South Africa's foreign minister, said South Africa was working out its negotiation platform, which it was due to present in September.

He was confident they would succeed, though it was difficult to give a time frame.

Kinkel said that Europe had dragged its feet over free-trade negotiations, but had now put an offer on the table that was attractive despite retaining some protectionist barriers on farm produce.

The EU's refusal to allow free access for South African agricultural goods was the key sticking point. President Nelson Mandela said South African products were no threat to European countries, and protectionism was unnecessary.

# German minister dampens SA hopes of early EU trade pact

BD 25/7/96 (74)

Stephen Laufer

GERMAN Foreign Minister Klaus Kinkel has dampened SA hopes of an early agreement on a comprehensive free trade agreement with the EU, telling his counterpart Alfred Nzo in Johannesburg yesterday that "Rome wasn't built in a day".

Agricultural issues remained the main stumbling block, Kinkel said, and he believed the opening of European markets would be a step-by-step process. The EU was in urgent need of a new agricultural policy prior to admitting producers such as Poland and Hungary to full membership, and it would not be easy to complete the SA agreement before such an overhaul.

Kinkel earlier told a gathering of the German-SA chamber of commerce that German Agriculture Minister Jochen Borchert had been one of the "main brakesmen" slowing the pace of negotiations with SA. Appearing determined to get his downbeat message across to the SA government, Kinkel was repeatedly cautious when asked about prospects for the EU agreement.

At a news conference in Johannesburg with Nzo, he said it was a "distant goal". He would not allow himself to be tied to a timetable for the phased opening of markets because it was better not to make promises which couldn't be kept, but he had told President Nelson Mandela that progress would be made.

Other free trade treaties had also taken time and involved very detailed negotiations, Kinkel said. Germany's reduction of demands on SA apple, butter and milk powder quotas reminded him of European free trade negotiations, when he had "known the first name of every cod in the North Sea".

Calling on German companies to invest further in SA, Kinkel said he had again offered Mandela assistance in establishing a dual industrial training system for SA along German apprenticeship lines, which combined theoretical and practical training. Nzo had said the lack of progress on the offer resulted from disagreements on who was responsible for post-school training between SA ministries, and Mandela had agreed to take the issue up.

But a chamber of commerce member said German investors believed SA was not interested in the model, preferring to orientate industrial training towards more academic Anglo-Saxon models, and would hold back if they could not get the skills they required.

Asked whether German trade unions — which helped establish Cosatu and individual SA unions in the 1980s — could not assist in tempering the SA federation's stand on privatisation and the government's macroeconomic strategy, Kinkel said he had met the leadership of the German DGB prior to his trip. He preferred not to give details of the discussion with the federation, but the problem had been recognised. Finding solutions would be somewhat more difficult.

He had encouraged Mandela and Nzo to continue on SA's path of deregulation and privatisation, Kinkel said. He preferred not to discuss publicly the detail of a list of industrial projects he had handed the President, but it could be assumed that he only addressed projects where prospects of realisation were concrete. He refused to comment on whether the SA Navy's corvettes tender, in which a German shipbuilding consortium has expressed interest, was included.

Kinkel reiterated the German government's position on a planned sale by the Netherlands government of 50 second-hand Leopard tanks to Botswana. Bonn would not agree to the sale, he said, because southern Africa was still subject to regional tensions, and German law precluded the government from issuing an export licence.

Foreign Minister Alfred Nzo with German counterpart Klaus Kinkel at a news conference yesterday. Picture: ROBERT BOTHA

# SA takes its time over free trade mandate

M+G (PMM) 26/7-1/8 (74) 96

**Rob Davies discusses the implications of a free trade agreement for South Africa's neighbours with Lynda Loxton**

AS the South African government continues to finalise its mandate for negotiations with the European Union on a free trade agreement (FTA), the ramifications of such a deal are becoming more complicated.

African National Congress MP and trade expert Rob Davies told the *Mail & Guardian* this week that more evidence was emerging of how much South African Customs Union (Sacu) states could be affected if the FTA, as presently envisaged, went ahead.

He said the Namibian Economic Policy Research Unit, for example, was "gravely concerned about the impact of the FTA on revenue in Namibia" after doing an impact study.

"They found that a reduction of a substantial part of tariffs to zero, as distinct from a reduction in tariffs, would be bound to affect the overall revenue pool of customs duties and that Namibia could lose anything up to 15 to 20% of total government revenue if this is not addressed," he said.

The EU had indicated it was not prepared to provide Namibia or other Sacu states with any compensation for this, but had suggested South Africa should find another way to fill the gap.

"They say that we need to understand that a customs union based on revenue derived from protectionism may not be sustainable in a globalising world," Davies said.

"Perhaps what should happen is that the customs union should base itself on some revenue source other than customs duties."

Just what that alternative could be has been left vague, but value-added tax has been mentioned, which is bound to create an outcry.

"What's true for Namibia is obviously true for the other countries," Davies said.

"Swaziland is now being urged to cut its Budget deficit, and for Lesotho the size of the customs revenue is larger than for any other country. This is a highly significant and important issue."

He welcomed the fact that some neighbouring countries had started to identify their own interests, especially since they were all members of the Lomé Convention and there was speculation that the FTA was increasingly being seen as a possible model for relations with developing countries when the current Lomé agreement expired.

Apart from the loss of customs duty revenue, an FTA-type of arrangement would limit the access of Sacu states to the EU, while at the same time exposing them to competition from highly subsidised EU exports.

Despite growing impatience by the EU, South Africa is insisting on drawing up its negotiating mandate and having it approved by all interested parties, including Parliament, before it starts negotiations with the EU.

Davies said Trade and Industry Minister Alec Erwin had indicated that negotiations could possibly start in September or October.

'The EU has been complaining that we are taking our time, but I think that for us to go into negotiations without an anchored mandate could be a huge mistake," Davies said.

"They have got an anchored mandate, which has gone through processes and been approved, and points to a clear position for member countries."

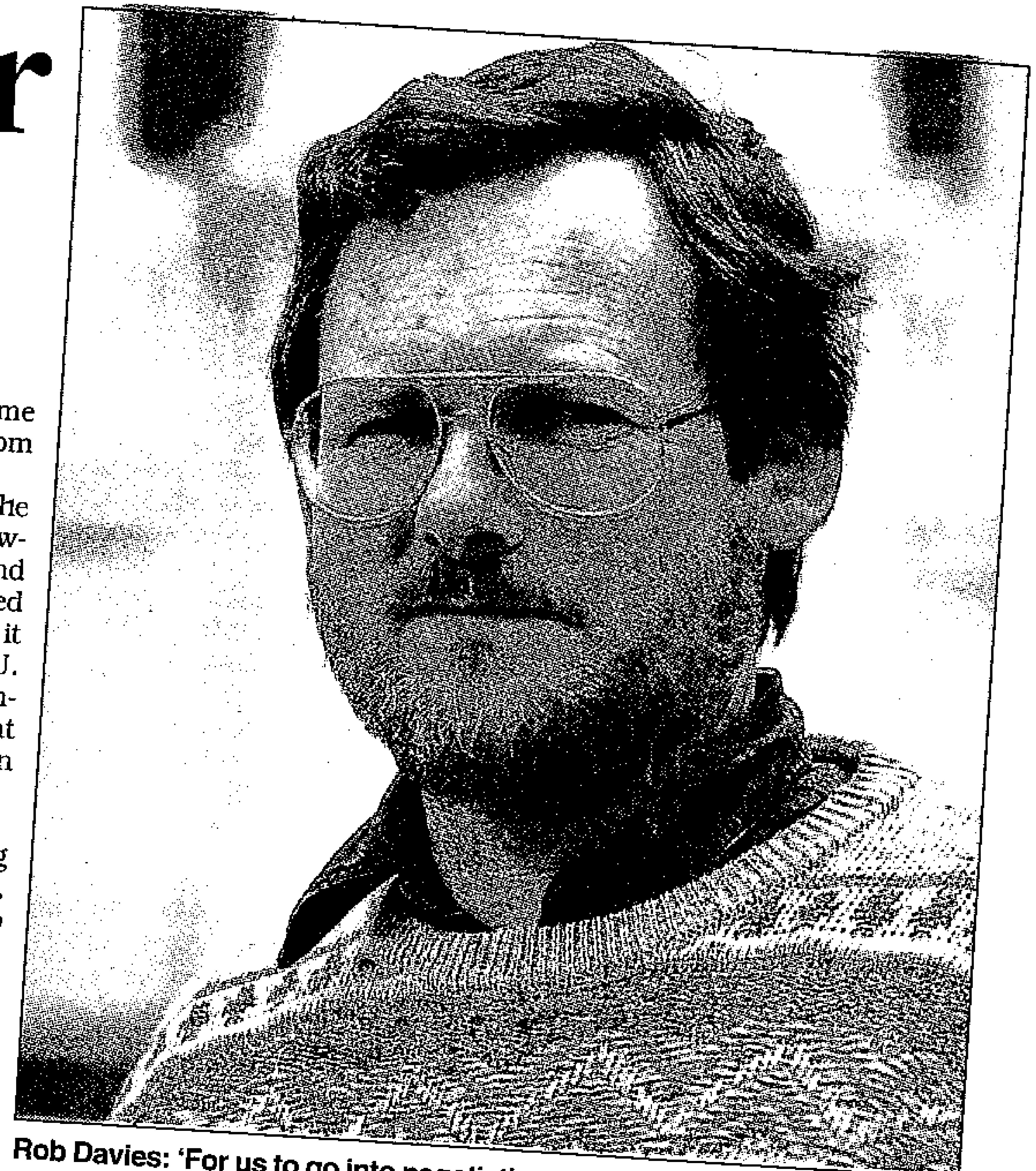
Already, some observers have hinted that the EU mandate was the product of a very tight set of compromises in Europe, and South Africa should not imagine it could shift the agreement very far.

"The whole history of EU negotiations is that 90% of the negotiations take place in Europe and only a fraction takes place with the other parties," Davies said.

As a sweetener, EU officials were saying that by anchoring itself to Europe, South Africa would be making its liberalisation programme credible and attractive to investors, no matter what the consequences.

"The extent of the liberalisation that we want to make credible should surely be our choice rather than somebody else's. The point that also needs to be raised is, investment to serve what market?"

The investments could serve the domestic, regional or European markets. An FTA of the kind envisaged by the EU would impose huge adjustments on companies presently serving the domestic and regional markets and this, in turn, would inhibit investors from entering South Africa. Any comparative advantage that South African firms had would be wiped out.



Rob Davies: 'For us to go into negotiations without an anchored mandate would be a huge mistake'

PHOTOGRAPH: RODGER BOSCH

# Is SA just the EU's 'guinea pig'?

(74) M+G (Com) 28/6 - 4/7/96

**ANC trade expert Rob Davies sees the EU moving away from aid and trade packages towards reciprocal deals with African-Caribbean-Pacific countries. Lynda Loxton reports**

DEVELOPING countries are becoming increasingly concerned about an apparent bid by the European Union to link negotiations on a free trade agreement with South Africa to the future of the Lomé Convention.

African National Congress trade relations expert Rob Davies told the *Mail & Guardian* there appeared to be an attempt to move away from the aid and trade packages contained in the Lomé Convention between the EU and African-Caribbean-Pacific (ACP) countries to reciprocal trade relations.

Davies, who recently attended a workshop of the European Centre for Development Policy Management, said the EU was drafting a Green Paper on Lomé after 1999/2000 when the current Lomé accord expires.

"It is concerned with the various options in the changing global context," says Davies.

"These included a strong dose of Euro-realism. We were told that public opinion was no longer in favour of aid and that the ACP group had fallen several pegs down the ladder of priorities for the EU."

At the same time, many countries were asking whether World Trade Organisation (WTO) rules on trade agreements allowed for the kind of non-reciprocal preferences provided through Lomé.

As a result, several suggested the proposed free trade area with South Africa "might become the sort of prefigurer of broader EU-ACP relations and there is the idea that the whole concept of aid, non-reciprocal trade concessions to the ACP group in particular, may no longer be feasible," Davies said.

**Rob Davies: 'The ACP group has fallen down the ladder'**

PHOTOGRAPH: RODGER BOSCH

Instead of "solidarity" arrangements with developing countries, the EU now seemed to want "partnerships" — where it could give as well as take benefits.

"There are a few problems with that," says Davies. "Non-reciprocal concessions have been very important for several ACP states ... and the removal of those preferences would have devastating consequences on their economies."

Several marginalised countries also did not have the capacity to trade freely with huge blocs such as the EU without wiping out their industries altogether.

Davies said his group recommended at the workshop that "the South African proposal was not a model, and that there were a number of problems anyway in the proposal for South Africa. The idea of extending that to Tanzania, for example, was just a non-starter.

"We recommended that the current Lomé preferences should be continued at least as they are, and preferably better, and that this should be a basic platform that is available to all the ACP countries," he said.

Attention should also be given to boosting the capacity of least developed countries to produce goods for trade.

If other developing countries not included in the ACP complained about discrimination as a result of this, "some consideration should be given to admitting other least developed countries into the same regime".

If countries wanted to negotiate free trade areas, it should be on the premise of this basic platform.

Davies said he did not know "to what extent this is going to feed into the Green Paper, but there is clearly a debate going on about the future of the Lomé Convention".

The trends were already alarming. The mid-term review of Lomé Four resulted in a disappointing contribution to the European Development Fund and reinforced the impression that aid flows generally were decreasing.

Davies said the Green Paper was expected to be released within the next three months. "This stresses the importance of the South African negotiations as a trailblazer or precedent-setter," he said.

These negotiations have been stalled by the EU's apparent determination to let the demands and fears of its own producers dominate negotiations rather than taking those of South Africa into consideration as well.

"Unofficially we are being told that the EU mandate was the product of very tight negotiations and South Africa should not imagine it could stray too far from this," said Davies.

This was despite reassurance to the contrary by EU political leaders.

While there appeared to be some willingness in the WTO to countenance Lomé-like concessions and benefits, some EU countries were more concerned about their immediate neighbours in the Mediterranean and Eastern Europe. They argued that these needed special packages more urgently if Europe was not to attract even more economic migrants.

Davies called this "negative interdependency" argument short-sighted, mainly because the further marginalisation of some ACP countries could lead to a Liberia-type situation in many of them.

That would provoke intense instability and "picking up the pieces will cost the international community" more in an increasingly globalised economy.

"ACP countries are going to have to lobby extremely hard to maintain a basic relationship that is not without its problems but which, if substantially modified in another direction, could be quite seriously negative," Davies said.

# The EU trade party that never was

(74) ST (BT) 28/7/96

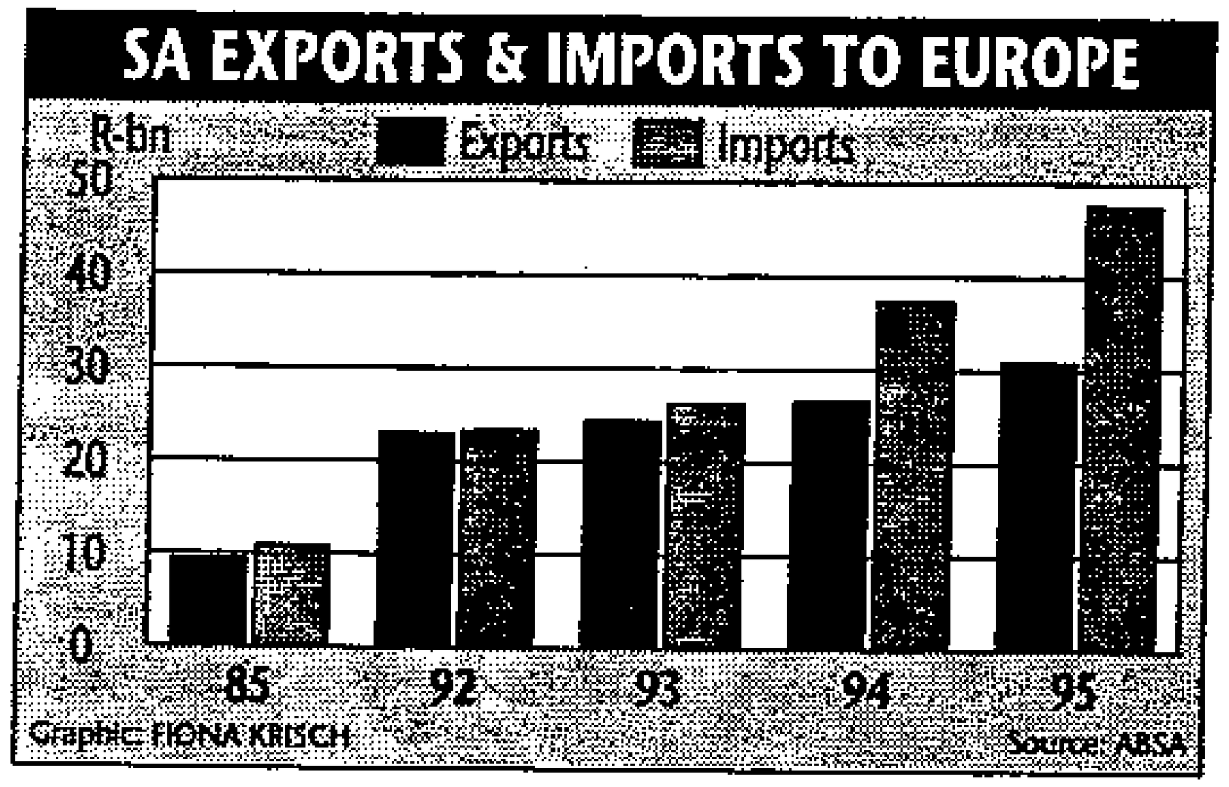
## THE ECONOMY

A year ago the European Union hailed its free trade offer to South Africa as one of the best it has yet made to a trading partner. Since then the talks have run into mounting problems, writes **SVEN LUNSCHE**.

IF SOUTH Africans ever thought that access to the vast European market would be on anything but a commercial basis, they have been in for a rude awakening over the past few months. This week German Foreign Minister Klaus Kinkel reiterated that a comprehensive free trade agreement between South Africa and Europe was a long way away.

The foundation of an agreement — that SA goods have duty-free access to the European market in return for a gradual opening of the SA market to European companies — was reached earlier this year.

Since then, however, positions have hardened and difficult talks lie ahead.

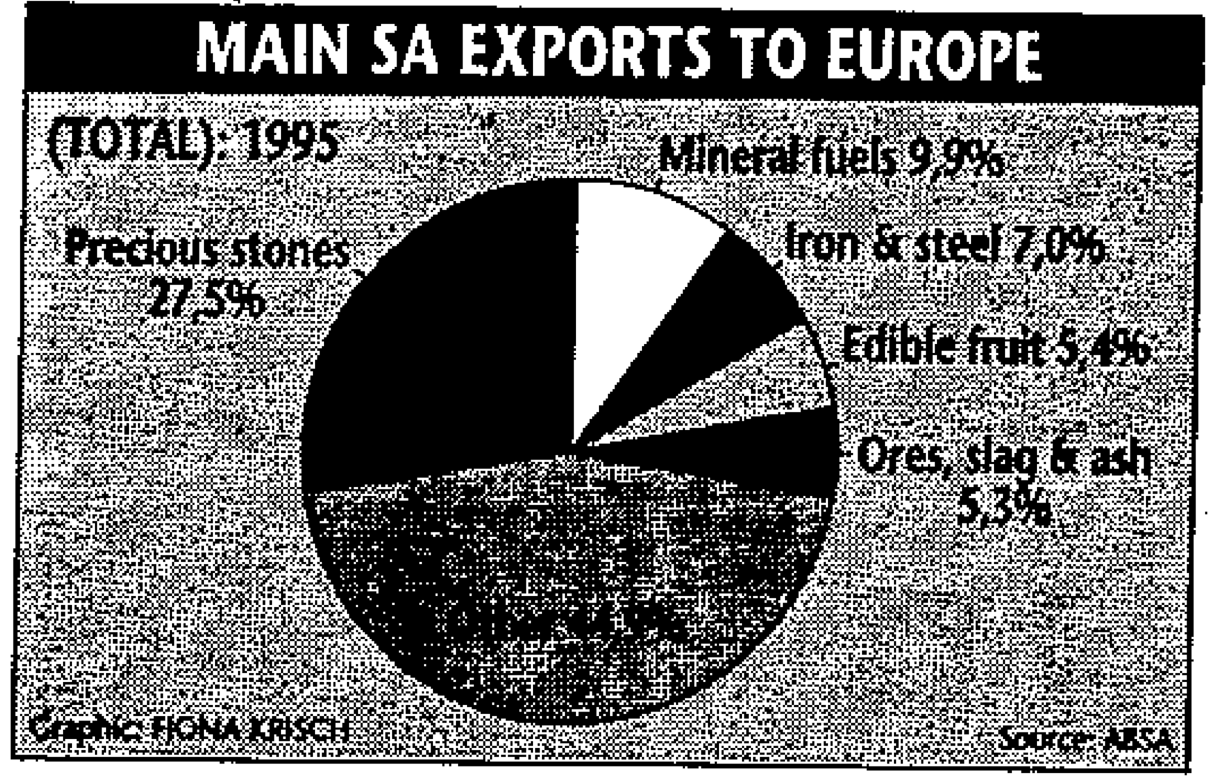



The EU's mandate on the negotiations offers duty-free access to most goods, but, crucially, excludes 39% of SA farm exports. The long list of exclusion was not part of the original EU commitment but was included after resistance by farming lobbies in France and other southern EU member states, surprisingly backed by the Germans.

There are other demands that irk the South Africans. In a background document on the country's trade position Faizal Ismail, chief director of foreign trade relations in the Department of Trade and Industry, criticises the link between the trade accord and other issues.

"In terms of the EU's current position the bilateral trade agreement will be linked to progress on other trade-related issues such as government procurement, intellectual property rights and competition policy, among others, on which South Africa still needs to finalise its position," Ismail says.

Ismail's biggest concern, however, remains that reciprocal access to the SA market, even if it is staggered, could have a potential impact on agriculture, employment and customs revenue.




"What has begun as a promise by the EU to support the transition to democracy by providing better access for our exporters in the EU market has instead become an attempt to secure privileged access into South Africa's market for the EU."

Eltie Links, who as head of the SA mission to the EU leads the negotiations, is less pessimistic. He says South Africa has not yet tabled its mandate. "Once we've done that the horse trading will start. I suspect that the EU will show some flexibility."

Links is adamant that SA companies need time to adapt to full competition and that the time-frame for EU access to the local market is crucial.

"Clearly some sectors are already competitive but others might require 10 years or more," he says.

The country has limited ability to manoeuvre, though. EU sources have urged the SA government to stop hankering after full Lomé membership, move speedily and accept the broad outlines of the deal.

As the EU continually points out, we have a lot to lose: The EU's 15-nation market is indispensable for SA exporters. Over 30% of all SA exports go to Europe, while local companies rely heavily on European imports — 49% of all imports to SA are sourced from Europe.

fies at the truth commission in Soweto on Friday about the treatment of his son, former
‾ulu, at the hands of the ANC. With him is his wife, Emily. Picture: GARTH LUMLEY

# EU free trade mandate 'a starting point' for SA

BD 29/7/96 (74)

Debra Percival

BRUSSELS — The European Union's mandate for a free trade agreement with SA was disappointing, but was merely a starting point for discussions, SA ambassador to the EU Elty Links said at the weekend.

Links, who is leading the SA team negotiating the agreement terms, said the EU's mandate — particularly its exclusion of SA farm products — did not reflect the development support initially planned in talks with the EU.

But EU officials had said there was room for discussion on the mandate. The two sides would probably meet toward the end of September to discuss SA's response, opening the door for negotiations to begin.

A deal early next year, as previously forecast, would hinge on whether SA felt it was "gaining".

"The EU says to us: 'This is only our position in the starting blocks. Negotiations have not really started. Bring to the table what you (SA) see as what you want. Then we will compare that with what we (the EU) have on the table and we can start trying to reach, if possible, a position which is mutually acceptable.' How far apart we are and how much flexibility there is will determine how quickly we arrive at a finality. It could very well be February next year if we are satisfied we are gaining. That is the bottom line."

The EU's mandate, tabled in April, proposes to give SA a free trade area with the 15-nation single market. But it seeks to exclude 39% of SA farm exports from the deal, following months of delaying tactics by members.

The two sides traded blows last month, with EU development director-general Steffen Smidt criticising SA's hesitancy in responding to the offer, and Foreign Minister Alfred Nzo accusing the EU of reneging on its commitments to SA.

# Sugar row sours trade

SUGAR

SWAZILAND, accused by SA of damaging SA's economy by exporting cheap sugar, has hit back at its bigger neighbour, saying that the SA sugar industry feared competition. (74)

SA Sugar Association chairman Tony Ardington said last week SA had increasingly become exposed to the world market price as a result of competition from the tiny mountain kingdom of Swaziland.

Swaziland Sugar Association chairman Andy Colhoun said Swaziland was entitled to export its sugar to SA.

"Swaziland has as much right to export sugar products to SA as SA has to export wine, fruit and vegetables to Swaziland," Colhoun said.

The South Africans complain that Swaziland had been put in a unique position of being a low cost producer with no exposure to the world market through its ability to export sugar duty-free to SA as a member of the SA Customs Union.

SA's sugar industry said last month it could lose R275m or more in the current season because of inroads made by Swazi and Zimbabwean sugar on the domestic market. — Reuter.

BD 30/7/96

# SA optimistic on Zimbabwe trade talks

(74) BD 31/7/96

Tim Cohen

CAPE TOWN — SA Trade Minister Alec Erwin and his Zimbabwean counterpart Nathan Shamuyarira meet tomorrow in what officials hope will be a precursor to resolving the thorny issue of SA's trade relations with Zimbabwe.

Erwin's director for African relations Ufundo Mkuhlu expressed optimism yesterday about the meeting, saying officials had finalised their dialogue, and what remained necessary was agreement at the political level.

The ministers would be discussing an offer on tariff reductions by SA to Zimbabwe, which Mkuhlu said he was hopeful would please Zimbabweans.

The offer is the latest in a series made by SA which have been rejected by Zimbabwe, which has claimed the terms are unreasonably onerous.

The aim of the discussions has been to establish how to restore Zimbabwe's most favoured nation status with SA, which was allowed to lapse in 1992.

# British team to build revenue service

BD 31/7/96 (74)

PRETORIA — The British government approved a customs enforcement project worth R5m, in which a team of 11 UK customs officials would assist SA to build up the capacity of its revenue service, the British High Commission said yesterday.

The team, to arrive this week, would be based in Pretoria and Durban, and would be in the country for six months.

The objective was to improve revenue compliance and border controls, and it was hoped the team would assist in the detection of smuggling, collection of additional revenue, and that this would lead to the increased prosecution of offenders.

The project formed part of the British aid programme, which was renewed during President Nelson Mandela's visit to Britain. Another R400m over three years was granted. — Sapa.

FOREIGN TRADE – GENERAL

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# Security at SA harbours to be tightened

BD 1|8|96 (74)

Samantha Sharpe

CAPE TOWN — Security at SA's ports would be beefed up amid growing concern about the extent of illegal imports and exports slipping through the country's harbours, Transnet executive director Sipho Nyawo said yesterday.

Speaking at the close of a three-day conference, Nyawo said improved security was critical to the transformation of SA's ports, which also included plans for a new tariff and pricing policy.

"While changes at Portnet are likely to take place on an incremental basis, the1996/7 budget has included a security allocation, which should ensure visible improvement within the next three to six months," he said.

"From today, Portnet management will spend less time on internal meetings and more time on site solving problems," Nyawo said. These could included physical checks outside port areas, information technology solutions, container scanning and improved staff skills.

On a new tariff and pricing policy, Portnet would look to establish a consultative forum to determine strategies in line with national export promotion, competitiveness and productivity.

He said Portnet would have to toe the line of major shareholder Transnet on the matter of privatisation, which was working within the context of government's national framework agreement.

Meanwhile, SA Railways and Harbours Workers' Union spokesman Nelson Ndinisa said the union remained opposed to privatisation, although it would work with government on a possible restructuring plan.

Sapa reports Portnet said it would spend more than R950m in 1996/97 to enable the country's ports to handle more traffic.

The upgrade would include a new quay at Richards Bay and a new terminal at Saldanha Bay.

# Major changes planned for Portnet in order to improve efficiency and facilities

(74) ARG 1/8/96

**HENRI du PLESSIS**
Shipping Reporter

PORTNET faces a major shake-up as plans are made to improve efficiency and infrastructure.

A budget of more than R950million had already been prepared to improve security in all ports around the country, and the facilities of some such as East London, where container handling facilities needed expansion, said Sipho Nyawo, Transnet executive director, at a press conference yesterday.

A three-day conference, involving the majority of Portnet customers and stakeholders, including labour unions and foreign experts, was held in Cape Town this week as a beginning to improving business.

A host of foreign and local shipping lines, shipping agents and freight forwarders, experts from as far afield as Britain, Singapore and Europe, bankers and government departments were represented at the conference.

Priorities discussed included improving working conditions for staff, staff training and the involvement of staff in the transformation process.

Shipping sources have described Dr Nyawo's efforts to involve the whole industry as a big step towards future improvement by opening up decision-making and planning within the harbour authorities.

"The objectives of this conference were to establish fresh relationships between our management, international and local clients and labour, to inform our clients of our new philosophy of 'Space for All', to align ourselves with the national objective of a regional approach to infrastructure development, and to send a clear message that, for the first time, we are united and in this 'ship' together," Dr Nyawo said.

Labour was happy to be involved in the transformation process and looked forward to working with management to achieve success, said Nelson Ndinisa, president of the South African Railways and Harbour Workers' Union.

When asked what workers were prepared to give in return for what they were getting, Mr Ndinisa said there would in future be much greater co-operation between them and management.

"We are against privatisation when it is offered as the only solution to efficiency problems, but we are prepared to listen when it is included in a total strategy and there are no other choices," he said.

Tony Farr, managing director of Safmarine, South Africa's largest shipping line, said: "As ship owners, we would obviously like to see efficiency improved, but the lack of capital expenditure on facilities in the past counted against it.

"It is clear that the new direction being taken could lead to great improvements."

During the conference delegates were able to voice criticisms and concerns openly and discuss possible solutions.

Criticism came from Walter Grindrod, commercial manager of Unicorn Lines.

He said that while Portnet was the ship owners' service provider in ports, its sister companies competed against them by running Spoornet and Autonet, the rail and road transport business under the Transnet umbrella.

MALAYSIAN NEXUS (74)

# ASIAN TIGER LEAPS AHEAD AS MAJOR INVESTOR

FM 2/8/96

**Lessons for SA economic planners**

It is perhaps significant that the largest single foreign investment in SA in recent times — the R1,88bn injected into Engen by State-owned Malaysian gas and oil company Petronas — has come from the Far East and not SA's traditional trading partners in the West.

Even more significant is that it should come from a country like Malaysia, whose citizens only a few years ago were persona non grata in SA and prominent among the international activists engaged in the fight against apartheid.

The massive Petronas deal is at the forefront of a tidal wave of Malaysian capital — both public and private — about to deluge SA.

Malaysian Trade Commissioner for southern Africa Cheah Kok Seong conservatively estimates the value of Malaysian investment in SA at around R5bn.

*Samsudin*

What's interesting is that most of this is "new" money, in that there was virtually no Malaysian investment to speak of prior to the election in 1994. By comparison, long-established trading partner Taiwan has invested only R6,3bn in SA.

Just what has kindled this sudden interest in SA on the part of the Malaysian business community? One is certainly not seeing anything like this scale of investment from countries like Japan, Taiwan and China, who seem reluctant even to expand their existing investments.

Much of it can be traced to President Nelson Mandela's international outreach programme and the teachings of growth-driven Malaysian Prime Minister Mahathir Mohamad. The Malaysian leader, who visited SA last year, has consistently urged his country's young entrepreneurs to "look to the south for new investment opportunities."

Part of the rationale for this is that, by the year 2020, Malaysia — which has enjoyed an annual growth rate of more than 7% since 1970 — is likely to be a fully developed country with a per capita income of around US$15 000/year. One of the downsides of an overdeveloped economy is a commensurate decline in grassroots business opportunities. Hence PM Mohamad's insistence that businessmen look for new markets.

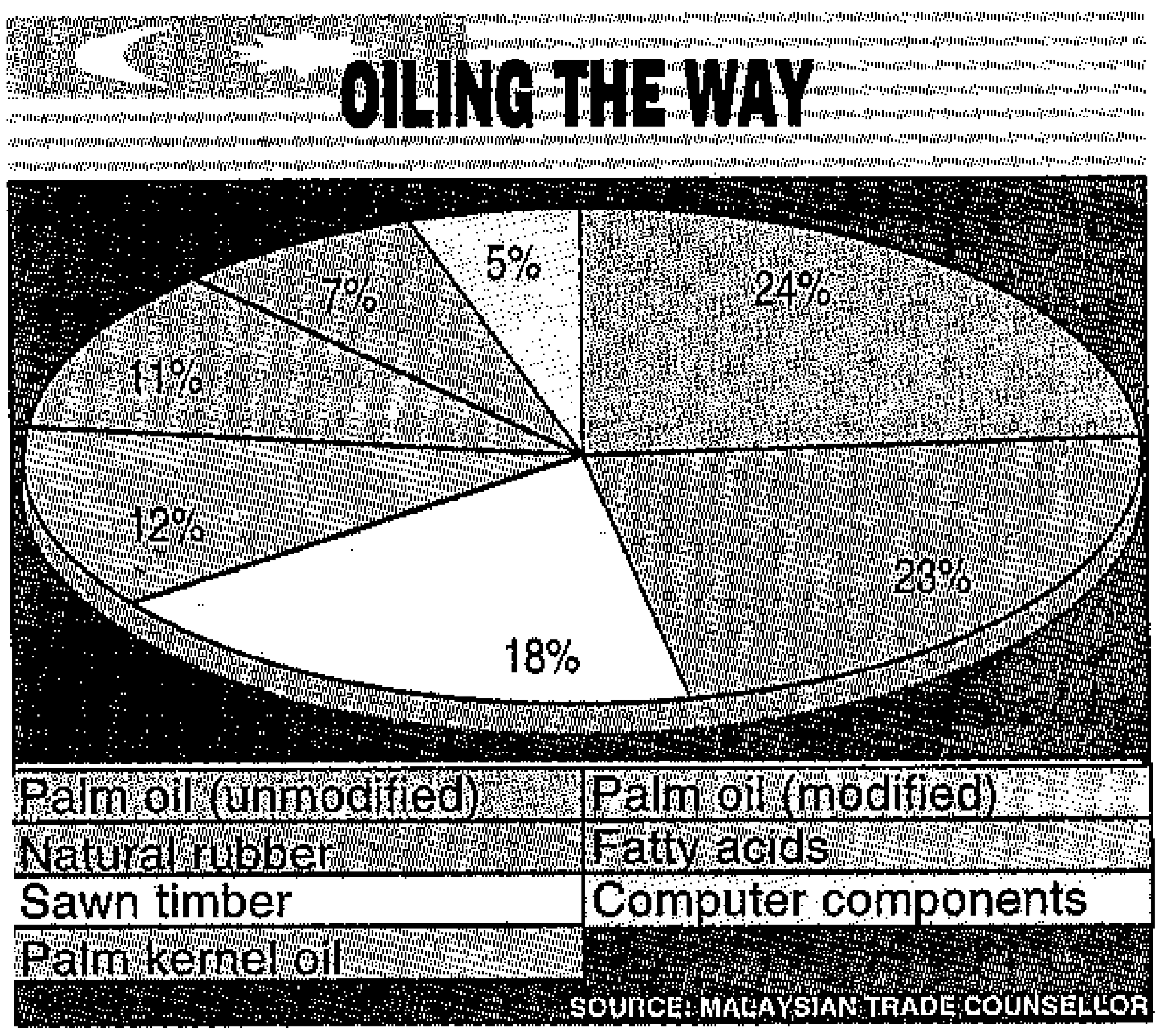
"And when one looks to the countries of the southern region," says Commissioner Cheah, "SA stands out very prominently. Malaysians are generally very impressed with SA, in spite of the bad press it has received, and they don't want to miss out on the business opportunities that the country may offer."

About half a dozen Malaysian companies are now actively investing and a number of trading houses are said to be looking for import-export opportunities.

The largest is Samrand (formerly Landmarks), which has invested around R1bn in property and banking; then there's Renong, which is building a R210m Hilton Hotel in Durban and is planning a R1bn development at the Durban Point; another is the Business Focus Group, which is developing the R220m Hilton Hotel in Sandton.

Other Malaysian investors include: the Serting Group, which owns the Lady Hamilton Hotel (formerly the Park Avenue) in Cape Town; trading house Sime Darby Corporation, which imports mineral products and exports tyres, batteries, golf balls and other rubber products to SA; Mycom, which is invested in food, mining and financial services; and Malaysian Resources, one of the top 50 listed companies in Malaysia, with a market cap of R5,8bn and interests in tourism, property, engineering, electronics, telecommunications, media businesses and power generation, which is looking to invest in the hospitality industry.

Probably the most flamboyant of all the Malaysian investors is Dato Samsudin Abu Hassan, former chairman of Kuala Lumpur-based Landmarks Berhad, who switched R700m of his investments in Malaysia to SA. He has since bought a house in Sandton and married blonde South African model Melleney Miller, who recently gave birth to their first child — a daughter named Yasmine.

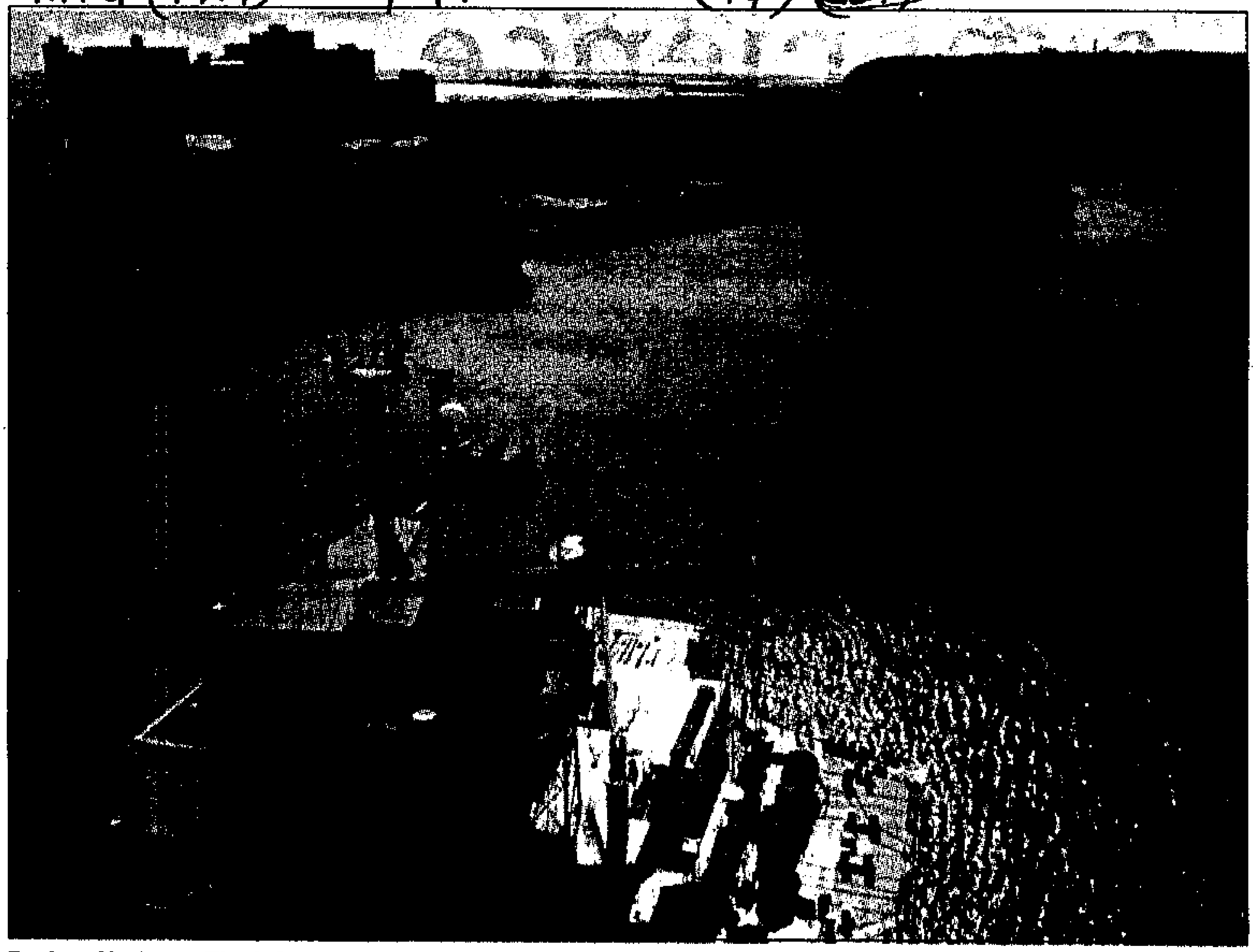



Samsudin was part of a delegation of Malaysian businessmen who visited SA at the invitation of government in October 1993. He recalls being greatly impressed with the sight of Johannesburg and its suburbs sprawling northwards as he landed at Lanseria airport. Later, he was so taken with Sol Kerzner's Lost City — "a wonderful tourist facility built out of nowhere" — that he stayed on for an extra three days. "I was surprised at the country's first class infrastructure," he says. "The businessmen I met seemed very mature."

That convinced Samsudin

# Portnet charts new waters

MtG (BM) 2-8/8/96 (74)



Durban Harbour: The infrastructure and staff at South Africa's ports require urgent attention

PHOTOGRAPH: ADAM WELZ

South Africa's giant port authority, under new directorship, faces up to the growing pressures of burgeoning trade, writes **Lynda Loxton**

NEWLY appointed Portnet executive director Sipho Nyawo had an unusual brainstorming session in Cape Town this week to help him map out what should be done to the giant port authority to meet the needs of burgeoning post-apartheid trade.

Held only four weeks after his appointment and including representatives from as far afield as Hong Kong, Britain, Germany and New York, the conference provided Nyawo and his top officials with a unique opportunity to tap into sometimes conflicting views on port management, whether ports should be privatised or not and the role of unions in keeping ports operating.

Hong Kong-based Ahrenkiel Liner Service Limited managing director Peter Nash said the previous, white management had not made vital decisions about upgrading facilities such as container terminals to meet increased traffic flows after the first all-race elections in 1994.

The cross-fertilisation of ideas at the conference would help Portnet have a better informed view when making these and other important decisions, Nash said.

Nyawo, who has trained in ports around the world, said that although he had had some experience in Portnet before his appointment, he realised that he needed to consult fairly widely to get a better grip on the issues, pitfalls and challenges facing him.

Afterwards, he said the experience had been worthwhile and he planned a follow-up conference with the same delegates a year from now to measure progress.

The initiative was welcomed by the local and international delegates, even though, as Wolf Arlt of the Port of Hamburg put it, there was some initial suspicion about the purpose of the meeting. But that soon dissolved "and we had a really good discussion".

That the infrastructure and staff at South Africa's ports need urgent attention is well known. Unprecedented flows of imports and exports all but clogged the major ports last year and labour unrest has often ground one or other port to a halt.

**'... part of the problem had been the us and them approach of previous [white] management ... and inadequate training and poor staff relations'**

In addition, as Safmarine managing director Tony Farr pointed out, productivity is not as high as it should be. Security has also been a problem and Nyawo said a top priority would be to beef it up with the help of Felixstowe port officials in Britain.

Nyawo said part of the problem had been the "us and them" approach of previous [white] management, the lack of communication between port officials and their clients and inadequate training and poor staff relations.

During the conference, delegates identified certain key areas that needed attention and Nyawo said that he would be appointing an advisory group to help him deal with the issues raised.

The key areas included port regulation, improved client relations through a national stakeholder forum, improved tariff and pricing policies, security, productivity and training, a more participative management approach to infrastructure development and improved marketing of ports.

Nyawo also announced that Portnet would spend more than R950-million in 1996/97 to upgrade South Africa's ports to handle increased traffic.

The upgrade would include a new quay at Richards Bay, a new terminal at Saldanha Bay and new grain elevators at East London and Port Elizabeth.

He also hinted that major new developments would be announced "in six weeks' time" to improve container handling facilities in the two Eastern Cape ports.

The conference also gave Portnet a chance to air the controversial issue of whether it should be privatised or not. Delegates heard about the ports of Hong Kong and Felixstowe, which were privatised and highly efficient and Singapore port which was government-owned, but was moving towards privatisation.

Union representatives at the conference reiterated their opposition to privatisation, but said that if the present restructuring agreement indicated that this was what was needed, "we will address it when it comes".

Nyawo said he was also awaiting the completion of the restructuring exercise under the National Framework Agreement, but that he had been encouraged by the "practical" approach of the unions.

Other issues that were discussed included the development of hub ports to serve the region and whether the development of the Maputo corridor would not take traffic away from South African ports.

# Anti-dumping duties slapped on polymer

(74)

Nicola Jenvey

BD 5/8/96

DURBAN — Government has slapped anti-dumping duties on polymer imports following complaints from SA's dominant producer Polifin.

The Board on Tariffs and Trade said at the weekend that the duties — on polymer imports from the UK, US, France and Brazil — would remain in place until December 27, pending further investigation and responses from the industry. The closing date for responses is today.

The move follows an application by Polifin — jointly owned by Sasol and AECI — claiming imports had "suppressed and undercut its margins".

But industry players slammed the decision, claiming Polifin was "bullying" the market. Such imports are estimated to account for less than 2,5% of 130 000 tons of local demand.

The provisional duties pin a R1 050/ton burden on UK imports, R670/ton on Brazilian imports, R550/ton on US imports, and France a R230 duty — on top of the normal 10% ad valorem tax the imports face. Polymer prices currently range between R3 500 and R4 500 a ton.

Polifin, which reports its year-end figures today, lifted prices of plastics raw materials 12%-15% in May, arguing that local prices were closely tied to international price movements. Prices slumped 30%-50% last year following the withdrawal of Chinese demand.

SA Polymer Importers' Association chairman Ian McMorran said Polifin was already protected by the weaker rand and the ad valorem duty. Further duties were "only high-handed measures to reduce competition".

Dancor MD Greg Daniel said Polifin's application to the board had as-

Continued on Page 2

## Duties

(74)

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sumed extreme import prices and ignored domestic taxes.

Other sources said Polifin was also exporting polymer to neighbouring countries at "very aggressive prices".

But Polifin defended the measure, claiming the volume of polymer entering SA was "not the issue". It said importers had forced price cuts of up to 20% since the early 1990s. "Polifin expects protection against disruptive pricing structures," a spokesman said. "Importers can source from countries not dumping in our market."

