

EUROPEAN ECONOMIC COMMUNITY (EEC)

1992

# Rich states blamed as Third World starves

STAR 9/1/92. (S&A)

THE ENORMOUS support payments that Europe's taxpayers and consumers make to EC farmers are a major contributor to poverty and famine in the Third World, the recently retired director of Britain's leading foreign aid charity said this week.

Lord Judd, director of Oxfam until the end of last year and a Labour Party peer, told the Oxford Farming Conference that farm policies in Europe and the United States were ruining the livelihood of poor farmers in the developing world. They had led to crop surpluses being dumped on world markets at low prices, often undercutting the prices Third World farmers needed to make a living.

The EC and other wealthy

nations had also put up trade barriers which made it difficult for developing countries to export to the West.

The Common Agricultural Policy (CAP) was set up to prevent farmers deserting the countryside and ensure Europe grew enough food to give it security, said Lord Judd. "But the impact of subsidised exports discourages agricultural production and undermines food security in Third World countries."

An example of this was the dramatic fall in international sugar prices in the mid-1980s, caused, he said, by protectionist farm policies in the US and

EC. This price collapse had led to calls to Oxfam for emergency aid to the cane sugar regions in the Philippines.

"At the time Oxfam was heavily involved in the famine relief effort in Ethiopia. It was hard to accept that there could be a parallel problem of widespread starvation on an agriculturally fertile tropical island — hard to believe that our trading system was so distorted it could force almost prosperous farmers into starvation," Lord Judd said.

This kind of hardship followed from the CAP's one undoubted success — enormous-

A former Oxfam director has accused the European Community of putting up trade barriers to exclude the Third World, reports NICHOLAS SCHOON.

ly boosting food production in Europe. The 12 nations now in the EC imported nearly 4 million tons of sugar a year in 1967, he said. Guaranteed high prices, intervention purchases and import levies changed all that. By the mid-1980s, when the international market collapsed, the Community was a net exporter of nearly 4.5 million tons of sugar.

Lord Judd said there should be one law for the poor and another for the rich. While developed nations should no longer be allowed to protect their home markets, developing countries should. "Third World countries should be al-

lowed to protect their fragile food production industries until they also achieve food security."

At present, one in three people in developing nations did not have enough to eat, he added. "The gap between rich and poor is growing. But famine will not be ended without more accountable, democratic governments with the will to tackle poverty."

Professor David Harvey, of Newcastle University, said reforms that attempted to keep high food prices in Europe were doomed to failure. "If the electorate wants to support farmers on small farms, they should be subsidised directly, not by giving them subsidised prices for their produce," he said. — The Independent News Service. □

# Denmark allows EC to drop sanctions

STAR  
10/11/92

COPENHAGEN — Parliament yesterday decided to ease Denmark's long-standing economic sanctions against South Africa and allow other European Community countries to lift bans on SA iron, steel and gold coins.

Denmark, the only EC member maintaining sanctions, had blocked the other 11 countries from removing the final trade bans on SA products and trade.

Foreign Minister Uffe Ellemann-Jensen can announce at an EC meeting in Brussels, Belgium this weekend that Denmark will retract its veto on other EC countries importing metals from South Africa, said Jorgen Winther, chairman of parliament's all-party Foreign Affairs Committee.

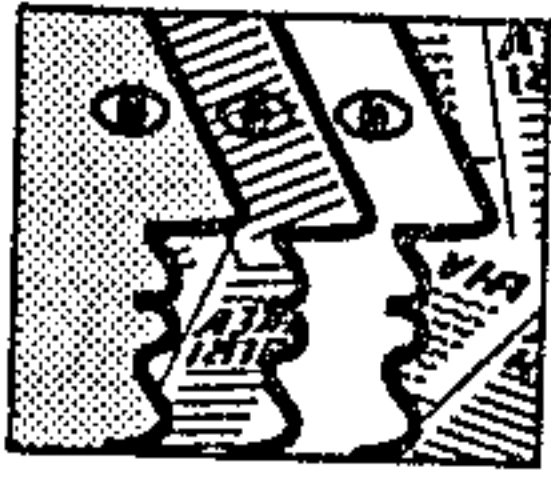
Denmark itself will maintain its ban on South African coal and some other goods until parliament determines that a referendum on a new South African constitution will be open to blacks as well as whites.