Board anti-dumping committee deputy director Leora Blumberg said the onus was on the industry to provide information to refute the dumping claims. She said the board had reacted to Polifin's application on "the best information available".

# Zambia wants trade deal with SA

ET 7/8/96 (74)

By Shirley Jones
KWAZULU NATAL EDITOR

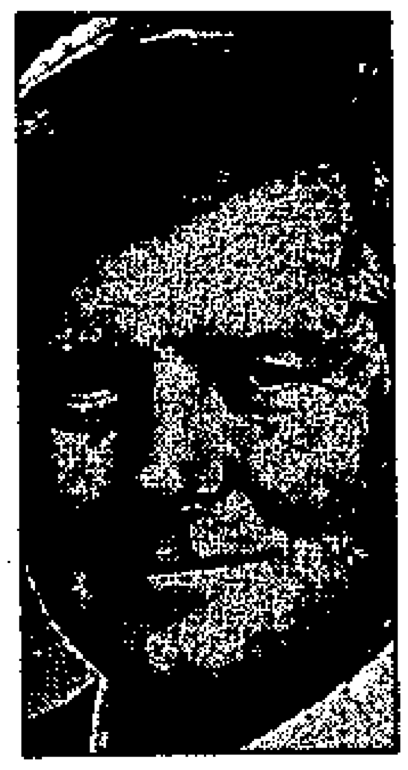
Durban — Zambia is set to demand a preferential trade agreement with South Africa after last week's preferential trade pact with Zimbabwe that forced the local clothing and textile industries to compromise on tariffs and local-content provisions.

Brian Brink, the executive director of the Textile Federation, said the Zambians were about to approach the trade and industry department.

Bernard Richards, the president of the Clothing Federation, said though nothing could be confirmed at this point, the clothing industry had made it clear to the government that a "one plus one plus one" approach to trade agreements was unacceptable because a plethora of trade agreements would be chaotic.

He said all future negotiations should be handled in terms of a wider Southern African Development Community (SADC) trade-protocol agreement.

He said the clothing industry had only compromised on the Zimbabwean trade pact, which was agreed to in principle with the understanding that it would dissolve into an SADC trade protocol within three years.



*Bernard Richards*

Tariffs on clothing imported from Zimbabwe would drop to 30 percent for three years and to 20 percent by 2000.

Brink said the Zimbabwean agreement was not a train smash — the stipulated quotas amounted to just 1 percent of South African domestic production — but industry leaders would have to "watch the track ahead as it had set a dangerous precedent".

He said the market penetration of imported goods would increase as more countries jumped on the bandwagon.

Brink said the industry still had the right to review the process whereby Zimbabwean authorities issued permits and the South African customs and excise department monitored them.

Both industries were comfortable with the much-debated local-content specifications.

Lomé conditions now applied, so two processing stages had to occur in Zimbabwe, or one stage in the Southern African Customs Union and a final processing stage in Zimbabwe.

Brink said Zimbabwean clothing and textile operations could compete with their South African counterparts on price because their production costs were way below South African companies' costs.

Their labour costs were a third of South Africa's and their quality was in the medium range, as was most South African manufacturers'.

From the clothing industry's point of view, Richards admitted that trade deals such as the one concluded with Zimbabwe would make it easier for South African operations to relocate across the border.

Clothing manufacturers have hinted that this could be an attractive option after the recent clothing strike and in view of the wage gap between Zimbabwe and South Africa.

Alec Erwin, the trade and industry minister, and Nathan Shamuyarira, his Zimbabwean counterpart, described the agreement as a step forward in trading relations between the countries.

*Talks would be seen 'in SADC context'*

# SA favours regional trade deal

(74)

CT (BR) 8/8/96

By Marius Bosch

Johannesburg — South Africa, pressed by Zambia for preferential trade terms, favoured a regional trade agreement rather than individual pacts with its neighbours, government officials said yesterday.

South Africa and Zimbabwe settled a four-year trade dispute last week in which South Africa agreed to cut its import tariffs by up to 60 percent.

Encouraged by the deal struck with Zimbabwe, Zambia now seeks a similar agreement for lower South African tariffs of between 40 and 80 percent on its exported goods.

"We will obviously be stepping up our efforts to reach a meaningful trade agreement with South Africa. After all, our problems are similar to Zimbabwe's," said Mark O'Donnel, chairman of the Zambia Association of Manufacturers.

He said trade between the two countries was grossly unbalanced, with Zambian exports to South Africa valued at only $15 million compared with South African imports worth $300 million last year.

"Zambia could export goods worth $100 million more to South Africa," O'Donnel said.

The South African government said it was aware of Zambia's efforts to secure preferential trade tariffs, but favoured establishing a southern African trade agreement linking the 12-member Southern African Development Community (SADC), said Busi Gaboo, South Africa's foreign trade relations deputy director-general.

"(Trade talks) would be seen in the whole context of SADC, rather than just Zambia," he said.

Members of SADC are Mauritius, Angola, Lesotho, Swaziland, Zambia, Zimbabwe, Mozambique, Namibia, Tanzania, Malawi, Botswana and South Africa.

Another senior South African government official said SADC ministers were due to sign a regional trade protocol in Lesotho later this month.

"Eventually it seeks to look at the question of a free trade area within southern Africa," he said.

O'Donnel said Zambia's manufacturing sector believed Pretoria was delaying the conclusion of trade talks with Zambia.

"We haven't made any progress towards reaching a trade agreement with South Africa. We have sent schedules of goods we wish South Africa to give preferential tariffs to, but South Africa has been dragging its feet," he said. The goods for which Zambia seeks preferential tariffs include copper-wire cables, agricultural products, textiles and yarns. — Reuter

**THURSDAY**
AUGUST 8, 1996 ★

# Ginwala to co-chair US trade body

(74)

**POLITICAL WRITER**

CT 8/8/96

THE Speaker of the National Assembly, Dr Frene Ginwala, is to become a co-chairperson of the Global Coalition for Africa, a Washington-based body which links the continent with its main trading partners.

The organisation, which was established in 1991, is a forum which monitors Africa's most critical social and economic developments and seeks consensus on policies and programmes of action.

It is co-chaired by the President of Botswana, Sir Ketumile Masire, the Minister of Development Co-operation in the Netherlands, Mr Jan Pronk, and the former president of the World Bank, Mr Robert McNamara, and is headed by Dr Boubakar Diaby-Ouattara.

They have proposed that an additional three co-chairpersons be appointed — Ginwala is to be one of them.

The coalition argues that Africa can only grow through effort from within the continent, but to achieve results it needs well-co-ordinated outside support and a strong working partnership with northern donors. It also tries to mobilise international support for the continent.

Ginwala's nomination will be confirmed in November at the coalition's plenary in Maastricht, Holland.

AIRPORTS, PORTS & SMUGGLING

(74E)

## FLIGHTS OF FANCY

FM 9/8/96

**SA has 36** international airports, more than twice the number in Britain, France and Germany combined. Some are little more than bush strips, without air traffic control, regular policing, customs or immigration checks — yet every one is officially entitled to handle flights into and out of the country.

As a result, some of these airports have become quick conduits for airborne smugglers of high-value goods such as arms, drugs, pharmaceuticals, music discs and electronic components. Air smuggling is a small but growing part of an illicit import trade estimated to cost SA R2bn in lost Customs & Excise duties each year — possibly 10 times that amount if one counts associated Vat fraud and lost business opportunities.



Most of the heavy items, though, enter through poorly manned border posts and ports. Evidence of this is the recent police seizure in Durban and Newcastle of illegally imported second-hand trucks and luxury cars worth R10m.

Water Affairs & Forestry Minister Kader Asmal, who chairs the National Conventional Arms Control Committee, has singled out the airports as a major link in the alleged illegal shipments of weapons from SA to Burundi, where ethnic conflict is threatening to boil over into full-scale civil war.

Lanseria and Wonderboom airports near Pretoria were long used for clandestine flights during the sanctions-busting era and for ferrying military supplies and personnel to and from Unita forces in southern Angola.

Police believe these two facilities are still favoured by covert operators for drugs, guns and assorted contraband as they are centrally located and neither airport monitors air traffic overnight.

Typical of most mid-sized airports, Wonderboom's immigration officer, who handles customs as well, works from 7.30 am to 4 pm Mondays to Fridays. International arrivals or departures outside those times are supposed to notify him in advance so that he can be on hand to meet the flight — at R30 an hour.

Many international flights don't bother as there is no-one to check on them after hours or, if there is, they comply with their flight plans and go on to another, unscheduled internal airport to unload their goods.

Home Affairs wants to cut back on the number of international strips and institute stiffer regulations for the remainder. Some airport companies which reap a sizeable proportion of their revenues from international flights oppose this and the matter remains in contention.

The problem is not so bad at the nine former State-owned airports, which are geared to handle freight and passengers from the big scheduled carriers and comply with international security and customs/immigration regulation.

It's the medium and small-sized strips, which handle few international flights and don't warrant full-time customs and immigration staff, that need attention.

Home Affairs is drawing up new regulations that would require international flights to notify customs and immigration officials in advance of their intended arrivals or departures so that officials can be on hand, says the department's assistant director, Willem Vorster.

Home Affairs, the SA Revenue Service, the Departments of Trade & Industry, Transport, Finance and the police all have an interest in border control — and all have separate laws. Talks have started among the departments to streamline procedures and possibly merge all border control authorities into a single agency.

The airport problem stems from the Eighties and early Nineties when Home Affairs granted international status to many small airports to enable transnational companies to fly more easily to and from their operations in neighbouring states. These include Mala Mala game reserve, which has interests in Botswana; Alexander Bay and the tiny settlement of Kleinsee in the north-western Cape because of De Beers' operations there and in Namibia; and Ficksburg, Ladybrand and Aliwal North airports because of their proximity to Lesotho. ■

# China to meet SA on trade problems

CT (MR) 14/8/96 (74)

By Shirley Jones

KWAZULU NATAL EDITOR

Durban — A Chinese trade delegation will visit South Africa for three days next week to try to smooth the waters after complaints by four South African industries that cut-price imports from China are disrupting the local market.

A spokesman from the trade and industry department said yesterday that the Chinese delegation's visit was a result of an announcement by the Board on Tariffs and Trade that it would investigate complaints from manufacturers of footwear, travel luggage, ceramics and tableware, and wooden clothes pegs.

China had responded by requesting further information about the problems, he said.

The trade and industry department spokesman said the discussions could not change the controversial voluntary export-restraint agreement signed with China in May. No formal trade pact was possible until the two countries had established full diplomatic relations, he said.

Local industry and labour groups will meet today to prepare for the visit.

Industry and labour sources, who asked not to be named for fear of disrupting the sensitive negotiations, said today's meeting would enable them to investigate options for dealing with dumping and cut-price imports from China.

The clothing and textile industries have loudly condemned cheap imports, but they will be conspicuously absent from the planned meetings. The department said that they had not submitted any complaints.

Brian Brink, the head of the South African Textile Federation, said the industry's complaints against cheap imports were not directed against China alone.

Brink said though there was a large volume of Chinese imports, they were part of the far bigger problem of imports from the East.

Chinese imports were often re-routed through Hong Kong, he said.

"We suspect that a lot of Chinese imports are fraudulent. This is our biggest gripe. As long as the correct duties are applied, we will muscle on," he said.

# Govt tariff policy justified — Erwin

BD 15/8/96 (74)

CAPE TOWN — Trade and Industry Minister Alec Erwin yesterday denied that government was fast-tracking tariff cuts at the expense of some sensitive SA industries.

While briefing the parliamentary trade and industry committee, Erwin admitted, however, that tariff cuts would take place in the clothing and textile industries quicker than the World Trade Organisation tariff ceiling which had been negotiated.

He said this had been decided on by government, business and labour in the best interests of the industry as a whole.

"Some of the tariff issues are very much more complex than they would appear to be on the surface," Erwin said.

In terms of the Uruguay Round, binding rates on tariffs had to be cut by an average of 33% in three years for developed countries and in five years for developing countries.

"SA was given five years, not because it is seen as a developing country but as an economy in transition," Erwin said.

SA's schedule of maximum tariff levels bound 99% of its tariffs, excluding oil and armaments.

Erwin said the situation was complicated by the fact that the Uruguay Round also required, in terms of the tariffs, the conversion of protective measures such as high specific duties into ad valorem tariffs.

"The binding rate offer we made to Uruguay was higher than the actual tariff at that time," Erwin said. "That meant that there was not a great need to meet the new binding rate because the majority of products were already below the binding rate," Erwin said.

Yet there was "clearly some misunderstanding at times because people think that we are bringing down tariffs massively… They do not realise that it is the binding rate and not the actual rate that is coming down," he said.

In the case of the clothing and textiles industries it was felt that it would be in their best interests to reduce tariffs over seven years rather than 12 years.

"So in that sense, yes, it is faster than the GATT agreement that we had, but the reasons for that are mainly to try to allow the industry to restructure, recapitalise, retrain so that it can be effective," Erwin said.

The automotive industry had been given eight years to reduce tariffs and government had stuck to that timetable.

"So, it is a complex issue but I want to state very clearly that any notion we are somehow rapidly fast-tracking the tariff adjustment is not the case," Erwin said. —Reuter.

# Nedlac observer status sought

BD 15/8/96

Tim Cohen (74) (~~[illegible]~~)

CAPE TOWN — The parliamentary trade and industry committee yesterday indicated it would be seeking observer status at the National Economic, Development and Labour Council (Nedlac) and would be particularly keen to be present during the debate on competition policy.

Committee chairman Edna Molewa made the proposal at a meeting between Nedlac representatives and committee members yesterday, which was designed to improve at times strained relations between Parliament and Nedlac.

Molewa suggested that more formal links between the committee and Nedlac were necessary.

Nedlac executive director Jayendra Naidoo said the main way accountability had been ensured in the past was through the structures of the different sectors represented at Nedlac.

Naidoo suggested other methods should also be considered to bring about a more formal relationship between Nedlac and Parliament. These included more regular Nedlac briefings of parliamentary bodies.

Committee members endorsed this idea, and suggested that the convenors of Nedlac substructures might also brief parliamentary bodies when the need arose.

BD 15/8/96

# SA urged to go for Europe's trade deal

Independent Foreign Service

(74) ARG 16/8/96

WASHINGTON. – The International Monetary Fund (IMF) has suggested that South Africa should accept the European Union's offer of a Free Trade Area (FTA) with Europe, rather than the Lomé Convention-style relationship it seeks.

This would help South Africa in the long term by making its exports more competitive in the world and creating jobs, the IMF says in a new report on its annual survey of the South African economy.

The IMF says that an FTA would accelerate and consolidate the lowering of South Africa's import tariffs – forcing South African manufacturers to price their products more competitively in international markets.

This would promote growth and reduce chronic unemployment. The IMF believes one of the main causes of unemployment is that protective tariffs have allowed South African manufacturers to maintain excessive domestic prices.

As a result they have been able to lift skilled labour wages to levels which would be unaffordable in an open market. These high skilled wage levels discourage foreign investors from setting up in South Africa if they hope to export from there.

A FTA agreement would hold South Africa to lower import tariffs and so force its manufacturers to lower wages to compete in Europe. That would make them more competitive elsewhere in the world too.

The EU last year rejected the South African government's request to join the Lomé Convention, an agreement which gives developing countries duty-free access to the European market.

# Free trade pact with EU could help fight unemployment

(74)

**SIMON BARBER in San Diego** BD 16/8/96

WHY enter a free trade area agreement with the European Union? The answer most people would think of first is: to obtain preferential access to Europe's markets for SA exporters. That is fine as far as it goes, say IMF economists, but there is a better reason: to add discipline to SA's own trade reforms — discipline that is needed if SA producers are going to become more competitive on international markets, which they will have to if the country is going to deal with its crippling unemployment problem.

This argument is advanced in the IMF's latest annual staff country report, which strongly recommends that government concludes free trade area negotiations with the EU, notwithstanding the latter's "highly regrettable" resistance to granting wider preferential access to SA agricultural goods. "The larger benefit of the FTA is its potential role in increasing access for all SA exporters by strengthening their competitiveness."

Government's commitment to opening the hitherto inward-oriented SA economy to foreign competition is splendid as far as it goes, the report says. SA's tariff reduction undertakings to the World Trade Organisation are worthy, as are the even deeper cuts on many lines it has announced as its own targets. Equally positive are the elimination of import surcharges, winding down of export subsidies and the deregulation of agricultural marketing.

Nonetheless, IMF staff are uneasy. First, government's tariff cutting targets still exhibit a high degree of "escalation", a term of art which means that the more a particular product is processed the higher the tariff rate to protect it from imports. Second, there is still too much room for discretion in setting rates. Tariffs on some products are already below upper limits pledged to the WTO — and so have room to rise — while in other cases the government's own targets, as daring as they might seem, have the potential to turn rubbery. The authors see goals SA is "irrevocably" committed to as "relatively limited".

"Notwithstanding the authorities' repeated undertakings not to adjust the schedules or end targets," the report notes, "the scope for such adjustments was illustrated by a decision in early 1996 to raise the import tariff on alumina in light of the circumstances of the single local supplier, albeit on condition that the supplier provides regular reports concerning measures it is taking to improve productivity."

Because government has not committed itself to ending tariff escalation, there are also some dodges it can pull to protect final goods by reducing tariffs on imported inputs ahead of schedule, while sticking to the timetable for reductions on manufactures, thereby increasing the effective level of protection for the latter. All in all, there remains "uncertainty over the path of effective protection in individual industries". Uncertainty, in the view of the report's authors, is bad for a couple reasons. First, it encourages prevarication. Nobody questions that the adjustments South African companies will have to make to be able to compete against world price imports may be painful.

Jobs may be lost and profits squeezed in the short term. However, the more malleable the reform targets, the more both employers and employees may feel encouraged to press the authorities to slow or halt the process. The more protracted the adjustment period, the higher the costs in foregone employment and output. Second, uncertainty deters new investment. An investor considering building a new plant to make widgets for export might well prefer to wait until the "final" trade regime is in place before taking the plunge. "This slows the pace at which unemployed labour is absorbed into such activities."

It is a central contention of the report that SA's inability to create private sector jobs is intimately bound to the protectionist, import-substituting policies of the past, combined with the shortage of skilled labour that is one of apartheid's most vicious legacies.

Among the most salient features of the SA economy is that while employment in the non-agricultural private sector has dropped 10% since 1990 — and as many as 40% of working age black people may be unemployed — almost anyone with skills can find a relatively high-paying job. Trouble is, the market for skilled labour clears at levels of remuneration that render employers in skill-intensive sectors, notably manufacturing, internationally uncompetitive.

If the skilled market is continuing to clear (ie accommodate all skilled workers who want work), the report observes, it logically follows that firms are not uncompetitive because labour unions are pushing up wages beyond market clearing levels. The real problem is, one, that there are not enough skilled workers and, two, "protection ... which enables firms to survive in the domestic market with inflated cost structures, but which impedes them from competing abroad" and thereby imposes a tight constraint on their growth.

That is why the report's authors view any shilly-shallying on trade reform, or potential for drift, with concern. Phased reductions in tariffs are fine, to give firms the opportunity to adjust, but timetables and targets must be hard.

Entering a free trade area pact with the EU would be a good way of hardening them.

Current trade reform charts a downward course for tariffs until 1999 on most industrial products, 2000 for agricultural products, and 2002 for the products — chiefly textiles and clothing, motor vehicles and parts — of industries deemed "sensitive". The free trade area would extend the reduction schedule to 2006 and require more ambitious cuts.

In some areas, especially manufactured goods, the authors contend, reductions would be accelerated.

Importantly, "the FTA would substantially diminish the degree of discretion in the trade reform process by making a much higher portion of tariff lines subject to ceilings agreed in a formal agreement with an external bilateral partner".

It would also "eliminate the tariff escalation implicit in both the WTO and the authorities' own targets for tariffs".

In advocating the free trade area, the report concedes that there would be a downside for SA's customs union partners — Botswana, Lesotho, Namibia and Swaziland — who would be likely to lose revenue from the shared customs pool (which stands to be reduced anyway under current liberalisation) as well as the comparative advantage as an investment destination they have enjoyed by virtue of membership in the Lomé convention.

They would also, of course, face the same added competitive pressures as SA from the phase-down in tariff levels. As for the rest of the Southern African Development Community, it too would stand to lose the notional Lomé edge.

Such difficulties, the report argues, would be more than offset. Inasmuch as the free trade area stimulated growth and employment in SA, the region would benefit from the expanding market.

The Customs Union would also gain from cheaper imports, and the nudge to become more competitive. A growing SA might also be more enthusiastic about the trade liberalisation process it has begun with its SADC partners.

"The FTA," the report concludes, "embodies more ambitious targets for liberalisation, albeit phased in over a longer period, than the (SA) authorities' own targets. Since effective protection will remain considerable in many industries under the authorities' targets, it will continue to constrain growth through ... high remuneration of skilled workers, excessive capital intensity in production, and weak export competitiveness. Thus, a more ambitious trade reform would raise growth to levels adequate to begin to reduce unemployment."

In other words, Trade and Industry Minister Alec Erwin needs, in the IMF's view, to chew harder on the bullet.

# Customs says it loses R100m a month in Northern Province

(74) BD 19/8/96

PIETERSBURG — Hundreds of millions of rands were being lost through evasion of taxes and excise duties at border posts in Northern Province due to corruption and maladministration, customs law enforcement task group co-ordinator Daan van der Linde said on Saturday.

The task group, which is investigating malpractice at Beit Bridge border post involving an estimated R100m loss of state revenue each month, believes its own estimate could be way below reality.

Northern Province has eight border posts and Van der Linde said all were used regularly to evade excise duties and taxes.

Corruption and maladministration were the principal causes, he said.

Nine people have already been arrested on more than 520 charges, including tax evasion on a wide variety of imports and exports.

The income lost to the state in these investigations alone amounted to more than R85m, Van der Linde said.

"However, that is only the tip of the proverbial iceberg and it is estimated that income losses in reality amount to more hundreds of millions of rands in evasions of VAT, import taxes and excise taxes."

Van der Linde said the task group could have uncovered many more incidents and transgressions had it not been for lack of manpower.

SA's economy was threatened by malpractice at border posts as local manufacturers were unable to compete with the prices of goods entering the country illegally.

In addition, it was practically impossible to inspect the thousands of goods containers offloaded at SA's harbours every month.

Goods brought into SA untaxed and illegally included textiles, vehicle tyres, electronic equipment, food, luxury motor cars and even umbrellas, axes and numerous other "seemingly unimportant products for everyday use", Van der Linde said.

He said goods in transit were not taxable, and many agents were claiming goods were in transit and then selling them locally, avoiding taxation. Agents would also claim they were importing second-hand goods when they were bringing in new goods. — Sapa.

# Unions split on Telkom strategic equity partner

**Reneé Grawitzky**

(268)

ONE of the two Telkom unions has yet to finalise its position on whether it would agree to the plan by the post and telecommunications ministry to approve a Telkom strategic equity partner in the near future.

In the wake of the telecommunications sector meeting in terms of the national framework agreement on state asset restructuring tomorrow, elements within labour appear divided on whether to agree to such a route.

BD 19/8/96

Labour sources said indications were strong that government, instead of appointing one strategic equity partner, was considering either two or a combination of a US interest (South Western Bell) and two European interests.

Union sources who participated in the overseas visit to assess potential partners indicated that no consideration was given to exploring alternatives to privatisation, as indicated earlier by the Ministry.

The Communication Workers' Union indicated that a labour task team was developing a labour position and was considering all options available. This report was expected to be completed by the end of August. This could delay the process slightly as indications were that the ministry was intent on reporting back to the Cabinet early in September on progress made towards agreeing on a partner.

Labour sources indicated that the leadership of the union were divided on this issue while other unions, including the SA Telkom Association, did not appear to be opposed to a partner.

Unions, including the SA Telkom Association, were concerned that discussions revolved more around the customer than the future of employees.

The Mineworkers' Union which was not party to the national agreement process but had representation within Telkom, indicated that it was not opposed to a partner.

# Flood of applications

(205)

**Ingrid Salgado**

BD 19/8/96

THE Central Statistical Service will start recruiting about 80 000 enumerators this week before October's national population count.

There had already been "an unprecedented response" from the public to a radio and print campaign launched last week, census publicity manager Theresa Pretorius said at the weekend. Census regional offices had been swamped with people wishing to assist.

Applications would be accepted from the beginning of this week.

People wishing to apply would require at least a matric qualification, should write legibly, have knowledge of their local community's language, be able to read maps and follow verbal descriptions of locations.

Senior personnel including chief enumerators and controllers should have supervisory experience, valid drivers' licences and transport. Controllers should also have tertiary education and training experience.

## Negative balance with most regions

# SA's African trade links show growth

(74)

BD 21/8/96

**Tim Cohen**

CAPE TOWN — Government has released a consolidated, country-by-country breakdown of SA's trade for the first time which shows SA's growing reliance on exports to African countries. The figures also show that SA trade is strongly weighted towards relatively few countries, with its top 20 trading partners accounting for 85% of its imports and 56% of the exports.

The regional breakdown shows that SA has a negative trade balance with almost all regions other than Africa, most markedly with the EU.

Hefty negative trade balances are also recorded with the North American Foreign Trade Association and with Asia. Compensating for these negative trade balances are large increases in SA's exports to African countries, including Zimbabwe which has become SA's eighth biggest trading partner, leapfrogging Belgium, France and the Netherlands.

The figures also show a strong increase in imports from countries in the Middle East, including Iran which become SA twelfth biggest trading partner last year in comparison to its 47th position in 1994.

SA's four biggest trading partners remained the same last year, with Germany retaining its first place, followed by the UK, the US and Japan. Following this Italy swapped places with Switzerland, while Taiwan retained its seventh spot.

SA's trade balances with its top five partners were all negative, with SA showing a huge negative trade balance of R11,48bn with Germany, partly reflecting partly SA industry's large post-apartheid appetite for German machinery.

SA's negative trade balance with Germany was almost twice as large as its negative trade balance with the US. SA's negative balance of R4,7bn in Japan's favour was slightly more than that of SA's 12th biggest trading partner Iran, which has become SA's major oil supplier.

A huge R3,5bn trade balance in SA's favour with Zimbabwe was recorded last year, while exports to Mozambique, Zambia, Mozambique and Kenya also tipped in SA's favour. The figures show trade between SA Customs Union areas and other countries, and therefore trade with Namibia and Botswana, among others, do not show.

Although SA showed an overall negative trade balance with the European Union, trade in its favour did take place with some European countries, including Switzerland, Belgium and the Netherlands.

The People's Republic of China

**Continued on Page 2**

## Trade

(74)

BD 21/8/96

**Continued from Page 1**

dropped a place from being SA's 14th biggest trading partner in 1994, with a balance of about R800m in China's favour. Taiwan, by comparison, retained its seventh position, with a balance of about R700m in its favour.

Apart from Iran, other Middle Eastern countries rose significantly in the ranks, including Yemen which jumped from 154th place to 54th. North African countries also showed significant rises, including Tunisia which jumped from 123rd place to 71st and Mali which moved from 106 to 75.

Countries of the former Soviet Union also began to feature last year, with the Czech Republic jumping from 149th to 66th place.

Countries whose trade with SA declined significantly included the Cayman Islands and Rwanda.

# SA needs to steer accurate course in trade talks with EU

(74)

**ROB DAVIES**

BD 21/8/96

SIMON Barber reports (Business Day, August16) that IMF economists are arguing that a "better reason" for entering into a free trade area agreement with the European Union, than seeking improved access to the EU market, is that this would "add discipline to SA's own trade reforms — discipline that is needed if SA producers are going to become more competitive on international markets".

This argument echoes a line now emerging in certain EU circles in response to criticism that the distribution of costs and benefits in the proposal put forward in the EU's detailed negotiating mandate is somewhat skewed against SA and southern Africa.

What we are, in effect, being told is that a proposal under which SA would get something like 7% additional duty-free access into the EU, in return for allowing the EU additional duty free access into the SA market of the order of 40%, is nevertheless beneficial to SA because it would allow us to make credible a programme of tariff reform by tying it to an international agreement.

In this line of thinking, what are, in reality, obligations we would be required to assume in a reciprocal agreement are recast as benefits, and the evident imbalance in the distribution of costs and benefits disappears as a non-issue.

We need to contest this. Any connection between the current negotiations and expressions of desire to assist SA in its efforts to promote democracy, reconstruction and development is purely coincidental.

Trade negotiations with the EU will involve hard-nosed bargaining over commercial interest. If anyone doubts this, it should be pointed out that the European Commission has done an impact assessment of its proposal, which concluded: "... it is obvious that the EU has much to gain from an agreement with SA.

"The further opening up of the SA market in the context of such an agreement will create competitive advantages for EU exporters compared to exporters from the US, Japan and other suppliers of SA. The price the EU would have to pay for such an improved position in terms of loss of customs revenues is relatively low..."

The fact that IMF economists have reached the conclusions described by Barber should come as no surprise. "Unilateral trade reform" has been the recipe peddled by the IMF throughout the developing world. Whether any form of tariff reduction under any circumstances is an optimum policy for promoting growth and development countries is, however, quite another matter.

Presenting a paper at the North-South Round Table held in Johannesburg last October, Sanjaya Lall and Frances Stewart argued that whereas protectionist policies emphasised capacity development at the expense of efficiency, adjustment policies adopted in much of Africa in the 1980s "focused almost exclusively on efficiency, (paying) no attention to capability-building, thus effectively killing the goose that could lay the golden egg of efficient African industrialisation".

The way forward in the future, they suggested, was "to steer a delicate course between these two extremes".

Government's approach to tariff reform has, in fact, been far from minimalist. Tariffs have already been reduced at a rate faster than required in terms of our Uruguay Round obligations.

Also, the "Growth, Employment and Redistribution" document argues that accelerating the pace of such reductions is integral to the new macroeconomic policy framework. While this policy has generated considerable controversy, the point of departure of all sides has been some assessment of domestic capacity — and of the impact of any adjustments in tariffs on restructuring of the domestic productive base.

The point is that externally imposed liberalisations do not necessarily have that point of departure. They are driven by the interests of negotiating partners.

If making trade liberalisation credible is the main benefit to be gained from an agreement, how about extending the same logic to the EU? The EU's proposal envisages excluding about 40% of currently traded agricultural products from a free trade area — precisely those sectors where SA is currently most competitive.

An indicative schedule drawn up by the EU at the time it was preparing to mandate, suggested it would remove duties on only 55% of agricultural products — and on many of those only after 10 years.

Anticipating that the main sensitivities on the SA side would be in manufactured products, the indicative schedule proposed that SA should admit 88% of EU manufactured goods duty-free.

However, in order to reach the EU's proposed target of 90% coverage overall, this would require removing duties on 95% of EU agricultural imports. Under the EU's Common Agricultural Policy , many of these get subsidies which, to secure the Marrakesh agreement, the GATT was forced to allow to go on.

Agriculturists in both SA and Southern African Customs Union countries have said that having to accept EU imports which are duty-free and subsidised is scarcely a level playing field. Consistency would require the EU "chewing harder" on the bullet of agricultural policy reform. Yet the policy is central to the EU and unlikely to be sacrificed just for a free trade area with SA.

What we need is an agreement with the EU that is based on greater recognition of the relative capacities of the two parties, and which contributes positively to promotion of regional co-operation and integration, rather than fatalistically accepting as a "downside" undermining of the customs union — which the IMF seems to be recommending.

The assessment of the EU's proposals (and of our own negotiating mandate that is being prepared) needs to be firmly based on a concrete analysis of costs and benefits, and not on abstract and ideological notions of the alleged benefits of making some externally driven liberalisation credible.

An agreement that can contribute to growth and development in South and southern Africa needs to be based on recognition of the principle of asymmetry both in timing and in content.

The EU's current proposal allows for asymmetry only in timing. It envisages that both sides reach a target of removing duties on 90% of each party's imports from the other, but allows SA a little longer to reach this target. The idea that both parties must reach the same end point is said to be necessary to meet a World Trade Organisation requirement that a free trade area should cover "substantially all" trade.

Discussions in the European parliament and some of our own interactions have, however, established that:

□ There is no WTO rule or even established convention that requires a free trade area to cover 90% of trade;

□ There is no requirement whatsoever that liberalisation percentage should be the same for both parties.

Significantly different end points could be arrived at by the two parties — based on recognition of their very different capacities — in an agreement that is WTO-compatible.

The possibility also exists of a period of nonreciprocal preferences, before a reciprocal free trade area kicks in. Several agreements the EU has with Mediterranean and Eastern European countries make allowance for this.

If it can move in these directions, an agreement with the EU could be beneficial, but we should be under no illusions that it will need considerable effort on our part to get there.

**□ Davies is an ANC MP, deputy chair of the joint standing committee on finance, a member of the national assembly's trade & industry and foreign affairs portfolio committees, and SA co-ordinator of the SACU parliamentary liaison group on the EU negotiations.**

# Free trade protocol looks set to dominate SADC's meeting

BD 22/8/96 (74)

SOUTHERN African Development Community leaders meet in Lesotho on Saturday to grapple with the thorny issue of regional trade.

The one-day annual summit of the 12-nation SADC in the capital Maseru will see regional leaders discuss protocols on trade, drug trafficking, energy and transport.

But the gathering looks set to be dominated by debate on a trade protocol aimed at eventually establishing a southern African free trade area, officials say.

SA dominates the regional economy, and many of its neighbours have been putting pressure on Pretoria for lower trade tariffs on their goods.

The SADC consists of Mauritius, Angola, Lesotho, Swaziland, Zambia, Zimbabwe, Namibia, Mozambique, Tanzania, Malawi, South Africa and Botswana.

Earlier this month, SA ended a four-year trade dispute with Zimbabwe by agreeing to lower tariffs on certain goods but shied away from Zambian requests for similar treatment.

SA said it favoured a regional trade pact rather than pacts with individual countries, but acknowledged agreement on the trade protocol would be difficult to reach.

"If (the protocol) is not completed now, it will just be initialled now and completed at a later stage," a foreign ministry spokesman said.

"The ultimate objective of the trade protocol is to create an integrated regional market in order to boost economic development, diversification and the industrialisation of the region," the SADC secretariat said. — Reuter.

BD. 23/8/96

# Trade barriers draft wins nod

(74)

MASERU — A draft protocol aimed at the elimination of trade barriers between Southern African Development Community member states within eight years was approved by the council of ministers yesterday, ending more than two years of negotiations.

Zimbabwean news agency Ziana said the draft, which would be a significant step towards regional integration, aimed to enhance economic development, diversification and industrialisation. It would be presented to heads of state and government for approval and signing at the community's annual summit in Maseru on Saturday.

Once signed, member states would begin work on a schedule for the phased reduction of tariffs on various goods. The protocol would become effective after being ratified. — Sapa.

REGIONAL TRADE (74)

## ALL IN TOGETHER

FM 23/8/96

**Encouraged by** SA's bilateral trade deal with Zimbabwe, Zambia is now eagerly awaiting an invitation to the party. So too are Tanzania and Malawi. What's good for Zimbabwe, they say, is good for the rest of the Southern African Development Community (SADC).

Realising it cannot bestow favoured trading status on just one member, SA's next obvious move is to seek an agreement linking the 12 SADC countries in what can be only be interpreted as the embryo of a free trade area.

Hopes are high among SADC members that the huge trade imbalance with SA will soon be an anachronism. Progressive removal of nontariff and tariff trade barriers are anticipated.

As the new deal is awaited, charges of restrictive tariffs levelled by some members of the community at SA have already become muted. The SADC, comprising Angola, Botswana, Lesotho, Malawi, Mauritius, Mozambique, Namibia, Swaziland, SA, Tanzania, Zambia and Zimbabwe is due to meet in Lesotho at month-end.

*Alec Erwin*

Some members — Swaziland, Botswana, Lesotho and Namibia — enjoy favoured trade status with SA due to membership of the Southern African Customs Union — which does not sit well with other regional trading partners.

But now things look like improving. Trade analysts say the catalyst was the pact with Zimbabwe. Without it, a regional agreement would have taken much longer to put into place.

The dispute with Zimbabwe has been fought for the past four years following the imposition of stringent tariffs imposed after a 1964 preferential trade pact was terminated in 1992.

The new agreement will see barriers to imports from Zimbabwe cut from the present levels of more than 70% down to less than 30% from next month and eventually to 20% by 2000.

Driven by the plight of Zimbabwe's textile and clothing sectors, the agreement, however, did not give way to Harare's initial demands for an 18% import tariff for these industries.

But the new agreement is seen as a vast improvement over the 90% tariffs on clothing and textiles, 45% on fabrics and 32% on yarn, which had effectively shut the door on Zimbabwean exports to SA.

However, a trade deal may be too late to save smaller operators in Zimbabwe's textile and clothing industries which are said to be in tatters with 20 000 workers retrenched over the past few years.

Industry pundits point to the same scenario in SA. And what must be worrying to unions is the amount of mechanisation that has taken place in a cost-cutting manoeuvre to compete against a flood of illegal imports.

Real problems exist for labour in these sectors as some of the bigger players opt to replace man with machine. Though sensitive to unions, Frame and Seardel are already implementing some mechanisation. As a result both reported good results this month despite complaints of being hit by floods of illegal Far East imports, some of which were routed through Zimbabwe. What was apparent, however, were the tighter margins.

As many SADC members import the bulk of their raw materials, SA's manufacturers will attempt to hold out on the issue of a high local content for southern African exports. This should close out products that do not qualify. SA is also expected to demand protection measures against the influx of second-hand goods into the region which has also skewed the market and hit employment.

But, conscious of the World Trade Organisation, which frowns on bilateral pacts, Trade & Industry Minister Alec Erwin is certain to opt for a multilateral regional agreement.

As the powerhouse, SA has to take the lead by developing a trade strategy which will not only open up the region but also make it competitive in world terms. Tough yes, but not impossible. ■

onday, August 26 1996

# SADC in moves to establish free trade

BD 26/8/96 (74)

Tim Cohen

MASERU — Southern African leaders took a significant step towards establishing a regional free trade area at the weekend, signing a trade protocol which envisages the elimination of import duties over a three-year period.

Three other protocols were also signed by heads of state at the Southern African Development Community summit at the weekend, at which President Nelson Mandela was elected the organisation's new chairman.

The protocols provide for co-operation in combating drug trafficking, the harmonisation of energy policy and the integration of transport communications networks.

But delegates said that by far the most significant agreement was the trade protocol, which provides for the phased reduction and eventual elimination of import duties and other charges over an eight-year period.

Many countries in the region, particularly Zambia, had been pressing for a free-trade area in an attempt to counter SA's growing trade dominance in the region.

At the start of the summit, Zambian president Frederick Chiluba said his country was in danger of becoming a "dumping ground" for SA goods. Although Zambia was not considering retaliatory measures, he made it clear they were not off the agenda entirely.

Some SA academics have argued for in-depth analysis of the implications of a free-trade area, and in particular its potential effect on South African jobs.

The protocol signed at the summit went some way to satisfying this demand, with Trade and Industry Minister Alec Erwin saying there would be an initial six-month period of intensive sector-by-sector investigations involving Nedlac, among other players.

He said the first step towards the creation of a free trade area — an agreement on rules of origin — had already been completed, indicating the seriousness with which all parties were approaching the agreement.

Rules of origin, a technical formula used to determine whether a product formally qualifies as originating in a particular country, were specified in a schedule to the trade protocol.

Erwin said that loosely speaking, the rules of origin would be satisified if 35% of the products' value was added. Alternatively, a "stages of production" approach could be used.

Erwin described the agreement as "a breakthrough", noting it would require ratification by the parliaments of all 11 member-states. He said it would come into effect once three-quarters of the members had given their consent.

The agreement would constitute the first establishment of a free trade area since the World Trade Organisation came into existence, and would be remarkable because of the diversity in the scale of the various regional economies, Erwin said.

He acknowledged it would dramatically affect the customs union agreement and would affect SA's negotiations with the EU. But Erwin expressed confidence that despite the complexities involved, a meaningful agreement would be achieved.

Sapa reports that Mozambique's President Joachim Chissano was elected SADC vice-chairman.

A communique issued at the end of the summit said all member states had signed all protocols presented at the summit except for Angola which had not signed the protocols on trade and transport, communications and also meteorology.

# Port Elizabeth harbour to handle 1 000 cars a week

BD 30/8/96 (74)

**Own Correspondent**

PORTNET has confirmed it is to upgrade the Port Elizabeth car terminal to handle the bulk of SA's vehicle imports and exports.

It will bring in around R100m a year in revenue for the port authority, according to Port Elizabeth's business manager, multipurpose terminals, Claude Chidzero.

"But there is a bigger picture. It is part of a strategy to divert other cargoes to Port Elizabeth. We expect to create a lot more jobs down the line."

The terminal was intended originally for Durban. But, said Chidzero, Port Elizabeth proved to be a lot cheaper than Durban. "We have the land and we have a surfaced area, and the rest of our infrastructure can handle the extra traffic."

Five-million rands had been budgeted for the Port Elizabeth terminal, while upgrading Durban's facilities would have cost R20m, said Chidzero.

Portnet is looking at handling 50 000 trucks and cars a year in Port Elizabeth — or around 1 000 vehicles a week. "And it could be more. Certain car manufacturers have already tripled their estimates."

SA car makers are seeking export opportunities and for that they need this type of facility.

Chidzero said: "There are two types of car terminal. The first is a through-put terminal where cars spend no more than a day on the quayside. For that we do not need any cover. If the manufacturers want to keep vehicles there for longer, we will erect awnings."

Chidzero confirmed reports that Portnet was negotiating with Transnet to bring down the costs of railing vehicles to and from Port Elizabeth. "We want to bring Port Elizabeth as close to Gauteng as Durban is."

Port Elizabeth Regional Chamber of Commerce and Industry CEO Kevin Wakeford said "it will form the basis of a world class motor industry cluster, and adds value to our bid to attract motor vehicle assemblers and manufacturers to Port Elizabeth.

"Motor companies and component manufacturers are all looking at far higher levels of export and import. For any new development to be based inland is ludicrous."

# Ghana wants more trade with S Africa

Sowetan 19/8/96

(74C)

By Shadrack Mashalaba

THE West African state of Ghana wants stronger economic ties with South Africa, says the country's high commissioner, Dr Thomas Mensah.

Speaking at the eighth trade meeting at the Africa International Trade Centre in Johannesburg at the weekend, Mensah said the opening of air links between South Africa and Ghana in April was "the beginning of more things to come".

"Our commitment to expanding trade with South Africa will be emphasised next month when a trade mission led by senior government officials arrives here.

"The purpose will be to learn more about each others' countries and expand mutual cooperation," said Mensah.

Ghana is one of the English speaking West African countries.

With a population of 17 million, it is also a member of the Economic Community of West African States (Ecowas).

Mensah added that Ghana was on an economic recovery trail with an average growth of six percent since adopting the harsh International Monetary Fund (IMF) structural adjustment programme.

He said the West African states presented investment opportunities in the fields of mining, agriculture, textiles, jewellery and manufacturing.

**'Our commitment to expanding trade with South Africa will be emphasised next month when a trade mission arrives here'**

During the same meeting, Ukraine ambassador Leonid Guryanov said since introducing economic reforms, investment had trickled into his country. Confidence was on the increase as fears of nationalisation dwindled.

"Ours is a mixed economy moving towards a market-orientation," he said, adding that the Ukraine was a market with a population of 52 million people.

"In 1995 we managed a turnover of R91 billion in foreign trade up by six percent on the previous year."

Ukraine is a former state of the Union of Soviet Socialist Republics. It gained independence in 1990.

Guryanov said his country offered opportunities in aerospace technology, textile, farming and the defence industry. He said his country was hoping for increased trade ties with Africa and Southern Africa in particular.

# Taiwan aims to forge closer trade ties with SA

(74C)

**Kevin O'Grady**

BD 27/8/96

TAIWAN planned to forge even closer economic relations with SA during a nine-day visit by government officials and businessmen that started yesterday, Vice-Premier Hsu Li-teh said last night.

He said there was "lots of room for improvement" in trade relations between the countries, currently amounting to US$1,8bn in two-way trade, making Taiwan SA's seventh largest trading partner.

Speaking at a dinner hosted by the SA/Republic of China Chamber of Economic Relations, Li-teh denied Taiwan newspaper reports that he had come to SA "to shore up diplomatic relations".

"Our relations are firm enough to withstand such groundless rumours. President Nelson Mandela ... has said time and again that he sees no reason ... to withdraw recognition from the Republic of China just because of the pressure of the Chinese communists."

The Taiwanese mission had come to SA "because it is the genuine desire of the government of the Republic of China to forge closer economic ties with SA through increased trade and investment relations".

SA's trade with Taiwan accounted for less than 1% of the country's foreign trade of US$219bn last year and it was intended that this should grow.

Sapa reports that Mandela said SA would not cut ties with Taiwan — which had assisted the ANC in its struggle against apartheid — despite its wish to establish diplomatic relations with China. "We would like to improve our relations with both countries," he said after meeting Li-teh in Pretoria.

# Group's visit to boost Ghana-SA trade links

ARG 28/8/96 (74C)

Business Reporter

TRADE links between South African and Ghana could expand when a Ghana business mission visits this country next month.

Ghana, which draws foreign investment and trade from all over the world, is the World Bank's model for Africa.

The Trade and Investment Mission organised mainly by the Ghana Investment Promotion Centre, forms part of the Ghana High Commission's 1996 Investor Targeting Strategy.

The visit will include more than 30 delegates from the Ministry of Trade and Industry, the Minerals Commission and the Ghana Tourist Board among others from the public sector.

A major focus of these delegates will be around the search for import and export market sources for a variety of goods and services, from financial to the export of sugar and maize.

A number of joint-venture and manufacturing opportunities also exist in the fields of hotel and resort development, warehousing and toy manufacturing.

New companies – including some South African companies – have set up under the free-zone plan, which includes a 10-percent tax break and a rate of only eight percent thereafter and a duty-free import-export on condition that 70 percent of output be exported. In time, two free zone industrial parks in Tema and Takoradi, an open sky policy and off-shore banking will compliment this.

Opportunities for South African business to discuss particular trade interests and ideas with members of the Ghana delegation will be provided in one-to-one meetings.

# SA, Australia in R4bn trade

(74C)

TRADE between SA and Australia had risen dramatically in the past year to more than R4bn, Australia's foreign affairs and trade department said yesterday.

It said two-way trade between the countries increased by 38,7% in the Australian fiscal year to the end of June, making SA its fastest growing trading partner.

SA exports to Australia grew by 43% to about R1,4bn, while imports from Australia increased 36,3% to R2,6bn.

Australia's high commissioner Ian Porter said that should the average trend in the past five years of about 35% annual trade growth continue, SA would become Australia's 14th biggest export market in two years.

At present, Australia is SA's 15th largest export market.

SA's exports to Australia include fertilisers, pig iron granules and ferro alloys, paper and paperboard, and minerals.—Sapa.

BD 30/8/96

# Taiwan aiming to increase trade with SA '10% a year'

BD 30/8/96 (74C)

Tim Cohen

CAPE TOWN — SA and Taiwan could sustain higher levels of trade and a target increase of 10% a year for the next three years had been set, Tiawanese Vice-President Li-teh Hsu said yesterday.

Addressing a meeting of the parliamentary trade and industry committee, Hsu said the promotion of investment was a major aim of his trip to SA and proposals were being made in this regard.

The petro-chemical sector was one which had been isolated, he said, because Taiwan had experience in what Hsu described as "vertical integration" — the development of large, medium and small business in the petro-chemical sector. Certain 50/50 projects had been proposed and were being studied by the SA government.

Asked about SA's trade deficit with Taiwan, Hsu said: "I believe firmly that we can buy more." He mentioned specifically SA's gold resources and pointed generally to the country's mineral richness.

Sapa-AFP reports Education Minister Sibusiso Bengu said Taiwan is to give R25m to help transform education in SA.

Details of how the Taiwanese grant would be used would be decided after consultation with its ambassador to SA.

□ Hsu signed an agreement yesterday to give $5m to forestry projects in poor rural areas. The five-year agreement will enable community forestry development to be carried out in rural and peri-urban regions across the country.

Describing the grant as the largest of its kind to SA, Water Affairs and Forestry Minister Kader Asmal told Hsu: "This grant will make some life of dignity available to the rural poor."

The "social and agro-forestry" projects funded by the grant will create jobs, offer training, provide fuel-wood, shade and soil protection in some of the country's poorest areas.

The visit by Taiwan's vice-premier and a 48-member delegation of government and business leaders comes at a time when Taiwan and mainland China both seek to buy support from SA.

Taiwan is keen to retain diplomatic ties with SA — the largest of 30 countries which recognise Taiwan rather than mainland China.

Despite pressure from business, President Nelson Mandela, in talks with Hsu on Monday, reaffirmed SA's commitment to Taiwan, saying it would at the same time pursue relations with China.

Earlier this week, it was announced that China would spend R82bn on building, equipping and managing a mini-city near Potchefstroom. According to Northwest premier Popo Molefe, China will build 500 factories and import 50 000 Chinese workers to run it for two years.

Hsu spent yesterday on a round of official calls in Cape Town, visiting Western Cape Premier Hernus Kriel to tell him that Taiwan was ready to expand business and trade with the province.

"SA is a rich country, much, much richer than our country," Hsu said. "You have numerous untapped resources; we have some humble experience. So together we have ample opportunity for development."

Hsu was also due to meet Speaker Frene Ginwala, opposition leader and former president FW de Klerk, and Home Affairs Minister and IFP leader Mangosuthu Buthelezi.

Northwest premier Popo Molefe on his return from the East yesterday. Picture: TYRONE ARTHUR

WS

*Middle Eastern relations*

# SA to focus on boosting trade with Gulf

(74C)(BR) 30/8/96

By James Lamont
INDUSTRIAL EDITOR

Johannesburg — Sam Motsuenyane, South Africa's ambassador to Saudi Arabia, said yesterday that he would investigate the reasons behind the sharp fall in South African exports to Bahrain, Oman and Qatar over the past year, against a trend of greater trade with the region.

"We have a new minister in the department of energy affairs. He is trying to develop a new policy. He's looking into prices and suppliers like Nigeria and elsewhere, wherever we can source the cheapest oil. I think the government should take a seriously objective view of this," he said of South Africa's desire to buy oil from producers other than Iran.

He said South Africa intended to pursue trade and business opportunities in the Gulf region.

"There is very little doubt that future expansion of bilateral trade exists," said Motsuenyane, who will take up his post in Riyadh next month.

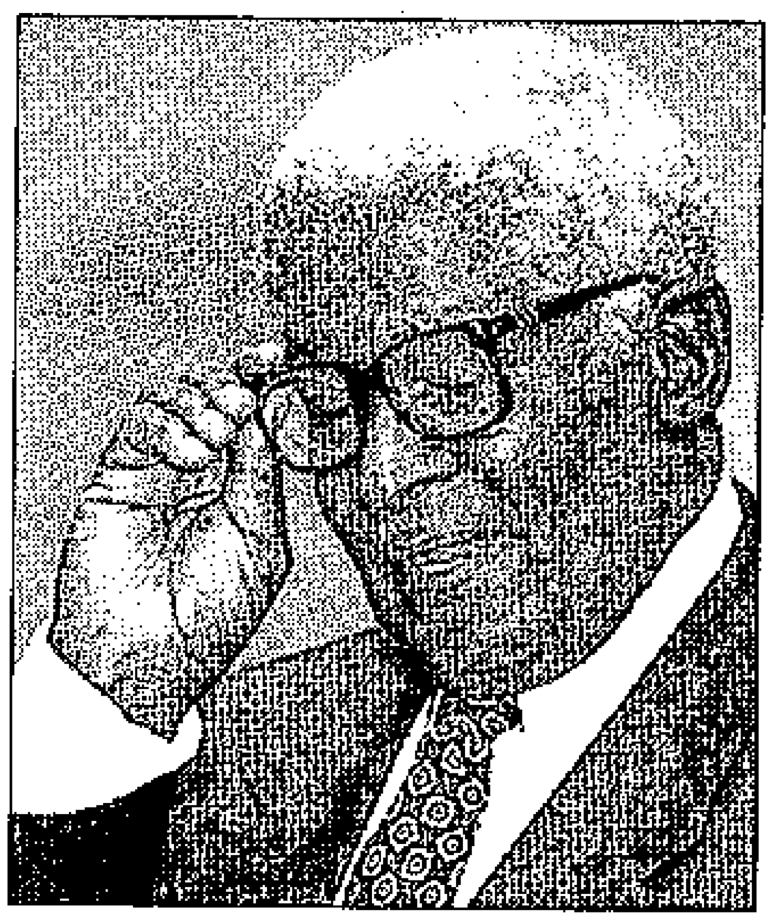
He said he intended to focus specifically on trade, investment and the promotion of South African technology.

Last year, South Africa exported goods worth R326 million to Saudi Arabia and imported goods worth R753 million.

South African officials believe that the Gulf, especially Saudi Arabia, could represent a large export market for locally produced foodstuffs, arms and water-conservation technology.

The officials also want to promote South Africa as a tourist destination.

The Middle East accounts for 61 percent of South African arms sales.



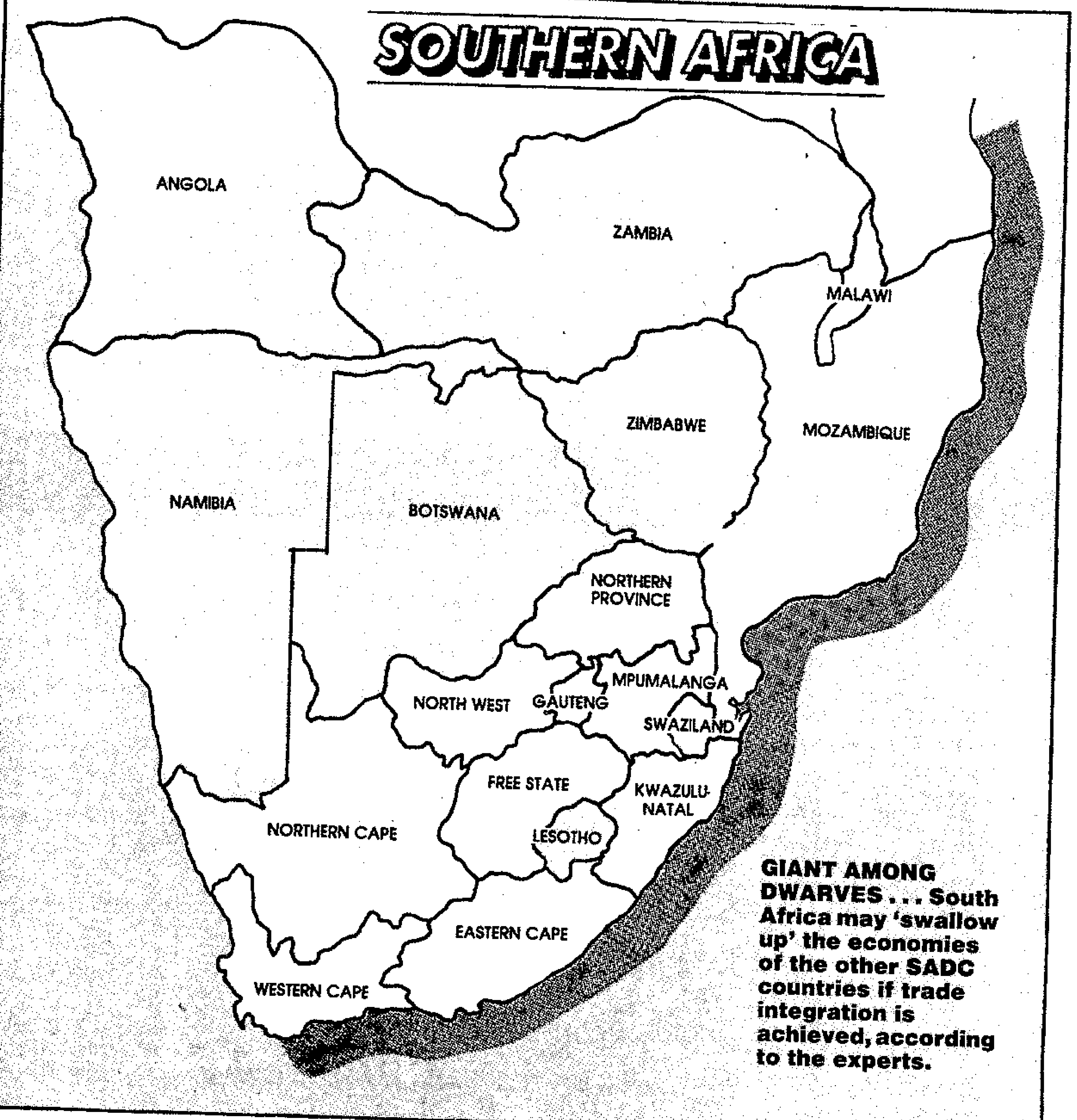
**NEW POST** *Sam Motsuenyane*
PHOTO: JOHN WOODROOF

# FREE TRADE ZONE!

CP 1/9/96

(74)

## But the SADC could have set itself an impossible task, say economic experts




**GIANT AMONG DWARVES . . . South Africa may 'swallow up' the economies of the other SADC countries if trade integration is achieved, according to the experts.**

SOUTHERN African leaders set themselves a mammoth task when they agreed at their latest summit to form a free trade zone in eight years, according to regional economic experts.

"It's a good intention, but how are they going to achieve it? – it is a very difficult task," said Professor Tony Hawkins in Harare.

"Eight years seems ambitious. Regional integration is a process that takes decades. I don't know how they are going to achieve it in such a short space of time," the Zimbabwean economist said.

"Governments like signing these things because they look good, but getting the business sector's involvement – which is vital to integration – is another thing."

Past experience appears to justify the economist's caution.

South Africa's entry into the Southern African Development Community (SADC) in 1994 paved the way for an increase in intra-SADC trade from roughly R6,3 billion in 1991 to about R11,25 billion in 1994 and around R13,5 billion last year, according to figures from the 1996 *Direction of World Trade Statistics*, produced by the International Monetary Fund.

But the bulk of the increase resulted from higher South African exports to the other SADC countries, which accounted for about 68 percent of the 1995 figure.

On the one hand, trade between the other SADC countries has stagnated, partly because, with the exception of Zimbabwe and Angola, their export products tend to be similar.

Also, high import tariffs imposed by South Africa adversely affect exports from the rest of the community.

In 1995, intra-SADC trade accounted for less than 10 percent of the total trade of the 12 member countries – Angola, Botswana, Lesotho, Malawi, Mozambique, Namibia, Swaziland, Tanzania, Zambia and Zimbabwe (the 10 states that formed the organisation in 1992), Mauritius (which joined in 1995), and South Africa.

**STRUGGLE . . . Countries like Frederick Chiluba's Zambia are at a disadvantage.**

**PUSHED . . . Mozambican president Joachim Chissano may have to bring in the private sector.**

Moreover, Angola, the richest of the 12 in natural resources and the SADC's sole exporter, did not sign the trade protocol approved at the community's August 24 summit.

"It's commendable that a trade protocol has been signed by most of the countries," commented Edmore Tobaiwa, chief economist of the Zimbabwe National Chamber of Commerce (ZNCC).

"However the ZNCC is concerned that the ratification process of the signed trade protocol can be protracted. Many of the member states realise that they do not have a comparative advantage in the manufacture of many of the consumer goods," he added.

A row between Zimbabwe and South Africa over textiles provides some evidence of this.

When a bilateral agreement expired in 1992, South Africa slapped tariffs of up to 90 percent on textiles and garments from Zimbabwe.

Pretoria took four years to agree to reduce the tariffs to between 14 and 30 percent, partly because of opposition from South African manufacturers. It is only this month that a draft agreement was reached on the issue.

"There is still a long way to go. Eight years may not be enough," Tobaiwa said.

"This is only the first step in a very long journey. After ratification the effective tariff reductions still have to follow. Experience shows that this can take a long time," he added.

Nor will regional economic integration, of which the proposed free trade area is to be a part, be easy.

According to Greg Mills, director of the South Africa Institute of International Affairs (SAIIA), it remains to be seen how integrating unequal economies will be achieved by the SADC. South Africa will virtually swallow the other economies, he argues.

"The protocol has been signed, but it still has to be approved by the parliaments of member countries, who will assess its value to their own countries. They will consider whether they can compete with South Africa," said Mills.

Much will depend on governments' political will and their ability to convince business people from their countries, whom they will also need to involve in the discussions on free trade.

Antonio Gumende, a Mozambican journalist based in Harare who specialises in Southern African economic issues, feels that although the SADC does not appear fully prepared for this, it might be forced to move in that direction.

"Right now I don't think the SADC has a structure to bring in the private sector," he says. "but what happened in the case of Zimbabwe, for instance, is that when they were negotiating with South Africa they found out that the South Africans were not just negotiating as a government, but they were bringing in the textile federation and the trade unions.

"That's why they had to come back and say 'well guys, you have to start coming to these meetings with us'.

"That will be the best strategy," argues Gumede.

"There has to be co-operation between the government and private sector at the national level. It's difficult to create something which is supra-national."

Meanwhile, analysts are waiting for more details to be released about the proposed free trade zone.

"All we have heard is a statement in the press that they have signed the protocol," said Hawkins.

"But until we get to know the details of how they intend to do it it will be to soon to get excited."
– Sapa-IPS

# Customs and excise defends booming July trade figures

(74) CT (BR) 2/9/96

By Nancy Myburgh
MARKETS EDITOR

Johannesburg — The customs and excise department moved to put up an umbrella on Friday against the recent rain on its parade over astonishingly high trade surplus figures released last week.

The department's figures showed that exports surged 55 percent in July. That indicated the expected benefits from the rand's sharp fall this year in boosting exports were exceeding the nation's hopes.

The department said the rise in exports brought South Africa back into the black on its trade balance with a cumulative surplus of R2,58 billion for the year through to July, after a deficit of R27 million recorded in June. The trade balance is the difference between imports and exports.

But analysts have charged that the method of calculating the figures casts doubt on their accuracy.

On Friday, Edward Osborn, the economic consultant to stockbroker Edey Rogers, decried the fact that any adjustments to previous months' figures were added to the current month's figures. Adjustments could, for example, include the addition of trades that were either recorded late or inaccurately, but which were discovered only much later.

The adjustments were not used to revise the data from the month in which they took place. The Customs and Excise Act allows these adjustments to be made up to two years after trades were recorded, the department said.

That created "totally distorted figures for trade patterns", Osborn said. Some of South Africa's trading partners furnished proper documentation of trade with South Africa in a "very dilatory way", he said, and called for a "complete revamping" of the department's statistical office.

"The trade figures have never been particularly reliable and they are becoming less so," said Carole Mason, an economist at Investec.

Other analysts have speculated that the volatile diamond trade between South Africa and Botswana was one of many things that could require significant adjustments to trade figures.

But "the increase in the trade balance for the month of July was not as a result of adjustments," said Jack Heyns, the assistant director of information systems at the department.

"There was a genuine increase in volume. We had about a quarter more export documents to process than we've had before."

Heyns said the July figures were still preliminary and subject to an audit, which could take up to two months.

"We have also had questions from the Reserve Bank on the adjustments issue," Heyns said. "Our management is considering whether to put out a separate statement (on the monthly level of adjustments)."

Rudolf Gouws, the chief economist at Rand Merchant Bank, also came to the defence of the figures, though with the provision for some extra calculations.

"One needs to look at them for a two- to three-month period and average them out ... They very broadly show what we would expect them to show," he said.

# Parliament wants to take part in EU talks

(74) CT(BR) 3/9/96

By Christo Volschenk
ECONOMICS EDITOR

Cape Town — The negotiation of a free trade agreement with the European Union was too important to be left to a team of government-appointed negotiators. Representatives of parliament should accompany the negotiators, three parliamentary standing committees said yesterday.

That suggestion was included in a broader plan of action published by the portfolio committees of trade and industry, foreign affairs, and agriculture, water affairs and forestry.

The committees said they would also ask the government to allow public hearings on the mandate with which South Africa's negotiators would enter trade negotiations with the European Union.

A spokesman in the trade and industry department was concerned that the parliamentarians' elaborate plan would stretch out what was already promising to be lengthy negotiations.

The government and Nedlac were putting the final touches to South Africa's mandate.

The spokesman said he could not see the need for public hearings on a mandate which had been hammered out by the social partners in Nedlac.

Alec Erwin, the minister of trade and industry, said the trade negotiations may start this month but the kick-off date would have to be pushed back if the parliamentarians were allowed to hold public hearings on the mandate.

The three committees said yesterday that they would discuss with the government how parliament could "actively accompany the negotiations".

The committees want to receive regular report-backs on progress and problems encountered in the negotiations.

Contact would also be maintained with colleagues in the European parliament and in the parliaments of the Southern African Customs Union, the Southern African Development Conference and the signatories of the Lomé convention.

The committees would insist on holding public hearings on the agreement finally submitted to parliament for ratification.

# EU under fire for its tactics in trade talks

Wyndham Hartley

BD 3/9/96 (74)

CAPE TOWN — Three parliamentary committees have agreed to get tough with the European Union over its mandate for a free trade agreement with SA, and have sharply criticised EU tactics as threatening the integrity of domestic policy-making.

In a document unanimously approved by the agriculture, trade and industry and foreign affairs committees, SA's negotiators — who are preparing a mandate in response to that of the EU — are urged to fight European agricultural subsidies with counter-duties.

Copies of the document, which represents a flexing of muscles by the committees, were sent to Agriculture Minister Derek Hanekom, Trade and Industry Minister Alec Erwin and Foreign Affairs Minister Alfred Nzo.

The committees said they were concerned at the EU's attempts to link the trade negotiations to "an ever increasing list of demands over issues that are not directly related. As MPs we are particularly concerned to ensure that our responsibility to our electorate for the passage of legislation in areas such as competition policy, procurement and intellectual property is not unreasonably compromised by pressure from the EU for convergence of legislation in these areas."

The statement said the linkages by the EU were a "major challenge to the integrity of domestic policy-making".

Stressing that the document in no way attempted to prescribe to the Cabinet or the negotiators, the committees warned that any free trade agreement would have to be ratified by Parliament. They said the final agreement should include:

- The removal of discriminatory treatment applied to SA exports to Europe and not to other comparable countries;
- The securing of significantly improved access for SA exporters to the EU market for currently traded and future tradeable goods and services that could contribute to a narrowing of the imbalance in trade with the EU.

SA's annual trade deficit with the EU was R17,1bn;

- A distribution of costs and benefits between the EU and SA which took account of the different sized economies of the negotiating partners, their different levels of development, the relative importance of mutual trade as a proportion of total trade, the current imbalance, the adjustment costs required by any agreement, the developmental needs of SA and southern Africa and the EU's repeated expression of its desire to assist in the promotion of economic growth and democracy in the region.

As SA was the weaker of the two parties, any agreement should be skewed in its favour; and

- An agreement that reinforced rather than undermined efforts to promote regional co-operation and integration in southern Africa.

The committee document said the SA negotiators should concentrate on "our own proposals" and should not simply react to the EU mandate.

The EU mandate on the table excludes about 40% of SA agricultural products.

While the official line is that SA must table a mandate as a starting point for negotiations, the unofficial word has been not to tamper with the EU mandate because it represents a delicate compromise between member countries which could unravel.

The document notes that, on the surface, the removal of duties from 90% of both EU and SA imports "appears a reasonable and equitable proposal". But it warns that other tariff obligations which SA has to implement will require "rather severe adjustment costs to secure only modest additional duty free access to the EU".

It also noted that the EU agricultural sector was subsidised and "highly protectionist" in precisely the areas where SA was most competitive. The committee criticised the suggestion that 95% of highly subsidised EU agricultural products should enter SA duty-free, warning that it would have a serious effect on SA's neighbouring states by seriously reducing revenues collected in the SA Customs Union.

The committees said they intended to remain involved in the negotiations by requesting and holding briefings and actively "accompanying the negotiations in a manner to be determined".

# EU denies trying to force SA into unfair trading relationship

CT (BR) 4/9/96 (74)

By John Fraser

Brussels — The European Union (EU) denied yesterday that it was trying to force South Africa into an unfair new trading relationship.

The union was responding to reports that three parliamentary committees in Cape Town have called on the government to stand up to the EU in trade negotiations.

There has been strong criticism of the EU's offer of a free trade area with South Africa, which would be implemented over 10 years.

In reponse to protectionist forces in Europe, about 40 percent of South African agricultural exports would be excluded from the free trade area, tilting the deal in Europe's favour.

The parliamentarians and foreign affairs committees want the South African negotiators to match any European protectionism, to rebalance any accord.

They are also concerned that the EU is extending the negotiations to include copyright, competition policy and government procurement.

Such a stance is condemned as a "major challenge to the integrity of domestic policy making".

Joao Vale de Almeida, the European Commission's spokesman on South African relations, has dismissed this criticism of the EU.

*Agricultural exports will be curtailed to tilt the deal in Europe's favour*

"We are offering co-operation in a number of areas, and we also have to reach an agreement which is compatible with the rules of the World Trade Organisation," he said.

"We are responding to a request from the South Africans for a new relationship, and we are eager to start negotiations. If we don't reach an agreement, then there will not be one — it takes two to tango.

"We have offered a broad, ambitious framework for co-operation, and we are not forcing anything on South Africa. We believe the only way to achieve a quantum leap in our relations is through the establishment of a Free Trade Area," De Almeida said.

He said that EU officials would "take note" of the South African parliamentarians' position, and had welcomed their involvement in the debate.

"We fully understand the role the South African parliament has to play in these negotiations," he said.

"We don't share their comments about our stance, but this is an internal matter for South Africa, and part of the process of preparing their stance," he said. — Independent Foreign Service

*EU talks could threaten ties with Paris*

# SA warns France on water deals

(74) CT(BR) 5/9/96

By James Lamont

INDUSTRIAL EDITOR

Johannesburg — South Africa issued a veiled threat to the French government yesterday that business opportunities for its companies would be restricted unless France softened its opposition to South African access to the European market for agricultural produce

The South African threat is being primarily directed at efforts by French water companies, including Lyonnaise des Eaux, the state-owned French multinational, to gain a foothold in the management of water treatment and supply to South African consumers.

The opportunities available to French companies in the local water industry depended on their support for South Africa's demands for fair access to European markets, Mike Muller, the deputy director-general of the department of water affairs, said yesterday.

"European agricultural interests are blocking our access to their markets; so our farmers stick to grain, the barriers to our neighbours stay up and our region is poorer. There will be fewer opportunities for French business in the water sector as a result," Muller said.

"France alongside Spain and Italy is one of the most obstructive European countries in terms of the access of our agricultural products to the European Market. Other European countries, like Britain, are being far more helpful," he said.

He threatened that French water companies would have fewer opportunities in the local water sector if European agricultural interests continued to block South African access to the European market.

The threat comes just weeks after President Nelson Mandela's state visit to France in July.

Addressing a French water industry forum at the AfriWater 96 exhibition at Gallagher Estate in Midrand, Muller urged French water companies, such as SAUR, Generale des Eaux, Safege, Ingerop Bergman and Degremont, to support South Africa's demands for fair access to European markets if they wanted equal access to opportunities in South Africa.

French water companies, like Lyonnaise des Eaux, have been foremost in promoting private-sector involvement in water supply in South Africa. Guidelines for their participation were expected to be ready in October.

South African negotiators have had little success in brokering a favourable trade deal with the European Union, the country's main trading partner with bilateral trade worth R73,5 billion last year.

Jean Claude Ambert, the executive director of Lyonnaise Water South Africa, said the French government should attend to South Africa's concerns in the "strategic environment". But he questioned whether it was the business of civil servants to push the issue of EU negotiations.

"We do not see Muller's comments as threats. It is more a business comment. It's certainly not a conflictual issue between us. South Africa wants some leverage at the EU negotiations, so be it."

Muller said the restricted trade terms with the EU did not allow South Africa to make the best use of its water resources. He said that the trade terms dictated by the World Trade Organisation prevented South Africa from growing fruit crops and dropping its tariff barriers with neighbouring countries.

"South Africa would like to remove barriers to trade with our neighbours; specifically, we would like to see more of South Africa's irrigated land under high-value fruit crops rather than subsidised grains; our neighbours could then export food grains to us."

"If our agriculture prospers, our market for your goods and services will grow," he said.

Muller said that the South African water industry was well developed, recognised internationally, and had recently beaten European competition in a tender for drought management policy in China.

☐ See Business Watch Page 16

# Debate over call to fight EU trade proposals

Tim Cohen (74)
ed 5/9/96

CAPE TOWN — The trade and industry department yesterday welcomed objections to the European Union's negotiating position in trade talks, but sought to temper some aspects of the criticism.

In a report released on Monday, three parliamentary committees agreed to get tough with the EU, saying the union was threatening the integrity of domestic policy-making.

The document, unanimously approved by the agriculture, trade and industry and foreign affairs committees, urged the department to fight the EU's proposals that many agricultural goods should be excluded from the suggested free trade area.

Department spokesman Ismail Lagardien said that as globalisation and interdependence gained greater meaning, competition policy and other inherently domestic policies were becoming increasingly internationalised.

It was therefore not unusual for investors or trading partners to raise these issues in negotiations about trade relations.

# Trade to boost SADC economies

Sowetan 5/9/96

74

EFFORTS by the Southern African Development Community (SADC) to encourage the development of trade – especially in coal, petroleum and natural gas – will boost the economies of some member states.

If the proposals are implemented, they could also help provide affordable energy and improve the quality of life across the broad spectrum of people.

Countries such as Angola and Mozambique, whose economies have been ravaged by protracted wars, stand to earn a lot of money through the sale of petroleum, natural gas and coal.

Tanzania, Malawi and Zambia can also expect good rewards through the sale of coal.

Lesotho, presently experiencing rapid deforestation because its forests have been depleted and it does not have known petroleum, natural gas and coal deposits, will also benefit from the proposed energy sharing programme.

Of the 12 SADC member states – Swaziland, Angola, Zimbabwe, Malawi, Mauritius, Zambia, Mozambique, Tanzania, South Africa, Lesotho, Namibia and Botswana – South Africa leads with the most deposits of natural gas and coal, followed by Mozambique.

Coal deposits are also abundant in Botswana, Malawi, Tanzania, Zambia, Zimbabwe and Swaziland.

On the other hand, petroleum is plentiful in Angola and Namibia.

According to a trade protocol signed last week in Maseru by all SADC's heads of states and governments, more deliberate efforts by all member states should be implemented to substitute wood as a fuel source with coal.

A country like Lesotho, which is devoid of any forests, would be the main beneficiary if what is contained in the protocol is implemented.

Countries such as Zambia, Tanzania, Namibia, Swaziland and Malawi, whose forests are disappearing, also stand to benefit.

The protocol calls on member states to create a legal and fiscal environment which promotes, enhances and facilitates cross-border trade and transport.

Member states are also urged to harmonise laws, regulations and agreements to support the programme.

## Common standards

Another energy source being encouraged for cross-border trade is electricity. The accord also urges member states to promote the evolution of common regional standards.

Sectoral and sub-sectoral regional policies on energy and programmes need to be in harmony with the overall policies and programmes of the SADC, and with the strategies and programmes, says protocol.

However, there is concern in some quarters that this requirement could cause delays when states start a process of ratification.

A number of member countries have either laws or constitutional provisions which might make it difficult or cause it to take long to complete the ratification process.

For some countries it might require cabinet approval while for others it might require parliamentary approval.

Any member is free to propose amendments to the protocol provided all other member states have been notified 30 days in advance of the consideration of the amendments by the Committee of Ministers.

An amendment will be adopted if three quarters of the members states approve. – *Sapa-DPA*.

# Contentious memorandum on EU trade negotiations might turn out to be a boon

*Last week three parliamentary portfolio committees submitted a memorandum to the government suggesting how South Africa's negotiators should approach the impending trade negotiations with the European Union and explaining what will have to be in the final agreement for parliament to ratify it. **Christo Volschenk** explains the value and importance of the memorandum in the negotiations*

Although the trade negotiations with the EU are of vital importance to southern Africa, parliament does seem to be overly protective.

The submission raised eyebrows in some circles, where the memorandum was seen as an intrusion by the legislature on the domain of the executive.

The way parliament proposes to involve itself in the negotiating process was criticised by some as "overkill". Others said parliament's involvement would complicate and stretch out negotiations.

The committees said they would insist on holding public hearings on the mandate with which South Africa's negotiators will go into the negotiations and then again on the final agreement.

They also said they wanted to "accompany the negotiations" and receive regular reportbacks on progress.

Through Nedlac, business and labour have been drawn into the process of writing the negotiating mandate.

In the circumstances it seems unnecessary for parliament to hold public hearings merely to hear first-hand from labour and business that they are satisfied with the mandate.

But the idea of the memorandum is not all bad. In fact, it may prove to be quite valuable.

For one, it may shorten rather than lengthen the negotiations process.

The final agreement between South Africa and the EU will have to be ratified by parliament.

By giving advance notice of what parliament regards as its minimum requirements for a free trade area before it will be ratified, parliamentarians may indeed have done both teams of negotiators a favour.

At most the memorandum may avoid the embarrassing situation where parliament rejects an agreement and refers it back to the negotiators. At least it will sober up the writers of the South African mandate and focus their minds.

So what is parliament's "bottom line"? Essentially it has four "demands".

The first is that South Africa negotiate for itself a grace period before concessions to the EU "kick in".

"The agreement could provide for non-reciprocal concessions by the EU immediately with some understanding that the two parties will move to a reciprocal agreement at a later stage," the committees suggest.

The committees point out that the EU has agreed to similar arrangements with other countries and that this is the basis of an agreement being negotiated with the Russian Federation.

Secondly, parliament says World Trade Organisation (WTO) rules on free trade areas refer only to the requirement that they cover "substantially all" trade. There is no rule that a free trade area should cover any fixed percentage of the total trade to be WTO-compatible or that the percentage coverage of total trade should be the same on both sides.

Thirdly, parliament suggests the EU will have to accept South Africa's right to impose countervailing duties on agricultural products if the EU refuses to remove its subsidies on EU agricultural exports.

Finally, parliament rejects the EU's attempts to link the trade agreement to its demands in other areas.

Parliament says the EU has strong protectionist sentiments in precisely those agricultural sectors where South Africa is most competitive.

"The EU also wants South Africa to accept 95 percent of EU agricultural imports duty-free. This will have a profound effect on the southern African region and undermine efforts to promote equitable integration. Tariff changes resulting from the free trade area would automatically apply to the Southern Africa Customs Union (Sacu)."

Producers in Botswana, Lesotho, Namibia and Swaziland would be subjected to full competition from the EU. A reduction of tariffs to zero on a substantial range of imports from the major trading partner would significantly reduce revenue from the customs duties — the main component of the Sacu revenue pool and major source of income for the governments of these countries.

"Namibia could lose up to 15 percent of its revenue from the Sacu pool. Other countries may lose more. To expect these countries simply to absorb these losses completely contradicts advice being given by the EU to these countries to reduce their budget deficits.

"In our view our negotiators should be particularly sensitive to the interests and concerns of our Sacu and SADC partners," the memorandum says.

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# SA's customs partners fear losses from an EU free trade agreement

Linda Ensor (74)

BD 9/9/96

CAPE TOWN — SA's partners in the Southern African Customs Union (SACU) fear the European Union's negotiating mandate for a free trade agreement with SA will have devastating effects on their economies.

MPs from SA, Botswana, Lesotho, Namibia and Swaziland met their European counterparts at the weekend to discuss the EU's proposals and agreed to present their views at the joint assembly meeting of EU countries and African, Caribbean and Pacific nations in Luxembourg in three weeks.

One of the major concerns of SA's SACU partners was that it appeared the contributions from the union pool to member countries' budgets would be drastically reduced under the EU's proposals, because tariff changes introduced by a 90% free trade agreement with SA would automatically apply to the whole union area.

In terms of the EU's negotiating mandate, about 36% of EU exports to SA, which represent about 40% of its total imports, would be duty-free.

More than 46% of Swaziland's national budget in the 1994/95 year, and more than 50% of Lesotho's budget, was derived from the union revenue pool, the MPs said. Namibia estimated it would lose 15% of its annual budget if the EU mandate was effected.

The MPs warned of job losses, the destruction of fragile industries and the curtailment of vital infrastructural spending that would result if the common revenue pool shrunk.

Devastating consequences would also result if subsidised, duty-free EU agricultural products and duty-free manufactured products were allowed to compete unfairly with local ones.

The European Research Office's Paul Gooderson noted that the projected revenue loss to SA's neighbours would be eight to 10 times the aid annually transferred by the EU to these countries under the Lomé convention.

Swaziland senator Phetsile Dlamini, chairman of the SACU parliamentary liaison group, expressed concern over the "unhealthy" haste and pressure being exerted by the EU to conclude the negotiations. She believed SA should be given the opportunity to consult its neighbours and incorporate their views into its own mandate.

"It would be a tragedy if the outcome of the negotiations broke down the region and caused hostility," she said.

Last week three parliamentary committees — agriculture, water affairs and forestry; foreign affairs; and trade and industry — said the EU proposals would undermine efforts to promote equitable regional integration.

# EU list of barred items 'not final'

(74)

Linda Ensor 20/10/96

CAPE TOWN — The list of "sensitive" products excluded from the EU's negotiating mandate for the proposed free trade area agreement with SA was not the final word on the matter, as it contained a number of "soft spots" open to negotiation, European Commission director-general of development Steffen Smidt said yesterday.

As the negotiations had not yet started, it was not possible for him to identify these soft spots, Smidt said at a conference organised by AWEPA, an association of European parliamentarians committed to the reconstruction of the region.

Smidt said the list was the product of a political compromise reached within the EU's council of ministers, and was not a proposal by the EC.

He warned that there were limits to which the Southern African Customs Union's revenue pool could be allowed to impede SA's trade liberalisation. The pool, derived from import duties and divided among members, would fall dramatically if European goods entered the SA market duty-free. Customs Union states have expressed anxiety about the devastating effect this would have on their national budgets.

Smidt said the EC understood the implications of the proposed agreement for Customs Union states and would consider ways of alleviating its detrimental effects.

He questioned SA's willingness to shoulder its share of the effort to integrate southern Africa, pointing to its refusal to participate in the EC's cross-border initiative in Eastern and Southern Africa to facilitate trade, investment and payments.

He noted that SA had been criticised for its regional economic practices, which were said to harm the economic interests of its neighbours.

"SA should realise that it is not in its own interest to resist the trend towards increasing globalisation of the world economy ... no economy, least of all one which needs investment and regeneration to stimulate growth, can afford to surround itself with prohibitively high barriers to foreign trade and investment," he said.

The region should adopt an open strategy towards the outside world. However, other speakers criticised the EU's "hypocrisy" in calling for liberalisation in other parts of the world while maintaining one of the most protectionist tariff walls.

Deputy Trade Minister Phumzile Mlambo-Ngcuka said SA's response to the EU's negotiating mandate had been delayed, as it had to incorporate the views of its neighbours, and the principles of SADC trade protocol adopted last month, into its negotiating position.

Smidt welcomed the protocol as a step towards regional integration and growth.

# Sacu rejects EU proposal

(74) Sowetan 10/9/96

By Waghied Misbach

THE European Union has come under further attack for its trade proposals with South Africa, this time from South Africa's partners in the Southern African Customs Union (Sacu).

The EU was sharply criticised in Parliament last week by the Trade and Industry Ministry for seeking special privileges for its exports to this country, but not giving the same treatment to South African products destined for European markets.

Representatives from Botswana, Lesotho, Swaziland and Namibia, who met with the European counterparts at the weekend, said that they feared their countries would lose much-needed revenue if SA signs a free trade agreement with the EU.

The EU is Sacu's largest trading partner. Sacu exports only R26,8 billion worth of goods to EU, while the EU members export R44 billion to Sacu-member countries – meaning that the trade balance favours the EU by R17,1 billion.

The expected lowering of tariffs in South African markets that the EU has proposed, would result in a ripple effect on South Africa's major trading partners in the region.

The EU has proposed that about 36 percent of EU exports to SA would have to be duty free. But at the same time, the EU has excluded almost 40 percent of South Africa's agricultural products from the EU markets to protect their own farmers.

Namibia has estimated that it would lose close to 15 percent of its annual revenue if the tariffs were lowered, which could result in job losses and the closure of key industries.

Trade and Industry, Water Affairs and Forestry and Foreign Affairs as well as Finance, have expressed concerns on the proposals and may take a tough stance in the upcoming negotiations.

*Durban port office loses key personnel*

# Staff cuts hurt customs

(74) CT(PR) 12/9/96

By Shirley Jones
KWAZULU NATAL EDITOR

Durban — The department of customs and excise at Durban, the largest port in Africa, is facing a staffing crisis.

Joe Britz, the acting customs controller at the port, said the provision of severance packages aimed at restructuring the public service, resulted in the the loss of scarce experienced senior officers.

Junior managers, who lacked experience and training, were being promoted into these posts, Britz said.

He said the net staff complement showed no sign of being increased.

However, Britz said 13 junior posts which had been vacant for some time were filled at the beginning of the week. "I don't want to sound too despondent. Things can only get better," he said.

Chris Barnard, the acting deputy commissioner for customs and excise in Pretoria, confirmed that customs and excise had taken a knock from the policy of offering severance packages in order to restructure the public service.

In terms of this policy, he said, government departments were only allowed to replace 20 percent of the staff which accepted the packages. He said 10 senior officers from customs in Johannesburg, Durban and Port Elizabeth had accepted the packages. Just two officers would be taken on in their places.

Barnard said between 30 and 35 percent of posts in Durban were vacant. Overall, customs still had to fill 300 posts. Barnard said there was no chance of extra staff in Durban or elsewhere in the country.

The number of vacancies countrywide remains the same as at the beginning of the year, before the creation of the South African Revenue Services.

Sources within customs and excise have described promised equipment and infrastructure as "pie in the sky".

Fanie Basson, the deputy commissioner for duties at customs and excise in Pretoria, said the first of eight small, portable scanners would arrive by the end of the month. These could be used on small boxes and cartons, rather than whole containers.

Basson said the larger, drive-through scanners destined for the ports of Durban, Cape Town and the customs department in Johannesburg should be viewed as longer-term investments.

# Battling for SA's share

Sowetan 12/9/96

South Africa and its biggest trading partner, the European Union, are about to have a showdown about exports. Political Reporter **Waghied Misbach** takes a look at the issues involved... (74)

SOUTH AFRICA'S BIGGEST trading partner, the European Union, has promised to help South Africa's development and growth in the world economy with its Free Trade Agreement (FTA).

But it is clear that the EU wants privileged access to South African markets, while keeping this country's key exports out of their markets.

The Government is currently finalising its position on what its mandate on trade relations will be when it resumes negotiations in October with the EU in Brussels, Belgium.

But it has already become clear that South African negotiators will take a tough stance against what they perceive as the "hypocrisy" of the Council of Ministers, which is responsible for trade relations in the EU.

This tough new approach on a bilateral trade agreement with the EU was spelt out in Parliament recently in a draft submission prepared jointly by the portfolio committees of trade and industry, water affairs and forestry and agriculture.

### Loss of money

The submission points out that the Southern African Customs Union (Sacu) – which includes South Africa's major trading partners Botswana, Lesotho, Namibia and Swaziland – will lose a great deal of money if South Africa agrees to lower its tariffs and allow duty-free access to European exports.

This money comes from a revenue pool which is derived from import duties and divided among its members.

In terms of the EU trade mandate, about 36 percent of the EU exports to South Africa – which represents 40 percent of South Africa's total imports – will be duty free.

This will result in a loss of billions to Sacu countries. For instance, it is estimated that more than 46 percent of Swaziland's national budget in the 1994-95 year comes from the pool.

More than 50 percent of Lesotho's budget was also derived from the Sacu revenue pool, and Namibia has estimated that it will lose 15 percent of its annual budget if the EU mandate is implemented.

In Parliament this week members of parliament from the Sacu countries warned of major job losses and the forced closure of some of its key industries if the FTA is implemented.

South Africa is also expected to spell out to the EU that the effect of their trade agreement will nullify all the aid they grant to Southern African countries.

It is estimated that the loss to Sacu countries will be eight to 10 times the aid that the EU grants to these countries under the Lome Convention, a special trade dispensation granted to needy countries.

**Trade and Industry Minister Alec Erwin ... the Government is currently finalising its position on trade relations with the European Union.**

South Africa has pointed out that the EU already has major access to markets in this region. It is Sacu's largest trading partner, with total trade in 1995 at R70,8 billion.

Of this amount, R44 billion comprised exports from the EU and R26,8 billion imports. This meant that the Sacu runs a trade deficit (imports more than it exports) of R17,2 billion with the EU.

The submission by the three parliamentary portfolio committees emphasises that South Africa's negotiating team should fight for:

- The removal of the discriminatory treatment that currently applies to South African exports compared to similar countries;
- Better access for South African goods to the EU market, which will help reduce the trade imbalance between the two partners;
- Special recognition of South Africa's development needs, which will take into account the size of its economy; and
- An agreement that takes into account the effects on South Africa's trading partners in the region.

South Africa's negotiators are also expected to target the EU's apparent "protectionist sentiments" in the agricultural sector. This country is expected to reject an EU proposal to exclude a sizeable chunk of its agricultural products from a trade agreement.

The EU only wants 55 percent of this country's agricultural products included in an FTA, and many of these only to be phased in over a 12-year period. If the EU wants to keep out South African agricultural products, then this country, in line with its tough approach, is expected to do the same.

### Competition policy

The portfolio committees also slammed the EU for wanting to force South Africa into other agreements which are not directly trade related, such as competition policy, procurement and intellectual property.

Not only does this amount to a "major challenge to the integrity of domestic policy-making", but it will also result in "unnecessary delays".

At a meeting of European parliamentarians in Parliament this week, the European Commission's (EC) director-general of development, Steffen Smidt, said that the EU list of "barred items" had not been finalised, and that there were soft spots open to negotiation.

He could not spell out what these "soft spots" were because the talks had not resumed yet.

However, Smidt also warned there were limits to which the Sacu countries' fears could influence South Africa's market liberalisation. He said the EC would consider ways of alleviating the devastating effect on Sacu's revenue pool.

Other speakers at the meeting criticised the EU's "hypocrisy" for wanting market liberalisation in other parts of the world, while maintaining protectionist walls in its own markets.

South Africa will now continue its consultation with its counterparts in Sacu, Southern African Development Community and the Caribbean and Pacific Nations later this month.

Parliament is also expected to hold hearings on the matter before the mandate is finalised.

While South Africa may be up against a Goliath in terms of size and strength, it is clear that its negotitators are not going to succumb without a fight.

FEATURE

FREE TRADE AGREEMENT

# HAZARD LIGHTS FLASHING

(74) FM 13/9/96

The European Union is worried that there will not be enough time to finalise the Free Trade Agreement (FTA) with SA before the next deadline expires at year-end. Frustration over the slow pace of policy making in SA and the country's stance on toxic waste are the main reasons for concern being voiced in the European capital.

EU sources close to the negotiations feel that SA's window of opportunity is closing slowly but surely. Shortly before the 1994 general elections, the ANC asked the 15-member states organisation for a special agreement, to reward and support the democratisation process.

Two years have passed, and the Mandela-magic is dissipating. Valuable time was lost when SA initially requested full access to the Lomé Convention, while she did not meet the requirements. SA will, however, receive partial membership and this is where the problems start.

The EU argues that the vastness of its envisaged relations with SA necessitate an holistic approach towards the negotiations leading to the signing of the agreements. The sources point out that the highly technical nature of the talks implies that Lomé and non-Lomé aspects are discussed simultaneously. The end result will be part of, legally speaking, different agreements that interact closely.

The reviewed edition of the present Lomé Convention will be signed and ratified early next year. The EU sources say they are afraid that when the negotiations have not been concluded by that deadline, each member state of the European Union and the African, Caribbean and Pacific Assembly will have to ratify SA's partial membership individually, which will take at least two to three years.

*Elty Links*

The sources are adamant that the European Commission is determined to conclude the negotiations in time. They point out that several other countries that have requested FTAs have been given the cold shoulder. They say the EU negotiating team had expected that the formal talks would have started in June, when both teams met in Brussels. Instead, the SA team needed technical information to finalise its own mandate. The SA mission to the EU confirmed that Pretoria had not yet approved the negotiations' mandate and that commissions were still meeting.

Proof of the EU's commitment to SA lies, according to the sources, in the increasing RDP aid to SA. Furthermore, the EU has granted SA access to the General System of Preferences (GSP). The GSP is designed to assist exports of developing countries to the EU, a scheme under which SA does not qualify technically.

Tradewise, the sources say, the present FTA is possibly the best SA can hope to get, adding that Pretoria does not seem to appreciate this — a fact borne out by its tardiness.

The sources believe that SA's criticism of the EU list of excluded products is rather a reflection of its failure to arrive at a talks mandate than genuine rejection of the EU's proposals, adding that the criticism shows a lack of understanding for the EU's dynamics.

They say the EU is confident that its mandate meets World Trade Organisation requirements, as it covers 96% of all current trade.

They wonder, however, whether SA is capable of producing such a mandate. Repeating that the listed agricultural items can be negotiated, they stress that this will be difficult if SA's own talks mandate is more protectionist than the EU's. Only when SA announces its mandate will the EU respond to Pretoria's criticism.