In the meantime, a majority of the party representatives on the Foreign Affairs Committee gave the government permission to lift bans on investment, trade, air travel and other services with South Africa.

A majority in parliament had thwarted the Conservative-led minority government's desire to remove the sanctions.

The opposition parties had expressed scepticism about the Pretoria government's willingness to end apartheid and allow blacks full democratic rights.

Conrad Sidego, South Africa's new ambassador to Denmark, said that the sanctions no longer served any purpose. — Sapa-AP.



## Newsmakers

### New leader for EC body (S6A)

STAR 15/11/92  
STRASBOURG (France) — Egon Klepsch, a German Christian Democrat, was elected yesterday by fellow legislators as president of the 518-member European Parliament. In his acceptance speech, Mr Klepsch pledged to create a larger role in European Community affairs for the largely consultative assembly.



### Aids groups gain from will

FORT PIERCE (Florida) — Kimberly Bergalis, who contracted Aids from her dentist, donated \$60 000 (about R168 000) in her will to Aids organisations and the remainder of her \$1 million-plus insurance settlement to family and friends. Miss Bergalis, who died last month aged 23, was the first person known to have been infected by a health care professional.

### STAR 15/11/92 (S6A) Young Gandhi declines post

NEW DELHI — The 20-year-old daughter of assassinated premier Rajiv Gandhi, Priyanka, declined yesterday to accept an appointment in India's ruling Congress party. A statement issued by the Gandhi household said her unopposed election was "an expression of affection and regard by the Congress workers for her late father".



### ... 'not retiring'

MIRO — After announcing his re- day, three-time world racing ... has said yesterday he ... his comments had ... media. His wife



**D**ON'T EXPECT everyone here to be looking at Johan-nesburg. This is the blunt message of Dr Martin Kramer, an Africa specialist based in Germany. He is entirely accurate. Similar warnings from other quarters in Germany bear him out.

In fact, don't expect anyone, anywhere in Europe, to be looking at any city in South Africa — or indeed at Africa.

It may be unpalatable to people living in Africa, but the reality is that most people in Europe — particularly politicians and businesspeople — have more pressing things on their minds.

- Western Europe is forging its own political and economic unity, and the process was given impetus by December's summit of the 12-nation European Community (EC) in Maastricht, Holland.

- Cooperation between the EC and six other Western European countries affiliated to the European Free Trade Association is growing apace.

- Germany's Bundesbank has raised its interest rates, sending ripples across the rest of Western Europe where currencies are in one way or another pegged to the Deutsch Mark.

- Civil war rages on and off in Yugoslavia — forcing Western Europe to consider joint responses to the questions of recognising Croatia and Slovenia and of dealing with waves of war refugees seeking sanctuary in the West.

- To the east, civil strife and famine in the former Soviet Union cast a large shadow over the integration, stability and wealth of Western Europe.

It is against this background that the same warning from across the political spectrum in Germany may be heard: events in Europe are eclipsing Africa.

Explains a senior Foreign Ministry spokesperson in Bonn: "It would be a great mistake for us not to invest all possible energy and resources at the moment to reconstruct the new European order."

"We are living in extraordinary times here. And we know from history how important it is for the world to have solid and viable political structures in this part of the world."

What is now taking place in Europe, in his view, "is a vital question for our existence".

**S**O IRRELEVANT is the Third World to the European cauldron of chaos in the east and consolidation in the west, that one could easily imagine Africa sinking into the sea without a ripple being felt up north.

The big issues in Germany today are unification, immigration, asylum seekers and Eastern Europe. "They have forgotten Africa," says German development aid worker Dr Peter Tachau of his compatriots. "South Africa will also go lower down the agenda as its problems are sorted out."

Dr Kramer, the director of the Hamburg-based Africa Association, says about the economy: "At the moment, those businesses involved in South Africa have a high interest in what is happening there. Those not involved have none."

Another Africa specialist, Dr Rolf Hofmeier, says: "Africa is losing its market share in traditional tropical products like cocoa and coffee to Latin America and Asia."

Wages are lower in Africa, he argues, but productivity on the continent is also much lower than its competitors.