The ball is now firmly in SA's court and the EU hopes that the talks proper will start soon. If they cannot be finalised before the end of the Irish presidency, SA risks becoming a topic subject no member state will touch.

Failure to deliver in time would be great news to those protectionist EU countries that were told to accept the present EU mandate, and they would then be able to shelve further FTA negotiations.

Therefore, the sources say, it is in SA's own interest to move as fast as possible. They hope that the ANC government will make decisions, despite the vocal opposition in management and trade unions, fearful of competing on the world market. The mandate should be approved soonest, they point out, as should a fisheries blueprint.

The success or failure of an FTA does not hinge on the negotiating teams only. A majority in the European Parliament, which has to ratify the negotiated compromise, wants SA to sign Article 39 of the Lomé Convention, prohibiting the import or export of toxic waste.

Until now, the European Commission has accepted SA's word that it has the capacity to process its waste imports. The European green parties say SA lacks the capacity and they point to the Thor Chemicals plant in KwaZulu-Natal. The sources say the commission has adopted a wait and see attitude, but it may be forced to raise the issue at the next round of talks. This could further delay the process, but the commission cannot sign a compromise with the knowledge that parliament will reject it.

On his arrival in Brussels, SA's ambassador to the EU, Elty Links said talks should resume late in August. A more recent comment from his office, however, mentioned late September, as Pretoria was still completing his homework. The renewed pressure by SA's agriculture lobby and by parliament will not assist the mandate's speedy conclusion. ■

# Indian Ocean nations seek to establish trade network

(74) BD 19/9/96

Kathryn Strachan

FOURTEEN countries on the rim of the Indian Ocean came together in Mauritius last week to take forward an initiative to create a trade network between them.

Delegates representing government, business and academia in the 14 countries finalised a charter for the Indian Ocean Rim regional co-operation association, which will now be submitted to each government for signature.

The association will focus on economic issues, particularly facilitating trade through standardising trade rules and regulations and upgrading port facilities.

SA foreign affairs regional economic organisations deputy director Eli Bitzer said the initiative began in March last year with seven countries.

But at last week's meeting, the second meeting of the group, a further seven countries had joined.

The association is led by SA, Mauritius, India and Australia. Other participating countries are Indonesia, Madagascar, Malaysia, Mozambique, Kenya, Oman, Singapore, Sri Lanka, Tanzania, and Yemen.

What made this initiative unique, said Bitzer, was that it was based on three principles — government, trade and academia.

The SA business community was represented at the meeting by Sacob and Business SA. As the Indian Ocean is the link between all the countries, environment will be an important component, and the association will address environmental sea disasters, sea rescue, and shipping links.

The association will identify interests common to all countries on the rim, and ways whereby they could benefit from co-operation.

India and Mauritius will be taking on the project of establishing research facilities in Mauritius, which will be a base for research data supporting work of the initiative in all participating countries. Australia is responsible for the project of promoting trade.

The network will be a loose association, with the prospect of growing into something larger by a phased approach.

Bitzer said that SA's first obligation was to its neighbours on the continent. However the country believed the Indian Ocean Rim initiative would also benefit SA's African neighbours.

# Don't turn back on free trade, EU warns

CT (BR) 25/9/96 (74)

By John Fraser

Brussels — The European Union's development chief has warned African countries that they must not turn their backs on the global move towards free trade.

Joao de Deus Pinheiro was addressing delegates earlier this week from over 70 African, Caribbean and Pacific (ACP) states in Luxembourg. Among them was a group from South Africa.

The negotiations between the EU and South Africa on a Free Trade Area (FTA) amply demonstrate that this is a delicate matter, Pinheiro said. And he said South Africa would have a pioneering role to play as "its experience will be useful to others".

South Africa is still preparing its answer to the EU's offer of an FTA, which would be phased in over a decade or more, and would exclude 40 percent of the country's farm exports to Europe.

The EU wants a speedy answer, so that negotiations could resume. There are powerful voices inside South Africa who argue that such an accord would make the country vulnerable to cheap and highly competitive imports from Europe.

South Africa's partners inside the Southern African Customs Union (SACU) are also wary of such an accord, as it would affect their export prospects.

They intend to raise their concerns during this week's EU-ACP parliamentary assembly in Luxembourg. —Independent Foreign Service

# Pacific Rim 'example for SA'

(74) BD 26/9/96

Nicola Jenvey

DURBAN — Government had to get moving with privatisation and exchange control relaxation to retain foreign investment levels, McCarthy Group chairman Brian McCarthy said in his annual review.

McCarthy said government, business and labour also had to co-operate if targets set out in its macroeconomic strategy were to be met.

"Look no further than the Pacific Rim countries whose economic growth rates have been the envy of the western world and whose hardworking management and staff accept that a market economy brings both sacrifices and benefits at different times," he said.

He said it was "encouraging" that Cosatu's manifesto was committed to higher productivity, given the fact that the Pacific Rim linked wages to productivity improvements.

"A strong trade union plays a vital role in economic wellbeing ... the simple outcome of pay awards not being matched by productivity gains is that jobs are reduced," he said.

Subsidiary McCarthy Retail's attributable income rose 25% to R184,5m for the year to June, despite pressure on its motoring business.

The group — whose operations include Beare Group, Game Discount World and McCarthy Motor Holdings — lifted share earnings to 115,3c (92,5c) while the dividend climbed 23% to 34,5c.

Sales rose to R9,3bn (R8bn) as divisions increased market share, but operating income rose just 2% to R381m. The group said stunted operating income growth was linked to the sale of Firstpref Retail Sales (which owned the Beares' debtors book) to First National Bank at the end of the last financial year.

# EU denies blocking R350-m loan

ARG 27/9/96 (74)

**Johannesburg – The European Union ambassador to South Africa, Erwin Fouere, has denied reports that the EU has blocked a R350-million loan for a steel plant in South Africa, according to radio news reports.**

Mr Fouere said the EU had only deferred a decision on the matter until later this year.

Earlier this week, it was reported that the EU was unhappy about another steel plant being built in South Africa because of an over-supply of steel that would threaten its own producers.

Mr Fouere says the move won't affect trade negotiations with South Africa, which are now in progress. – Sapa

CUSTOMS & EXCISE (74)

## WAITING FOR AN ANSWER

FM 27/9/96

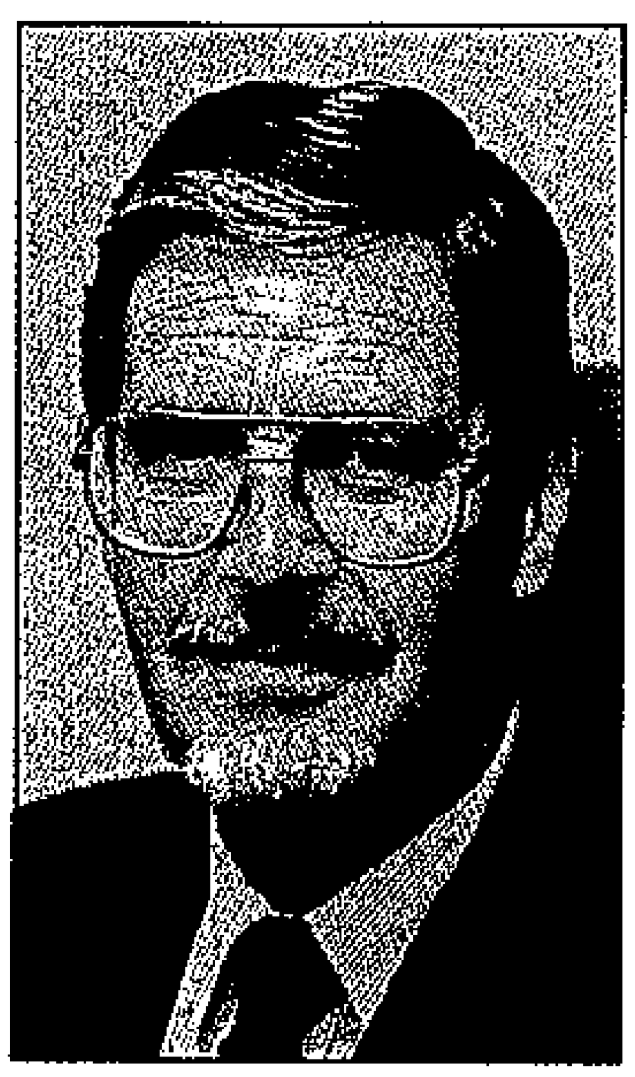
**Organised business** is awaiting government's response to a litany of criticisms of and suggestions on SA's crumbling Customs & Excise service.

Johannesburg Chamber of Commerce & Industry vice-president Syd Kelley says the chamber submitted its complaints to Deputy Finance Minister Gill Marcus more than a month ago.

"We also offered the business sector's assistance — through the secondment of top people from the private sector — to help upgrade and tighten customs services until government can get its act together," he adds.

It's not the first time the point has been made. Nedlac's predecessor, the National Economic Forum, made comprehensive recommendations in 1993 on restructuring customs and excise services.

With an estimated R3bn in State revenue uncollected each year, SA Revenue Service CE Piet Liebenberg says he hopes parliament's finance committee will support his pleas to upgrade the service and grant it managerial and financial autonomy. And the need is admittedly great.



*Piet Liebenberg*

"Revenue's staff complement — administering the country from the Cape to Messina and from Port Nolloth to Durban — totals only 1 600. London's Heathrow airport alone has a well-trained and sophisticated customs and excise staff of 1 800, supported by the latest computer technologies," says Liebenberg.

Some time ago, the Katz Commission reported that about R21bn of SA's potential tax revenue goes uncollected. With Customs & Excise contributing an estimated 15% to State revenue, this leaves about R3,1bn in customs and excise revenue uncollected each year.

A recent trade and customs workshop organised by the Johannesburg chamber found that SA has developed a reputation for "crooked" trade because of smuggling and customs fraud. "It is common for importers to be asked whether they are buying on the B Route, which uses any of 17 methods to defraud Customs & Excise of duties payable," a chamber delegate told the workshop.

The chamber says customs fraud through tariff misdeclaration is now so bad that trade statistics can no longer be relied on to accurately reflect reality. "The tariff code for machinery, for example, is widely used for the export of stolen vehicles," says a chamber delegate.

Other allegations made by its members include: fewer than 1% of containers are inspected to verify contents; contents of containers being shipped through SA are swapped in transit to evade duty; "empty" containers crossing the borders contain undeclared goods; and vehicles stolen here are driven out of the country openly.

The chamber makes several suggestions on countering the problems. It says vulnerable sectors such as textiles and audiovisuals should be targeted by the limited resources available. More use could be made of electronic data interchange and other modern technologies to limit fraud-prone "paper transactions and rubber stamping."

Other options include preshipment inspection reports in countries of origin and strengthening the border posts with private-sector resources if necessary. ■

# SA-EU trade agreement unlikely before 1998

John Dludlu

(74)

SA WAS unlikely to conclude the proposed free trade agreement with the European Union before 1998, given delays in resuming formal negotiations, Brussels sources said yesterday.

One source said talks — which could lead to a free trade accord between Pretoria and the EU's 15 members, and SA's partial accession to the Lomé Convention — could take as much as a year to conclude, and given the late resumption of negotiations a final agreement could come into operation only in a year from now.

No significant negotiations have taken place since June after the presentation of the EU mandate to SA. The mandate, which generated a barrage of criticism, sought to exclude almost 40% of SA's farm exports.

It is understood that the number of EU staff in charge of talks with SA has been reduced as a result of the delay.

Pretoria has yet to present its response to the EU offer before a date is set for the resumption of talks.

The EU had been hoping discussions could be concluded later this year, paving way for the implementation of the final accord early next year. Such a scenario would have allowed the agreement to come into operation during the implementation of mid-term changes to Lomé — an accord between the EU and its former African, Caribbean and Pacific colonies.

An official at the trade and industry department said this week SA expected to finalise its mandate next month.

SA is engaged in three parallel consultation processes which are crucial to its final position. These involve internal consultations with business and labour at Nedlac; consultations with partners in the five-nation Southern African Customs Union; and with fellow signatories to the 12-nation Southern African Development Community.

It emerged this week that a draft report of an impact analysis study, financed by the EU and co-ordinated by Swaziland, for customs union nations had been submitted to member countries for consideration. Based on the findings, it was expected customs union partners would formulate individual national positions, which could take some time. But an EU source said SA's delay was understandable. "There is now acceptance that it will take longer (to come up with a mandate)."

Brussels observers fear a delay in the talks could see EU willingness to give SA a generous trade deal dwindle, weakening the European Commission's hand on the table.

BD 27/9/96

BULLETIN BOARD

# Introduction of new customs system would slash SA smuggling spree

(74) Star 28/9/96

A new technology system aimed at overhauling South Africa's chaotic customs and excise controls has been designed and could be phased in over the next three years, according to its backers.

South Africa loses billions of rands each year in revenue through corruption and fraud at its ports, a problem that has been compounded by understaffing and poor technology.

The Technological Information Management System, developed by private firm IPES and now being assessed by officials, would initially link databases at the Department of Trade and Industry, port authority Portnet, and Customs and Excise.

It would introduce information such as transaction statistics, a barcode system providing container information and a tracking system.

The initial phase would focus on customs law enforcement at four transport hubs – Durban, Cape Town, City Deep in Johannesburg, and Beit Bridge on the border of South Africa and Zimbabwe.

Leon Vermaak, the designer of the system, said the development of the system stemmed from the need to eradicate South Africa's reputation of being a smuggler's dream.

"South Africa has become a smuggler's den and could easily gain the reputation of being the smuggler's capital of the world because of the near collapse of customs control," Vermaak said.

Finance Minister Trevor Manuel said recently that no industrial policy could have integrity until the country had efficient customs control.

Vermaak said lax customs controls cost about R5-billion a year in lost VAT receipts as well as providing a fillip for a burgeoning grey import market, estimated to be a R12-billion-a-year industry.

Ben van Rensburg, senior economist at the South African Chamber of Business, put the total loss of tax revenue at something between R12-billion and R20-billion a year.

"A linked database system will start to solve this specific problem because it will give you those linkages between importation, customs and excise, VAT and income tax," Van Rensburg said.

An advantage of the system would include improving the reliability of South African trade data, which economists have recently attacked as unreliable. – Reuters

# Two-way trade with Australia has grown to R4bn, says envoy

BD 23/9/96 (74C)

Nicola Jenvey

DURBAN — Two-way trade between SA and Australia grew 38,7% to R4bn in the year to June. Australia's trade with SA is growing faster than with any of its top 35 trading partners, says the Australian high commissioner, Ian Porter.

Australia's exports during 1995/96 rose 36,3% to R2,6bn, while SA's exports to Australia increased 43,1% off a low base to R1,4bn.

Australia's exports to SA represented more than 74% of its total exports to the sub-Saharan region. Porter expects SA to be his country's 14th-largest trading partner within two years.

Australian exports of computers and office machinery rose 109% to R60m, passenger vehicles 102% to R85,7m, and machinery and transport equipment 116% to R39,1m. SA exported fertilisers, pig iron granules and ferro-alloys, pulp and paper, and minerals to Australia.

Porter sees scope to boost economic and trade ties with KwaZulu-Natal, given the coal export terminal and aluminium smelter at Richards Bay and the significant agricultural base within the province. Possibilities include appointing an honorary consul in Durban and establishing twinning relations with an Australian state.

On a recent visit, he urged the province's businessmen to support moves towards Indian Ocean regional co-operation. He said the Indian Ocean Rim consultative business network, with representatives from 20 countries, would be hosted in Durban in March next year.

"The network has the potential to be a vehicle through which business community interests in the Indian Ocean Rim region can be channelled, and would be more beneficial to business if a forum for regional business-to-business links, aimed at fostering and promoting business networks, was established," Porter said,

The Rim consultative business network, he said, provided an excellent opportunity for SA to showcase the market opportunities in SA and southern Africa through a broad-based trade and investment promotion.

# Cosatu rejects accelerated tariff reduction

(74) BD 2/10/96

John Dludlu

COSATU yesterday rejected calls for a blanket acceleration of the tariff reduction programme following the recent tumble of SA's currency, and called for a re-think of trade liberalisation.

In a written submission made during the public hearings on tariff policy in Pretoria to the parliamentary portfolio committee on trade and industry, Cosatu said a general reduction of tariffs was inappropriate as the "necessary supply side measures" had not been implemented.

The fact that the rand had depreciated was not a reliable indicator that domestic industry was in a position to compete in international markets on a sustainable basis.

"A more reliable indicator would be the productivity gains resulting from the recommended supply side and social adjustment mechanisms when these are effectively put in place."

Although government was "in most areas" adhering to the GATT timetable, Cosatu said in certain sectors tariff reduction was being hastened and there were signs of a shift towards generalised reduction.

It said that although GATT gave clothing and textiles 12 years to remove tariff protection, this had now been shortened to seven years.

At the same meeting, Numsa general secretary Enoch Godongwane argued that tariffs should be seen as one instrument of industrial policy. "Trade and industrial policy should be part of the macroeconomic policy."

He said the expansion of the tourism and services infrastructure offered a more sustainable source of foreign exchange growth.

He warned that unless there was a regional trade strategy in place, the benefits of growth would not be seen.

# Govt urged to be cautious in opening trade

John Dludlu

TWO employer associations, the SA Agricultural Union and the Southern African Poultry Association, called on government yesterday to move cautiously in liberalising trade with SA's neighbours in southern Africa.

The calls were made in Pretoria on the second day of the public hearings on tariff policy conducted by the parliamentary portfolio committee on trade and industry.

Officials of the farmers' union argued that a sophisticated cross-border control system would have to be put in place before implementation of the regional trade liberalisation programme.

The Southern African Development Community nations agreed on a trade protocol which would liberalise trade in the region over the next eight years.

In a written submission to the committee, the poultry association said it was "principally in favour of gradually expanding trade in southern Africa on even playing fields". But measures had to be in place to prevent second countries becoming back doors for large inflows of products from third countries.

The agricultural lobby's concerns about opening SA's borders to trade saw a member of the committee question the body's commitment to the region. He said there had been a surge of animal product imports, mainly from EU nations and the US — countries that provided substantial support to their farmers.

# SA's accession to Lomé supported

(74)

John Dludlu

BD 2/10/96

THE joint assembly of the EU and its African, Caribbean and Pacific partners in the Lomé Convention has backed Pretoria in its bid to gain membership of the convention, calling on the EU to pave way for SA's partial accession to the trade accord.

According to resolutions taken at last week's session of the joint assembly in Luxembourg, the assembly also criticised the EU's trade negotiating mandate which sought to exclude almost 40% of SA's farm exports from the trading bloc.

The assembly said it regretted the EU position which proposed to exclude a large number of SA products "without regard to what is truly beneficial for SA and the region's developmental needs".

The assembly felt that the EU's actions should match statements of political support made to SA in 1994.

The body, which would be joined formally by SA if its partial accession to Lomé was finalised, also expressed regret at the failure of the union to address the issue of regional cumulation under Lomé's rules of origin.

In terms of rules of origin, SA could participate in regional economic co-operation on an ad hoc basis — an arrangement which has been criticised by Pretoria.

SA is in the process of finalising its response to the EU mandate after holding consultations with labour and business, as well as its partners in both the customs union and the Southern African Development Community.

# Hearings on problematic trade agreement today

CT 7/10/96 (74)

TODAY the parliamentary portfolio committees on agriculture, water affairs and forestry, foreign affairs, and trade and industry are holding public hearings on South Africa's negotiations for a free trade agreement with the European Union (EU). What relevance does an EU-South African free trade agreement hold and why should we be concerned about further negotiations? How will we benefit from signing a free trade agreement with the EU?

There is no clear-cut answer. There is much controversy and debate over who stands to gain or lose and what the appropriate structure and phasing-in period of the agreement should be.

Parliament has carved out an important role for itself around this issue. On August 12, the three committees held a joint meeting with government officials responsible for negotiations with the EU. It was decided that the committees would produce a joint submission setting out Parliament's views on the proposed free trade agreement.

Economic and political links between South Africa and the EU have always been strong, a direct result of historical and cultural associations. The EU has been, and remains, an important source of trade and investment for South Africa. The EU consumes about 40% of South Africa's exports and supplies around 33% of its imports. Although most of South Africa's exports to the EU are agricultural and primary products, trends indicate the growth of manufactured exports. In addition, imports of capital equipment from the EU will rise if the South African economy continues growing, causing a rise in fixed investment.

At the end of 1995, the EU initiated negotiations on the formation of an asymmetrical free trade agreement with South Africa. These negotiations are intended to place trading relations with South Africa on a par with the EU's trading partners which have a similar middle-income, developing status.

A free trade agreement differs from trade concessions to developing countries in its reciprocal nature. More specifically, the negotiating countries agree to remove all trade barriers between themselves over a certain period. An asymmetrical free trade area with the EU would allow South Africa to phase in tariff cuts over the maximum period (10 years) for sensitive industries, while the EU is bound to a shorter phase-in period.

The major stumbling block appears to be the possible threat South Africa's agricultural exports have for sensitive products covered by the EU's common agricultural policy. France, Portugal, Greece and Italy, in particular, are concerned about the flooding of South African deciduous fruit and vegetables into the EU market, jeopardising their domestic agricultural sectors. Consequently, the EU negotiating mandate excludes as much as 39% of South Africa's agricultural exports to the EU from the proposed agreement.

Extensive exclusions mean that the present EU mandate is far less generous to South Africa than previously proposed. Parliament's submission argues that it is well known that the EU has particular sensitivities (strong protectionist sentiments) in precisely those agricultural sectors that South Africa is most competitive.

An EU-South African free trade agreement structured in this way skews benefits towards the EU, while adjustment costs due to accelerated tariff liberalisation fall squarely on South Africa. Gaining only 7% additional duty-free access into the EU market in return for allowing the EU an additional 40% duty-free access into the South African market is very small. It seems as if the original EU offer of a free trade agreement, aimed at normalising trading relations with South Africa which supports socio-economic development, has been subsumed by the reality of hard bargaining over commercial interests.

Accelerated tariff liberalisation coupled with restricted access for its agricultural exports will force South Africa to bear significant adjustment costs in industrial restructuring and reap little, if any, gains from trade creation.

In the final analysis, the EU stands to gain more from the free trade agreement than does South Africa.The purpose of today's hearings is to provide the South African negotiating team with a firm and clear mandate insisting on the EU to bear a greater proportion of the adjustment costs. Parliament's submission — which is likely to be the subject of public comment at the hearing today — seeks to reinforce the South African negotiating position.

# Threat to EU trade talks

## *Agriculture department may pull out*

(54) ARG 8/10/96

**ALIDE DASNOIS**
BUSINESS EDITOR

**The Department of Agriculture could pull out of trade talks with the European Union if the European negotiators dig in their heels on concessions to South Africa, a senior official has warned.**

Addressing a joint sitting of the portfolio committees on agriculture, trade and industry and foreign affairs yesterday, the department's assistant director of marketing policy, Rolf Otto, said agriculture was a sensitive part of the trade negotiations on both sides.

The strength of the farming lobby in Europe meant that any attempt to go beyond the EU's current negotiating position on free trade with South Africa would have "severe political repercussions".

"But this sensitivity is also present in South Africa, where recent deregulation and liberalisation efforts have left many agricultural producers in a vulnerable position," he said.

If the EU would not improve on its mandate, he said, the department, as the responsible authority for agriculture within the negotiations, reserved the right to withdraw from the negotiations and to oppose any free-trade agreement concluded between Europe and South Africa.

South Africa's agricultural exports, he said, were no threat to European farmers.

Many South African exports were marketed during the European winter, when goods produced in Europe were in short supply. Anyway, South Africa represented only 1,45 percent of the EU's external trade, and because of transport costs, South African goods could not compete at the same price levels as European products.

In addition, Mr Otto said, the EU was subsidising its agricultural exports, giving European farmers an unfair advantage.

He called for the inclusion in any free trade agreement of safeguard clauses preventing European producers from unfairly competing on South African markets.

## 'Agreement must be asymmetrical'

**Any free trade agreement with the European Union (EU) would have to be asymmetrical, Thami Mfundisi of the Department of Foreign Affairs told parliamentarians.**

The EU 's mandate for trade negotiations with South Africa was discriminatory, he told a joint sitting of the portfolio committees on agriculture, trade and industry and foreign affairs.

Exports from other countries at similar stages of development had better access to European markets than South African exports.

Another reason for an asymmetrical agreement was the imbalance in the patterns of trade, with 70 percent of South African exports to Europe being primary products, while most imports to South Africa from Europe were capital goods. – Business Editor

# Agriculture department attacks trade mandate

(74) BD 8/10/96

Tim Cohen

CAPE TOWN — The department of agriculture attacked the EU's negotiating mandate for free trade talks with SA yesterday, reserving its right to pull out of negotiations entirely.

At parliamentary hearings on the EU's mandate, business organisations also expressed strong reservations about the proposed free trade area, suggesting lengthening the tariff scale-down period from 10 to 15 years.

Trade and industry assistant director Thami Mfundisi told the trade and industry, foreign affairs and agriculture committees that SA was scheduled to discuss its "counter-mandate" with EU negotiators in three weeks' time.

In its presentation, the agriculture department said: "If the EU is not willing to extend any further concessions ... the (department) reserves the right to withdraw from negotiations and to oppose any free-trade agreement concluded between the EU and SA." However, it said that in principle it was in favour of the agreement as there were advantages.

A wide range of organisations testified to the committees, generally giving muted, in principle approval to the EU's proposal of a free trade area between SA and the union, but suggesting the terms should further favour SA.

SA Agricultural Union deputy MD Hans van der Merwe said his organisation saw the mandate as confirmation of the EU's resolve to continue protecting its agricultural industry with large subsidies.

Sacob and the AHI agreed that the tariff phase-down period should be extended from 10 to 15 years to relieve the pressure on SA's industries and to allow an entirely new generation of scholars to join the workforce.

Sacob foreign trade specialist Bess Robertson said the negotiations should take full cognisance of the interests of SA Customs Union and SADC countries as the loss of income to the customs pool from tariff duty collections would have "dire financial consequences". The SA government should discuss the possibility of EU compensatory assistance.

According to the European Research Office, the EU has proposed the phased elimination of all duties on 90% of mutual trade. The process would be "asymmetrical", in that SA would reduce tariffs over ten years and the EU over three years for non-agricultural goods. For agricultural goods, the EU would eliminate duties over a 10-year period on about 50% of exports, while SA would be called on to eliminate duties over the same period on 95% of exports.

BUSINESS DAY, Tuesday, October 8 1996

The Lord Mayor of London, John Chalstrey, kicks off in a women's soccer match at the Hillbrow Sports Centre in Johannesburg yesterday. Earlier he handed over a cheque of R350 000 for the centre. Picture: ROBERT BOTHA

# Crime 'not a deterrent' to British investment

Nomavenda Mathiane (74B)

BD 10/10/96

VISITING Lord Mayor of London Sir John Chalstrey was confident UK investments in SA would reach about £55bn from their present £10bn, he said yesterday.

He officially opened the British consulate-general's new and expanded trade promotion offices in Johannesburg yesterday. Chalstrey, who is in SA for a series of high level meetings with the local business community and politicians, met President Nelson Mandela on Tuesday. Among the many issues discussed were UK investments in SA and crime.

Chalstrey said the British business community was confident about SA and did not see crime as a deterrent to investing in SA, nor did they think it was specific to Johannesburg or SA.

He said British companies could assist SA in the field of privatisation as they had the experience, having privatised some parastatals over the past 10 years.

The kinds of business SA would particularly benefit from were in the fields of banking, insurance and health care.

Earlier in the day, Chalstrey handed a cheque for R350 000 to Johannesburg mayor Isaac Mogase for the Hillbrow Sports Facility, an initiative that was launched by British Prime Minister John Major on his visit to SA in September 1994. The programme will assist the National Sports Council of SA with administration and assist in the training and education of athletes.

# SA to take the brunt of tariff cuts in EU deal

(74) ARG 11/10/96

**BUSINESS EDITOR**

**South Africa will carry most of the burden of tariff reduction in the free trade agreement proposed by the European Union, says Idasa researcher Shirley Robinson.**

In an article in the latest issue of Trade Monitor, published by the Trade Monitoring Project at the University of Cape Town, Ms Robinson says not enough research has been done on the likely impact of the agreement on the South African economy and on the economies of EU members.

This, she says, is the argument of French trade lobbyists who have called for detailed studies on the impact of a free trade accord on EU economies, especially in the sensitive industries covered by the EU's Common Agricultural Policy, as well as on the EU's trading partners.

But EU negotiators openly admit, she says, that most of the burden of tariff reduction will fall on South Africa.

South Africa is at present finalising its negotiating position on the free trade agreement proposed by the EU.

The EU proposals call on South Africa to remove duties on 37 percent of its trade with Europe, while the EU will remove duties on only 7 percent of its own trade with South Africa.

South Africa would be allowed to phase in tariff cuts – particularly in employment-sensitive industries such as clothing, textiles and cars – over the maximum 10-year period accepted by the General Agreement on Tariffs and Trade.

But even 10 years is not a long time for industrial restructuring, Ms Robinson warns.

The concerns of key industries about the impact of accelerated tariff reduction under a free trade agreement are valid, Ms Robinson says, in the context of high and rising unemployment and regional income differences, which will be widened if there are job losses.

At the same time, the EU, fearing a flooding of South African fruit and vegetables on to European markets, intends to exclude 39 percent of South Africa's agricultural exports from preferential entry into Europe, she notes.

This exclusion limits the potential gains from trade creation for South Africa, Ms Robinson says.

# Parliamentary bodies grapple with EU's free-wheeling paranoia

Trade talks with the EU enter a critical phase soon, and **Tim Cohen** looks at preparations in Parliament

(74) BD 11/10/96

THREE parliamentary committees held a joint meeting this week to hear submissions on the European Union "negotiating mandate" for a free trade area, ahead of formulation of SA's response. Like many parliamentary hearings, it was unsatisfactory because so few politicians attended.

Nevertheless, despite the media and submitters outnumbering politicians three to one, the hearings provided a useful opportunity to gather a wide spread of opinions about the EU's proposal and to generate some new ideas.

The trade and industry and foreign affairs departments choose not to provide in-depth discussions of their positions on the EU proposal, leaving some of government's major policy directions rather hazy. The hearings were weakened also by Cosatu's decision to cancel its submission.

However, the agriculture department did provide a careful analysis of the proposal, coming out marginally in favour of the free trade agreement idea in principle, although it railed against some of the EU's more bizarre prescriptions.

The EU has excluded about 40% of SA's agricultural exports from the deal in terms of its negotiating mandate, following pressure from agricultural groupings in mainly the "Mediterranean bloc" countries. The sensitivity of agriculture in the EU is largely the result of huge government subsidies for EU agricultural products, which leaves farmers feeling vulnerable to the whims and fancies of politicians and encourages them to engage in political lobbying on a huge scale.

The result is a mandate which not only excludes such a high proportion of SA's agricultural exports that the whole deal risks running foul of World Trade Organisation rules, but also includes a range of products not even produced or exported by SA.

The mandate demonstrates more of a free-wheeling paranoia on the part of the EU rather than a sober assessment of the risks involved. SA foreign trade relations chief director Faizel Ismail made the point that what began as a promise to support SA's transition to democracy by providing better access for SA's exports had become an attempt to secure and gain privileged access to SA's market for EU companies.

SA should stress the point that it did not present a threat to the EU, either agriculturally or industrially, the agriculture department said. It could not resist a dig at the EU, pointing out that SA's national flower, the protea, would fall outside the free trade area if the EU's mandate was adhered to.

But, ultimately, the department said the agricultural industry was in favour of the free trade area, which makes sense as agriculture is the one sector in which SA runs a trade surplus with the EU. Overall, SA's current trade balance with the EU is rather pitiful, and — such as they are — SA's exports are totally dominated by gold and diamonds. But it is by far SA's biggest trading partner at present, which is the major reason why the idea is being discussed in the first place.

The hearings were mainly useful because they began to grapple with the principles which should underlie a deal. Sacob, for example, suggested that SA should argue on the basis of substantially equal trade. This is probably an ambitions target, but at least we could argue that the trade relationship should gradually allow SA to make up some shortfall.

The agreement should also have at least a neutral effect on SA's neighbours and should allow SA to investigate other deals with lower-cost producers to the east and other large Western markets.

In addition, as Idasa researcher Shirley Robinson pointed out, SA needs to consider whether the agreement can complement domestic macroeconomic, industrial and trade reform aimed at medium-term restructuring of the economy. In essence, the agreement should be structured in a manner which would support development of labour-intensive productive sectors.

Robinson suggests industry-specific co-operation agreements and joint ventures in training and technological transfer should be part of the agreement.

In effect, SA will be attempting to negotiate a "developmental free trade area", which may test the definitions of the term and provide a few headaches for the WTO.

Even though SA will press for such a developmental free trade area, neither side should lose sight of the point of free trade, which is that countries can increase efficiency by trading to competitive advantages. The EU's negotiating mandate and many of the submissions to the hearings raise the risk that the deal will become a minimalist aggregation of what both sides can live with.

# Blair in SA's corner on trade

(G74)

PAUL HARRIS

CT(BR) 14/10/96

Johannesburg — Tony Blair, the leader of the British Labour Party, has pledged to support South Africa in its increasingly fierce dispute with the European Union on a free trade agreement.

"A new Labour government will be South Africa's champion in the EU and, as a more positive partner in the work of the (European) Community, I believe we will also have greater success in fighting your corner," Blair told the South African Chamber of Business at a dinner on Saturday.

Last week South Africa's agriculture ministry threatened to pull out of the talks and torpedo a proposed free trade area including EU countries and South Africa if there was no improvement in the terms offered by the EU.

Officials criticised the European offer, which excludes South Africa's major agricultural products, and renewed a call for preferential terms similar to those offered to other African, Caribbean and Pacific countries in the 1975 Lomé Convention.

Among South Africa's exports to Europe are canned and fresh deciduous and citrus fruit and vegetables, beef, wine, sugar, maize and milk products.

About 40 percent of South African exports go to EU member states and more than a third of its imports are from Europe.

Exports from South Africa to the EU between January and November 1994 totalled R17,4 billion. Imports from the EU amounted to R30,4 billion.

Blair urged South Africa to press on with its privatisation of state assets.

"The pragmatic approach to privatisation is clearly correct. The key is now sticking to it, regardless of the pressures," he said. Telkom will be the first major asset to be offered to the market. — Reuter

# Blair vows to back SA in EU trade deal battle

## 'Labour will fight in your corner'

ARG 14/10/96 (74)

**Johannesburg – British Labour Party leader Tony Blair says a Labour government would stand up for South Africa in its battle with the European Union over a free trade agreement.**

"A new Labour government will be South Africa's champion in the EU," Mr Blair said at a business dinner here.

"And, as a more positive partner in the work of the (European) community, I believe we will also have greater success in fighting your corner," he told the South African Chamber of Business at the weekend.

Last week South Africa's Ministry of Agriculture threatened to pull out of the talks and torpedo a proposed free trade area including EU countries and South Africa if there was no improvement in the terms offered by the EU.

South African officials criticised the European offer, which excludes South Africa's chief agricultural products, and renewed a call for preferential terms similar to those offered to other African, Caribbean and Pacific countries in terms of the 1975 Lomé Convention.

Among South Africa's exports to Europe are canned and fresh deciduous and citrus fruit and vegetables, beef, wine, sugar, maize and milk products.

About 40 percent of South African exports go to EU member states and more than a third of its imports are from Europe.

Exports from South Africa to the EU between January and November 1994, the latest period for which figures are available, totalled R17,4-billion and imports from the EU amounted to R30,4-billion during the same period.

Mr Blair said Labour was now the party of wealth creation.

"The Labour Party is a party transfomed. We changed our constitution explicitly to commit Labour to a thriving private sector," he said.

Mr Blair said countries had to adapt to the globalisation of the world economy and the power of financial markets. He urged South Africa to press on quickly with its privatisation programme of state assets.

"The pragmatic approach to privatisation is clearly correct. The key is now sticking to it, regardless of the pressures," Mr Blair said.

On Thursday South Africa announced a shortlist of seven international companies for a stake in telecommunications giant Telkom – the first major asset to be offered to the market. – Reuter

# Industry accepts protection is now past

(74) BD 14/10/96

John Dludlu

SA HAS until recently been notorious for its complex tariff structure. The complexity stemmed in part from the high degree of protection given to the country's industries, a direct legacy of the apartheid past.

However, with the country's offer to GATT — the ambitious global project to liberalise trade — SA committed itself not only to breaking down its high tariff walls but also to simplifying the 8 000-item tariff structure.

Given the history and scale of protection enjoyed by SA industry during the years of isolation, most observers expected the two-day hearings organised by the parliamentary committee on trade and industry to be dominated by loud calls for a return — or partial return — to the era of protection. Instead, it was refreshing to note that both sessions were characterised by an encouraging — although reluctant — acceptance by industry that the era of tariff protection was over.

Indeed, there were accusations that government had, in unspecified sectors, hastened the tariff liberalisation process. An exception was in clothing and textiles — an example which is cited by labour federation Cosatu in its submission.

Labour and business — strange allies who are normally brought together by common fears of global competition — rightly pointed out to the parliamentarians that the link between the recent headlong plunge of the SA currency and the need to accelerate tariff reduction was a weak one that should not be entertained.

Although it is true that the rand's depreciation has bolstered SA exports, this does not mean the country's wobbly industries have suddenly overcome their vulnerability to competition. Their poor work organisation methods and badly trained staff — two of the main causes of uncompetitiveness — do not simply disappear as the rand hits another low. But, as Cosatu pointed out, the benefits of the weaker currency should be seen as a "window of opportunity".

Although government could not be accused of unilaterally removing tariff protection, it was criticised for its slow pace in putting in place support measures to accompany trade liberalisation.

But it emerged at the hearings that although some promised supply-side measures were still outstanding, several industry support measures were already in place. The problem was that few people seemed to know about them.

Sacob economist Keith Lockwood said that while it had previously been easier to call for and get protection, government had performed dismally in marketing the existing schemes.

Government's support measures were complicated by the fact that they were administered by a variety of institutions in an unco-ordinated fashion. The Industrial Development Corporation, for example, administered the "World Player" scheme to enhance competitiveness of restructured sectors.

Hennie van Zyl, executive director for the Clothing Federation, said few of its members had applied for state support because they were unaware that it was available. Although no valid case could be presented of massive lay-offs resulting from tariff reduction, industries blamed their troubles on illegal imports resulting from ineffective customs control.

Strong calls were made — perhaps to the wrong ears — for the SA Revenue Service, including customs and excise, to be given the necessary autonomy to carry out its duties. Speakers also urged the authorities to allow the service to pay competitive salaries.

The ball is now in government's court.

It must find ways of addressing the concerns of business and labour, notably the failings of the revenue service.

If business and labour are showing encouraging signs of coping with tariff liberalisation, it is surely an incentive to government to keep its side of the bargain — get the promised tax-based support measures going, and market these to business.

Trade and Industry Minister Alec Erwin, left, with Rand Merchant Bank economist Rudolf Gouws during a session of the Sacob convention at the World Trade Centre yesterday.

Picture: ROBERT BOTHA

# EU trade offer delayed to protect region

BD 16/10/96 (74)

John Dludlu and Lukanyo Mnyanda

GOVERNMENT had taken months to respond to the European Union's offer of a free trade accord with SA because it wanted to ensure that the EU was not granted generous market access at the expense of SA's neighbours, Trade and Industry Minister Alec Erwin said yesterday.

He told the SA Chamber of Business (Sacob) annual convention it was a pity Brussels had missed an opportunity to contribute to Africa's economic development through more favourable trade terms.

SA was now bracing itself for "hard-nosed" trade talks.

Erwin said business, government and labour had a responsibility to accelerate investment and its spread to other growth sectors, as well as to ensure that investment was equally spread among the regions.

Labour market policy was a complex issue and business could not expect "laissez-faire" policies which would only antagonise labour and lead to instability.

While continuing the emphasis on buoying small business development, government was also engaged in cross-border trade and investment initiatives, he said.

Rand Merchant Bank economist Rudolf Gouws said business was not worried about Erwin's competition proposals. Gouws painted an optimistic view of SA's economic prospects and said the rand should stabilise while inflation would remain subdued.

World Competitiveness Report director Stephane Garelli said the country had the potential to improve its performance by adding value to its natural resources.

# Report to call for new dumping law

John Dludlu

BD 18/10/96 (74)

GOVERNMENT must develop an effective anti-dumping legislation as a matter of priority and urgent measures should be taken to beef up tariff administration, a parliamentary report will recommend today.

The report, drafted by the parliamentary portfolio committee on trade and industry, will advise that SA's "social partners" — government, labour and business — find ways of examining the extent and methods of dumping by SA's competitors and "protectionism in our markets".

The report, expected to be formally approved by the committee later today, follows two days of hearings held in Pretoria last month by the committee's trade and industrial policy group. It assessed the role of tariff policy in the context of industrial policy.

At the hearings, business called for the SA Revenue Service — the former customs and excise and inland revenue departments — to be given autonomy so that they could attract and keep talented personnel.

The authors of the report, which will be submitted to parliament after approval by the committee, will also suggest that the National Economic, Development and Labour Council (Nedlac) should undertake a "comprehensive review of the tariff and industrial policy".

The Nedlac review should focus on the levels of tariffs, the appropriateness of planned reductions and supply-side measures; strategies to enhance competitiveness; and the existing and potential effect of tariff reduction on employment levels.

A "Buy SA" campaign is suggested for products deemed to be price- and quality-competitive internationally.

The report also notes that while cluster studies are a good idea and have often seen first-time linkages between downstream and upstream industries, they have yet to yield "concrete sector proposals".

While there is agreement on upgrading human resource capacity, in practice the main response by companies to the challenges of restructuring has been "downsizing".

# EU payment system 'poses no problem'

(74) BD 21/10/96

John Dludlu

SA's banking industry is confident that its trading relations with the European Union will not be hampered by the planned launch of the EU's new payment system and the single currency unit — the euro.

As part of its single currency project to be launched in January 1999, the EU — which is SA's largest trading partner — will introduce a new payment system to be called the trans-European automated real-time gross-settlement express transfer.

A Reserve Bank spokesman was confident the existing cross-border settlement system would be adequate for handling transactions with trading partners which joined the single currency project. Cross-national transactions are handled through international corresponding bank networks, which allows a foreign-partner bank to make the final settlement.

Transnet economist Mike Schüssler expected the proposed bilateral trade agreement between Pretoria and Brussels to lead to technology transfers. Problems that could arise from the payment system should thus be resolved easily.

Standard Corporate and Merchant Bank treasury division's Luke Shearer expected the euro's launch to bolster capital flows into emerging markets, such as SA. But this expected increasewould also bring increased volatility.

IN BRIEF

# New setback in Zimbabwe and SA trade relations

(74c)

CONFEDERATION of Zimbabwean Industries president Jonee Blanchfield has accused SA of saying that it plans to restore the 1964 "most favoured nation" trade pact with Zimbabwe only so the country can obtain preferential access to the European Union.

BD 7/10/96

Blanchfield, an outspoken clothing manufacturer and retailer, released at the weekend what the state-run Zimbabwe Broadcasting Corporation described as "an ultimatum to the South Africans".

It appears to mark a new setback in SA-Zimbabwe relations, thought to have been averted by talks in Victoria Falls earlier this year when a breakthrough was reported.

Blanchfield last year roused a political storm when, together with prominent industrialist and former Cabinet minister Simba Makoni, she spoke of mobilisation for a "trade war" with SA.

"The SA tactic has lately been to request more and more information from Zimbabwean industries and to use this as the reason why they cannot come to the negotiating table," said Blanchfield.

The information sought was irrelevant, and the requests merely aimed to buy time. Loss of access to the SA market, as well as soaring lint prices and ruinous interest rates had caused scores of firms to close, with the loss of at least 6 000 jobs in the past three years.

# Cape activist gets amnesty

CAPE TOWN — Former Eastern Cape activist Andile Samuel Solo had been granted amnesty, the truth commission's amnesty committee announced yesterday.

Solo is the third person to get amnesty from the commission.

Solo, 23, of New Brighton, Port Elizabeth, said in his amnesty application that he was a unit commander of Azania, the military wing of the Azanian Peoples' Organisation, and a member of the Black Consciousness Movement of Azania.

He was sentenced in the Eastern Cape for five contraventions of the Explosives Act and the Arms and Ammunition Act.

When he appealed to the Eastern Cape division of the Supreme Court, his conviction and sentence were set aside because he had been refused a trial postponement to change his lawyers. However, he was recharged and was due back in court in May.

The new trial was postponed pending the outcome of his amnesty application.

Solo was granted amnesty in respect of two acts in 1993. He planted an explosive device at the Easigas plant in Port Elizabeth and attempted to explode a device at Torego Flats in Uitenhage. — Sapa.

BD 9/10/96

# Pahad tells Zimbabwe SA is not delaying trade pact

Michael Hartnack 742

HARARE — Deputy Foreign Minister Aziz Pahad yesterday strove to reassure irate Zimbabweans that SA was not delaying the signing of an updated "most favoured nation" bilateral trade pact until it had concluded a preferential trade agreement with the European Union. BD 9/10/96

Responding to allegations made at the weekend by Confederation of Zimbabwean Industries president Jonee Blanchfield, Pahad said tariff barriers against Zimbabwean exports, especially textiles, could not continue.

"We cannot continue with the high protective regime," Pahad said at the outset of an inaugural joint commission meeting between the two countries. The session is to last two days.

"There is a genuine commitment to accelerate the process," he said, denying Blanchfield's charge that SA was using "delaying tactics" in seeking irrelevant points of information.

"Negotiations with the EU have not even started. We will never do anything to finalise our negotiations with the EU without taking into consideration its implications for other countries in the region," he said.

"There is political will and genuine commitment to resolve this (updating the moribund 1964 trade pact) without further delay."

Blanchfield protested that although Commerce Minister Nathan Shamuyairira had announced a "breakthrough" and signing of the new pact by the end of August, another month had passed without progress due to further queries from SA.

Blanchfield's protest at a trade balance R3bn in SA's favour was echoed by Deputy Foreign Minister Nicholas Goche at the meeting.

The commission's agenda is understood to be largely a formality, containing neither the trade pact nor the other issue vexing relations — jailed SA agents. President Robert Mugabe has rejected repeated approaches from President Nelson Mandela for the release of the agents, all serving life sentences for acts of terrorism in 1987-88.

# New great trek faces red tape and rain

Tim Cohen BD 9/10/96

CAPE TOWN — The first 20 "new great trek" farmers would be settled in Mozambique by the end of the month, despite obstacles both current and an-

The first region where the farmers would settle would be Lichinga, about 4 000km from Pretoria and close to the eastern shores of Lake Malawi.