African countries are struggling to balance their external trade and are finding themselves unable to increase export revenues or reduce imports, he points out.

Western markets have reached saturation point for many African products. "Even if the price of coffee

# Africa: the continent that the world forgot

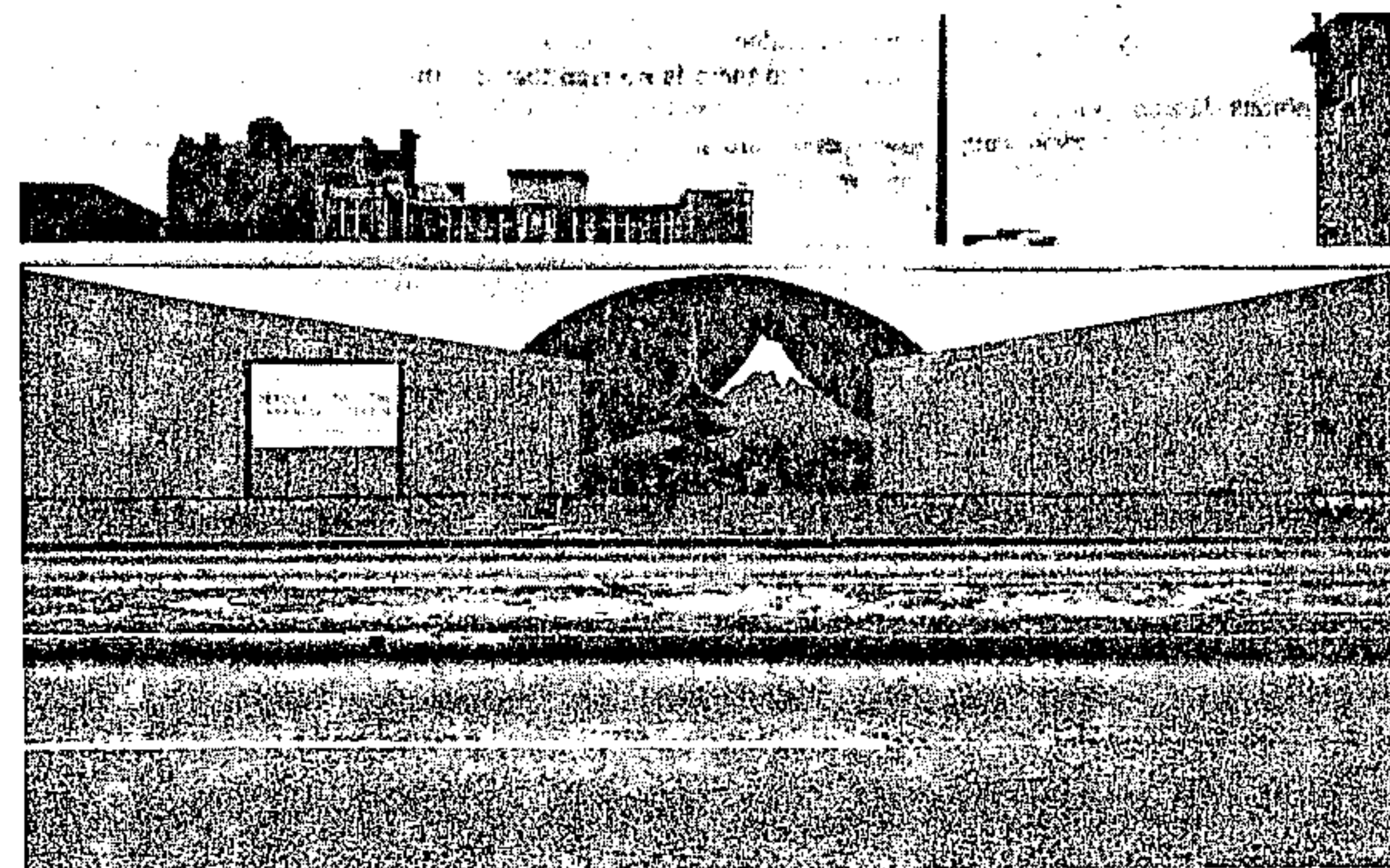
South 16/11 - 22/11/92

SGA

Democratic changes in Africa and South Africa maybe historic, but for people in Europe they are a million miles away. In Germany recently, South editor GUY BERGER found the momentous developments taking place in Europe have squeezed Africa's own changes completely off the agenda:



**WRITING ON THE BERLIN WALL:** Art on remaining sections of the Berlin wall highlights international issues absorbing people's attention in Germany: Eastern Europe and Japan



comes down, most Germans wouldn't drink more," says Hofmeier.

Africa today is also marginal to Europe in terms of foreign investment — with the exception of South Af-

rica. "Even where there are liberalised laws and an enabling environment for investment, there is no real reason for investors to go to Africa," he adds.

What of the future?

Says the Bonn Foreign Ministry official: "Over time the consolidation of Western Europe and the reduction in First World arms spending will

mean a greater demand for African commodities like cocoa, bauxite and coal."

He adds optimistically: "After the reconstruction of the east, the north/south relationship will become the number one political issue."

In his view a prosperous Western Europe, based on the EC and its growing relationship with the European Free Trade Association, will not become an economic fortress.

Europe's growing wealth and strength could benefit Africa economically, he concludes. There are, however, conditions attached.

Some of these are spelt out by Hofmeier, who heads Germany's Institute of African Studies.

A South African political settlement could set the scene for investment in the country, but there would have to be stability.

And, a new majority government would have to state convincingly it would not interfere in the economy.

Hofmeier says many different statements are coming from the ANC and "for those people outside who want to make a decision to invest or not, this doesn't help".

Says the Bonn Foreign Ministry official: "The main problem for German business has not been sanctions — the most important disinvestor was PW Botha. Now German business will look at the prospects — and violence is one important obstacle to new investment."

**T**HE ANC's statement on nationalisation and not repaying foreign debts also "play a role", he notes. "We encourage the ANC to get a more thoroughly-analysed economic philosophy."

The official believes, however, that the closer a liberation movement gets to power, the more pragmatic it tends to become about the basic principles of a modern economy.

Dr Kramer, who is organising a conference in March on what South Africans mean by "a mixed economy" says this phrase has not favourably influenced German companies. Businesspeople understand it to mean a system similar to that in the former East Germany.

"Countries with slogans like mixed economy and nationalisation — that is where THEY won't invest a penny," he warns. "If you use the wrong arguments, you will lose out." Even talk of "nation-building" may get an echo in some European church groups — but not in business circles, he notes.

Eastern Europe and Japan interest German companies right now, he states. "The world is so wide open now, and investors will go first to the highly industrialised economies." The Foreign Ministry spokesperson says: "This is no season for socialism." He adds: "Capital is a very shy deer — it runs away easily. Now capital is scarce in the world and everyone is trying to attract it."

Hofmeier disagrees — but only slightly. "It is not a zero-sum game. Big companies don't look either at Poland or South Africa. They have a worldwide strategy." He concedes that in terms of market size, most companies would focus on Eastern Europe, adding in consolation: "But that doesn't mean that no one goes to Africa." The key question, he says, is what investment opportunities are there in Africa?

Kramer gives a gloomy answer: Africa has already lost out in competition with Eastern Europe in his view. The continent may generally have a more developed and favourable business climate than Eastern Europe — but its market is not on the same scale, and neither is it on Western Europe's doorstep.

South Africa, advises Kramer, will have to "combine this new world experience into its nation-building experience".



# Germany's ghost lives on

W/Mcad

17/11-23/11/92

SGA

**G**ERMANY can never get it right, a senior German diplomat sighs as he grapples with the latest outburst of criticism from western Europe and the United States.

A year ago, as the Gulf conflict reached its climax, Bonn was berated for "cowardly, pathetic behaviour"; the economic giant was acting "as a political pygmy" which believed in chequebook diplomacy but refused to join its Western allies against Saddam Hussein.

"Shame!" cried Germany's critics, including many who had danced to a different tune only a few months earlier when the Berlin Wall came down and Germany was reunified. Then the critics fretted about Bonn flexing its political and military muscles to dominate Europe once again and undermine the framework for containing German expansionism.

Such fears, incidentally, did not prevent Germany's allies from allowing it to shoulder the main burden of economic aid to the East.

Now the argument has come full circle. The political pygmy imagery has been cast aside and Germany is again being accused of overweening political ambition, fed by dangerous nationalist sentiments.