The "pioneer group" is expected to lead hundreds of other farmers in what

# Trade favours SA — Russian envoy

(74C)

**Business Day reporter**

BD 22/10/96

RUSSIA's ambassador to SA Evgeny Goussarov has called for a correction in the imbalance of trade between the two countries.

Goussarov said yesterday that trade and investment opportunities were in SA's favour.

Russia was in a process of enforcing new economic regulations to regulate trade. "If SA investors are interested in investing in Russia it could be done through constituted companies," he said.

Russia's defence ministry foreign economic affairs chief Vladimir Belukov said almost 30% of companies in the defence industry were privately owned. However, he said, the federations' defence and atomic energy industry could not be privatised.

More than 40 Russian companies and scientific institutions would be exhibiting at the fourth SA International Trade Exhibition, Saitex '96, from October 22-26 — the largest participation of a Russian business group in an SA trade show, he said. "This shows the growing interest of the Russian industrial and scientific community in exploring opportunities provided by the SA market."

Belukov said the Russian companies were ready to develop various forms of co-operation, including setting up joint ventures.

tionalists, Rose Blatch and Alf Parry. strategy. That is all very well, but the ...

# Regional trade summit begins

John Dludlu

BD 21/10/96

(74)

POLITICAL and business leaders from southern Africa and their counterparts from around the world will meet in Harare this week to attend a conference on trade and investment in the region.

The conference, organised by the International Herald Tribune, begins tomorrow.

It will focus on the outlook for business in the region and prospects for bolstering intraregional trade.

The summit is taking place as the southern Africa region moves increasingly towards market-orientated economic policies.

Opportunities for trade and investment are also improving.

Speakers at the summit will include Botswana President and chairman of the Southern African Development Community Ketumile Masire, Zimbabwean President Robert Mugabe, Zambian President Frederick Chiluba, Angolan President Jose Eduardo dos Santos, SA Deputy President Thabo Mbeki, the community's executive secretary Kaire Mbuende, SA Trade and Industry Minister Alec Erwin, SA Public Enterprises Minister Stella Sigcau, Zimbabwean Commerce and Industry Minister Nathan Shamuyarira and Mozambican Trade, Industry and Tourism Minister Oldemiro Baloi.

Other participants in the three-day conference will include former US secretary of state Chester Crocker, SA National Productivity Institute executive director Jan Visser; Ashanti Goldfields CE Sam Jonah and New Africa Investments executive deputy chairman Cyril Ramaphosa.

The conference is taking place two months after the signing of the community's trade protocol through which the body's 12 nations hope to liberalise trade between them over the next eight years.

# Local container maker secures R11m US deal

GAUTENG manufacturers GEA Krugersdorp Engineering and Multistar Container Transport have secured an order from the US for a consignment of 80 stainless steel containers valued at about R11m. The containers are due in Durban tomorrow for shipment to the US.

The containers will be leased to the US government.

Multistar CEO David Jenkins said the latest shipment was a valuable further contribution by the stainless steel container industry to SA foreign currency earnings. "So far this year the industry has earned the country almost R170m in hard currency."

The industry has produced more than 5 000 containers for local and foreign buyers this year. The tank container industry is among the top four exporters of SA-manufactured goods.

"A stainless steel container costs about R133 000," said Jenkins.

"The containers are usually leased to international freight operators in Europe and the US, where they are used for transporting commodities such as foods, liquids and preservatives."

COMMERZBANK

WORLD TRADE OPPORTUNITIES

# Course to help firms understand changing trade rules

(74) BD 21/10/96

Reports by
Patrick Wadula

A NEW international trade training and consultancy service covering freight clearing and forwarding of imports and exports has been established to help companies get a grip on the changing rules of global trade.

The International Trade Institute of Southern Africa is run by two former SA Foreign Trade Organisation educationalists, Rose Blatch and Ali Parry.

The courses, which include short courses and long-distance education programmes, are structured to comply with national and international accreditation criteria.

Blatch and Parry have nearly 25 years experience in managing and developing import/export training and education courses for Safto.

Blatch said: "Global trade and a drive to strengthen exports is a cornerstone of government's macroeconomic strategy. That is all very well, but the trade business has become more complex and competitive than it used to be. It is a turbulent situation out there."

The trade and industry department was lowering tariff barriers and new rules and regulations governing trade were being made all the time.

Perry said foreign exchange was volatile and would become even more so once all exchange controls were relaxed.

"The new laws aimed at countering illegal practices such as money laundering are bound to affect trade and its financial transactions."

She said even the most experienced import/export exponents were scrambling to keep up to date on new conditions and stay competitive.

"Any firm entering cross-border trade for the first time must train staff quickly," she said.

The arrival of foreign competitors was also shrinking the SA market. Local business would have to look outside SA to expand their activities.

This would have to be done cost-effectively if companies were to remain productive and competitive.

"The key to international trade is the correct processing of documentation that relates to, among others things, customs clearance, Reserve Bank and exchange control requirements, and how to ensure payment is received. One simple error can bring the transaction to a halt and increase costs."

Next year, the courses will run four times a year in Gauteng and twice a year in KwaZulu-Natal.

When a person has successfully completed a programme, he can choose to specialise in any of the fields of imports, exports or forwarding and clearing by studying for an advanced certificate and then a diploma programme in the chosen field.

All certificates and diplomas will be submitted for accreditation to the UK-based International Association of Trade Training Organisations.

## Investment summit opens in Zimbabwe

CT CB2 22/10/96

Southern African heads of state and international business figures will arrive in Zimbabwe today for a two-day Southern African Trade and Investment summit to map out a regional approach to lure foreign investment. It will be addressed by, among others, Thabo Mbeki, the deputy president, and presidents Fredrick Chiluba of Zambia, Jose Eduardo Dos Santos of Angola and Ketumile Masire of Botswana. Among those to present papers will be Kaire Mbuende of the Southern African Development Community, Lauri Fitz-Pegado, an assistant secretary in the US commerce department, Chester Crocker, the former US under-secretary of state for African affairs, Cyril Ramaphosa, the secretary-general of the ANC, and leading businessmen. It is predicted southern Africa will have the second fastest growth rate in the world in the next ten years, after the Pacific Rim, and the summit is seen as an opportunity to assess the trade and investment potential of the region accurately. — AFP, Harare

(74)

*Erwin promises more development zones*

# Maputo Corridor is 'just a start'

CT (BR) 22/10/96 (74)

**SHIRLEY JONES**
KWAZULU NATAL EDITOR

Durban — Individual spatial development projects like the Maputo Corridor, aimed at making the South African economy more adaptable to global trade trends and more sensitive to events in regional trade blocs, are on the cards, Alec Erwin, the trade and industry minister, said at the Durban Metro Business Conference yesterday.

He said these projects would dwarf the Olympic initiative and the $4 billion corridor development itself. He could not give an exact figure for all the projects because some of them were still under discussion and because the funding was expected to come largely from the local and international private sector.

He said the massive national spatial economic development initiative, which incorporates individual corridor development projects such as the ones linking KwaZulu Natal with Mozambique through Swaziland and South Africa with Zimbabwe, and the development of the Eastern Cape coast from Port St Johns, would be fundamental to future economic strategy.

Though tariff phasedowns and compliance with the global trade rules set up during the Uruguay round of trade negotiations would remain a preoccupation of the trade and industry department, he said, a national spatial development initiative would take centre stage in industrial strategy formulation over issues such as protection, market dynamics and price.

Erwin said he had met Mac Maharaj, the transport minister, Mangosuthu Buthelezi, the home affairs minister, provincial government authorities and the Swazi and Mozambican governments late last week to finalise the Lebombo development initiative, which will link St Lucia in the far north of KwaZulu Natal to Mozambique through Swaziland.

Khetso Gordhan, the director-general of the transport department, said the department was considering building a road from Hluhluwe, linking the top of KwaZulu Natal with Swaziland and Mozambique.

He said the road would be built by the private sector with minimal input from government, paving the way for future corporate initiatives.

Gordhan said spatial development corridors entailed massive investment and marketing operations, which had already succeeded in attracting substantial international investor interest.

Erwin acknowledged the urgent need for economic progress in regions like KwaZulu Natal, and said his department would follow up the Lebombo initiative with a spatial development initiative stretching from Durban to Newcastle.

He said South Africa would have to overcome the weaknesses stemming from a legacy of fragmented administrative procedures. He called for greater coordination in decision making at ministerial level, adding that a single ministry would be appointed to oversee the national spatial development initiative.

Erwin said his department would begin co-ordinating the Lebombo initiative so that all roleplayers pulled in one direction and worked within one framework.

CT(BR) 23/10/96

# Region's success 'more important than EU pact'

(74)

ROSS HERBERT

Johannesburg — A prosperous Africa ranks higher than the temporary advantages gained by a free trade pact with Europe, Alec Erwin, the minister of trade and industry, said yesterday.

Erwin was speaking at the opening of trade meetings organised by the Africa International Trade Centre. The meetings accompany the South African International Trade Exhibition (Saitex).

South Africa is in the midst of three related trade negotiations, including a potential free trade pact with Europe, the renegotiation of the South African Customs Union agreement and the final details of a free trade pact with the Southern African Development Community (SADC).

Erwin said South Africa might obtain some short-term advantage in striking a free trade deal with the European Union (EU), but improving the vitality and stability of southern Africa through trade was crucial for South Africa in the long term.

Erwin said he had notified the EU that any negotiations would have to be done in consultation with other nations in the customs union. South Africa was also participating in negotiating a detailed schedule for phasing in a free trade zone in the SADC, which would take effect in eight years.

Negotiations with the EU are complicated by the fact that some SADC countries have preferential trade agreements with the union under the Lome Convention, while South Africa is considered too developed to obtain Lome benefits. "These are very detailed and difficult negotiations," Erwin said.

Mpho Mantjiu reports that Saitex, the biggest multi-sector exhibition in the country, was officially opened yesterday. Erwin said the show was a perfect opportunity for South Africa to promote its investment potential. — Independent Foreign Service

# Developing countries must insist on free and fair global trade

No country can avoid globalisation, but will international "free trade" be of benefit to them all? asks **Chris Landsberg**

BD 23/10/96 (74)

AT THE heart of the phenomenon of globalisation is a massive experiment in economic restructuring; a process spearheaded by the Western powers.

This "gamble" is being executed under the rubric of better living standards for all. But there is no guarantee that this noble goal will be the end product. On the contrary, globalisation may very well exacerbate gaps between rich global blocs and poor regions. This is already the reality in many parts of the world.

Yet the dividend of international "free" trade is taken as given by the architects of the World Trade Organisation (WTO). Such trade is ostensibly the be all and end all of the problems of global poverty.

A country's "comparative advantage" is seen as the only root to prosperity. SA and others should therefore beef up their "comparative advantage edge" if they are to survive in this self-help post-Cold war era.

This era is one of global economic liberalism. The new liberal orthodoxy insists that liberalisation of markets is the best way to increased prosperity. The rise in Western living standards, proponents believe, should be emulated.

Non-western states are under pressure to embrace the virtues of liberalisation, competitiveness and the free market.

But the record of free-market gospel is chequered. The last decade has seen unemployment in the Organisation for Economic Co-operation and Development (OECD) countries grow to 35-million. And this does not include the Third World, where millions of people are jobless and still more millions "underemployed".

International trade and foreign direct investment are booming in some parts of the world; certainly not in Africa. A handful of people somewhere is making billions of rands: the already rich. For many people, however, the link between trade and prosperity is hard to discern.

There is growing unease over the effect of "global free trade". Everybody speaks of "free trade" without emphasising "fair trade". Fair trade is a nobler goal, but can global trade be fair as well as free? "Open, fair and undistorted competition," is the goal of the WTO.

But, lest we forget, the WTO lacks the power to tell countries how they should craft policy. It hopes that countries will embrace consensus-based trade diplomacy and map out "mutually beneficial" rules for international trade. It seeks to provide for maximum fairness, openness and transparency. But inevitably, within this anarchic global order, states take advantage of loopholes everywhere and battle to advance their own interests.

Ironically, the economic self-interest of nations is best served, broadly speaking, by playing by the rules and also by pushing for "fair", not simply "free" trade.

Lots of back-stabbing goes on in global trade. Free trade is not necessarily fair trade — a reality SA would have to emphasise in its trade negotiations with the EU and other players.

Today the bulk of all international trade and cross-border investment is carried out by a handful of industrialised countries. Yet almost every country has embraced free market capitalism. The WTO has 122 members with 28 more queuing up.

The pattern of world trade has developed a size and complexity far beyond that envisaged in the original GATT masterminded by the US and UK in the aftermath of the defeat of Nazism. Indeed, more than 80% of WTO members are from the developing world or former communist countries. More than 60 such countries have introduced trade liberalisation measures recently.

The rich industrialised countries of the OECD still dominate world trade. But they no longer exclusively dominate rule-making. The wall between East and West has been broken down and the distinction between rich North and poor South has blurred, as developing countries build successful industrial economies.

WTO commits its members to help developing countries as a "matter of conscious and purposeful effort". The Generalised System of Preferences gives the poorest countries special trade access conditions. The system has been given a permanent legal basis under the WTO.

Yet, inequality among participating nations is on the increase.

Much of Africa, the Caribbean, Latin America and the Middle East remain at the bottom of the ladder. Many of these states remain socially divided.

Even in the OECD states unemployment and poverty are growing. If living standards do not improve, undisputed belief in the benefits of open trade is bound to remain a pipe dream.

Trade can be the route to prosperity as long as it operates fairly. Its benefits should be spread widely. Free trade simply enables the powerful to clinch unreasonable bargains with weaker trading partners. Hence the need for a set of international rules and a body to enforce them.

The WTO provides a composed set of rules for open, free, global trade and, for the first time, an effective way to settle trade squabbles between members. The core tasks of the WTO are to supervise and execute multilateral and bilateral trade deals.

The organisation serves as a forum for multilateral trade pacts. It seeks to resolve trade disputes peacefully. It also promises assistance in overseeing national trade policies of states.

The "most favoured nation" rule ensures that agreements are extended to all WTO members. There remains room for tariff and protectionist measures. But the general orthodoxy is for a lowering of all barriers to international trade.

The ostensibly robust set of rules is an attempt to avert an international trading "anarchy". Small trading states could be disadvantaged in its absence. Strong trading nations may retain the dominant position for decades to come.

By the sheer existence of rules, the WTO can therefore be a protector of the weak.

But, in the final analysis, the WTO is only as powerful as its most powerful members allow it to be. Thus its success or failure depends on the behaviour and policies of the most powerful states, notably "Uncle Sam" and his Western allies.

The WTO covers almost all trade in merchandise and agricultural products. It also covers a great deal of services and intellectual property rights. Other trading categories include telecommunications, shipping and the temporary movement of workers, goods and services

The WTO's success depends on the most powerful making concessions to and accommodating the poor members. The US, Japan and the EU are the most influential members. They should learn to genuinely embrace the trade of compromise. South Africans, for their part, should become skilled in the art of lobbying.

□ *Landsberg is a researcher at the Centre for Policy Studies.*

# 'Reduce tariffs to speed up trade'

Sowetan 24/10/96 (74)

## Countries of the South are still grappling with post-independence ills

By Isaac Moledi

COUNTRIES OF THE South need to move faster and further in reducing tariff and non-tariff barriers to strengthen and accelerate trade among themselves, Nigerian High Commissioner to South Africa Alhaji Shehu Malami said yesterday.

Addressing local and international trade exhibitors at the South African International Trade Exhibition at Nasrec in Johannesburg, Malami also called for the establishment of export credit guarantee schemes among developing countries to finance trade.

Export credit guarantee schemes are used to protect individuals or companies against non-payment of a debt arising from a sale to a foreign buyer.

Malami said although there are several regional economic groupings among the South countries (so-called developing countries) that serve as a framework for trade promotions among participating states, there was still a need to reduce tariffs among these states.

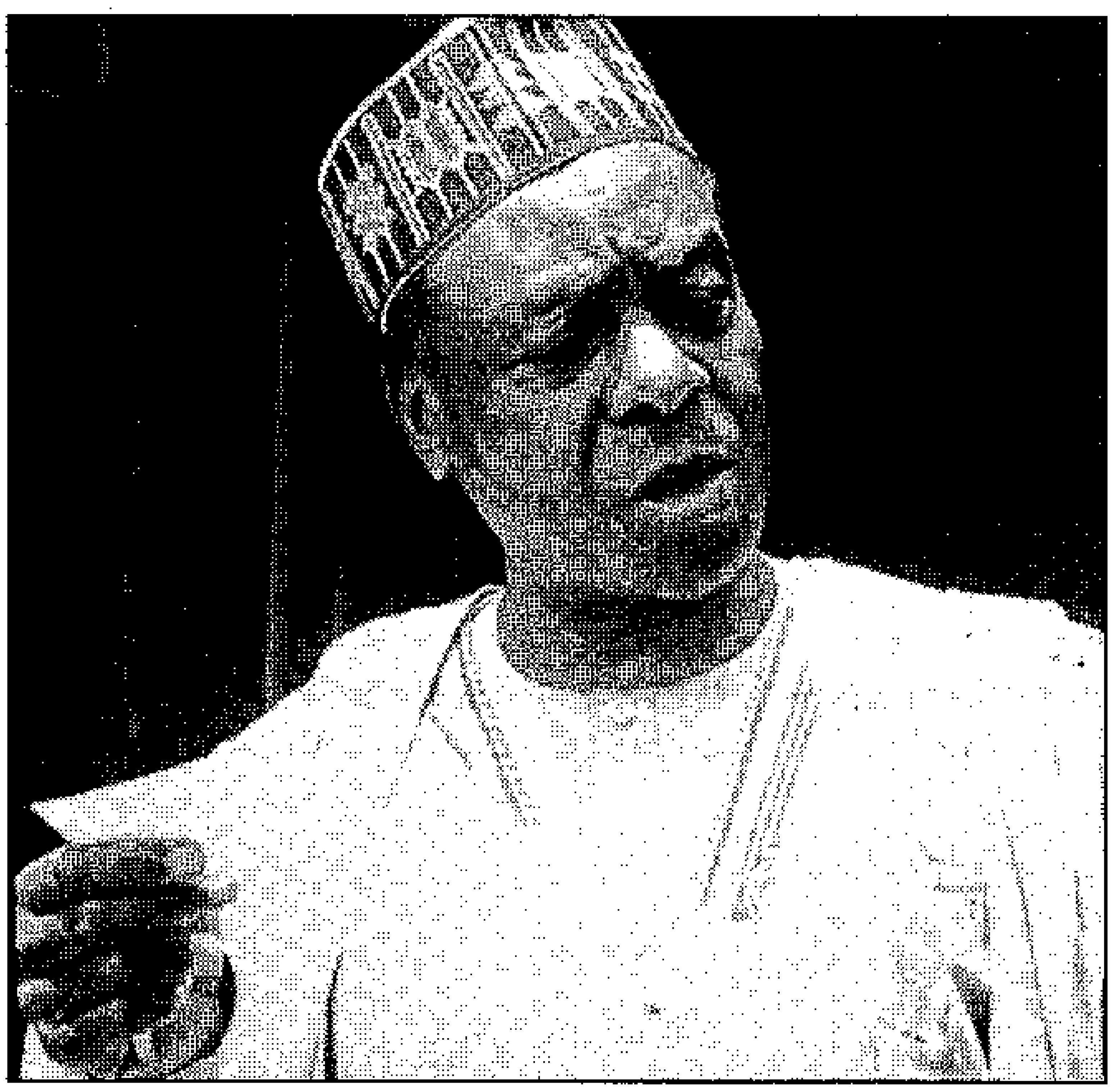
### Multilateral payments

"Several multilateral payments and clearing arrangements have been established by countries of the South to support the process of trade expansion among member states.

"There is a need, however, for the South to move faster and further in lowering tariff and non-tariff barriers among themselves," he said.

Malami, whose country is yet to invest in South Africa, argued that although there have been numerous joint ventures in agriculture, mining and manufacturing, this was not enough.

"We need, therefore, to make a tremendous effort to move simultaneously in many areas of co-operation in order to successfully tackle development problems."



Nigerian High Commissioner to South Africa Alhaji Malami delivering a speech at Saltex in Nasrec yesterday.
PIC: JOE MOLEFE

Malami said it was interesting to note that problems faced by developing countries in the pre-independence era had not changed much.

Lack of market access, inadequate foreign investment, commodity price instability and lop-sided trading and financing arrangements, which were among the demands of the developing countries in the 1970s, were still prevalent, he said.

"The failure of the North-South dialogue and the consequent relegation of attempts to reform the New International Economic Order brought home to developing countries the need for greater economic co-operation among themselves," said Malami.

The five-day trade exhibition, which was also addressed by the ambassadors of Algeria and Iraq, ends on Saturday.

74

# Erwin calls for rapid opening of SA markets to Africa

BD 24/10/96

n Dludlu

RARE — SA would have to n its markets more rapidly to Southern African Development Community (SADC) than to ling blocks like the European on, Trade and Industry Minr Alec Erwin said yesterday.

SA exports to the region were ving too fast to facilitate longn growth and this would create blems, he told the second Inational Herald Tribune trade investment summit.

SA exporters should take a longer term view and cross-border investment should be encouraged.

Trade and investment in the SADC were closely intertwined in developing the region. "This is SA's approach and we are convinced it is the only road we can and should follow as we work in partnership."

Although the path would not be easy to pursue, "we have to work at it". SA had previously been criticised by its neighbours for its trade protectionism.

Most of its neighbours had low tariff levels, largely as a result of the implementation of economic reforms imposed by financial institutions such as the World Bank and the IMF.

Meanwhile, Sapa reports that trade talks between SA and the EU, scheduled to resume before the end of the month, have been delayed. "I cannot comment on how near we are to date of negotiations," said Willem Bosman, foreign affairs director of regional economic organisation, who is co-ordinating efforts to prepare a counterproposal to the EU's free-trade agreement offer.

Negotiators had undergone "a paradigm shift" during a two-day conference on relations between SA and the EU held in Johannesburg, and were rethinking their approach to the trade deal. The EU offer, which excludes up to 40% of SA agricultural goods from the trade area, has been rejected as one-sided by SA business.

Zimbabwean President Robert Mugabe yesterday called on international investors to consider the SADC, saying the 12-nation region was "a viable destination for trade, investment and tourism". He said the SADC was committed to strengthening regional co-operation and improving the region's investment climate for the participation of international investors in infrastructure and other development projects.

On his country, Mugabe said his administration was forging ahead to commercialise and privatise state-owned enterprises. In an apparent reference to Pretoria, he said countries in the region should not see each other as markets but should also engage in cross-border investments to develop each other's industries.

Anglo American deputy chairman Nicky Oppenheimer said business in the region was ready to build on existing co-operation links such as the customs union. SA companies would continue to invest in the region if there was renewed effort by government to structural and economic reform.

# SA, EU breakthrough on subsidies possible

(74) BD 25/10/96

Louise Cook

THERE could be a breakthrough in trade negotiations between SA and the EU on agricultural subsidies once the Dutch government takes over the EU Development Council in January next year, the Brussels-based European Research Office said yesterday.

The office was contracted by the EU to do research in developing countries and had done extensive research this year to determine the effect of a Free Trade Agreement with SA on other African countries.

Director Paul Goodison said the EU might review its subsidies if SA showed that the EU was shooting itself in the foot with high subsidies.

"While maintaining high subsidies on agricultural products, the EU is also making aid available to developing countries such as Namibia to strengthen their agricultural industries — a contradiction in terms," he said.

Goodison issued a document by European parliament member Tony Cunningham which said that the key issue for agricultural sectors in SA's neighbouring countries was EU producer and export subsidies.

"In the beef sector for example, EU export subsidies alone are equivalent to the price Namibian beef farmers receive ... they cannot compete with subsidised EU exports to SA."

# Unions, business play bigger role in EU talks

(74) ARG 28/10/96

ESTELLE RANDALL
LABOUR REPORTER

**Trade unions and business have begun to play a greater role in government policy on international trade and may be part of the government delegation when talks with the European Union resume this week.**

Labour, business and government representatives at the National Economic Development and Labour Council (Nedlac) have already set up a technical sectoral liaison committee to support government negotiations with the EU and to evaluate the impact of EU proposals on the South African economy.

The committee recently decided to propose to Trade and Industry Minister Alec Erwin that business and labour representatives be included in the South African negotiating team.

It was also agreed that business and labour would be consulted on the final document which South Africa would present to the EU and that the South African mandate would reflect principles to which the technical sectoral liaison committee had agreed.

Nedlac's executive director, Jayendra Naidoo, said inclusion of business and labour representatives would not "undermine the integrity of the government's position".

He said consultation with labour and business would not result in business or labour pushing through sectoral interests.

The government would still make the final decision about what best suited South Africa as a whole.

Meanwhile, the World Trade Organisation, which will be holding a ministerial review in Singapore in December, will also have parallel sessions for labour and business.

Nedlac would workshop South Africa's position on each of the agenda points for the meeting and discuss what South Africa's overall position would be, Nedlac said in its latest newsletter.

# Pressure is on SA to cut free trade deal with EU

(74) CT(BR) 30/10/96

**John Fraser**

INDEPENDENT FOREIGN SERVICE

Brussels — South Africa has been robbed of its major excuse for dithering over the launch of trade negotiations with the European Union (EU).

The 15 EU foreign ministers have decided at talks in Luxembourg that they will ensure that an eventual accord with Pretoria does not cripple the economies of South Africa's neighbours in the Southern African Customs Union.

South African ministers have said that they are not yet able to respond to the EU's trade offer, which was made back in March, until they have worked out what to do about Swaziland, Namibia and the other partners.

These states fear a significant loss of earnings through import tariffs, which will shrink under the terms of the EU's proposed free trade area deal with South Africa.

They are also worried that the agreement will squeeze their exports, by offering South Africa better access to the EU market.

The issue was raised recently at meeting of the Southern African Development Community and EU ministers in Windhoek.

Klaus Kinkel, the German foreign minister, launched the debate at this week's meeting of EU foreign ministers in Luxembourg, saying that he had promised South Africa's neighbours that their concerns would be taken into account.

There was a very brief discussion of the issue, during a crowded meeting, and there was consensus that this problem could not be swept aside.

The most likely way in which it can be resolved would be through an undertaking that the EU will boost aid to the affected countries, to compensate them for any losses sustained as a result of a deal between the EU and South Africa.

Most analysts are agreed that the longer South Africa drags its feet in offering its own position for the trade talks, the smaller the chance of a favourable deal.

# Decision on EU offer crucial

SA (74) Sowetan 31/10/96

SOUTH Africa has been robbed of its major excuse for dithering over the launch of trade negotiations with the European Union.

The 15 EU foreign ministers decided at talks in Luxembourg this week that they will ensure that an eventual accord with Pretoria does not cripple the economies of South Africa's partners in the Southern African Customs Union.

South African ministers have said they are not yet able to respond to the EU's trade offer – which was made back in March – until they have worked out what to do about Botswana, Lesotho, Namibia and Swaziland.

The four states fear a significant loss of earnings through import tariffs, which will shrink under the EU's proposed Free Trade Area with SA.

They are also worried that the agreement will squeeze their exports, by offering South Africa better access to the EU market.

The issue was raised recently at an EU-SADC ministerial meeting in Windhoek, attended by an impressive array of European ministers, including Germany's Klaus Kinkel.

It was Kinkel who launched the debate at this week's meeting saying that he had promised South Africa's neighbours that their concerns would be taken into account.

There was a very brief discussion of the issue during a crowded meeting and there was consensus that this problem cannot be swept aside.

The most likely way it can be resolved would be through an undertaking that the EU will boost aid to the affected countries, to compensate them for any losses sustained as a result of a deal between the EU and South Africa. – *Independent Foreign Service.*

# EU trade to top Mbeki's agenda in Germany

(74) BD 1/11/96

Melanie Sergeant

BONN — Deputy President Thabo Mbeki's visit to Germany on November 6 will see a heavy emphasis placed on SA's EU negotiation process.

It is also believed the visit could see the formal launch of a binational commission between the two countries.

As part of a wide itinerary where he meets leaders from a range of European countries, Mbeki's visit to Bonn follows closely on that of President Nelson Mandela in May.

The binational commission envisaged is believed to be similar to that between SA and the US.

It would extend existing co-operation into areas such as defence and the role SA plays in the stability of the southern African region.

Mbeki's visit follows an invitation made by Chancellor Helmut Kohl during Mandela's visit.

On November 7, he will meet Kohl, as well as Agriculture and Forestry Minister Jochen Borchert. SA's EU trade agreements will probably be the focal point. At this stage, it is believed SA is unlikely to finalise its planned free trade agreement with the EU before 1998.

He will also meet Finance Minister Theo Waigel, Economics Minister Gunther Rexrodt, Foreign Minister Klaus Kinkel and Economic Co-operation and Development Minister Carl-Dieter Spranger.

SA ambassador to Germany Lindiwe Mabuza said in an interview that the working visit was vital to furthering bilateral co-operation.

It was also important because it gave key German leaders some crucial insights on developments in SA and the real progress that has been made in the democratic transformation of SA.

Mabuza said Mbeki's visit was well timed to "take the minds of some of the world's most powerful leaders off the 'crime-ridden' label being attached to SA".

She said too little emphasis was being given to the positive aspects of SA and its dynamism.

"There are many real achievements and we need the concrete developments of the new democracy to be relayed to the world at large and the investor community in particular."

Mabuza said German confidence levels with regard to SA were highly encouraging.

"The expectations of German investors is great, as is their knowledge of the problems we may be facing.

"Germany has many parallels with SA's own experience and this has assisted us tremendously in explaining our situation and building long-lasting relations."

She said crime and violence were often seen by German businessmen as components of SA's transitionary period.

"The post-unification Germany is seeing similar higher unemployment and crime rates, so it can identify with our own situation."

Mabuza said that extensive dealings with top officials and businessmen in all of Germany's states had made it evident that the country saw crime and violence in SA as "temporary problems which are to be expected from any country experiencing a transitory phase".

Given that Mbeki was widely tipped as SA's next president, Mabuza said his visit would be a "great opportunity to start building a long-lasting relationship between him and Chancellor Kohl which is geared to strengthen SA's relations with Germany".

# The great 'Tiger' hunt

## Cape trade mission sets its sights on Asian riches

(74) ARG 2/11/96

PAUL OLIVIER
SUNDAY FINANCE REPORTER

**A high-powered trade and investment delegation, representing business from the Western, Eastern and Northern Cape has left for countries in the Pacific Rim to claim South Africa's rightful place in the economic hub of the Asian Tigers.**

The mission, facilitated by the Western Cape's trade and promotions body, Wesgro, and led by African National Congress Minister for Economic Affairs and the RDP Chris Nissen, is the largest to visit the bustling Asian markets.

The mission falls directly under the Western Cape Department of Economic Affairs.

The 38-man-strong team will visit India, Malaysia, Indonesia, Thailand and Hong Kong from November 1 to 18 to promote small, medium and large business across the spectrum in South Africa and to strengthen agreements already signed with trade and investment partners in the East.

The Pacific Rim is undoubtedly a major source of growth for the world economy, representing US$3 billion a year with about 1,8 billion potential customers.

Asia's share of the global GDP is expected to increase from about 25 percent to almost 33 percent by the 21st century, proving that it had outstripped the rest of the economies of the world.

South East Asia and South Africa were viewed by the United States and other Western countries as emerging markets and the possible solution to their stagnating economies.

"It is imperative that we focus our attention eastwards where the hub of global economic activity is taking place with particular emphasis on the promotion of bilateral trade relations, exports, technology transfers, direct investment, joint ventures and the development of the tourism infrastructure," Mr Nissen told Sunday Finance.

"Our mission to the Asian Tigers is a window of opportunity for marketing the Western Cape with possible spin-offs to the Northern and the Eastern Cape. We are not an island in the global village and we have to interact to improve our competitive edge.

"The visit is a clear example of the private sector and government working together for a common economic goal. Our aim is to take this mission to interact with organisations, companies and individuals to promote our trade and exports and to find new investment for the Western Cape and adjoining regions.

"We are the new kid on the block and we need to sow our seeds in this highly competitive market. Our approach will be aggressive but polite in the message that we're in business to do business.

"We are not going there to beg," Mr Nissen said.

The Western Cape has built up a good name among its Eastern trading partners because it offers "incredible trade and investment opportunities". It serves as the gateway to many African countries and Indian Ocean states and strong economic ties with South Africa as a whole can help South East Asia expand their exports.

It is especially with India where bi-lateral trade stands to benefit hugely. Since the normalisation of Indo-South African trade relations in 1993, the Indian business and industrial community has overwhelmingly responded to the establishment of business links with their South African counterparts.

The National Small Industries Corporation of New Delhi, funded by the the Indian Technical and Economic Cooperation Program, have decided to set up a Demonstration and Technology Dissemination Centre in South Africa, training 150 technicians at a time.

The rush of Indian delegations visiting South Africa is an indication of the keen interest shown by the trading community to do business with South Africa.

**Under discussion:** Chris Nissen and the Indonesian Consulate General in South Africa, Tupuk Sutrisn

Until now almost 40 trade delegations from major Indian Chambers of Commerce and Industry, export organisations, commodity boards, ministerial delegations, as well as individual and private delegations from the Hinduja Group and the Tata and Bajaj automotive industries, have visited South Africa on exploratory and business visits.

South Africa, and the Western Cape specifically, is a major international destination for tourists and business visitors and the resumption of trade links with India has resulted in an increased flow of visitors between the two countries.

This should encourage large hotel chains to look at the country closely for joint ventures and technology transfer opportunities.

Studies by Wesgro have shown that total trade with India has grown from US$1,6-million in 1993 to US$330 million this year. Trade in textiles alone has climbed from US$8 million in 1993/'94 to US$70 this year.

Wesgro manager of investment marketing Peter Pullen said: "There exists significant scope for Indian products in South Africa's imports of about R19,4 million."

Products with the greatest import potential from India were garments, woven fabrics, pharmaceuticals, dyestuffs, rice, software, tyres, leather products and tea, while items which could be exported from South Africa included mining products, phosphate fertilisers, iron and steel and certain chemicals.

South Africa, being one of the largest producers of diamonds, could export lucratively to India, the world's biggest buyer of rough diamonds.

"Technologies identified in South Africa that will be of interest to India are mining, technology for making iron using low-grade coal and technology for the manufacture of fuel from gas.

"There are some opportunities for technology transfers from India to South Africa, since India is still a developing country and most of South African industry is of world standard, heavily dominated by the multinationals.

Local pharmaceutical companies have already expressed interest in getting technology from India for making drugs going off-patent in the next few years," said Mr Pullen.

He added that as more nations were qualifying as Asian Tigers, the world economic core was moving, and would continue to move, to the Pacific Rim.

"Asian countries have realised that knowledge-intensive industries are driving much of the regionalisation of the global economy. Countries, or regions within countries which do not play the same role in these knowledge-intensive industries, will not take part in the growth of the world economy.

"South Africa should focus on downstream activities and benefication of value-added production. The highest value-added products are those with the most knowledge embedded in them and technology is, after all, the embodiment of knowledge.

"The new industrialised economies of South East Asia have acquired lower-level technology and capitalised on labour costs for more than two decades and they are now well-positioned to move into the high technology areas."

According to Mr Pullen, South Africa's competitive position lay in its strength of relatively low-power costs, which made electricity-intensive projects attractive. Cape Town, Durban and Richard Bay were ideal harbours to handle freight and the country had a quality social infrastructure.

"South Africa is a competitive player in terms of locational, economic and intangible demand factors. In terms of economic factors only, it shows real comparative advantages and the payback periods of foreign investment are very attractive in selective product segments."

In comparing South Africa's global competitiveness as an investment region with Germany, the United States, Ireland, Mexico and Malaysia in 29 products, the reputable European firm, Plan Location International, a subsidiary of Price Waterhouse, found that the top five performing industries in South Africa were in metal products, machinery for the building industry, mining and agriculture, construction materials, high-quality leather footwear and automotive spare parts and components.

Definite potential existed to establish these types of industries in South Africa on a world competitive basis.

Weaknesses were, however, the unstable political situation, the country's relatively high corporate tax rate and the present poor economic situation.

# Regional trade 'key to SA's success'

Patrick Wadula

(74) BD 4/11/96

TRADE and Industry Minister Alec Erwin says SA has to realise that its ability to trade globally will be enhanced if it can integrate its economy with those of the region.

Addressing a symposium on SA — Springboard to Africa — organised by the French Embassy, Erwin said in Johannesburg last week the country's success depended on the progress of neighbouring countries.

SA was committed to lowering barriers and increasing cross-border trade.

"We envisage a free trade area in the Southern African Development Community in the next eight years. A tariff phase-down schedule for all SADC countries will begin by March next year."

The problem SA faced in relation to other SADC countries was that SA's trade surplus was growing rapidly. SA trade with Zimbabwe was 68% in SA's favour last year.

Erwin said SA was conscious that its trade surplus with neighbouring states could cause an imbalance in the region. To counter this, SA was entering into cross-border investment initiatives.

Apart from the multimillion-rand Maputo Corridor plan, SA was involved in discussions with Mozambique and Swaziland on a joint effort to develop tourism and the agro-industry in a project known as the Lubombo initiative.

By February a document would be available on proposals for road and infrastructure construction and tourism concessions.

Other initiatives included the trans-Kalahari highway with Namibia and Botswana and assisting Zimbabwe and Mozambique on the Beira Corridor.

Erwin said the 12 SADC countries had a total population of more than 140-million. It was one of the world's richest areas in natural resources.

"Without a doubt, the investment and infrastructure programme in this region will become one of the largest infrastructure development programmes in the world." Erwin said SA had to move from the concept of aid to the concept investments.

ANALYSIS

# Tortuous task of free trade talks

(74) BD 4/11/96

## Trade ministers are struggling to agree on the aims of the World Trade Organisation meeting next month, says **Guy de Jonquières**

IN ABOUT five weeks, ministers from more than 100 countries will gather in Singapore for their first meeting since the World Trade Organisation was set up last year. But some trade diplomats are asking whether their journey will be necessary.

The talks are the first in a regular series of biennial meetings intended to bring a more businesslike approach to the tortuous task of liberalising global markets.

Yet after months of discussions in Geneva, organisation members are still at odds over what the event should aim to achieve.

Some trade diplomats fear the Singapore meeting, expected to draw about 5 000 participants, could be embarrassingly short of substance, or become a public platform for members' disagreements.

"The organisation needs more ministerial input," says one diplomat. "But perhaps it would be better off without this kind of meeting." The organisation's director-general Renato Ruggiero has been trying to persuade trade ambassadors to resolve their differences before their last scheduled preparatory discussions on Thursday.

Even the normally ebullient Ruggiero has lowered his sights, after praising the meeting as a showpiece which would raise the organisation's profile.

Although he hopes it will be useful, he says it is unlikely to produce "extraordinary new things".

In the old general agreement on tariffs and trade, ministers met only sporadically, often in response to sudden crises in bargaining.

Establishing a formal timetable was intended to enhance the role of the trade organisation and engage governments more deeply in formulating trade strategy.

However, efforts to construct an agenda for the first "new-style" meeting have so far produced more discord than harmony.

One reason for the difficulties is timing. Only three years after finishing the Uruguay round, the world's most comprehensive trade package, most governments are reluctant to contemplate another gruelling marathon.

The US has failed to win a fresh negotiating mandate from congress, where disenchantment with free trade initiatives is widespread. Tomorrow's presidential election has also pushed trade policy further down the US's list of political priorities.

As a result, few liberalisation deals are expected to be clinched in Singapore. Hopes centre mainly on a proposed agreement to eliminate by 2000, tariffs on information technology products.

Efforts will also be made to revive the organisation's talks on opening telecommunications markets.

The debate has exposed stark differences about where the multilateral trade system goes next — and how fast.

These differences have so far blocked agreement on a draft political declaration setting out future objectives to be endorsed by ministers in Singapore.

In principle, the organisation is already committed to an onerous "built-in agenda" of work stretching years ahead. As well as completing talks on freeing trade in telecommunications and financial services, its members are pledged to further negotiations on a range of issues such as agriculture, services and intellectual property rights.

The keenest arguments are about what, if any, other tasks the organisation should take on. The US is seeking action to raise transparency in public procurement.

The EU wants talks on the relationship between national competition policies and trade, and on international rules to guarantee fair treatment of foreign investment.

Most controversially, both powers want the organisation to play a role in upholding core labour standards. These demands face resistance from developing countries.

Some want the organisation to avoid new issues and stick to implementing existing Uruguay Round commitments.

Almost all developing countries are against discussing labour standards. They say the organisation is the wrong forum to deal with the subject, and claim industrialised nations want a pretext to legitimise trade restrictions. Although the US and EU have recently softened their demands, they could still create friction in Singapore.

"If the issue is not resolved it could become a stumbling block to progress on all other issues of interest to other delegations," says Singapore's Trade Minister Yeoh Chow Tong, who will chair next month's meeting.

Almost as contentious are calls for talks on rules for foreign investment. Although backed by Ruggiero and some developing countries, such as Brazil, the idea is opposed by others, led by India and Malaysia.

Finding a consensus to tackle competition policy in the organisation is also proving difficult.

There is also a stalemate over proposals to prevent environmental protection measures distorting free trade.

EU Trade Commissioner Sir Leon Brittan wants the Singapore meeting to launch preparations for a full-scale trade round by the end of the century. But he has won little support, even from EU members.

Putting a brave face on these setbacks, trade diplomats in Geneva insist there is still time for compromises.

The new organisation's basic machinery is running smoothly. Its authority has been strengthened by governments' eagerness to use its new trade disputes settlement mechanisms to adjudicate global disagreements over issues such as the EU's banana import regime.

Acting US trade representative Charlene Barshefsky says ministers, therefore, do not need to intervene in the organisation's day-to-day affairs. Instead, they should act as a board of directors, periodically reviewing progress.

But other observers see no point in ministers meeting every two years if there is little to discuss or decide.

World trade policy has struggled to find a clear direction before, particularly after big trade rounds.

However, the apparent hiatus this time may present more serious challenges. Last year, goods and services exports equalled 24% of world output, up from 17% a decade before.

While this growth is a tribute to past successes in opening markets, the organisation still has to prove it can mobilise leadership and vision to keep the process moving.

Some observers had hoped developing countries would play a more active part in the organisation. Instead, their increased involvement appears a mixed blessing: it seems to have encouraged some to obstruct more stubbornly proposals they do not like.

"Governments of certain developing countries, particularly in Asia, fear further liberalisation will make it harder to control the pace of their integration into the world economy," says one trade diplomat.

Progress may become even harder as the organisation's membership expands.

Some observers say these changes call for fundamental reforms in the way the organisation runs its affairs. What ministers should be discussing is how to manage the organisation, they say. — Financial Times.

# Call for the acceleration of tariff cuts to aid rand

(74) BD 4/11/96

Greta Steyn

TARIFF cuts should be accelerated to reduce the inflationary impact of the rand's fall, a study by the Industrial Development Corporation has found.

The study forms part of a heated debate on tariff liberalisation, with business and labour fighting moves by government to speed up the pace of reform.

Finance Minister Trevor Manuel's macro-economic strategy says tariff cuts should be accelerated to compensate for the rand's plunge, but Trade and Industry Minister Alec Erwin has indicated that no action will be taken without a thorough investigation into the consequences of implementing the policy.

The investigation is being conducted in the National Economic, Development and Labour Council.

Many in business and labour say that even the present tariff reduction plan is too ambitious, because it exceeds SA's commitment to the General Agreement on Tariffs and Trade.

The corporation said that its model had shown that an accelerated tariff reform programme reduced the inflationary impact of the depreciation of the rand.

It found the rate of increase in the consumer price index over the period from 1994 to 1999 would be 0,4 percentage points lower if tariffs were cut faster than the current programme.

It also found that real GDP growth and the increase in overall employment would grow at a slightly higher rate — 0,1 and 0,2 percentage points respectively.

However, job losses in sensitive sectors such as textiles, electrical machinery and motor vehicles would be worse than under the present programme.

The corporation suggested that the negative effect could be softened if the tariff acceleration in these sectors were less than that of others.

The corporation said that its study provided a superficial, "worst case" snapshot of the effects of speedy trade liberalisation, and had severe limitations due to the shortcomings of the model used.

The model is a comparative static analysis which does not allow for changes in the behaviour of firms as a result of policy action.

It does not reflect productivity improvements or investment in fixed capital stock as a result of the policy action.

# Parliament to discuss (74) tariff policy, imports and protectionism next year

ARGT 5/11/96

LLEWELLYN JONES
Business Reporter

**Tariffs, illegal imports, protectionism, dumping and global competitiveness will all be debated in Parliament early next year in a private member's motion to be introduced by ANC MP Ben Turok.**

This follows recent public hearings before the Portfolio Committee on Trade and Industry on "tariff policy in the context of industrial policy". Professor Turok heads up the Trade and Industry Policy Group of the Portfolio Committee.

The hearings focussed on the tariff reductions in line with the World Trade Organisation agreement and the compensatory supply side measures.

The report on the hearings is yet to be tabled before Parliament, but Professor Turok said the committee had already taken a number of steps to gain more information to add to the debate.

One of these steps was to write to the chief executive of Iscor asking for a meeting to discuss the two-tier pricing of steel.

"There was some evidence from the manufacturing industry that the two-tier pricing is a major problem," Professor Turok said.

"South African manufacturers pay 37 percent more than foreign competitors for steel which, they say, makes them less competitive."

The committee had also written to the various parastatal councils, such as the CSIR and HSRC, because of allegations that these organisations were not giving sufficient priority to "enhancing the capabilities of the South African industry".

"We get the impression that it could be a question of poor communication. We have asked these organisations to comment on the effectiveness of their capabilities," Professor Turok said.

Another matter which was raised extensively before the committee was the question of training.

"When the Asian Tigers began to modernise, training was placed at the forefront," Professor Turok said.

The committee had written to the Minister of Education, Dr Sibusiso Bengu, asking him whether he was responsible for training and, if so, whether he would consider setting up a national board of training consisting of representatives of all interested parties as a matter of urgency.

The committee had also written to the Science Council to respond to allegations that science and technology were not getting the priority required.

"We want to know to what degree the council is monitoring innovation, design and incentives."

Professor Turok said there was also concern in the committee that the cluster studies which the Department of Trade and Industry were trying to bring together were not up and running.

These cluster studies would bring together whole sectors and let them learn from each other and exchange ideas and information.

"The evidence given to us is that there is a great deal of debate and discussion in the clusters, but we are not sure to what degree they are actually active. We have asked our committee to pick a particular cluster related to their area and find out what is happening there and then report to us."

# Mbeki to lobby for better deal from EU

BD 5/11/96 (74)

John Dludlu

DEPUTY President Thabo Mbeki is to lead a high-powered delegation on an eight-nation visit to Europe to lobby influential capitals for better market access before formal trade talks start later this month.

Trade and industry department chief director for foreign trade relations Faizel Ismail said in Pretoria yesterday that Mbeki — who would be accompanied by Trade Minister Alec Erwin — would call on the EU to change its approach, a reference to the controversial EU negotiating mandate which sought to exclude almost 40% of SA's farm exports from a free trade accord.

SA wanted the EU to be sensitive to the links between SA and its neighbours in the southern African region. "We want them to commit themselves to taking into account the impact (of an agreement) on the region," he said. The EU had underestimated the region's importance to SA.

Mbeki, who leaves tomorrow, will target the so-called friends of SA group within the EU, including the UK, Belgium and Ireland, as well as the protectionist bloc, including Germany and France. The visit will also focus on countries that have generously supported development in SA, such as Norway and Sweden.

Meetings will be held with German chancellor Helmut Kohl, French Prime Minister Alain Juppe, French President Jacques Chirac, European Commission president Jacques Santer, British Prime Minister John Major and Labour Party leader Tony Blair.

The visit, which comes as SA puts the final touches to its counter-mandate to the EU, also follows a signal from Erwin that government plans to open negotiations with the EU's 15 states this month.

Mbeki's adviser, Frank Chikane, said the purpose of the visit was to consolidate Pretoria's political and economic relations with these nations and promote investment.

Sapa reports that Rob Davies, the

Continued on Page 2

## Mbeki

Continued from Page 1

ANC MP who chairs the portfolio committee on trade and industry, said SA was considering the option of a "trade and development" accord, which would meet regional requirements.

Mbeki's economic adviser, Moss Ngoasheng, said Pretoria's partners in the customs union were concerned about revenue loss which would result from the implementation of the proposed accord with the EU.

Ismail, who co-ordinates the trade component of the multifaceted talks with the EU, said SA's neighbours were also worried that if the EU's mandate was implemented in its current form it would perpetuate the trade diversion trend in the region.

Ismail said the final accord should not undermine the region's preferential access to SA's markets.

Picture: Page 3

# Tariff barriers set to go

(74) ~~[illegible]~~

## *SADC trade plan due in six months*

ARG 6/11/96

**ALIDE DASNOIS**
BUSINESS EDITOR

**A detailed plan for dismantling tariff barriers between countries in the Southern African Development Community (SADC) should be ready in six months, according to Minister of Trade and Industry Alec Erwin.**

At a media briefing organised by the ANC in Cape Town yesterday, Mr Erwin said progress was being made on creating a free trade area in the SADC, in line with the protocol concluded earlier this year.

Agreement had been reached on customs documentation and on rules of origin. The outstanding issue was the tariff phase-down period for each product, details of which should be agreed on within six months, the minister said.

South Africa's trade negotiations with the European Union (EU) were closely linked to the SADC protocol, Mr Erwin said.

"It would make no sense to improve EU access to our market faster than the SADC access," he said.

Mr Erwin would not be drawn on the content of South Africa's mandate for trade negotiations with Europe, saying only that most of the technical work had been completed.

One or two studies were still outstanding, he said, including research by the EU itself on the effects of a free trade agreement on South Africa's partners in the Southern African Customs Union.

A problem loomed for the other countries in the Customs Union if South Africa entered into a free trade agreement of the sort the EU was suggesting, Mr Erwin said.

Rob Davies, chairperson of Parliament's trade and industry committee, said Namibia, for instance, could lose 15 percent of its budget if a free trade agreement was signed. The consequences for Lesotho could be even worse, Dr Davies said.

Reviewing his department's work in progress, Mr Erwin said an assessment of all changes to South Africa's import tariffs since 1994, specifically in the light of the rand's depreciation, was being done in association with the Industrial Development Corporation.

The study would be discussed in the National Economic Development and Labour Council (Nedlac) and in the trade and industry committee and should be made public early next year, he said.

On competition policy, Mr Erwin said his department would draft legislation after discussions in Nedlac, which were expected to take three months. Then the bill would go through the parliamentary process "like any other piece of legislation".

He said speculation about who would be appointed to a task group to draft the bill was pointless. "I reserve the right to consult who I like and I will," Mr Erwin said.

Meanwhile, two more people would be appointed to the Competition Board: Cape Town attorney Christine Qunta and Robin McGregor of McGregor's Information Services.

Mr Erwin was upbeat about prospects for the economy, noting that imports of machinery and equipment had been robust in spite of the depreciating rand.

This suggested South African industry was making long-term investment plans.

Exports, which had already been growing before the rand's slide, would now grow faster, he said.

# SA's custom union partners may sit on tariffs, trade board

(74)

BUSINESS EDITOR

**Representatives of South Africa's partners in the Southern African Customs Union could sit on the Board of Tariffs and Trade next year if a South African proposal is accepted by the other countries in the customs union.**

Minister of Trade and Industry Alec Erwin said yesterday South Africa had suggested to its customs union partners that the board be reconstituted next year. The partners were close to finalising a new agreement, Mr Erwin said.

In terms of the proposed new revenue-sharing formula, South Africa would not seek to increase its share of revenue from trade between the customs union countries and the rest of the world.

Excise duties were excluded from the formula, and would be paid directly to member states.

"We have made good progress from a logjammed situation," Mr Erwin said.

But agreement still had to be reached on some technical matters, including agricultural tariffs, and institutional structure.

Other countries in the customs union had suggested a secretariat to manage the agreement, rather than representation on the Board of Tariffs and Trade.

South Africa's partners in the customs union were hostile towards the board because they felt they had not been adequately consulted by it in the past.

But South Africa was reluctant to create "another complicated bureaucracy" which would slow up decision-making, the Minister said.

ARGUS 7/11/96

# Germans not likely to heed SA trade plea

BD 8/11/96 (74)

John Dludlu

THE European Commission has welcomed next week's visit by Deputy President Thabo Mbeki to the EU's executive arm, but Brussels observers say the Pretoria delegation is unlikely to come back home with anything more than sympathy.

Sapa reports Mbeki's mission, which seeks to lobby EU capitals for a generous trade deal, was given a thumbs down yesterday by a senior German government official.

German officials said their government was under heavy pressure from the agricultural sector not to cave in to SA's demand for better access for its farm exports. In terms of an EU negotiating mandate, which the SA delegation is hoping to change, almost 39% of SA's agricultural exports should be excluded from the proposed free trade accord.

Speaking shortly before Mbeki's meeting with German Agriculture Minister Jochen Borchert, agriculture director-general for international affairs, Jurgen Detken, said although his government could be "more flexible", other EU nations would oppose moves to grant SA better market access. Brussels sources said the EU mandate was unlikely to be changed as a result of Mbeki's mission.

Commission sources argue that while the commission, which fought with protectionist member states for months before securing the controversial mandate, is sympathetic to SA's concerns about the harsh terms laid down in the mandate, Brussels negotiators cannot make any concessions before the formal start of negotiations.

SA is hoping to have talks with the EU before the year-end. A Brussels source said: "We're looking forward to the meeting; we hope Mr Mbeki will give us an outline of SA's position."

Mbeki, who will be joined by Trade Minister Alec Erwin and Deputy Foreign Minister Aziz Pahad, will meet Jacques Santer, the commission's president, in Brussels next Thursday.

Yesterday's warning is the second one from a Bonn official that any attempt to change the present EU mandate could unravel it completely.

Mbeki's visit, seen as a last-ditch effort to change the EU's approach, is targeting both friendly EU nations — including Belgium, the UK and Ireland — and the highly protectionist bloc, made up of Germany and France.

SA contends that the current mandate falls far short of addressing its developmental needs and those of its neighbours. It emerged this week that SA's mandate will most likely call for a "trade and development accord", a framework suggesting a closer link between the trade component of the proposed co-operation agreement and concessions under the Lomé Convention.

**Melanie Sergeant** reports from Bonn that Mbeki's European visit kicked off yesterday with Germany signing its first binational commission.

The commission, which will have its first sitting next year, starts out with a letter of intent. This will be ratified when a presidential Act is passed in SA — a technical hitch that held back the signing of a final document yesterday.

Continued on Page 2

## Germany (74)

Continued from Page 1

BD 8/11/96

To be chaired by Mbeki and German Foreign Minister and Vice-Chancellor Klaus Kinkel, the commission will be made up of branches covering all areas of mutual co-operation, including agreements covering development, science and technology, culture, environmental issues and sport.

Mbeki said at the signing ceremony that the commission would bolster the strategic partnership between SA and Germany in a comprehensive way.

During the intergovernmental negotiations between the two countries last week, Germany pledged funds of about DM90m, with about DM30m targeted at technical co-operation projects, and a loan of about DM60m was granted for urban housing projects.

# UK's Peter Hain to bat for SA on trade pledges

(74)

Ian Hobbs BD 8/11/96

LONDON — Shadow cabinet member Peter Hain will open a sustained assault on Britain's and Europe's failed promises to back SA with major new long-term trade, aid and investment when he meets government leaders in Cape Town today.

The former activist leader and prime target of Bureau of State Security dirty tricks and death squads, who will have special responsibilities for SA if, as predicted, a Labour government comes to power next year, said the United Kingdom and Europe owed an "enormous debt" to SA.

He will guarantee unprecedented support to extract this debt when he is met in Cape Town by ANC chief whip the Rev Arnold Stofile and other government officials.

The 47-year-old SA-raised shadow employment secretary said he would fight like an evangelist to shame the European Union into activating the deliberately obstructed free trade agreement with SA without further delay.

"Britain and western Europe, with the exception of Scandinavia, profited massively and indecently from propping up apartheid. They have an enormous debt to redeem, but their reticence now that democracy has come to South Africa is sickening."

Hain, a graduate political scientist, holds that short-sighted British and European self-interest and the slack support of international capital, currency and financial markets are partially responsible for the new SA's economic malaise.

But he predicted that Far Eastern "tiger economies" were waking up to the potential of investing in a subcontinent which he believed would be stabilised by SA.

"I have no doubt whatsoever that SA is the most exciting investment opportunity in the world," he said.

While in Cape Town, Hain will ask the truth commission to investigate new evidence of attempts by the Bureau of State Security in the 1970s to murder him.

Hain, who presented British parliamentary motions that have resulted in moves for former spymaster Craig Williamson's extradition to face terrorism allegations in London, will also present the truth commission with confidential new evidence that could help solve the Hain clone bank robbery — the most bizarre dirty trick ever tried by the bureau.

Former bureau agents have since admitted knowledge of the operation in 1975 when a Hain lookalike was used to rob a branch of Barclays Bank near his London home, at a time when he was leading protests against Barclays' involvement in SA. The cash grab was carried out while Hain was shopping near the bank, and anonymous calls to the police identified him. He was taken to trial but won the case convincingly.

# Sharp decline in number of SA car dealerships is foreseen

Edward West (80) BD 8/11/96

LOCAL vehicle component manufacturers and motor dealership margins were being squeezed while the margins of motor vehicle assemblers were improving, a situation which could see a sharp decline in dealerships in the next few years, industry organisations said yesterday.

National Dealers' Association chairman Derek Dickson said at the Auto Africa Conference yesterday that in four years there would be at least 400 fewer motor dealerships than the current 1 400.

Although motor manufacturers needed higher rates of return because of their bigger capital investment, "something is wrong with the trend when manufacturers' profitability has continued growing since 1992 while dealers' profitability has declined".

National Association of Automobile Manufacturers of SA director Nico Vermeulen said there was pressure on margins throughout, and although assemblers' margins had increased last year after high sales and a one-off benefit of the changeover to the motor industry development programme, margins were likely to be lower this year.

National Association of Automotive Component and Allied Industries Manufacturers president Johan Meyer said component manufacturers had been forced by the development programme to curtail price increases over the past year, in spite of raw material and wage cost increases.

Vermeulen said some job losses could have occurred through the programme in its first year of existence, but the job losses had been made up through increased capacity in other areas of the industry.

The score card for the programme looked positive, he said.

# Officials say SA will not walk away from EU talks

(74) BD 11/11/96

John Dludlu

SA WOULD not walk away from impending trade talks with the European Union (EU), senior government officials said yesterday.

Deputy President Thabo Mbeki's economic adviser, Moss Ngoasheng, said government was on schedule to negotiate with the EU, although SA's position might be different from the EU's.

Government officials were responding to a weekend report quoting an unnamed official who indicated that SA would withdraw from the talks if the EU mandate — which sought to exclude nearly 40% of SA's agricultural exports from a proposed free trade area — was not amended. Officials said SA was not issuing an ultimatum to the EU, as the reports implied.

Backing Ngoasheng, another senior government official said SA fully understood the EU mandate could not be changed by any one of its 15 member states prior to negotiations.

"The only way the mandate can be revisited is by a recommendation from the commission (the EU's executive arm) ... this (possible change) will be on the basis of negotiations and our (SA's) concrete position," he said.

Willem Bosman, a member of Pretoria's team of negotiators, said: "Until we start negotiations, we cannot walk away (from negotiations).

"We're doing everything possible to finalise our position."

Mbeki is on an eight-nation visit to advise key EU capitals, including Bonn, Paris, London, Dublin, Brussels and Rome, of the difficulties of the current mandate.

Sources close to the commission, which will formally negotiate with SA on behalf of the EU members, have made it clear that any concessions to Pretoriacan be made only at the negotiating table.

Comment: Page 13

...tives of monetary policy."

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Comment: Page 13

WS

**INTERNATIONAL TRADE** *Challenge is in Europe's court, says committee*

# Regional ties 'as important' as EU trade

CT(BR)12/11/96 (74)

Caroline Allen

London — Regional trade with other countries in southern Africa is as important to South Africa as its trade deal with the European Union, Rob Davies, the chairman of the parliament's trade and industry committee, said at the weekend.

He said the EU had to match its professed political support for the new South Africa with a fair-trade arrangement for the country and region.

"The challenge is very much in Europe's court. Is Europe serious about seeing an arrangement which is going to promote development or is it simply going to seek a normal hard-nosed trade deal with us?" Davies said.

"At the moment our view is that the principles of solidarity appear to be conspicuous by their absence in current proposals," he said.

South Africa has been refused membership of the Lomé convention which offers poorer countries trade concessions with Europe.

It would start preliminary discussions on a trade deal with the EU, its largest trading partner, later this month.

Thabo Mbeki, the deputy president, is on an eight-nation tour of the EU to garner support for South Africa's position.

Davies said the deal from the EU was not equitable and would undermine the smaller economies of other southern African countries linked to South Africa through a customs union.

"South Africa's economy is half that of Belgium's; our unemployment rate is 30 percent and we have a highly protected industrial sector undergoing a complicated transition, partly driven by internally-imposed tariff reductions," he said.

"We would get 4 to 7 percent additional duty-free access to the EU under all the obligations the EU would implement, but we would have to allow 36 percent duty-free access by the EU ... a large adjustment for a rather small additional benefit."

Davies said that, in coming talks, South Africa would demand talks that its neighbours get priority access to its markets and a chance to consolidate their presence there before the EU was admitted.

Davies said there was a "very skewed and imbalanced trade" in southern Africa.

But he said South Africa had signed a trade protocol under the auspices of the Southern African Development Community in August which envisaged creating a free trade area within eight years. — Reuter

# Speedy European trade deal with SA unlikely

(74) CT (BR) 12/11/96

JOHN FRASER

Brussels — Thabo Mbeki, the deputy president, will be told this week that South Africa has thrown away the chance of a speedy trade accord with Europe.

Mbeki is in Brussels on a tour of the European Union's capitals to discuss the offer of a free trade area made by the EU to South Africa.

South Africa is unhappy with this approach because about 40 percent of its farm exports will be excluded from the accord. The approach will also leave the South African industry vulnerable to cut-throat competition and her neighbours will suffer.

Mbeki is expected to negotiate for a better accord and is likely to remind EU chiefs that South Africa originally applied to join the Lomé convention, Europe's main development treaty.

That framework would be of greater benefit to South Africa than a free trade area as it would mean a lowering of EU barriers to exports from South Africa, without a similar obligation on South Africa to cut tariffs on imports from Europe.

The EU made its offer in March and was growing impatient at Pretoria's foot-dragging.

Joao Vale de Almeida, a spokesman for the EU, confirmed that South Africa had now lost any hope of a speedy ratification of a trade deal with Europe — if one could be reached.

A fast-track ratification was available, if agreement had been reached by now, under a concession won by Neil van Heerden, South Africa's previous ambassador to Brussels.

*The EU has grown impatient with South Africa's footdragging*

A speedy accord would have been ratified parallel with a revision of the Lomé convention, but that opportunity would disappear early next year, by which time there would be no prospect of a deal being signed and sealed.

"We are not expecting an answer from the South Africans, but we hope for an update on where they are," said Vale de Almeida, when asked about Mbeki's visit.

Almeida confirmed that an eventual deal would take "longer to ratify" now that South Africa had taken this long to engage in comprehensive negotiations.

Mbeki will visit Jacques Santer, the EU president and Joao de Deus Pinheiro, the EU commissioner, during his trip to Brussels. — Independent Foreign Service

# Cabinet 'to discuss EU trade talks this week'

BD 18/11/96 (74)

John Dludlu

IN A move seen as giving fresh impetus to the negotiations between SA and the European Union on a co-operation accord, the Cabinet would this week discuss Pretoria's position on the impending talks with Brussels, EU sources said yesterday.

Deputy President Thabo Mbeki had told the European Commission, the union's executive arm, late last week the long-awaited negotiations on a co-operation accord would begin "within weeks, rather than months", a EU source said.

Mbeki informed the EU commission that SA's response mandate would be discussed by Cabinet this week. Mbeki met commission president Jacques Santer and the EU commissioner in charge of relations with SA, João de Deus Pinheiro.

However, Pretoria's mandate, detailing its position on the EU's mandate which sought to exclude almost 39% of SA's agricultural trade with the 15-nation trading bloc from the proposed free trade accord, would be discussed with SA's partners in the southern Africa region ahead of the expected launch of talks before year-end.

Mbeki, who was accompanied by Trade and Industry Minister Alec Erwin, discussed the likely timetable and contents of the long-term agreement with the EU commission, but "no precise dates were mentioned", the EU source said.

Brussels observers had been concerned that SA might reject the EU's less generous trade offer without even going to formal negotiations. This action would have left Pretoria's trade relations with the EU under the present general scheme of preferences regime — which, although requiring no reciprocity from SA, offers restricted market access.

**Debra Percival** reports from Brussels Mbeki said on Thursday there had been "no movement backwards" by SA, nor by EU capitals. He had explained to EU countries, including France and Germany, that SA was interested in a mandate that would develop the SA economy and neighbouring economies.

Another Brussels source said: "Another point which was underlined (by Mbeki in meetings with the commission) was the need to attract investment to SA and southern Africa."

# Mbeki confident EU will soften stand on trade

Star 19/11/96

(74)

By Annemaria McEneaney
Star Foreign Service

Dublin – Deputy President Thabo Mbeki said here yesterday he was "confident" the European Union (EU) would budge on one of the most contentious problems of the proposed Free Trade Area between South Africa and the EU – a plan to exclude about 40% of SA agricultural products from free entry into the European market.

Mbeki presented this optimistic view after visiting seven European countries to discuss the proposed Free Trade Area (FTA).

Earlier on his 8-nation European tour, Mbeki had announced that SA would present its long-awaited response to the EU FTA offer before the end of the year.

South Africa has been dismayed by the offer because it would open the SA market to the relatively free entry of European goods, but retain import tariffs on about 40% of South African farm produce at the insistence of European farmers.

The EU accounts for almost half of South Africa's trade, while SA accounts for only 2% of EU trade.

Mbeki has been using his tour to urge fairer terms from European leaders.

Speaking in Dublin, Mbeki said he received "favourable receptions" in the capitals he had visited.

European leaders had reaffirmed their commitment to their 1994 resolution to seek an agreement which would contribute to development in South Africa.

After meeting Irish deputy Prime Minister Dick Spring, Mbeki said he was "reassured", saying he was quite sure the EU would like to assist SA and southern Africa.

On Zaire, Mbeki again stressed that in the light of the mass return of Rwandan refugees from eastern Zaire to their home country, the UN Security Council's plan for a peacekeeping force to Zaire needed to be reviewed.

"Obviously we cannot deploy in the manner that was originally conceived, but if there is a sizeable number of refugees, they will need humanitarian assistance. South Africa is ready and willing to participate in whatever measures are necessary," he said.

# EU should back Africa's economic revival — Mbeki

(74) BD 19/11/96

By Wendy Knowler

DUBLIN — The need to turn the African economy around should outweigh Europe's concerns about competition from SA's agricultural products, Deputy President Thabo Mbeki said yesterday.

He was speaking to Irish journalists in the Irish capital about the European Union's "unacceptable" bid to block almost 40% of SA's produce from the EU-SA trade agreement.

"We accept that European farmers are worried that the arrival of South African broccoli on the European market, for instance, will affect their livelihood," he said.

"But it should be possible for the political leadership to go to the farmers and explain that there is a larger objective facing the world — turning the African economy around.

"They need to advocate a position and struggle for it," he said.

Using the great lakes crisis as an example of what can occur when economies disintegrate, he said: "At the base of the conflict is a scramble for resources."

Mbeki denied that the Zairean crisis had shifted the focus from his bid to win friends and influence people in Europe over the free-trade agreement.

"It has been a very useful visit," he said. "All the governments (Germany, Norway, Italy, France, Sweden, Belgium, Ireland and the Netherlands) have reaffirmed their commitments to the original objective — to contribute to the development of southern Africa," Mbeki said.

Many of these objectives had been "lost in the detail" of the EU's March mandate, he said.

However, Mbeki's talks with European governments brought the negotiations "back to the correct position", he said.

Asked whether he expected the EU to now back down from its rejection of 40% of SA's produce in the free-trade deal, he said: "Yes, I am sure."

SA is due to present its mandate next month and serious negotiations to conclude the trade deal are scheduled to start in the new year.

The deputy president had lunch with Irish Foreign Minister Dick Spring and other Irish politicians before flying to London yesterday, for a meeting with British Prime Minister John Major, whose government has been fiercely supportive of SA's bid for free trade with Europe.

The UK went as far as rejecting the EU's "blocking" mandate, along with Sweden.

Mbeki attended his last function — a reception at the SA High Commission in London last night — before flying home today.

Mbeki said that representatives of SA's defence force and foreign affairs department would attend tomorrow's Security Council meeting in Stuttgart, Germany, to decide whether an international humanitarian operation was still warranted, given the recent mass return of refugees to Rwanda.

Asked whether he would agree that the international community had failed to intervene in time to prevent the crisis, he said: "The principal responsibility to finding a comprehensive solution must surely reside with the people of Rwanda themselves."

However, Mbeki said, the international community had the responsibility of supporting the Rwandans, so that they could reach this end.

# SA encouraged to see EU trade offer as positive move

Star 20/11/96

(74)

By Peter Fabricius
Star Foreign Service

South Africa's former ambassador to the European Union has urged South Africa to approach the EU's controversial offer of a free trade area (FTA) as an opportunity for a partnership with Europe and not a hostile initiative – "whi h it is not".

Niel van Heerden, now executive director of the SA Foundation, launched the negotiations with the EU on a free trade area when he was SA's ambassador to the EU in Brussels.

Addressing the Africa Institute in Pretoria yesterday, Van Heerden said SA should "explore to the bone" the EU offer and warned that SA may have already begun to lose its "flavour-of-the-month" advantage in negotiations on the FTA.

The EU offer has raised great ire, especially in some ANC quarters, because under the FTA it would exclude some 40% of SA's agricultural products from tariff-free entry into the EU market.

Deputy Minister Thabo Mbeki has just returned from an eight-nation European tour, where he reported some success in persuading European leaders to amend this provision in particular. None of them have confirmed this though.

But Van Heerden downplayed the 40% exclusion issue, stressing it was only an opening position which could change in negotiations. He suggested the 40% exclusion would be much lower in practice because much of SA's agriculture exports arrived in Europe out of season or were products such as sub-tropical fruit not produced in Europe, so they would not be affected.

# Mbeki 'boosts relations with EU'

While SA has not won any concessions on the trade front, it is making friends in Europe, writes **John Dludlu**

(74)
BD 20/11/96

DEPUTY President Thabo Mbeki's eight-nation European visit appears to have done more to bolster bilateral relations than change the EU's negotiating mandate.

In all the EU capitals covered by the high-powered SA delegation so far — Bonn, Paris and Rome — Mbeki has received warm statements of support on SA's concerns about impending talks with the EU.

However, it has been made clear that the mandate, which sought to cut 39% of SA's farm exports out of the mooted free-trade area, could only be changed at the negotiating table.

Yet SA's European embassies say bilateral relations have been fostered by the visit. SA ambassador in Rome Khorshed Ginwala said this week that relations with Italy "could not be better".

"At the political level, the support for SA (in the impending talks with Europe) was evident," she said about Mbeki's meetings with Italian President Oscar-Luigi Scalfaro and Prime Minister Romano Prodi.

The high-profile visit also resulted in the finalisation of an aid programme for SA of more than R75m. The grant finance would be used in social upliftment projects, including health, education and in shoring up government's small business development strategy, Ginwala said.

Alistair Ruiters, the trade and industry department chief director in charge of the centre for small business promotion, had recently paid a working visit to Italy, which has an internationally competitive small-business sector.

Ginwala said that although it did not have the financial investment strength of Germany and France, Italy could contribute to SA's economic development through its small-business know-how, which dovetailed with government's RDP strategy and the need to accelerate black economic empowerment. Trade between the two nations had increased by 39% in the past year, she said.

In Germany, besides receiving political support, Mbeki witnessed the setting up of the binational commission to bolster relations between the two nations. This is similar, albeit with a lower status, to the powerful US-SA binational which Mbeki co-chairs with US Vice-President Al Gore.

Individual EU member states cannot enter into bilateral agreements since trade is the union's competence.

In Paris, Prime Minister Alain Juppe appointed industrialist Jean-Francois Dehecq to look at ways of improving bilateral economic and commercial relations with SA. Dehecq, expected to visit SA next January, will make recommendations on how French firms can increase their presence in SA.

# Former envoy to EU has advice on trade talks

BD 20/11/96 (7IL)

John Dludlu

DESPITE its limitations, the European Union's (EU's) much-criticised mandate for negotiations with SA should not be an obstacle for Pretoria to explore a co-operation accord granting SA's exports better access to Europe, SA Foundation executive director Neil van Heerden said yesterday.

Addressing an Africa Institute function in Pretoria, Van Heerden, SA's former ambassador to the EU, urged SA to take a long-term view in its impending talks on a free-trade accord with Brussels by "looking beyond current trade and Lomé" (the accord between the EU and African nations).

The EU's negotiating mandate proposes that 39% of SA's exports to the 15-nation trading bloc, or 4% of all trade exchanges, be cut off from an asymmetrical free-trade accord.

"We should look not only at current trade (consisting of exports of raw materials)."

He urged SA to look at an arrangement that would help expand exports of manufactured goods.

While trade with Africa was rising off a low base, the continent's potential was not unlimited.

Van Heerden said a free-trade accord — to replace the present generalised scheme of preferences which granted restricted market access — could help SA in its quest for global competitiveness.

"It (a free-trade framework) can help us define our interests and comparative advantage ... we should not do anything that will harm our neighbours," he said.

SA's agricultural exports, notably its deciduous fruit, had a greater potential in the European market, whose farmers were heavily subsidised.

As SA's ambassador in Brussels, Van Heerden had attempted to alleviate the union's fears of SA as "an agricultural colossus", arguing that the different seasons could form a basis for a solid partnership.

He warned SA negotiators: "I hope we won't play the (stalling tactic) for long ... that when we come to the party, we find it's over."

Van Heerden warned that the Lomé accord might look radically different after 2000 — its official expiry date — requiring reciprocity from developing countries.

See Page 5

# EU may lift ostrich ban soon

CT 21/11/96 ~~POULTRY~~ (74)

**STAFF WRITERS**

EUROPE'S ban on the import of South African ostrich meat could be lifted within weeks — if a European Union expert gives the birds the all-clear.

The EU last week banned the import of all ostrich meat from South Africa — which amounts to some 800 tons a year and millions of rands in revenue — after an outbreak of Congo fever in Oudtshoorn that claimed one life and hospitalised 16 people who worked with ostrich meat in an abattoir.

"The EU's standing veterinary committee will reconsider the ban once an expert has visited South Africa," said Mr Johan Reyniers, an official with the EU. "It is up to South Africa to convince him that they have taken full measures to eradicate the disease."

He did not know when the expert would leave Brussels, but said it would be soon and that it normally took only a week to compile a report, from which the committee would make its decision.

"We think this is a small problem, it was simply a question of safeguarding people here, for whom there was a danger," he said.

> *"The ban is unfair and not founded on scientific evidence that the meat was infected with the Congo fever virus."*

But local producers criticised the ban yesterday, saying it was unfair and not founded on scientific evidence that the meat was infected with the Congo fever virus.

Mr Pieter Strijdom, of the National Ostrich Processors' Association and a representative of the South African ostrich farming industry, said yesterday that ostrich farmers hoped to be given a hearing by the EU's veterinary committee on December 4 or 5.

He said his association, which represents tanneries, abattoirs and de-boning plants, had commissioned the Onderstepoort Research Station to conduct tests on the ostrich meat so they "can go into the EU hearing with proper scientific evidence".

He said farmers who continued to slaughter their ostriches if the ban was finalised, stood to lose only about R200 a bird as only the steaks were exported.

An ostrich carcass is usually worth between R1 500 and R1 600.

He said, however, that many farmers would postpone slaughtering their birds.

**These smiling children are unaware that the beautiful scenery behind them is the key issue in the battle between environmentalists and a mining company about land use in the ecologically sensitive Madimbo Corridor.**
PIC: LEN KUMALO

# Scales tip to green lobby

74

Sowetan 22/11/96

## The Madimbo Corridor debate reopens after investigations by Deputy Minister

**By Russel Molefe**

STRIVING FOR A BALANCE between the environment and development was a minor issue in the corridors of power in the past when it came to deciding if development should be allowed in a particular area.

When the Department of Mineral and Energy Affairs allowed the Madimbo Diamond Company to prospect in the ecologically sensitive Madimbo Corridor, the environment was not a consideration.

Environmental assessment studies to determine the best land use options in the area took a backseat, environmentalists noted.

The dismissal of the National Parks Board's appeal against diamond prospecting in the area was seen by environmentalists as relegating the environment to a non-status issue.

This practice of overlooking environmental issues whenever a particular area had to be developed was detected by Environmental Affairs and Tourism Deputy Minister Mr Peter Mokaba when he took office in September this year.

After the much criticised dismissal of the NPB's appeal, Mokaba met Mineral and Energy Affairs Minister Mr Penuel Maduna and they agreed to review the decision to dismiss the appeal last month.

Mokaba and Maduna also decided that mining in the area should not proceed because of, among other things, land claims in the area, current proposals to develop eco-tourism peace parks and the process and procedures by which the company obtained the mining permit.

"Information gathered shows that, in the past, decisions taken regarding this area were conducted in an undemocratic and unsatisfactory manner.

"This tradition cannot be allowed to continue and I am satisfied that all parties involved are committed to a transparent process of consultation to determine the best land use options for the Madimbo Corridor," Mokaba said.

He made it clear that the days when the environment was ignored in South Africa are over and the new democratic dispensation was committed to sustainable development and use of natural resources.

Mokaba further committed his department, together with the Mineral and Energy Affairs Department, to investigate and research any development in the area and to ensure that a clear path of sustainable development is embarked upon.

Madimbo Corridor, a strategic strip of land along the Limpopo River bordering Zimbabwe, is an ecologically-sensitive area where important international archeological treasures dating back to the Stone and Iron Ages were recently discovered.

The corridor, which is highly erodable, has other important environmental features such as pristine vegetation, 339 bird species of which 29 are scarce, and the 150-hectare Banyini and Mabiligwe pans which are valuable wetland assets.

Local black communities were forcibly removed in the 1960s when the then South African Defence Force created a military no-go zone against the liberation movements and South Africa's neighbours.

But with South Africa facing a high rate of unemployment, it was not surprising that local communities initially came out in favour of mining.

When the corridor was proclaimed a nature conservation area in December 1991, expectations were high among local communities that there would be jobs and an improvement in their living conditions.

Headman Josias Mavundadavhi put it this way: "We earlier gave up another piece of our land to environmentalists and later we agreed that the area become a nature reserve in the hope that we would benefit.

"Instead, animals in the park now have more rights than us. We have been forced on to barren land where you cannot even plant a vegetable garden – we are starving, we want bread.

"The mine will bring our people jobs and they will be able to feed their families and improve their living conditions."

### Change his mind

Chief Khorombi Mutele of the Mutale clan, who pointed out the consequences of a nearby Tshikondeni coal mine established without any consultation years ago, was in favour of eco-tourism but was forced by his people to change his mind.

Employment opportunities was the carrot that the Madimbo Diamond Company offered to the communities to convince them to accept mining without explaining what dangers lay ahead for future generations as the result of environmental degradation.

Environmentalists believe that to preserve the area, current proposals to develop eco-tourism peace parks should be implemented fast.

This will ensure that the majority of local people get secure jobs.

# Agreement boosts Western Cape trade

## German delegation leader to advise investment in SA

(74) ARG 23/11/96

WILLIAM-MERVIN GUMEDE
POLITICAL STAFF

**Trade and investment in the Western Cape has been given a major boost with an economic agreement between the province and the German state of Baden-Wurttemberg.**

Western Cape Premier Hernus Kriel said at the signing ceremony at the Victoria and Alfred hotel that small and medium-sized businesses in the province would particularly benefit.

The agreement, which comes into effect immediately, rounds off more than a year's contact between two sister organisations involved in the promotion of trade and investment – the Stuttgart-based Agency for International Economic Co-operation (GWZ) and the Western Cape Investment and Trade Promotion Agency (Wesgro).

Baden-Wurttemberg Premier Erwin Teufel said: "The economic upswing and growing foreign trade have rendered South Africa particularly appealing to German and European firms."

Dr Teufel said South Africa had become one of the world's most important growing markets. He said German Chancellor Helmut Kohl's visit here had demonstrated how important the new South Africa was to Germany.

He would return to Germany and Europe with the message that it was worthwhile to invest in South Africa and would advise his country's industrialists to do so.

He said the size of the delegation, which comprises just under a 100 participants from industry, politics, science and journalism, highlighted the great interest shown by companies in Baden-Wurttemberg.

Dr Teufel said this was one of the largest delegations ever to have accompanied a premier of Baden-Wurttemberg on a foreign trip.

"These companies have recognised South Africa as being an extremely promising partner for a multi-faceted co-operation and are willing to incorporate their international experience, worldwide marketable products, latest technology and advanced production methods in partnerships with South African companies."

Now the contacts had been made it was up to the two countries' companies to follow it up with joint ventures.

Dr Teufel said he admired the spirit of co-operation and "the feeling of progress" South Africans had, "something which was sometimes missing in Europe."

Mr Kriel said there were many opportunities for German companies to invest in joint ventures with their Western Cape and South African counterparts.

He mentioned the Saldanha Steel project as one of many that could provide major investment opportunities for German businesses.

Western Cape Economics Minister Chris Nissen, in an interview, said the agreement was a vote of confidence in the province and South Africa.

"The agreement follows Helmut Kohl's visit to South Africa and President Nelson Mandela and Deputy President Thabo Mbeki's visit to Germany," said Mr Nissen.

He believed the agreement had sown the seeds for joint ventures between South African and German businesses, particularly small and medium-sized businesses.

"Germany has a well-developed small and medium-sized business sector and their counterparts in South Africa can learn a lot from the German experience," Mr Nissen said.

JACK LESTRADE

**Historic agreement:** Western Cape Premier Hernus Kriel and Baden-Wurttemberg Premier Erwin Teufel

# Concern over getting the best European free trade deal

(74)

The sand in the hourglass is running out for the Free Trade Agreement to be finalised, writes CIARAN RYAN

ST(PT) 24/11/96

THE December deadline for the finalisation of a Free Trade Agreement between South Africa and Europe is approaching fast.

And there is some concern that South Africa's insistence on incorporating the views of its neighbours may prolong the negotiations beyond the deadline.

The proposals on the table would exclude nearly 40% of South Africa's farm exports, and have been criticised inside the country as pro-European.

Europe has questioned South Africa's commitment to southern African integration and criticised its ponderous policy-making procedures.

It is also concerned about the country's relaxed approach to toxic-waste dumping, and wants it to sign Article 39 of the Lomé Convention, which prohibits the import and export of toxic waste. South Africa says it can process its toxic waste, but European environmental lobbies may attempt to make the signing of this clause a precondition for the Free Trade Agreement.

SA agricultural producers have questioned Europe's commitment to the agreement after new restrictions were imposed. Importers are now required to obtain import licences on a range of products.

Europe is eager to clinch the FTA in recognition of South Africa's transition to democracy. However, several months were lost as the SA negotiating team sought mandates, technical information and the opinions of its regional neighbours. Talks were due to restart in August, then September, and then October.

Europe has signalled its commitment to reconstruction and development in South Africa by granting it access to the Generalised System of Preference (GSP) and an offer of aid.

The GSP aims to promote the exports of developing countries. The FTA goes much further — but requires South Africa to drop its tariff levels faster than it wants to, and faster than required under the General Agreement on Tariffs and Trade.

SA trade unions suspect a European Trojan horse ready to disgorge a wave of imported competition, which would result in the loss of thousands of jobs.

Faizel Ismail, chief director of foreign trade relations at the Department of Trade and Industry, set out South Africa's position in the trade negotiations with Europe. He says any agreement with Europe should:

- Promote reconstruction and development;
- Be mutually beneficial and balanced;
- Scrap discriminatory trade regulations;
- Encourage investment in South Africa and the region;
- Promote regional integration in southern Africa; and
- Allow SA membership of the Lomé Convention and the benefits of "cumulation and the European Development Fund".

This means that South Africa will involve its Southern African Development Community partners in the process and seek their approval on essential features of any agreement, he says.

Member states of the African, Caribbean and Pacific trading bloc have urged South Africa not to sacrifice their interests in securing a free trade deal with Europe. Delegates to a recent workshop of the bloc committed their countries to a new Trade and Development Agreement, which extends trade issues to include developmental issues.

ALEC ERWIN
Trade and Industries

In September the SADC agreed to establish a free trade area, making it mandatory to incorporate the interests of South Africa's regional partners in its negotiations with Europe. Europe welcomed this and said it need not hold up negotiations. But many view this as optimistic.

The FTA negotiations have snagged on farm exports, with Europe's powerful farming lobby eager to keep South Africa out of its fruit, juices and other markets. European delegates say the FTA offer on the table is probably the best deal South Africa can secure.

The European Commission's director-general of development, Steffen Schmidt, has said that the exclusion list for farm products is still open to negotiation.

However, he has questioned South Africa's commitment to an integrated southern Africa in view of its refusal to take part in a cross-border initiative to facilitate trade and payments.

South Africa has been holding out for inclusion in the Lomé Convention, a move which has been rejected by Europe. Lomé allows about 70 of the world's poorest countries free trade access to Europe for a range of products.

**BUSINESS** *Key staff must start learning foreign languages*

# SA companies 'poor in French'

CT (AR) 26/11/96 (74)

**Staff Reporter**

Johannesburg — Leading South African companies are handicapped by their poor knowledge of French, the lingua franca of countries that account for about 40 percent of the continent's trade.

A survey by Alliance Française of 20 prominent South African companies found the majority were poorly equipped to handle basic business inquiries in French. Although most did manage to summon a French speaker, it was only after a time lag of five to ten minutes.

Nicole Bossard, the course co-ordinator for the French language centre, discovered that the South African Foreign Trade Organisation was the only one that recognised the incoming call as French and immediately routed it to a French-speaking staff member.

Of the mining houses, Gencor was cited as being particularly impressive, with the receptionist responding "attendez, s'il vous plait," (please hang on) and then routeing the inquiry to the mining division director, who was sufficiently proficient in the language to handle the call.

JCI, Goldfields and Anglo American could assist, albeit after a few minutes and multiple inquiries, but Anglovaal failed to pass the test satisfactorily, Bossard said.

Within the hotel sector, The Michelangelo managed to field a French speaker after a short delay, but the Balalaika was unable to produce a French speaker even after 10 minutes.

The South African Chamber of Business could not produce any French speaker and the trade and industry department had to be called six times before the call was answered. A staff member in the personnel department eventually fielded the call, but command of the language was insufficient to understand the inquiry.

The banks all produced a French speaker after "a long wait and multiple inquiries", Bossard said.

"At the end of the day, South African companies are going to have to start training certain key staff in foreign languages. The global economy can be very unforgiving of linguistic inadequacy," she said.

Although space for this survey, as well as travel to Brazil, has been paid for by the Brazilian governement, editorial content was independently assessed by Terence Meyer

# South African trade benefits from Brazil's relaxed import duties

(74) CT(BR) 26/11/96

The relaxation of import controls in Brazil has seen the balance of trade tip in South Africa's favour in the past two years, judging from statistics reflecting bilateral trade over the past seven years.

Last year, for example, South Africa exported some US$292,5 million worth of goods to Brazil while our imports from that country totalled only US$242,1 million.

From January to June this year, the trend seems to have continued with Brazil importing $153,2 million against exports to South Africa of only $135,2 million.

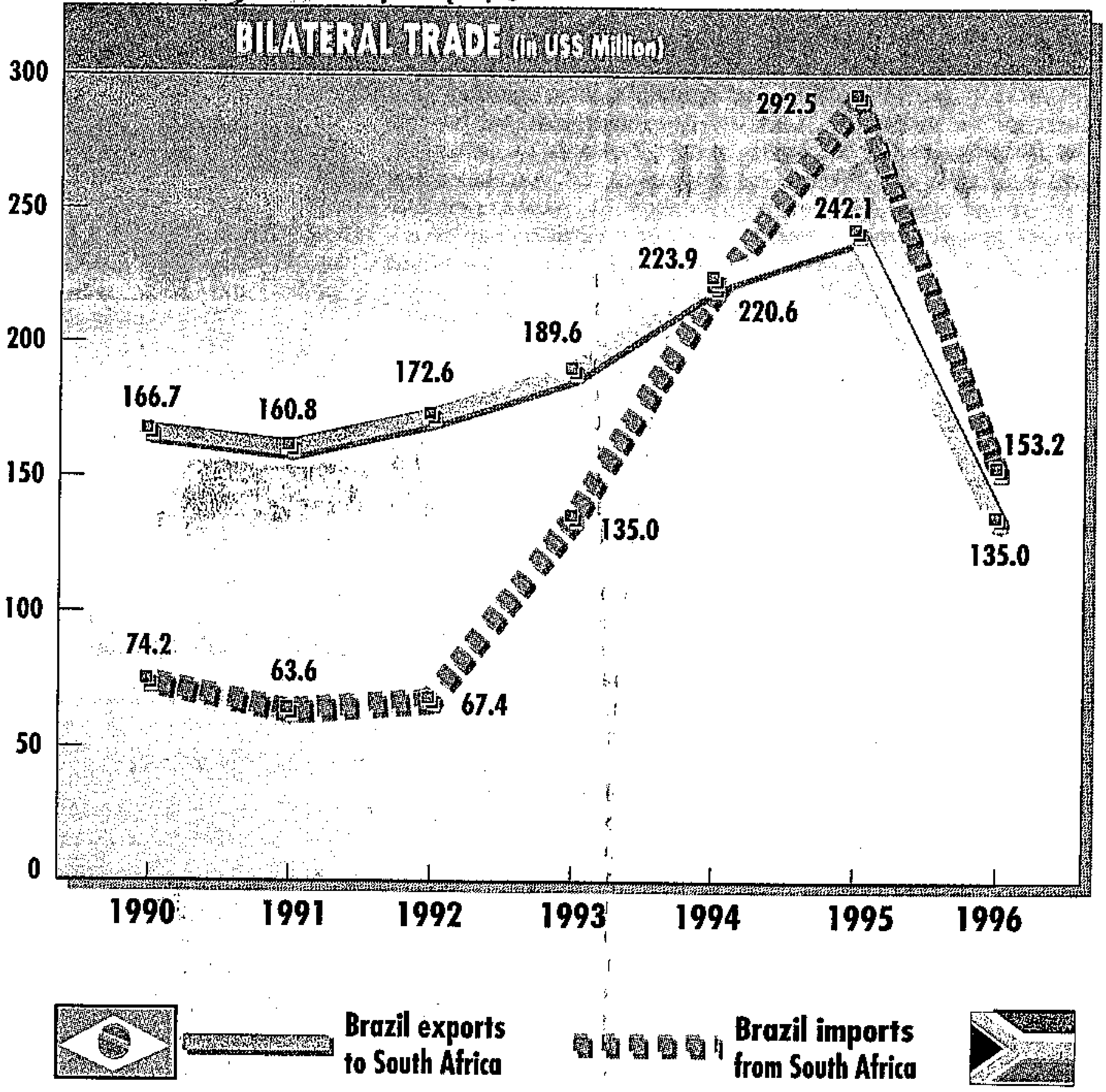
Brazil's exports to this country have been mainly chemical products, tobacco, sugar, paper, electric motors, chassis for motor vehicles, compressors, ceramic tiles, spare parts for trucks and buses, zinc, imbuia wood and gas stoves.

On the other hand, South Africa's exports have been alcohol, coal, chemical products, cotton, phosphoric acid, paper, corn, powder milk, platinum, cardboard boxes, vanadium, stainless steel and manganese.

Given Brazil's population of 160 million and the fact that it is geographically closer than any of our other major trading partners, South Africa's exports are low.

Given, also, that Brazil could be a gateway to exports to other Mercosul countries (Argentina, Paraguay and Uruguay), trade opportunities are enormous.

It is for this reason that the country has sent such a large and important delegation to South Africa, with a view to increasing economic, trade and tourism ties.




The country's two major cities, Sao Paulo and Rio de Janeiro, have populations of 9,6 million and 5,5 million respectively, making just these two centres a huge target market on their own.

The major items that Brazil imports from around the world are food, clothing, crude oil, chemical products, wheat, fertilisers, machinery and electrical and transport equipment, motor vehicles and tractors.

But with greater wealth creation, markets are opening up for more sophisticated imports and those which offer diversity.

Two consumer products from South Africa that seems to have made it onto Brazilian supermarket shelves are Ceres fruit juices and some of our beers.

Clearly there are other opportunities to South African exporters to tap into this huge and growing market.

*Trade and investment will be the focus of the Brazilian visit*

# Trade delegation arrives in SA to forge new links

CT (MR) 26/11/96 (74)

The arrival today of Fernando Henrique Cardoso, the Brazilian president, cabinet members, leading business executives and representatives of the Brazilian media, marks a determined effort by that government to establish strong economic, trade and investment links with South Africa and the southern African sub-continent.