Bonn's single-minded determination to recognise the independence of Croatia and Slovenia has undoubtedly jarred its allies. US officials are worried about German "strong-arm tactics" against its European Community partners and the way Bonn has ignored Washington's warnings.

French President Francois Mitterrand is complaining that "the spirit of Maastricht" and Germany's professed interest in a common EC foreign policy has been summarily abandoned. Other EC governments, less willing to criticise

*Fears are growing that the days of the 'good Germans' are over. But is this a realistic approach to Germany's present assertiveness?*

**BY HELLA PICK**

Bonn in public, are privately expressing fears that the Yugoslavian policy is merely the most blatant expression so far of a German foreign policy that endangers the evolution of the EC and the cohesion of Nato.

They are citing as examples of a new German assertiveness the facts that Germany is seeking more seats in the European Parliament to represent the East German Lander (states); that it wants German to be an official EC language in addition to English and French; and that the Bundesbank has unilaterally raised interest rates. But German President Richard von Weizsacker was emphatic this week that his country's foreign policy would exert itself "within the framework of the West's institutions".

Germany had certainly become more self-assertive — it was fully qualified to be an active player on the international stage — but the self-restraint exercised by successive post-war Bonn governments was not being jettisoned, he said.

France has always seen the EC as the prime vehicle for Germany's containment. Britain and the US have always believed that a key effect of the Nato alliance was the firm political and military disciplining of the Germans.

Now Mitterrand is warning that the days of the "good Germans" are almost over and that the world must brace itself for the worst. But British premier John Major prefers to see Germany as a giant that no longer needs to be bound down, and US President George Bush concurs.

Britain and the US may not like some of Bonn's policies, but they concluded more than two years ago that Germany was entitled to be treated as the US' chief negotiating partner in Europe: its size, geography and economic might all combine to make nonsense of the post-war policy of containment.

Once this is accepted, Western governments may begin to judge German policies on their merits instead of making every move a hitus test of self-aggrandisement.

Chancellor Helmut Kohl's decision to use more muscle in the GATT tariff negotiations should be strongly encouraged by the US and Britain: he is a firm advocate of free trade.

And while Bonn's decision not to press its case for a permanent seat on the United Nations Security Council has pleased the existing permanent members as a suitable exercise in self-restraint, they may come to realise that revision of the council's composition is inevitable and that it would make sense to bring in the other economic giant, Japan, as well.

But where Bonn will have to be most closely watched in the coming months is in its EC policies and its relations with eastern Europe.

In the EC, Germany's decisive role in shaping economic and monetary union is beyond dispute; but Kohl will have to demonstrate that what is good for Germany and the Bundesbank will also be made good for its EC partners. The Guardian

EC's SA oil <sup>(S6A)</sup>  
ban 'sabotaged'

LONDON — The EC's embargo on exporting oil to South Africa has been sabotaged by a group of seven companies, a new report claims.

Half of recent crude oil shipments to the Republic have been supplied by six shipping companies based in London. A seventh, based in Hong Kong, has supplied almost all the rest. <sup>STAR</sup>

<sup>27/1/92</sup>  
The claim, by the reputable Shipping Research Bureau in Amsterdam, is backed by figures that show between January 1989 and the end of last year, 137 large carriers delivered crude oil or petroleum products to South Africa. This amounted to about 25 million tons of crude — or 75 percent of SA's estimated needs for that period.

London's Independent on Sunday reported, 48 of the total 121 deliveries came from the Greek companies based in London. — Star Bureau.

## EC lifts remaining sanctions on SA

CHRIS BATEMAN

LONDON — The last EC sanctions on importing SA products — iron and steel and gold coins — were lifted yesterday.

The move followed the Danish parliament's capitulation late last month. Denmark had become the only country still blocking the change.

The decision was formally ratified by the EC agriculture ministers.

Individual countries have retained certain sanctions measures as political bargaining tools. One example is the French refusal to import SA coal. The blanket arms embargo also remains in force.

SA ambassador to London Kent Durr hailed the elimination of the remaining EC sanctions as "significant".

"I don't think the SA steel industry will rush into Europe but will rather follow a thoughtful, responsible and careful policy," he said. *Block 28/11/92*

Iscor spokesman Piet du Plessis said the move was good news, but Iscor would return to EC markets in an "orderly fashion".