With runaway inflation, a closed economy, military dictatorship and an unstable currency behind it, Brazil – the 10th largest economy in the world – is now looking to southern Africa as a potential partner in a possible new trade bloc.

Like South Africa, it is now firmly committed to privatisation in spite of similar political problems.

The country is already well down that road, with 13 previously state owned corporations substantially in private hands. (The country has two stock exchanges, one in Rio de Janeiro and the other in Sao Paulo).

Yes, Brazil does have its social problems, in many ways similar to those of South Africa.

There is a large divide between rich and poor, and unemployment is still high (an official 6,38 percent). Squatters, street children and land invasion are common problems, and crime has certainly not been curbed.

Brazilians, like South Africans, lock their car doors and windows, build high walls and fences around their homes and are concerned about *favelas* (squatter homes) springing up overnight in upmarket areas or on roadsides.

But its people have come to accept these problems as a way of life and the economy reflects that adjustment.

This year the GDP is expected to grow by about 3,5 percent, down slightly on the past year's 4,2 percent.

But with imports reaching US$ 46,5 billion and exports at US$ 49,6 billion last year, that is not bad going, particularly since it outpaced countries such as the United States (3,3 percent), Japan (3,8 percent) and Germany 2,8 percent) in the same period.

Central to the process of turning the country around from a one-time 7 000 percent-a-year inflation rate has been its so-called "Real Plan" (meaning both real and Royal) which Cardoso himself introduced three years ago when he was finance minister.

Inflation, as Pedro Malan, the Finance Minister of Brazil, likes to point out, affected mainly the poor since the earnings of salaried employees were indexed to a rate published daily in local newspapers.

Staff spent almost the first hour of every business day deciding how to invest or hedge funds, before work could commence. The poor did not have this option.

While unemployment in the formal sector has risen slightly since the implementation of the Real Plan, the growth in the informal sector along with increasing entrepreneurship has seen a much greater degree of wealth distribution among Brazilians.

This can most readily be seen through the growth in television and car sales, items previously unaffordable to the vast majority of its people.

The Brazilian currency (the Real) is now linked roughly one to one with the US dollar and has tended to make Brazil expensive for South Africans.

However, this market of 154 million, and a country closer to South Africa than Europe, the Far East or the United States is most certainly alluring to exporters.

If plans to link their Latin American common market (Mercosul) with our southern African equivalent (SADC) work out, Brazil could turn out to be a natural trading partner.

Once Mozambique and Angola solve their problems, the synergies of these Portuguese-speaking nations (also Brazil's main language) will open its doors to the whole African sub-continent as well as Latin America.

Like South Africa, Brazil enjoys no preferential tariffs with the European Union (EU) in many of its exports, and is therefore seeking out a deal with SADC countries that could be mutually beneficial.

Brazil seems to have put in place incentives to reduce what it terms the "Brazil Cost" – factors which made the country uncompetitive internationally.

Lower taxes for exports, excessive labour-related costs and outdated legal requirements have, in most cases, gone and this, in addition to infrastructural improvements, will help boost exports.

The arrival of this top-level delegation today, and the meetings that have been set up for Brazilian business executives to speak to their South African counterparts, could open doors to new export markets for both nations.

**TRADE MISSION** *Brazilian president, Fernando Henrique Cardoso (pictured left)*

NEWS


Transatlantic partnership: President Mandela and his daughter Zinani welcome Brazilian president Fernando Cardoso to South Africa

# SA and Brazil forge links with co-operation pact

(74) ARG 27/11/96

## *Boost for trade, tourism, air services*

ARGUS CORRESPONDENT

**Pretoria – South Africa has strengthened its ties with Brazil in an agreement to enhance friendship and co-operation signed between President Mandela and visiting Brazilian president Fernando Cardoso.**

The two continental powers stretched their hands of friendship across the Atlantic Ocean during an official state welcome for President Cardoso at the Union Buildings here yesterday.

The presidential declaration signed by the two leaders commits both nations to explore in all fields opportunities for co-operation and for the establishment of economic and commercial relations based on the process of economic and social modernisation now in progress in both countries.

Brazil in one of South Africa's largest southern hemisphere trade partners with exports and imports between the two topping R2-billion in 1995 – an increase of more than 30 percent compared with 1994. Brazil's share of South African exports to Latin America last year was more than 50 percent.

Co-operation agreements were also concluded in the fields of culture, air services and anti-drug trafficing.

"There are a lot of common features between Brazil and South Africa. Firstly on a personal basis President Cardoso has had similar experiences to ours - he has known exile from his country for quite some time," Mr Mandela told reporters.

"Secondly he has been able to transform the political and economy of that country from a military dispensation to a democratic government. We have a lot to learn from that experience."

"Brazil is the fifth largest country in the world and has the eighth largest economy and therefore we stand to gain a lot from contact with such a country," he said.

In his welcome to the Brazilian delegation, Foreign Affairs Minister Alfred Nzo said an arrangement had also been made for the reciprocal lifting of certain categories of visas. Tourism between the two countries had soared over the past two years, with Brazil now in the top 20 tourist markets to South Africa. Last year nearly 12 000 Brazilians visited this country – a third up on the previous year.

Mr Nzo said negotiations were also under way for future agreements on technical co-operation, the protection of investments, the avoidance of double taxation and an agreement on merchant shipping.

Mr Mandela presented Mr Cardoso with the Order of Good Hope, the highest honour awarded to foreigners and was himself presented with the Brazilian equivalent.

# Chinese political, economic clout forced SA to forge ties

CT 28/11/96 (74)

**OWN CORRESPONDENT**

PRETORIA: Twenty years ago the embassy of the Republic of China (Taiwan) opened its doors here.

Its full diplomatic relations with South Africa were not entirely by choice — Taiwan and South Africa at that time were part of a small international group of pariah states which found solidarity in an unfriendly world.

The group included South Africa, with its apartheid baggage, Taiwan, which had steadfastly held out against the People's Republic of China (Mainland China), the embattled state of Israel, and Chile, which lacked majority rule in the 1970s and '80s.

Ties between South Africa and the island nation were further cemented by their shared, fervent opposition to communism. Their isolation soon flourished into strong economic ties.

Trade between the two countries between 1990 and 1995 was worth more than R31 billion and was growing.

Investment, too, was steady from Taiwan into South Africa. About R6,5bn had been invested in this country by Taiwanese businesses by the end of last year, creating some 45 000 jobs. And tourism between the two was also growing.

But international pressure was growing on South Africa to follow the lead of the world's major powers and establish diplomatic ties with China.

Every major nation in the world enjoyed relations with Beijing rather than Taipei. China also began emerging in the 1990s as a major economic force and its political sway — underpinned by veto powers in the United Nations — began to weigh heavily in its favour.

China's veto power in the Security Council is a major factor, says the South African Institute of International Affairs' Asian-Pacific expert Mr David Burrows.

"You can't mess with permanent Security Council members and, as an emerging country, South Africa can't afford to ignore a major player like China," he said.

Recognising this, South Africa explored the possibility of dual relations with both countries. Taiwan supported this, but the People's Republic of China would not be moved from its one-China policy.

Taiwan helped fund the ANC in the 1994 election and poured money into the ANC's Reconstruction and Development Programme (RDP). In the first year of the new government, Taiwan gave R556 million towards the RDP.

Its impact on the local economy and its support for the ANC did not go unnoticed.

In July, President Nelson Mandela said he was in discussion with Beijing and Taipei to resolve their differences but would not break ties with Taiwan.

In August this year Mandela again stood by his relations with Taiwan, saying a cancellation of diplomatic ties with Taiwan to secure ties with China would be an immoral act.

"I will not be guilty of that," he said, when Taiwanese vice-premier Mr Hsu Liteh visited Pretoria.

But internationally and internally, Mandela's position became more lonely.

Sources in the Department of Foreign Affairs said the majority of officials supported ties with China.

And business was also calling for a break with the past. Nedcor's chief economist, Mr Dennis Dykes, told a trade and industry seminar in Johannesburg in July that the country's lack of diplomatic ties with China was restricting trade.

He said that while most countries traded with Taiwan but officially recognised Beijing, SA had it the wrong way round.

Another major factor forcing South Africa's hand is the handover of Hong Kong next year.

Trade is not the major factor with Mainland China — investment is, says Burrows. Mainland China has been making some quite large investments recently and Hong Kong is responsible for major investments and trade.

Trade and investment with China are also increasing faster than with Taiwan.

Many people were sure that establishing ties with China would only happen when Mandela had retired. Evidently that was not the case.

## Trade facts:

**TRADE between South Africa and Taiwan last year:**
**Imports: R3,229 billion**
**Exports: R2,545 billion**
**Total trade: R5,774 billion**
**Total estimated investment in South Africa: R1,6 billion**

**Trade between South Africa and China last year:**
**Imports: R1,846 billion**
**Exports: R1,048 billion**
**Total trade: R2,894 billion**
**Total estimated investment in South Africa: R200 million**

**Trade between South Africa and Hong Kong last year:**
**Imports: R1,625 billion**
**Exports: R1,958 billion**
**Total trade: R3,583 billion**
**No investment figures available**

# Trade organisation threatens to close

(74) ARG 29/11/96

**Johannesburg – A private organisation promoting trade within Africa and with other economic blocs said yesterday it would close within seven days if participating countries and organisations did not pay their dues.**

The Africa International Trade Centre is acknowledged by the United Nations Economic Commission for Africa as a focal point for South-South co-operation.

It is also acknowledged by the Organisation of African Unity as a focal point for South-South, South-North and inter-regional co-operation.

Chief executive Juan Kirsten said African governments had yet to "activate their membership" of the AITC despite the OAU Council of Ministers having agreed to acknowledge it as a focal point for trade development. – Sapa

# Taiwan could review aid projects but not trade ties — ambassador

**Tim Cohen**

TAIWAN issued a formal protest yesterday over SA's decision to drop its diplomatic recognition in favour of Beijing, saying official aid projects would be reviewed but trade ties were unlikely to be affected severely.

Taiwanese ambassador I-Cheng Loh said he met Foreign Minister Alfred Nzo yesterday and formally registered the "strongest protest" over SA's decision, which he blamed on "underhand tactics by the Chinese communists" to undermine Taiwan.

Loh said it was too early to say with certainty what the consequence of SA's decision would be on trade relations. Immediate effects would not be dramatic, although long-term relations were likely to be affected.

Official development assistance consisted mostly of long-term commitments governed by bilateral treaties or agreements.

"When one of the parties ceases to be a party, then I imagine some kind of review is necessary."

Loh said President Nelson Mandela's announcement on Wednesday that ties would be severed at the end of next year had come as a surprise. He indicated that after discussions on Tuesday he was under the impression that SA would not make an announcment until just before the severing of relations was about to take place.

A scheduled visit by Taiwanese Foreign Minister Chang Hsiao-Yen to SA in January would not be affected, and might even be advanced.

"We are quite hopeful, given President Mandela's goodwill, that we could work something out."

Loh said the decision was a "temporary setback". He felt it unlikely that the 29 other countries which recognised Taiwan would follow suit.

Loh read from a statement by Taiwanese Premier Lien Chan yesterday, who said the incident and similar ones in the past had demonstrated time and again the Chinese communist authorities' "relentless efforts to box (Taiwan) into a corner and belittle its international status".

The situation, he said, could not be compared with South Korea's severing of ties with Taiwan, after which economic relations between the two countries were severely affected.

The Korean government had abruptly "torn up" all the agreements it had with Taiwan and handed all Taiwanese properties over to China. This was not the situation with SA.

Loh said he tended to agree with NP leader FW de Klerk's view that the

(74)

Continued on Page 2

## Taiwan

(74)

Continued from Page 1

BD 29/11/96

African National Congress government's decision was the result of pressure from SA Communist Party members in its ranks.

Reuter reports that politicians and trade officials expected SA trade with China to soar.

"This will be a great spur for trade between SA and China," said Raymond Suttner, chairman of Parliament's foreign affairs committee.

Taiwan is SA's seventh-largest trading partner. Trade between the two countries totalled R5,7bn last year, while trade with China and Hong Kong combined was R6,2bn, according to the SA Foreign Trade Organisation.

**John Dludlu** reports that a recent survey by the Taiwan embassy showed there were 620 Taiwanese-owned companies in SA, representing investments worth more than R6bn.

The survey put the number of Taiwanese-owned factories at about 280, employing 36 224 people. Most factories are in industrial parks established by former homelands.

It was unclear yesterday how private Taiwanese investors would react to the development.

"Without government encouragement, it will be hard (for private investments) to proceed there," said Chiang Ping-kun, chairman of the cabinet's Council for Economic Planning and Development, when asked whether a $3bn petrochemical project by Taiwan's Tuntex Distinct Corp would continue.

# Clothing exports slump: R200-million flood of seized imports feared

(748) ARG 30/11/96

(748)

**LLEWELLYN JONES**
Business Reporter

**For the first time in years South Africa has imported more clothing than it exported in the first six months of this year.**

Disclosing this at a meeting of the newly established Clothing/Textile Industry Forum (Clotex) in Cape Town, Clothing Federation president Bernard Richards said clothing exports had slumped to R270 million in the first six months of 1996, resulting in a negative trade balance of R45 million.

He said the situation was even worse once illegal imports were taken into account.

A total of 400 tons of illegal clothing imports had been seized over the past six months, increasing the mountain of confiscated goods in state warehouses to some 1 000 tons.

"These goods pose an enormous threat to existing employment in the clothing industry," Mr Richards said.

According to Mr Richards, an auction or donation of the goods – worth about R200-million in an R8-billion-a-year industry – in South Africa would flood the domestic market, undermining prices and production, and possibly result in the loss of 3 000 jobs in an already vulnerable industry.

He said the clothing industry was expected to lose 15 000 jobs this year as a result of the slowdown in the sector. It is estimated that the industry will produce five percent less clothing this year.

Mr Richards said Clotex would recommend that the confiscated goods should be given to Rwandan refugees, a gesture which he believed would be a huge public relations coup for South Africa.

"I think it is a huge opportunity for us to go out and do good in the world without putting ourselves at risk, without costing us any money."

He hit out at the government for dragging its feet on the conclusion of tariff policy supply-side measures, saying that a further delay could jeopardise a potential 25 percent increase in exports next year.

There had been no action on the industry's report on problems with the first phase of the seven-year tariff reduction announced in September last year, and there was still no sign of the second phase which should have been gazetted in September this year.

The forum believed the government had also made a "fundamental error" in not implementing the supply-side measures at the same time as the tariff phase down – one of the reasons for the 15 000 job losses this year.

The forum would also lobby the government to push for the current local content definition in the bilateral agreement with Zimbabwe to be extended to all 14 other existing bilateral agreements in the region, particularly Malawi, which is the second largest exporter of clothing goods to South Africa after China.

# Gauteng govt criticised for not supporting trade centre

Patrick Wadula (74)

BD 2/12/96

THE Gauteng government has come under fire for not supporting the struggling Africa International Trade Centre's initiative of promoting foreign trade and investment into the province.

Speaking at a meeting with foreign trade ministers and trade attaches in Sandton, the centre's CEO, Juan Kirsten, said the centre, which cost almost R1m a year to run, faced closure if it did not receive the necessary financial support from provincial governments and foreign member countries.

For the centre to survive and conduct its business, which was wholly aimed at promoting international trade and tourism, it had to have some financial support, he said.

Kirsten said Gauteng had received "millions of rands" worth of trade and investment due to the centre's trade promotion efforts abroad. However, no financial support was evident from the Gauteng government. He said Northern Province and Mpumalanga had shown their appreciation through their annual subscription fee of R40 000 for the services provided to them.

The centre, which is based at Johannesburg's Carlton Centre, was owed annual membership fees by member countries housed in the centre.

Foreign countries were expected to pay an annual fee of $15 000, he said.

The centre had been invited to participate in the third Afro-Arab trade fair next year.

# SA dashes expectations of speedy tariff reduction

BD 5/12/96 (74)

Michael Hartnack

HARARE — Euphoria over last week's progress in the latest round of Zimbabwe-SA trade talks evaporated yesterday, apparently as a result of dashed hopes that SA would drop its 90% tariff on Zimbabwe's textile and clothing exports by year end.

"They are playing with us every time we meet," Confederation of Zimbabwean Industries president Jonee Blanchfield told national news agency Ziana.

Calling for the immediate imposition of "stiff retaliatory measures", Blanchfield said: "All they do is talk, talk, talk, and yet we are suffering."

Her complaints were echoed in less strident form by Commercial Farmers' Union executive director David Hasluck. He said the union had waited two months for a response to its request for access to markets which could yield R220m a year in exports to counterbalance SA's R6bn trade flow into Zimbabwe.

Simultaneously, Finance Minister Herbert Murerwa announced yesterday the long-delayed Zimbabwean tariff schedule was ready for presentation to the cabinet. In July a highly protectionist schedule was published and then withdrawn.

Blanchfield has asked the European Union to refuse SA trade concessions until it updates the 1964 trade pact with Zimbabwe.

# SA-EU sign agreement

(74) Sowetan 6/12/96

By Sharon Chetty

A GROUND-BREAKING agreement on cooperation in science and technology between South Africa and the European Union was signed last night in Brussels.

The pact will result in a joint committee comprising representatives from this country and the European Union's 15 member states.

Broadly it means that there will be cooperation in research and technological development, including visits by and exchanges between researchers, engineers and technicians.

Joint seminars, workshops and symposiums, the establishment of a network for the training of researchers and exchange of information, among other things, will stem from this agreement.

South Africa has been accorded "developing country" status and three areas have been chosen as the key for balanced development.

These will be health, sustainable management of renewable natural resources and the improvement of agricultural and agro-industrial production.

The agreement coincides with the proposed revamping of the Government's science and technology policy which is suggested in the recently adopted White Paper on science and technology.

Together with the department of finance, the department of arts, culture, science and technology is currently working out a programme for the next two years, which will be run with the European Union.

This will initiate cooperation between the scientific communities and will focus on policy and human resource development and innovative development of small, medium and micro enterprises.

Workshops organised by the EU embassy in Pretoria will be held early next year to brief scientists and institutions on future cooperation.

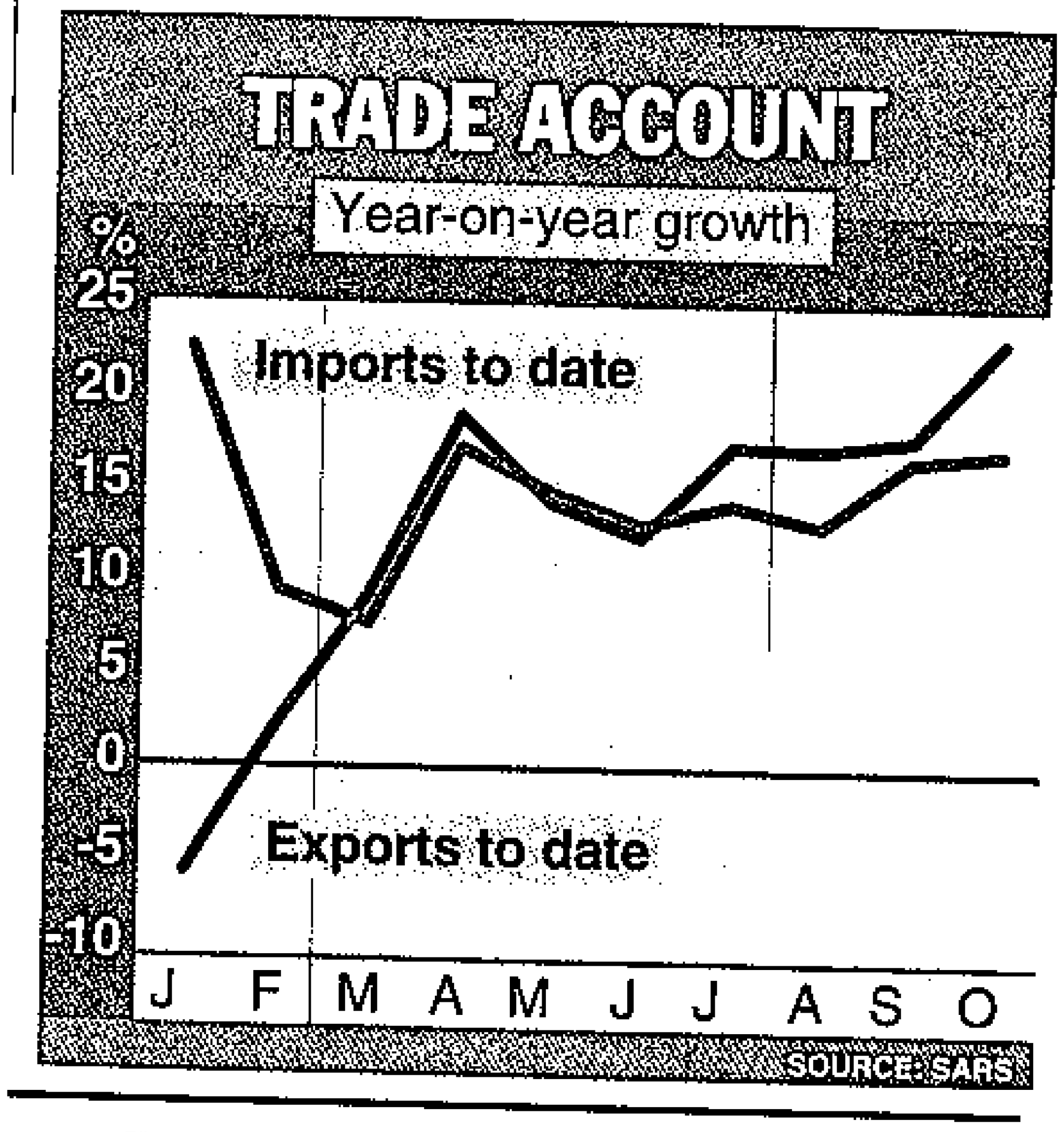
TRADE FIGURES (74)

## AT SEA IN STATISTICS

FM 6/12/96

**When the** gold & diamonds category of the monthly export figures jumped by R2bn in October, the markets ascribed it to Botswanan diamond sales, so they discounted it as non-SA exports. The rise contributed to a hefty R3,9bn trade surplus, after September's R0,7bn.

But, says consultant Edward Osborn, the additional R2bn had nothing to do with diamonds. "It's more likely the leap came from an adjustment to the gold figures because of systematic understatement of gold exports in earlier months."








The gold figures are provided to Customs & Excise by the Reserve Bank.

Says Osborn: "It's clear the gold figures have been in a mess for much of this year, starting with the reclassification of gold from the unclassified category to the precious minerals category in February rather than in January. Tortuous adjustments were made in July to get uniformity for the six months.

"The full trade statement for January-June 1996 shows gold exports totalling R10,14bn, against net gold sales of R10,5bn in the balance of payments. But national production of gold can be valued at R12,65bn for the same period.

"Conceptually, in the balance of payments, gold exports are identical to gold production, apart from the small amount used domestically. There's a discrepancy of over R2bn in the first six months alone."

Osborn says such discrepancies have been occurring for several years and the official deficits on the current account have, accordingly, been overstated. He blames the Reserve Bank's definition of gold sales in the balance of payments, which limits the figure to its own sales, plus an increase in stocks.

"Direct shipments of sales by the mining companies of gold in small bar form in redemption of forward sales contracts are omitted. Companies receive their forward sales income on closing out the contracts; so the shipments must be treated as current income and part of current gold exports," he adds.

The question is whether the Bank has been surreptitiously making corrections for omitted direct gold exports.

A further obstacle to interpreting the trade figures is that SA's statistics are not distinguished from those of the Southern African Customs Union.

A Customs & Excise employee says: "We don't have a breakdown of different countries' exports and imports. All the information for southern Africa is put on computer together. Breakdowns are also difficult because Namibia, for example, uses different forms for information. And some countries sometimes skip a month, then send entries through." ■

# SA and Zimbabwe unite on trade issues at WTO

CT (BR) 9/12/96 (74)

MPHO MANTJIU

Johannesburg — South Africa will take part in the World Trade Organisation's (WTO) first ministerial conference in Singapore today as a member of the Southern African Developing Countries (SADC), a trade and industry department spokesman said on Friday.

South Africa and Zimbabwe will take a united stand on trade issues following their agreement last week on ending a four-year-old trade dispute.

The South Africa-Zimbabwe agreement was reached in principle in August to cut some tariffs on Zimbabwean goods, particularly textiles.

The meeting of developing countries, starting tomorrow, is hoped to build consensus among the developing countries.

New and controversial issues on the Singapore agenda are labour standards, competition policy and government procurement, bribery and corruption as well as new WTO rules and investment.

The meeting will also focus on the Information Technology Agreement and the Uruguay Round agreement.

Further liberalisation, regionalism and the WTO's future agenda were among matters to be thrashed out to forge a practical approach to disputes, the spokesman said.

He said South Africa would play a more active role in trying to get more African states into the WTO.

# SA takes regional stance at world trade meeting

BD 9/12/96 (74)

John Dludlu

SA WOULD not be joining developed countries in calling for a discussion of controversial labour standards at this week's the World Trade Organisation (WTO) ministerial summit meeting in Singapore, it emerged this weekend.

Sources close to government said the SA delegation, which left on Friday, would align itself with a joint statement of the Southern African Development Community (SADC) at the WTO summit which began today.

The SADC wants WTO delegates to deal with implementation of the outcome of the Uruguay round of the general agreement on trade and tariff (GATT) talks and to give impetus to the so-called built-in agenda of the organisation which replaced GATT last year. This agenda tackles revision of previous agreements.

The 12-nation southern African trading bloc is concerned about the introduction of new issues to the WTO agenda such as the potentially divisive issue of linking labour standards to trade, talks about a multilateral investment agreement, competition policy and state procurement policies.

Despite its agreement with labour and business at the National Economic, Development and Labour Council on the social clause, government would not join the US and certain European governments in a bid to discuss labour standards in Singapore.

"Raising the subject in Singapore will just be bad timing," the source said.

Pretoria, which has cobbled together a deal through which its partners will be encouraged but not forced to sign a "side letter" committing them to upholding labour standards, will take a "middle of the road" approach.

In terms of this approach, SA would not raise the subject — as labour unions might want government to — but would participate should there be a discussion.

Developing nations, which largely believe labour standards are an issue for the International Labour Organisation, are opposed to a social clause in trade as they feel it could be abused as a nontariff barrier to trade by industrialised countries.

Poor nations (the SADC houses four of the world's poorest countries) are struggling to implement the complex obligations under the Uruguay round and would like assistance to comply with the WTO's rules-based trading system. The inclusion of new issues would put pressure on the trade body's already overloaded agenda, a move which could unravel its achievements, the source said.

African nations were looking to SA to play a greater role in the WTO. "But this will be within the SADC context," he said.

# SA, EU pact will hit SA's neighbours

BD 10/12/96 (74)

John Dludlu

SA's customs union neighbours — Botswana, Lesotho, Namibia and Swaziland (BLNS) — could lose more than R1bn in crucial fiscal revenue if the proposed free trade accord between SA and the European Union (EU) was concluded, sources in the region said yesterday.

The figure was contained in a report by a Harare-based research consultancy financed by the EU, which has been kept secret.

The report, which was co-ordinated by Swaziland, strengthens the case of SA's negotiators that the free trade area, as proposed by the EU in its mandate, is not "developmental" and would harm BLNS nations which are heavily dependent on the revenue they receive from the customs union pool with SA.

SA's negotiators have argued that the EU's trade mandate, which seeks to exclude almost 39% of SA's farm exports from a free trade accord, underestimates SA's role in the southern Africa region.

Pretoria has argued that if a final accord was concluded, using the present Brussels mandate as a basis, the current trade imbalance in southern Africa would continue.

Of Swaziland's total revenue, 52% comes from the customs union pool. This is down from the 1983/84 peak when 65,1% of Swazi revenues came from the customs union, according to data from the European Research office. The European Research office recently said the EU-SA accord could see Swaziland losing as much as 15% of its present income.

For Lesotho the importance of customs union revenues has declined to 50,6% in 1995/96 from around 53% in the previous fiscal year.

However, there seems to be a dispute about the accuracy of the estimate, with some saying it was too high and others that it was too low. One source put the impact at over R1,5bn in revenue loss, although some argue this number might be based on a miscalculation which includes SA's share of imports.

A source who has seen the report said the numbers were based on "wrong information" and more work was needed as the report had been completed in haste ahead of the then September deadline for the launch of talks between SA and the EU. He believed the estimates were too high, and that they would need revision to take into account the revamped revenue-sharing formula of the customs union. The reshaped formula excludes excise duties and surcharges from the revenue pool — a measure which further reduces the kitty.

The EU is understood to have found problems with the preliminary findings of the report.

The BLNS nations are currently enjoying generous trade benefits from the EU — for which they do not reciprocate — under the Lomé Convention. These would be curtailed by an EU-SA free trade area which would require them to reciprocate.

The EU has signalled it might consider transitional measures to help cushion against the impact of fiscal disruption from an EU-SA accord, but the scale is li[illegible] to be limited.

ANALYSIS

# There is more to SA's relationship with EU than fruit and flowers

(74)

**The European position on the controversial free trade agreement between SA and the European Union could change — and it is worth noting that there is more that unites the two parties than divides them, argues EU ambassador Erwan Fouéré**

BD 12/12/96

THE recent visit of Deputy President Thabo Mbeki to several countries in Europe has highlighted the political dimensions of the evolving relationship between the European Union (EU) and SA — dimensions which are often underestimated.

There is much that brings the EU and SA together. It is a relationship which has to do with shared values and the quest for a moral ethic in the world.

We share a common vision on the role of civic society in the economic growth and development challenges facing SA and on the need to promote a partnership effort between government, the private sector, non-governmental organisations (NGOs) and trade unions.

And with the EU absorbing 40% of SA's exports and representing 52% of total foreign investment in the country, we must share a common desire to consolidate our trade and investment relationship.

So there is certainly more that unites than divides us. But on reading some news reports in SA, one could be forgiven for thinking otherwise. It would seem as if our relationship was confined to apples and pears and cut flowers.

Our relationship is far broader and healthier than warrants such a limited judgment.

The first agreement between the EU and SA, in October 1994, set out principles on which this relationship has developed:

□ Respect for human rights and democratic principles (apart from an R80m human rights programme for NGOs, we launched a R96m programme of support for parliament at national and provincial level last month);

□ Support for balanced and sustainable social and economic development and co-operationin many fields growing in tandem with the interest of the southern African region as a whole;

□ A catalytic role towards reducing protectionist barriers and freeing up trade by encouraging investment by European companies in SA and vice versa.

To mention but a few developments since then:

□ The European programme for reconstruction and development, involving about R600m in unattached grants a year, is a commitment carved in stone. It involves government, the private sector and civil society. It aims to support the provision of basic services, and targets small and medium enterprises;

□ The European Investment Bank's R1bn worth of soft loans through Eskom, the Industrial Development Corporation and the Development Bank of SA, not to mention the extensive loans for regional projects, is a vote of confidence in the SA economy. This figure will be repeated for 1997-1999.

□ The European investment partner mechanism is promoting joint ventures between European and SA small and medium-sized enterprises. Thirty joint venture projects have received R31,5m in seed money.

□ A science and technology agreement is ready for signing.

In addition, the generalised system of preferences was extended to SA in 1994 for about 2 000 manufactured products, thus stimulating a much needed diversification of trade. From next January these trade concessions granted on an autonomous basis will include the agricultural sector on an equal footing with all the developing countries that are current beneficiaries.

Even more progress has been made in the region-to-region context. The recent meeting of EU and Southern Africa Development Community (SADC) foreign ministers in Windhoek has confirmed the continuity of a process launched at Berlin in September 1994.

In June of last year, together we launched our negotiations on the framework for a long-term relationship. We followed a twin-track approach:

□ A protocol to the Lomé Convention covering the terms and conditions of SA's accession to the convention; and

□ A trade and co-operation agreement between the EU and SA.

This was supplemented in March this year by specific proposals covering the process of trade liberalisation leading to a free trade area.

The time path towards the free trade area would be asymmetrical, leaving SA time to adjust, and would allow exclusion of sensitive products on both sides. Coverage of the free trade area need not be exactly the same on both sides so as to cater for different levels of development and different sensitive interests.

The political dimension of our proposal is essential. What we have embarked upon is not a trade negotiation per se. It is the establishment of a far-reaching long-term agreement including trade together with many other aspects.

FOUÉRÉ

The regional dimension of the proposal is about helping SA to integrate with its SADC partners. Built into our proposals are mechanisms that deliberately seek to encourage economic integration between SA and its neighbours; cumulation of origin is one which should stimulate intraregional trade; competing for contracts enabling SA to tender for projects we finance is another.

The global dimension of our proposal to SA is in line with the region's interest — an open trade strategy both between the countries of the region and the outside world. Implementation of the SADC trade protocol will attract investment and stimulate sustainable growth for the benefit of all.

Another important element is that a free trade area will improve SA's market access to the EU.

To the extent that discussion has taken place in SA on the EU proposals, it has invariably and perhaps understandably focused on the list of sensitive products which the council of ministers considers should be excluded from the free trade area, reflecting in a sense those areas sensitive to the EU domestic agricultural production.

The lists we have in the directives deal only with agricultural products, and amount to about 39% of our current agricultural imports from SA. Although this may seem quite a high degree of exclusion, it does in fact represent less than 4% of our total imports from SA. We moreover take it together with the undertaking to reach a WTO-compatible agreement.

It will be up to the dynamics of the negotiations to shape the final outcome; the important thing is for the negotiations to get under way.

Herein lies one of the difficulties which has cast a shadow over the current debate. It has more to do with perceptions and misunderstandings on the process which governs the EU's negotiating mechanisms. The impression given was that by sitting at the negotiating table, SA would be committing itself to the terms of the mandate adopted by the EU.

On reflection, perhaps we are victims of our own transparency. In what other international negotiating process would one see a negotiating partner receive negotiating directives of another before negotiations have started?

We have been at pains to emphasise that, in accordance with its internal mechanisms of negotiating with third countries, the commission is entrusted with a mandate to negotiate on behalf of the EU.

As has been repeated on several occasions, the exact terms of our offer are not carved in stone. But it is only by sitting together around the negotiating table that we will be able to match our concerns and find the right road to take. This is the essence of any negotiation.

But whatever we do we must not take too long to make up our minds on which road to take.

In this context we have supported and funded a number of studies to analyse the potential implications of a free trade area for the region, in so far as one can adequately quantify all the possible scenarios. The results of these studies should help us determine where we need on both sides to modify or improve our respective proposals.

With SA we share a common goal in making sure that the economies of the SADC region will be pulled and developed together, and that whatever we do together will contribute to that goal. It is a collective responsibility for both of us, as the recent Windhoek meeting will have demonstrated.

I would suggest that history will judge the synergy being developed between us as having provided a catalyst, however small, in bringing SA and its neighbours together in a common effort to agree on regional trade policy reforms.

Given the goodwill that exists between us, we will continue to allow ourselves to be influenced by the bonds of friendship and unity of purpose. In this way we will be better able to choose the right road, as well as deal with the apples and pears and cut flowers along the way.

# Neighbours could lose revenue from EU-SA accord on trade

BD 12/12/96 (74)

John Dludlu

THE European Union (EU) has criticised an impact analysis report written by Harare-based consultants for under-estimating the potential revenue loss which would be incurred by Pretoria's neighbours in the customs union should the proposed EU-SA trade accord be concluded.

Angelos Pangratis, a counsellor at the EU mission in Pretoria, said the preliminary report had been based on a methodology which could not be relied upon to give convincing results.

Regional sources, who had seen the EU-funded study which assessed the impact of the mooted EU-SA free trade area, put the potential revenue loss for customs union signatories — Botswana, Lesotho, Namibia and Swaziland (BLNS) — at between R1bn and R1,8bn. While refusing to discuss the report's figures, Pangratis said the impact numbers were "too moderate". A final report was expected in February.

He said there was also "nothing of substance" to shed light on future trade and investment flows in the BLNS bloc.

The draft findings of the report, written ahead of the then September deadline for the launch of EU-SA talks, used the present revenue formula of the customs union as part of the methodology. Unlike the newly agreed formula, the current one included excise duties and surcharges.

The figures, strengthened SA's case that the suggested free trade accord — which proposed to exclude 39% of SA's farm sales to the EU — stood to harm Pretoria's neighbours by whittling down their revenue.

Of its total income, the Swaziland government received 52% from the customs union pool, while Lesotho's dependence stood at 50%. The European Research office said the EU-SA accord, in its present version, would cream off 15% of Swazi income from the the customs pool.

Pangratis reiterated the EU's commitment to concluding a deal which enhanced the development of SA's neighbours.

Although the EU has signalled its intention to consider transitional compensatory measures to alleviate possible BLNS fiscal disruptions, it had not indicated the scale of [illegible] pensation for harmful effects (to BLNS) will be considered with the Lomé (Convention) framework."

# SA to outline its position on EU trade

BD 20/12/96 (74)

**Melanie Sergeant**

BRUSSELS — SA officials would hand over a document to the European Union (EU) today outlining Pretoria's position on the impending EU-SA talks on a co-operation agreement, including a free trade area, SA embassy counsellor John Mare said yesterday.

Today's handover, which ends an impasse in EU-SA talks, will pave the way for the formal resumption of negotiations in Pretoria next month.

**John Dludlu** reports Brussels sources said last night the document, which was finalised after intensive lobbying by Pretoria for a favourable trade deal with the EU, would not provide much detail but would shed light on Pretoria's position. SA would elaborate on its mandate during the formal ceremony next month, when a serious round of negotiations would follow.

SA officials have been calling for a "development and trade accord", an approach that would enhance SA's access to the EU markets, while addressing the development needs of SA and the southern Africa region.

Trade and industry ministerial spokesman Ismail Lagardien said: "We're ready to resume negotiations. We look forward to an approach from the EU that will take into account the developmental aspects of SA and the region — something which has always been our approach."

The European Commission, the EU's executive arm, had asked that the first round of talks be held in SA to put the spotlight on SA's position, a Brussels source said.

SA's new position, although very sketchy, has been welcomed in Brussels, with sources saying it will give them time to familiarise themselves with details.

Mare said the EU's mandate treated SA much like any other first world trading partner.

In its March mandate the EU proposed that SA be granted partial access to the Lomé convention — the accord between the EU and African nations — and that an asymetrical free trade area, allowing SA to open its markets more slowly than the EU, be considered. But the EU, caving in to pressure from its protectionist farm lobbies, also suggested that almost 39% of SA's agricultural exports be excluded from the mooted free trade area.

The handover of SA's position paper comes amid indications that the proposed free trade area with Pretoria could lead to revenue losses of more than R1,5bn for SA's partners in the five-nation customs union — Botswana, Lesotho, Swaziland and Namibia.

**Continued on Page 2**

# EU

(74) BD 20/12/96

**Continued from Page 1**

Union member nations, notably Swaziland and Lesotho, are heavily reliant on income from the customs revenue pool. "Also, current moves to implement the SADC (Southern African Development Community) trade protocol ... further magnify the regional implications of any SA-EU trade deal," Mare said.

In terms of the EU proposal, SA companies will be allowed to bid for projects funded by the European Development Fund, which finances Lomé. However, African National Congress parliamentarian Rob Davies and other SA observers of the talks have criticised the "ad hoc" provision allowing SA firms to participate in Lomé-funded regional projects.

# SA submits trade agreement to EU

## *Bargaining starts in January*

(74) ARG 23/12/96

BUSINESS EDITOR

**South Africa has offered a trade and development agreement to the European Union in a negotiating mandate handed over to EU officials last week.**

Bahle Sibisi, director of trade relations in the Department of Trade and Industry, told Reuter the mandate was handed over at a meeting in Pretoria at the end of last week.

"We met with the EU representative here and handed over a document on South Africa's basis for negotiations on a trade and development agreement," he said.

Formal negotiations between South Africa and the EU would start at the end of next month, Mr Sibisi told Reuter.

The EU presented its own proposal, for a free trade area, in March.

South Africa's response has been delayed by lengthy consultations with partners in the Southern African Customs Union (SACU) and in the 12-country Southern African Development Community.

The EU proposals call on South Africa to remove duties on 37 percent of its trade with Europe, while the EU would remove duties on only 7 percent of trade with South Africa.

South Africa would have about 10 years to phase in tariff cuts in employment-sensitive industries such as clothing, textiles and cars.

But South African negotiators have criticised the proposal, which would exclude nearly 40 percent of South Africa's agricultural exports from the agreement, while opening up Southern African markets to heavily subsidised European agricultural goods.

The Department of Agriculture has warned that European farmers would have an unfair advantage if the free trade area was accepted.

SACU countries are wary of the effects on their economies of a free trade agreement with Europe, which would open the gates to a flood of European exports, jeopardising a range of industries from meat and processed meat in Namibia and Botswana to sugar and sweets and canned fruit in Swaziland.

Instead, South Africa has called for an asymmetrical agreement which would support the development of Southern Africa and encourage investment and regional integration.

# Trade with Asia expected to set new records, says report

## *Foreign Affairs review of the year is upbeat*

(74) ARG 31/12/96

**Pretoria – Trade between South Africa and Asia in 1996 was expected to exceed the record R42-billion of 1995, the Department of Foreign Affairs said.**

"Significant investments also flowed into South Africa from Asia, especially from Japan and Malaysia," it said in a statement.

Asia was South Africa's second largest trading block.

The statement, which summarised Foreign Affairs Minister Alfred Nzo's end of year report, said Europe was still South Africa's largest trading partner, although trade with other areas of the world was increasing more rapidly percentage-wise.

South African exports to Europe had increased from R23-billion in 1991 to R31-billion last year, while imports had almost doubled to R47-billion last year from R24-billion in 1991.

"Europe is still the most important source of foreign direct investment with the United Kingdom, Germany and Switzerland in the lead."

The department said South Africa had in the past year normalised its relations with countries on the Arabian peninsula, with a focus on trade.

South Africa's exports to that region increased to R882-million between 1994 and 1995, while imports, mostly oil, rose to R6,2-billion.

Five financial agreements from the 1995 European programme for reconstruction and development budget, totalling about R300-million, were signed in May.

South Africa's position on a proposed foreign trade agreement with the European Union would be completed soon, the statement said.

"There seems to be more understanding in EU circles regarding South Africa's need for regional consultation on the effects of the proposed foreign trade agreement on neighbouring countries."

The statement added that much progress had been made in South Africa's relations with other southern African states. This included the approval by Cabinet of a framework for co-operation and the election of South Africa as chair of the Southern African Development Community.

South Africa had also been part of international efforts to bring an end to conflicts in Africa, including Burundi and Rwanda. A special representative was appointed for Burundi.

The country had also played a major role in the suspension of Nigeria from the Commonwealth and had been an active participant to the United Nations.

In the area of human rights, South Africa had ratified two United Nations conventions, one relating to discrimination against women and the other to the rights of the child.

South Africa's relations with the greater China region changed dramatically after President Mandela announced a switch of diplomatic relations from Taiwan to mainland China.

Existing relations with Palestine, Israel, Lebanon, Jordan, Iraq and Syria were further consolidated in several fields in the past year.

The department said the second round of United States-South Africa binational commission consultations in Washington in July had been an important milestone in the evolution of ties between the two countries.

Bilateral relations with European countries had been trouble-free. The department said this was underscored by a stream of high-level visits in both directions, which did not show any sign of diminishing.

The statement added that steps had been taken to address inequalities in the race and gender composition of the department.

Forty-one of a total of 99 new appointments at head office were black, 29 white, 18 Indian and 11 coloured.

"Of the 68 officials that successfully completed diplomatic training, 49 were black, nine Indian, five coloured and five white."

Of 95 trained line function officials appointed to missions abroad, 45 were black, while 15 of 19 new departmental directors were white.

The department said 56 of 69 deputy director posts filled were white, eight black and five Indian.

Four of six administration directors appointed were women, one of them black. – Sapa

# New policies loom for EU, African trade

BD 31/12/96 (~~????~~) (74)

John Dludlu

SA's neighbours in southern Africa, which are enjoying generous trade concessions as members of the Lomé convention, could soon come under pressure to open their markets to the European Union when the trade and aid accord between the EU and its 70 African, Caribbean and Pacific (ACP) partners comes up for renewal in 2000.

ACP countries, including Botswana, Lesotho, Namibia and Swaziland (BLNS nations), currently receive nonreciprocal tariff and quota preferences in the EU's 15-nation single market.

But if proposals outlined in the recently released green paper on relations between the EU and the ACP are agreed on during the forthcoming EU/ACP negotiations, reciprocity could be introduced as an option in reshaping trade relations. Reciprocity has been at the heart of BLNS fears of the mooted free trade deal between Brussels and Pretoria which, if concluded, would significantly reduce their Lomé trade benefits by requiring them to open their markets to the EU.

The policy document, coming months before the formal launch of ACP/EU negotiations in 1998 on the future of relations after 2000, says options for Lomé include "uniform" reciprocity, "differentiated" reciprocity, integration into the general scheme of preferences and the retention of the present status of nonreciprocity.

Under the differentiated option, reciprocal preference arrangements could be negotiated between different ACP nations and the EU or with individual ACP countries, while the uniform regime will see all ACP members extending reciprocity to the EU after a transitional period. Observers say the outcome of EU/ACP talks on the future of Lomé will, in part, determine whether the BLNS nations are better or worse off under an EU/SA accord.

The green paper comes amid growing indications that Lomé has had modest successes in helping ACP nations diversify their economies and integrate into global trade.

The paper admits the Lomé trade arrangement has been insufficient for ACP countries "to preserve, least so to improve, their participation in the world markets". ACP's share of the EU market has declined appreciably from 6,7% in 1976 to 2,8% in 1994.

Supply-side measures such as good governance and sound economic policies — notably stable, secure and efficient internal trade and investment policies — are determining factors in achieving higher rates of export and economic growth, it says.

Apart from Lomé's limited effect, other sources say the move towards reciprocity in EU thinking was inspired by the need to adopt measures which are compatible with the World Trade Organisation. The convention has been criticised for failing to promote development, with critics claiming that its aid does not reach the poor.

Sympathetic Lomé observers feel one of its main achievements has been to give a meaningful political voice to the EU's former colonies.

Continued on Page 2

## Trade

(74) (~~????~~) BD 31/12/96

Continued from Page 1

The EU has proposed that SA be given partial access to the convention, allowing it to take part in political dialogue, but has notably excluded the country from trade concessions and suggested a free trade accord. Pretoria initially required full accession.

Other key proposals in the document include splitting up the French-inspired club into regions or subregional arrangements, one embracing accord supplemented by bilateral agreements or a specific agreement for least developed nations. "An agreement with sub-Saharan Africa that embraced SA would clearly be meaningful for Europe," it says.

The Caribbean members could form part of an enlarged co-operation arrangement for the whole region that could ultimately integrate them into the EU's relations with Latin America.

Some sources say the reciprocity principle is inevitable, although it may be waived for the poorest nations.

# SA's seedless grape exporters may choke on royalties judgment

PEHT (74CP) BD 24/12/96

Reinie Booysen

SA EXPORTERS of seedless grapes may have to pay millions of rands in damages and royalties to a US firm for the right to grow Sugraone — one of the most popular table grape varieties in the world — after a landmark court judgment in Pretoria late last week.

The judgment, the first of its kind under SA's Plant Breeders' Rights Act, upheld the right of Sunworld Inc of the US to registration of the Sugraone varietal, also known in SA as Superior Seedless, Festival Seedless, White Sultana, Black Cat, JC Seedless and SS 77. The vine is among the three most popular table grape varieties, particularly among exporters, as it ripens early and travels well.

Before the political changes in SA, its US owners refused to licence it to local growers, who eventually acquired it illicitly. It rapidly gained popularity.

The Deciduous Fruit Board, its sole exporting agent Unifruco and the SA Plant Improvement Organisation challenged the registration of Sunworld's rights to the vine under the Plant Breeders' Rights Act of 1976, mainly on the grounds that Sunworld's rights expired in the US in 1989.

However, the Appeal Board established in terms of the act by the minister of agriculture upheld Sunworld's registration about four years after litigation was initiated in 1992.

Sunworld attorney Bastiaan Koster of Johannesburg patent and trademark attorneys John & Kernick said his client had indicated its willingness to licence the vine to SA growers "two years ago, but they rejected the offer". Several million rands in past and future royalties were at stake, he said.

A Unifruco spokesman said he was unable to comment on the ramifications of the judgment without having studied it. He declined to say what portion of local grape production or exports would be affected. SA growers exported 5,6-million cartons of seedless grapes last season.

Koster said the judgment would have wide repercussions in demonstrating that the plant breeders' act "has teeth". Like the McDonald's trade mark case decided by the Appellate Division earlier this year, this was yet another instance of SA enforcing its laws to establish the rights of foreigners in accordance with modern international practices. "It is now an infringement not only to propagate a registered plant but also to sell the harvested material," said Koster.

Sunworld holds the rights for Sugraone in France, Israel, Italy, Morocco and Spain. A pending application in Australia is currently under litigation.

FOREIGN TRADE —

1997

JANUARY

# EU's Soubestre to lead talks with Pretoria

BD 7/1/97 (74)

John Dludlu

EUROPEAN Union (EU) veteran Philippe Soubestre, who is to lead the EU's team of negotiators with Pretoria, this week formally took over the reins of the development department as the two sides prepare for a crucial round of talks later this month.

In his new position as acting director-general in DG8, the department in charge of development and relations with African, Carribean and Pacific (ACP) nations as well as SA, Soubestre is to head the EU's task force on SA.

The task force deals with a range of co-operation issues, including the implementation of the EU's five-year R600m-a-year aid package to SA.

Negotiations on a co-operation accord, including a trade agreement — possibly a free trade area — are expected to begin later this month although no specific date has been set.

The EU has proposed a free trade accord with SA, excluding 39% of SA's farm exports from preferential access, and that SA be allowed partial membership to the Lomé Convention — the club that brings together the EU and its former ACP colonies.

A fisheries agreement is expected to form part of the talks and has been identified as a potential sticking point.

# Trade talks on track

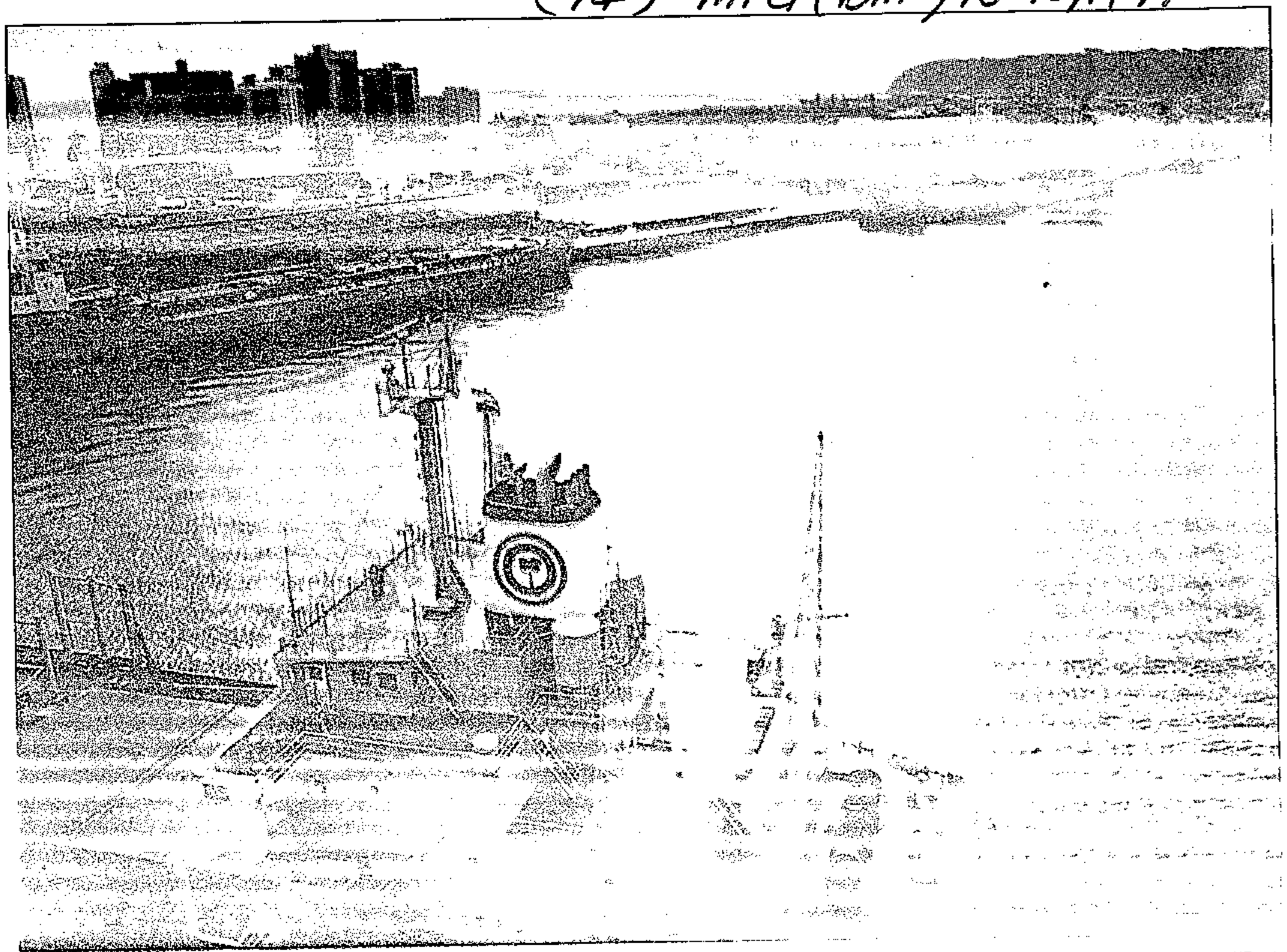
(74) M+G (BM) 10-16/1/97

Regional and developmental issues top South Africa's [illegible] writes

**Madeleine Wackernagel**

AFTER frequent setbacks, the next round of talks between South Africa and the European Union over a trade deal will kick off on January 22. This time, the departments of Foreign Affairs and Trade and Industry, jointly leading the negotiations, will put regional development issues top of the agenda.

Pretoria's position paper, informally presented to Brussels last month, made plain South Africa's priorities. While short on detail, it made regional and developmental concerns a priority. Indeed, Pretoria is hoping that the new discussions will open the way for [illegible] that we have embarked on a rapid tariff-lowering programme, far exceeding the demands of the World Trade Organisation, is proof enough of our commitment to the region. It is time the EU understood that," he says.



Trade route: New talks should open way for an export drive

PHOTOGRAPH: ADAM WELTZ

At the same time, the EU is trying to work out a framework for a new Lomé agreement due in 1998, and South Africa's role within it. A trade deal that incorporates developmental concerns, with South Africa accepting an asymmetric arrangement in return for EU compensation to our regional partners, could provide the model for a post-Lomé IV pact, says Dr Garth le Pere, executive director of the Foundation for Global Dialogue.

Thus far in the negotiations, the emphasis has been on trade, with agriculture the biggest hiccup to their progress, but the developmental considerations are just as important, he says. At a recent workshop hosted by the FGD, the Department of Trade and Industry (DTI) made clear its desire for a developmental component to any deal.

In light of South Africa's comparative advantage in terms of manufacturing production, it would make sense if our regional neighbours concentrated on agriculture, with free access to the EU market in terms of Lomé. Such an arrangement might include EU infrastructural and technical assistance to the region, while South Africa benefits from increased manufacturing penetration to the EU states.

But all this assumes a satisfactory solution to the South African Customs Union (Sacu) negotiations, expected to be finalised soon.

Faizel Ismail, chief director of foreign trade relations at the DTI, stressed the importance of a cohesive policy, taking into account the economic differences. "We need greater co-ordination," he says, "otherwise we could end up competing for investment, which would be playing a zero-sum game. In addition, whatever policy is devised, we have to ensure it is implemented more efficiently than in the past."

The stumbling block is revenue sharing, with some members, such as Lesotho, reliant on the Sacu pool for 70% of its total receipts, while others, such as Swaziland and Namibia are less dependent, at 54%.

"The objective is to devise an equitable and sustainable formula without placing undue pressure on South Africa's fiscus. We had to work out the internal flows of trade to calculate the revenue pool but a formula has been agreed and guidelines have been set, so we are optimistic a deal can be struck soon," says Ismail.

Tariff levels are another important aspect of the negotiations, and again, Sacu had to be incorporated into any deal with the EU. "We are confident the EU better appreciates our position vis-à-vis Sacu now. Growth must be seen as a regional issue, not just a South African priority."

*CUSTOMS UNION FOREIGN TRADE FIGURES*

(74)

# NEW ROUTES AND OLD

**Since April** 1994, new international trading opportunities have opened up for SA.

FM 10/1/97

But traditional partners — the UK, Germany, the US and Japan — still account for about a third of the trade with SA and Customs Union countries.

Customs & Excise figures for the first six months of 1996 show that SA trade between the union and the four main partners mentioned above amounted to nearly R40bn of the R108bn in total trade for the period.

A country breakdown highlights some interesting developments in trade relations. Calculations, based on customs figures, show that the UK has replaced Germany as southern Africa's number one trading partner. In the half year, trade with the UK was R12,4bn, compared with R10,2bn with Germany (see graph).

The US, which before the 1986 Comprehensive Anti-Apartheid Act was SA's leading partner, is now in third place with R9,7bn worth of trade in the six months.

In 1995, the list was topped by Germany, with total trade in the full year of R20,6bn. Trade with the UK was valued at R19bn and with the US at R16,3bn. Six-months-on-six-months, trade with the UK rose nearly 35%, with the US 26% and with Germany unchanged.

The boom in SA-UK trade is largely due to a 56% surge in exports — to R6,1bn (see table). This in turn is due to the rerouting of De Beers' diamonds, included in category XIV. Exports to the UK in this category (previously channelled through Switzerland) are valued at R3,6bn by customs. The switch caused a 39% decline, six-months-on-six-months, in exports (to R1,1bn) to Switzerland.

Another important trend that emerges in customs' figures is that SA is increasingly becoming a port of entry for Africa, with a significant amount of goods imported under category XVI being re-exported to other parts of Africa. These include:

- Machinery & mechanical appliances;
- Electrical equipment;
- Sound recorders & reproducers; and
- TV sets & video recorders and reproducers.

The union imports R17,1bn worth of these goods and exports R1,3bn to sub-Saharan Africa. Not all of these are goods in transit, though the figures indicate that the re-export volumes are probably substantial.

The six month figures also reveal the relative importance of mainland China and Taiwan as trading partners. Total trade with the former was worth R1,4bn, compared with the latter's R3,2bn. Growth figures were 7,7% and 23,1% respectively.

Taiwan bought R1,4bn of SA's exports and China R400m. Exports to Taiwan rose 18,2% in the period while exports to China fell 20%.

However, imports from China are rising at a faster rate than those from Taiwan. The union bought R1,8bn worth of goods from Taiwan (up 20%) and R1bn worth from China (up 25%).

Imports from Japan fell 15,4% to R4,4bn — a decline probably due to the erosion of Japan's traditional market in SA by South Korean car manufacturers Daewoo and Hyundai.

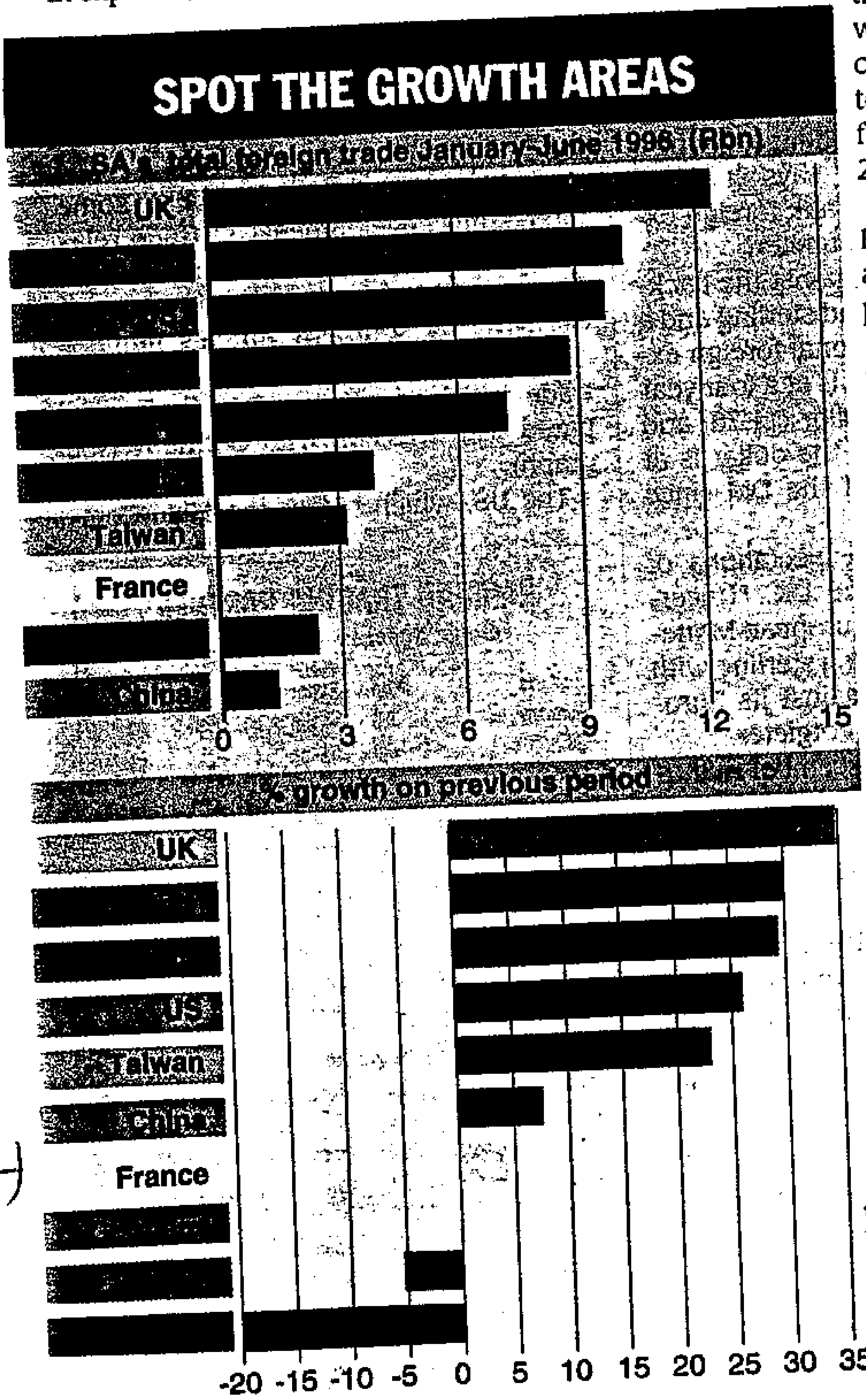
Southern Africa's main export worldwide is the category which consists mainly of diamonds and gold (the latter recently transferred from the "other unclassified" category). In the six months, it brought in revenue worth R16bn. The next biggest category (base metals) was worth R8,5bn, followed by mineral products at R7,7bn.

Surprisingly, Germany imports mainly "miscellaneous manufactured" goods from SA — in the six months, worth R465m — mostly semifinished products. But this category also contains finished products, such as steel products, pumps and compressors. *Ethel Hazelhurst*

**RANKING TRADING PARTNERS**

**Foreign trade: January-June 1996**

| Imports | Rbn | Exports | Rbn |
|---|---|---|---|
| Germany | 8,0 | Africa | 7,2 |
| US | 6,8 | UK | 6,1 |
| UK | 6,3 | US | 2,9 |
| Japan | 4,4 | Japan | 2,8 |
| Italy | 2,5 | Germany | 2,2 |
| Taiwan | 1,8 | Italy | 1,4 |
| France | 1,8 | Taiwan | 1,4 |
| Switzerland | 1,2 | Switzerland | 1,1 |
| Africa | 1,6 | France | 0,7 |
| China | 1,0 | China | 0,4 |
| **% growth** | | | |
| Italy | 31,6 | UK | 56,4 |
| China | 25,0 | US | 31,8 |
| US | 23,6 | Africa | 30,9 |
| Africa | 23,1 | Italy | 27,3 |
| Taiwan | 20,0 | Taiwan | 18,2 |
| UK | 18,9 | Japan | 16,7 |
| Switzerland | 8,3 | France | 14,3 |
| Germany | 1,3 | Germany | (4,3) |
| France | 0,0 | China | (20,0) |
| Japan | (15,4) | Switzerland | (38,9) |



# SA firms losing race for region's markets – analyst

## *Foreigners pour in to seize opportunities*

(74) ARG 15/1/97

ALIDE DASNOIS
BUSINESS EDITOR

**South African companies must jack up their regional strategy if they do not want to be squeezed out by foreign groups.**

That's the warning from Mike Perry of Perry & Associates.

Writing in the latest issue of the Institute of Directors' monthly Directorship, he says "arrogant" South African businessmen tend to think that only South Africa can dominate the regional marketplace.

As a result, few South African companies have a regional strategy.

"With the coming of a Southern African regional trading block this leaves the back door open to global players," he says.

Companies from the United States, Europe, other African countries and Asia have "poured" into South Africa, often with minimal investment, with the aim of implementing a regional strategy for Africa.

South African companies face competition on four fronts, Mr Perry says.

United States-based multinationals, such as Microsoft, McDonalds and Procter and Gamble, can exploit superior technology and the power of their brands.

European "invaders" are profiting from historical links and converting their South African operations into regional strategic pivots.

Examples given were Nestlé in a joint venture with Dairy Maid, Unilever creating new standards in the ice-cream market through the Ola joint venture with Clover, BMW's expansion of the Rosslyn operation to boost exports to Indian Ocean markets, and Volkswagen exporting to China from South Africa.

"Arrogant" South African businessmen are also vulnerable to competition through their own "back door", Mr Perry says.

Swazi Sugar has captured 23 percent of the South African market in as many months; Dunlop Tyres made in Zambia are on sale in South Africa; Tata Industry makes buses in Zambia which are price-competitive within the region; low -cost pharmaceuticals from Zimbabwe could find their way south of the Limpopo.

"Because of the nature of disinvestment from southern Africa, there are brands with common names and pack identity (particularly foodstuffs and pharmaceuticals) with different owners on each side of the Limpopo; once the trading barriers in Southern Africa are reduced, chaos could ensue," Mr Perry says.

Finally, South African companies must face "surprise attacks" from the East, he warns.

Japanese products, especially motor vehicles and consumer electronics, are already well-established in the South African market, and "there is much more to come".

With a few exceptions, South African manufacturers of domestic appliances have been wiped out, leaving Korean group Samsung to capitalise on the growing market which follows the electrification of 1 000 homes a day.

"Malaysian entrants have secured a sizeable chunk of Boland Bank, made the biggest international investment to date, in Engen, and are developing a new town near Midrand.

"Three Indian pharmaceutical companies have already established strategic alliances in South Africa and are poised to introduce low-priced competition into the South African pharmaceutical market."

And Perry & Associates has been contracted twice to develop strategies to ward off the entry of Australian multinational companies.

All industries in South Africa are affected by this competition, Mr Perry warns. Cost-cutting and down-sizing are not the way to beat the competition, he says.

South African companies should be repositioning themselves in the domestic market as well as re-entering the world.

On the domestic front, the market is changing and new markets are emerging, but many companies "have not noticed this".

"For example the electrical appliance market is fast growing because of black consumers, yet appliance manufacturers have all but gone out of business.

"Informal distribution channels have now become so large that some manufacturers bypass the large retail and wholesale chains and market their products on the street or through spaza stores," Mr Perry says, citing biscuits, tea, toilet paper and plastic extrusion products as examples.

On the world front, the first step for South African companies must be to become dominant in the region.

Although economies in southern Africa are much smaller than that of South Africa, a sound regional strategy will quickly add 10 to 15 percent to volumes sold, Mr Perry claims. At the same time, domestic companies should be penetrating selected international markets.

The legacy of colonialism and sanctions means South African companies export to the wrong markets, where returns are lower, Mr Perry says.

# SA denies plan to reject EU trade offer

John Dludlu

SA AND the European Union headed off a potential standoff in their co-operation talks yesterday, denying reports that Pretoria would reject the EU's offer.

The Financial Times reported that Pretoria would reject the terms of a trade agreement suggested by the EU, and would challenge Brussels' approach to economic development in the region.

Trade and industry department chief director of foreign trade relations Faizel Ismail said the tone of the piece did not reflect SA's position.

"We have not rejected the free trade area. There is no basis to suggest that we are poised to take a confrontational approach."

SA had taken the challenge of considering a free trade area and had put forward a framework more viable than the one proposed by the EU, he said. The report, coming a day after SA had set a date and named its negotiators, was seen as casting a dark cloud over the talks next Friday.

However, EU ambassador in SA Erwan Fouéré said: "We do not see any rejection by SA." Although SA was unhappy about the EU's suggestion to exclude 39% of its exports to the EU, there was agreement that negotiations were important.

Ismail said the exclusions proposed by Brussels meant the proposed accord was not viable. African National Congress MP Rob Davies said SA's trade and development approach was sensitive to the economic development of Pretoria and its neighbours. The accord should take into account the different stages of development of the EU and SA, he said.

Fouéré said there was a collective responsibility to ensure the final accord was positive for the region's economies.

(74) BD 16/1/97

Comment: Page 9

# Free trade offer angers SA and confuses the EU

CT (BR) 20/1/97

(74)

JOHN FRASER & PETER FABRICIUS

Brussels — European Union chiefs admitted last week they are uncertain about the legality of a controversial offer they made to South Africa of a free trade area (FTA).

The proposal for a FTA would exclude 40 percent of South African farm exports to Europe, which has angered the South African government. Pretoria has said it doubts that the 40 percent exclusion would be compatible with World Trade Organisation (WTO) rules and has complained that the EU has reneged on its 1994 promise to help develop the new South Africa.

The EU itself expressed doubts last week that the 40 percent exclusion would meet WTO rules. The European Commission in Brussels issued a communique saying that the WTO's rules on FTAs were not sufficiently clear.

An EU official said the EU must review its agreements with other countries "in order to ensure that they remain compatible with the world trading system". He highlighted WTO wording about FTAs which says they should cover "substantially all trade".

If the EU review concludes that the exclusion of 40 percent of South Africa's farm exports from a FTA is not legal, that might prompt a review of Europe's stance in the negotiations with Pretoria which begin next Friday.

South Africa will present its long-awaited response to the EU offer. Although no details have been confirmed, it is clear it will differ substantially from the EU position.

Bahle Sibisi, South Africa's bilateral trade director, said South Africa found the EU offer unacceptable but denied reports in the British press which suggested that South Africa had rejected the whole basis of the EU's offer of a FTA and that confrontation with the EU was inevitable. — Independent Foreign Service

# Squeezing a few extra drops out of an arid EU trade deal

(74) CT(BR) 20/1/97

South Africa's tireless trade negotiators return to the table this week with the task of convincing their European Union counterparts that the development of southern Africa is a cause worth supporting by offering South Africa preferential trade terms.

The free trade negotiations between the two parties have given little to cheer about over the past two years and a date for their conclusion remains nowhere in sight. The lack of progress has exasperated South Africa, not least because it expected a fillip in recognition of its transition to democracy. Instead, it found itself on the receiving end of hard-nosed trade talks with an entity of baffling structural complexity protective of its members' wine and oranges.

The European Union first rejected South Africa's proposal for access to the preferential trade terms offered under the Lomé convention to other African, Carribean and Pacific countries. Thereafter, with the EU's proposal to restrict 40 percent of South Africa's agricultural products and South Africa's position that it should not give more preferential access to its market to the EU than it gives its neighbours have been sticking points. Brewing controversy suggests that the EU's free trade agreements could fall foul of World Trade Organisation rules.

While a timeframe appears not at issue, Alec Erwin, the trade and industry minister, betrayed unmistakable restlessness last year. He said the European Union was missing out on a "historic opportunity" to seal ties with southern Africa and play a role in its development.

At the time, he warned that South Africa would turn to alternative trading partners. Others have complained that the European Union has treated South Africa with "the take it or leave it" approach it dealt out to a desperate Eastern Europe.

JAMES LAMONT

Although Europe is South Africa's largest trading partner and source of international investment, Erwin's feint at "hard-ball" from the developing world was not misplaced. South Africa's bilateral trade is growing fastest with Latin America and Asia. Moreover, failure to reach an agreement with Europe would not mean South Africa's trade flows were seriously impaired.

Nevertheless, when negotiations between the trade and industry department and the European Union resume on Friday, South Africa will bid to push the most powerful economic bloc in the world to the very limits of its mandate.

One good reason to persevere is that the department's cluster studies have shown that South African industry, including the clothing and textile sector, is responding well to a restructuring process geared towards scaling down of tariffs.

Contrary to reports last week that South Africa had rejected the whole basis of the EU's offer of a free trade offer, the latest initiative will try to bundle the union's free trade deal into a regional strategy within the EU's mandate. It will argue that should South Africa be expected to take a lead role on the continent — as it was asked to do during the Great Lakes crisis — then it must have the wherewithal to do so.

The new hook, which has already been floated by the EU, seeks European support for the industrialisation of the region. In part, the new approach stems from the startling revelation that the trade balance between South Africa and the region has skyrocketed in South Africa's favour over the past two years. In 1995, South Africa's exports to the Southern African Development Community ballooned to R10,6 billion from R6,7 billion in the previous year. The leading exports were machinery, mineral fuels, iron and steel. The region's exports to South Africa were R1,4 billion. The need for altered regional trade relations is more urgent than with the EU.

The solution to what spells regional impoverishment and the kind of de-industrialisation which has decimated hubs like the Zambian copperbelt is to persuade South African companies to invest in its neighbours' manufacturing capacity.

That could create a virtuous economic circle rather than reflect a flight of jobs at home for cheaper labour markets. Other foreign investors could also create demand for South African goods. Already exports of capital goods from South Africa to the region are on the rise and local companies are at the forefront of privatisations.

Beyond a more symmetrical trade deal, South Africa could seek structural support from the EU for industrial and investment links within the region.

But given the obdurate nature of the talks so far and the absence of remarkable political initiatives from Brussels, extracting regional development from a free trade agreement might be too much to ask.

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Dr Molefe Tsele, executive director of the South African Council of Churches' Ecumenical Services for Socio-Economic Transformation (Esset), says South Africans must get involved in the SA-EU trade agreement discussions.

PIC: CLEMEMT LEKANYANE

# Too many still 'in dark' about SA-EU talks

(74) Sowetan 20/1/97

By Isaac Moledi

SOUTH AFRICANS must get involved in current talks between the country and the European Union, a church seminar was told at the weekend.

Dr Molefe Tsele, executive director of the South African Council of Churches' Ecumenical Services for Socio-Economic Transformation (Esset), said it was imperative that South Africans participated in the SA-EU trade discussions as these would have very profound implications for the future economic wellbeing of Southern Africa as a whole.

He said it was ironic that a large constituency of stakeholders was still in the dark about the looming agreement. The agreement is likely to have an "unparalleled impact" on the way the economy in South Africa and within the Southern African Development Community (SADC) is going to take shape.

"These talks are not simply about cosmetic rearrangement of the rules of the trade game. On the contrary, they strike the core nerve of economic activity and, therefore, will determine the space and chances of our economic recovery and development," said Tsele.

South Africa is expected to go into the next official round of talks to negotiate a free trade area (FTA) with the EU in Pretoria on Friday.

Progress towards trade agreement has already been delayed because of a deep division among the EU governments over the terms to be offered – particularly on whether the South African agricultural products should get free access to European markets or not.

## SA uncomfortable

South Africa is also not comfortable with the EU rejection of its proposal for access to the preferential trade terms offered to other African, Caribbean and Pacific countries under the Lome Convention. The EU suggested qualified access to Lome with both sides phasing out tariff barriers on industrial and some agricultural products over 10 years.

The Union's proposal, aimed at allowing the EU better access to South African markets than members of the SADC, is also bound to cause barriers between South Africa and other member states of the regional grouping.

# EU 'has moral debt to former colonies'

ST (74) BD 20/1/97

John Dludlu

THE European Union (EU) has a "moral debt" to retain nonreciprocal trade concessions available to former African, Caribbean and Pacific (ACP) colonies, a German church-based organisation has said.

Interviewed after a Johannesburg seminar organised by the Ecumenical Service for Socioeconomic Transformation, Ecumenical Service for Advocacy Work on Southern Africa official Theobald Kneifel called on the EU to renew the generous trade preferences it granted to the ACP nations in terms of the Lomé Convention.

The convention provides a trade, political and aid framework for ACP/EU co-operation and SA has been offered partial membership. The EU has hinted, as an option in a recent discussion paper, that ACP nations might be asked to open their markets to Brussels when Lomé comes up for renewal at the turn of the century.

Kneifel said the World Trade Organisation, which grants a waiver to the convention for its discriminatory nature, should change its provisions to allow for the continuation of the trade concessions. "Lomé is very important for Africa," he said.

It was important that the aid and trade concessions be continued to prevent further marginalisation of Africa, he warned.

Kneifel said although the Lomé green paper did not call strongly for reciprocity from the ACP nations, he felt the EU wanted to use the free-trade area with SA as a model for future relations with the ACP states.

Kneifel attacked the EU, arguing that it had moved from "solidarity (to SA) to free trade area and opposition".

In defence of the union, EU economic counsellor Angelos Pangratis said it was "unfair and dangerous" to stress the negative aspects of the EU's proposal.

He said the European Programme for Reconstruction and Development granted more than R600m in aid to SA annually — an indication of the EU's commitment to the country. He rejected claims that the EU was imposing the free-trade area on Pretoria, saying SA was a sovereign state.

# EU-ACP relations at delicate point

(74) Sowetan 21/1/97

## Green Paper to review long-standing relationship has been drawn up

By Simon Maxwell

BRIGHTON – THE EUROPEAN Union is a serious and grown-up institution. It has a flag. Indeed, the little gold stars appear not just on a flag, but on Land Rovers, sacks of grain, mugs, watches, pens and plates.

Actually, this is worrying. Merchandising can be a confidence trick. It can set out to create the illusion of shared values, where no common interest exists.

Europe, as Metternich said of Italy, may be nothing more than a geographical expression. But if we swear allegiance to the flag often enough, we may end up believing the rhetoric.

Developing countries need to know whether the fluttering flag is a consumer come-on or something more substantial. And they need to know it now, because Europe's relations with developing countries are approaching the most important crossroads for 25 years.

### Green Paper

Last November the European Commission adopted a Green Paper which throws into play as never before its political, trade and aid relations with the African, Caribbean and Pacific (ACP) nations, and with developing countries more widely.

The debate will last for 18 months. If developing countries don't think their relations with Europe through quickly, it will be too late.

In 1975 the European Community was little more than a fledgling free trade area. Yet the first Lomé Agreement, signed in that year with 46 ACP countries, cemented a strong political relationship between Europe and at least part of the Third World.

The relationship was built on the twin foundations of aid and trade. It was imbued with the principles of contracts, mutuality, reciprocity and partnership. From an ACP perspective, the flag was much more than a symbol.

At the end of 1996 the picture was different. Internally, Europe has become stronger. The single market has been completed. A single currency is planned. A common foreign and security policy is in the pipeline.

Externally, however, the certainties of the '70s have been eroded. The number of ACP countries has grown to 70.

Yet, politically, the intrinsic value of the ACP relationship has been challenged by growing differences in income and development status within the ACP group, and by the manifest inequity of excluding Europe's important partners in South Asia from the special relationship.

In trade terms, Lomé preferences are still worth having, but are less valuable and more difficult to sustain in the new free trade environment established by the General Agreement on Trade and Tariffs' Uruguay Round in 1994.

And even on the aid front, a traditional bastion of EU relations with developing countries, money is tight: the mid-term review of Lomé IV, completed in November 1995, froze aid flows in real terms, despite the accession of three new EU members.

More worrying, the principles of the relationship have changed.

This is perhaps not surprising. When it came to automatic aid flows, the EU had its fingers burned by tyrants like Idi Amin in Uganda and Mengistu Haile Mariam in Ethiopia.

Like other aid donors, the EU has found it necessary to emphasise peace, good government and economic reform, even at the expense of a partnership of equals.

How will the forthcoming debate help the EU to determine its future relations with developing countries? More important, what kind of partnership should developing countries be seeking?

There are many options on offer, though by focusing on the ACP countries the Green Paper fails to consider the wider developing world.

Nevertheless, it sets out a variety of options, ranging from continuation of the status quo when the Lomé Agreement runs out in 2000, to new regional agreements or even a family of individual bilateral agreements.

### Key element

Regionalism is obviously going to be a key element in the debate. On the trade side, the options include removing trade from negotiations entirely, relying instead on the EU Generalised Scheme of Preferences to provide access to EU markets, and a variety of options to do with negotiated access to markets on a reciprocal basis.

Only on the politics is the outcome unambiguous: the EU says that "ACP-EU relations are still a key part of the Union's identity ... (and) our goal is clear – to revitalise ACP-EU relations".

In response, developing countries should recognise three principles. First, Europe matters to developing countries, and will matter in future.

In the crucial area of trade, the EU speaks for all its 15 members states. On aid, the EU currently accounts for only 20 percent of all aid from member states to developing countries.

But that proportion is growing fast. In any case, an annual aid flow from the EU of over R20 billion a year, the figure for 1994, is not to be sneezed at.

**Flashback ... President Nelson Mandela and French president Jacques Chirac on Bastille Day in Paris last year. Europe is important to developing countries like South Africa. In 1994 European Union aid to developing countries reached over R20 billion a year.**

Secondly, Europe matters to all developing countries, and not just to the ACP.

The commission has actually done developing countries a disservice by publishing a Green Paper dealing only with the ACP – reflecting the idiosyncrasies of its own internal organisation, rather than the logic of the argument.

The EU may or may not be right to argue in favour of sustaining the ACP, but the key issues revolve as much around relations between the ACP and other groups as they do around relations between the ACP and the EU.

To take just one example, aid diversion to middle-income countries in the Mediterranean and Eastern Europe has reached scandalous proportions and will get worse.

In 1995, nearly half of European aid was directed to the Mediterranean, the former Soviet Union and Eastern Europe. This is an affront to all those who believe that the first purpose of aid is the relief of absolute poverty in the poorest developing countries.

Last, but not least, if the EU is to fulfil the potential of its relations with developing countries, then developing countries must insist on a quantum leap in efficiency, good housekeeping and accountability.

Recent evaluations have shown that the EU needs to simplify aid instruments, decentralise aid administration and improve project planning.

A seasoned EU observer, Mirjam van Reisen, has pointed to "important limitations constraining the quality of the work of the commission on development cooperation". Developing countries deserve better, and should insist they get it.

The flag, then, is not an empty symbol. Europe cannot be ignored, nor should it be. But this leaves developing countries with much to do. – *Panos*.

*(The writer is a Fellow of the Institute of Development Studies, University of Sussex, Britain.)*

# SA's development vision is set out before EU talks

CT (BR) 22/1/97 (74)

ROY COKAYNE

Pretoria — South Africa envisages a trade and development agreement rather than a free trade agreement with the European Union, according to a briefing document just released.

The document sets out South Africa's position in regard to a trade agreement with the EU prior to negotiations with the EU in Pretoria on Friday.

It said the trade and development approach recognised South Africa's developmental needs, as well as the needs of the region, and "in fact better articulates the developmental vision that the EU initially expressed for South Africa and the region".

The proposals were intended to fulfil the following objectives:

- Contribute positively to placing the South African economy on a new development-orientated growth path and achieving the broad socio-economic objectives defined in the RDP;
- Lead to the restructuring of the present unbalanced economic relationship, in terms of which South Africa exports mainly raw and semi-processed materials in exchange for highly processed capital goods, into a balanced and mutually beneficial one. This imbalance was also reflected in the growing trade deficit that South Africa has experienced with the EU;
- Remove the discriminatory treatment currently applied to South African exports to the EU;
- Increase foreign direct investment in outward-orientated South African sectors and in the region's infrastructural projects;
- Contribute positively to the promotion of equitable and mutually beneficial co-operation and integration in the southern African region to which both South Africa and the EU have declared commitments;
- Ensure that meaningful economic benefits are derived from South African membership of the Lome Convention;
- Promote co-operation between the EU and South Africa; and
- Provide a framework for political dialogue to foster close relations in areas of common interest.

Dr Elty Links, the South African ambassador to the EU, said the differences between the mandate of the EU and South Africa's position were clear.

He said the differences would "inevitably raise eyebrows and raise tones of voices", but they should not be blown out of proportion. Both the differences and convergences would be discussed at this round of negotiations.

# Trade deal with EU a golden opportunity

(74) BD 22/1/97

**The search for a trade agreement between SA and the European Union should not be allowed to fail, writes John Dludlu in a three-article analysis**

THE negotiations between SA and the European Union (EU), which resume in Pretoria this Friday, are nearly in the same league as constitution-writing is in a nation's history.

The two parties have overcome huge obstacles to come to the negotiating table this week. The EU, which promised to support the new democracy in SA, has had to persuade its 15 governments and lobbyists that their heavily subsidised farmers will not be swamped by SA agricultural exports.

SA, which was initially vehemently opposed to the idea of exploring a free trade area with the EU, has come a long way to accepting the challenge to look for flexibility in the EU mandate, although there are still lingering doubts on the EU offer's viability.

Although time consuming, the pre-negotiation posturing — characterised by threats of "walkaways", "outright rejection of the EU offer" and "take-it-or-leave-it offer" calls in Brussels — has enhanced the two sides' mutual understanding.

Two studies, assessing the effect of the proposed free trade accord on the EU and SA's neighbours, which are due soon will shed more light on the complexities of the negotiations.

In its March 1996 negotiating mandate — a response to SA's request for improved market access to the union and closer relations with the African, Caribbean and Pacific (ACP) bloc — EU ministers proposed a twin-track route.

This provided for SA's partial accession to the Lomé Convention, the EU's trade and aid co-operation accord with the ACP countries, but notably excluded Pretoria from the convention's generous trade concessions.

The EU directives, showing that ministers had succumbed to farm lobbies, called for a skewed free trade area in Pretoria's favour — replacing the present general scheme of preferences arrangement — but suggested that 39% of SA's agricultural exports be excluded from the accord.

Despite being more flexible than a general scheme of preferences, the mandate generated a barrage of criticism from Pretoria and countries sympathetic to SA.

The criticism focused mainly on the exclusions and the call for reciprocity from SA, with Pretoria saying the offer was not in line with the political commitment that greeted the new African democracy.

After months of consultations with neighbours in southern Africa and government's labour and business partners in the consultative body Nedlac, Pretoria's position has started to take shape.

In its view, which has so far been ineffectively communicated, Pretoria feels the issues are bigger than just trade with the EU — it is about relations extending for more than a decade, and about SA's role in Africa.

In an interview this week, Faizel Ismail, chief director for foreign trade relations at the trade department, spoke about government's approach to the talks.

While stressing that Pretoria has not rejected anything from the EU, he said the proposed agreement had to be considered in the context of internal and regional industrial restructuring programmes and changing patterns of trade with Africa.

New insights gained in this processes include increasing SA's exports (including exports from Botswana, Lesotho, Namibia and Swaziland) to the rest of the southern African region to almost the same level as with the EU.

SA's exports to southern Africa, accompanied by investments and jobs, have displaced EU nations as traditional suppliers to these markets, reflecting, in part, the post-apartheid acceptance of SA and the relative competitiveness of its products.

While SA capital and industries are playing a laudable role in the continent, the result is that SA enjoys an unhealthy trade surplus with the region.

Interestingly, it has also become evident that SA's trade with other regions — such as Latin America and Asia — has been growing, in some instances, faster than with the EU.

Industrial restructuring which also sees firms looking for niche markets in cheap areas in the region, has seen jobs moving to different segments of an industry.

"Therefore," Ismail says, "we have to ask how further tariff liberalisation will impact on the industries."

SA firms are willing to open markets reciprocally provided the EU deal brings greater access to the EU, allowing SA exporters to increase their production.

Bahle Sibisi, Ismail's colleague, says a deal with the EU has to strengthen SA's constructive role in the region.

"Companies should relocate somewhere in the region rather than close shop."

After all, Pretoria says it is in Brussels' strategic interests — as large investors in these countries — to have SA's stabilising role in Africa continue. This will deliver expanding markets to the former colonial masters.

SA says its approach — known as trade and development — offers the EU an opportunity to be partners in the growth of the region. "Their (EU's) interest in Africa coincides with ours ... there's enough common ground to achieve a mutually beneficial outcome," Ismail says.

An SA-EU trade deal is not sufficient to give impetus to growth, investment and stability in the region. Initiatives to encourage industrialisation in the country and outside are required.

It has become clear that using the EU's free trade agreement as a basis for trade co-operation will lead to loss of revenue for the BLNS club.

The EU, which grants more than R600m a year to SA in aid, has indicated its willingness to help the BLNS countries with fiscal resources to alleviate disruption by a free trade agreement with SA, although no figure has been put on it. There has recently been an increased understanding in Brussels of the importance of the BLNS countries.

Erwan Fouéré, the EU ambassador to SA, says the positive economic impact of the deal with SA to its neighbours is one of the key planks in the EU's proposal.

While the interests of the two sides may coincide on the importance of the region and the continent, there are several areas of disagreement.

Sticking points for Pretoria include an apparent attempt in the EU to link multilateral issues — such as procurement policies, intellectual property rights and competition policy — to the bilateral talks.

While some of these issues are of genuine interest to EU states, Ismail says these are best left at multilateral level where Pretoria is actively participating. Bilateral agreement on these issues ahead of consensus in the multilateral trading system will enhance EU access to SA markets.

EU access for SA's fish exports has been linked to Brussels access to SA's fishing waters, presenting a potential stumbling block to the negotiations.

Although sources close to the talks are reluctant to read too much into last year's conclusion of an European and SA technology agreement — without waiting for progress on other issues — there does appear to be flexibility in the EU's approach.

If the technology accord reflected a softening of the "link" tactic in Brussels, the commission, the EU's executive arm, is worried it will not be able to make another concession to Pretoria soon without the latter doing the same.

A possible concession, although very small, might be the acceptance of the EU's offer by Pretoria for SA firms to start participating in projects funded under the eighth European Development Fund — the ad hoc kitty made up of EU states' contributions to finance Lomé.

SA wants tender rights for its companies extended to the seventh European Development Fund, based on the past slow expenditure of these funds.

The commission, which has been Pretoria's ally in the fight against member states, believes SA might not have much to gain as substantial amounts have already been committed.

In its mandate, SA is understood to have questioned the compatibility of EU mandate which proposes to exclude 39% of SA's agricultural exports to the EU. The provisions of the World Trade Organisation are not sufficiently clear on free trade agreements.

Fouéré says the EU wants the final accord to comply with WTO, while one commission source says the EU's free trade agreement was evaluated for WTO compatibility before presentation to SA.

"It covers over 80% of trade," he says, emphasising the exclusions do not amount to a whole sector — only about 4% of all trade.

At this round, Ismail hopes the EU will "locate its narrow proposal within the wider development perspective of the region". SA can expect a thorough grilling on "how far its regional commitment goes" from the EU.

As in all defining moments in nations' histories, bumps — such as angry outburst, threats and actual walkouts and damage control by leaders — are inevitable, but the search for this historic accord should not be allowed to fail.

# Cool heads will keep tension out of talks

(74) BD 22/1/97

**A trade source says the appointment of Eltie Links as leader of the SA delegation in talks with the European Union is an indication the negotiations are about co-operation in a range of issues**

THE appointment of Eltie Links, SA's ambassador to the European Union, as leader of the Pretoria delegation in this week's co-operation talks with the EU has been welcomed by trade analysts.

Until early last year, Neil van Heerden, then head of the SA mission in the EU, was the leader of the talks. But when Van Heerden resigned to take a position as executive director of the SA Foundation, the role of the leader was not sufficiently clear.

One trade source says Links's appointment indicates that the talks are about comprehensive co-operation in a range of issues — not only trade. A selection of a leader from the trade and industry department would have reinforced the erroneous idea that the talks are chiefly about trade.

Links has served as SA's representative in the Bretton Woods institutions before returning to Pretoria as chief director for international financial relations in the finance department.

LINKS

RUSTOMJEE

Links and trade and industry director-general Zavareh Rustomjee, who is to lead the trade aspect of the talks, are seen as bringing realism and technical skills which will be crucial to the negotiations.

The two are known for their nonconfrontational approach to potentially divisive issues.

Rustomjee, former adviser to Trevor Manuel when he was trade and industry minister in 1994, showed his leadership qualities last year when he had to try to persuade business to adjust to the reduction of the much loved general export incentive scheme (GEIS). Throughout the GEIS battle, which industry observers feel he won, Rustomjee maintained his cool.

Faizel Ismail, chief director of foreign trade relations, adds more brains to the SA team.

Until now, Ismail — once tipped to head the SA mission in Brussels — has co-ordinated talks on the controversial trade aspect with the EU and has been at the forefront of consultations within the National Economic, Development and Labour Council and with SA's neighbours in southern Africa.

He is respected as a "bright and sensible person" in Brussels.

The SA delegation will also include US-educated trade relations director Bahle Sibisi, foreign affairs deputy director-general Abdul Minty, and Shaheed Raji from finance.