The European iron and steel markets were depressed and with Iscor's order books full, the demise of sanctions would help improve the group's margins rather than market share in the long term.

Highveld Steel & Vanadium chairman Leslie Boyd said SA now had access to all the world's markets for its steel exports, although the industry would proceed with caution. He said the world steel market was not in a particularly good condition.



# EC lifts SA ban

*Sowetan 29/11/92*  
BRUSSELS - European Community member states have lifted their last economic sanctions against South Africa on imports of gold coins and iron and steel products.

Community Ministers formally approved the ending of sanctions without debate on Monday after Denmark stopped blocking the decision first taken in April last year.

The sanctions were imposed in 1986 in protest against apartheid. ~~(SA)~~ (SGA)

The EC wanted to lift them in recognition of President FW de Klerk's moves to scrap apartheid laws, but opposition parties with a majority in the Danish parliament objected that reforms had not gone far enough.

Copenhagen lifted its veto earlier this month.

United Nations sanctions on crude oil exports and arms trade with Pretoria remain in force. - Sapa-Reuter.

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# ILO to look into Cosatu gripe

*South African*  
BY IKE MOTSAPI

A THREE-MAN fact-finding mission from the International Labour Organisation will arrive in South Africa next week to investigate a complaint by Cosatu lodged against the Government in 1988.

The ILO's Fact Finding and Conciliation Commission, which will be in the country from February 6 to 23, will also "deliberate" on other labour-related matters.

The term of reference was broadened after the Government agreed to this.

Former Minister of Labour, Mr Eli Louw, last year told a Press conference in Pretoria that the ILO was satisfied all parties had agreed to broaden the complaint.

## Commission

Former Ghanaian Supreme Court judge, Sir William Douglas, who is now High Commissioner for Barbados in London, will chair the

commission.

He will be assisted by Judge Kirby of New Zealand and Judge Lallah of Mauritius.

Cosatu lawyer Mr Hilton Cheadle said the organisation had lodged a complaint against the Government after it had introduced the Labour Relations Amendment Act of 1988.

The Act attempted to remove the rights that workers and their unions had gained over unfair labour practices and the right to strike.

# Protectionist policy a factor in inflation

By Derek Tommey

STAR 31/1/92.

South Africa "is still stuck with a sanctions mentality" which was seriously hindering economic growth, says Wayne Mitchell, executive director of the Centre for Promotion of Foreign Investment in South Africa.

In a press release yesterday he said the Government should lower its high import duties to make the manufacturing sector more competitive and better able to compete in world markets.

Mr Mitchell said many countries were eager to trade with South Africa and investment funds were banking up. But South Africa so far had done little to make itself ready to conduct normal international trade.

"We haven't begun to break down our own considerable sanctions barriers — or even adjusted mentally to the new scene."

Manufacturers needed to be able to compete at home before they can expect to be competitive internationally. This meant that high import duties, which were restricting open trade and competition, must be reduced.

The protectionism afforded industry had led to extreme price hikes and to inflation.

He highlighted areas where extreme gaps existed between South African and European Community import duties.

One area was cars. Although the price of cars had risen alarmingly, there was still a 110 percent import duty plus a 12 percent ad valorem duty plus a 20 percent surcharge on imported cars. The EC duty was 10 percent. In addition, most EC countries had well organised and efficient commuter services, he said.

Clothing made of 100 percent cotton carried a 30 percent import duty and a 15 percent surcharge, yet the textile and clothing industry was calling for fur-



Wayne Mitchell . . . high import duties restricting competition.

ther protection. The EC imposed a surcharge of 14 percent.

South Africa's high level of illiteracy made radios and TV sets crucial for communication and education. Yet radios carried a duty of 25 percent, a surcharge of 40 percent and an excise duty of 37,5 percent. The EC imposed a duty of 14 percent.

Imported TV sets carried a 90 percent duty and a 38 percent excise duty. In the EC the duty was 14 percent.

Other areas where extreme gaps existed included educational toys, electrical appliances and computers.

Mr Mitchell said that if the surcharges were scrapped and a move made to bring in a duty-free or a flat-rate duty system by a certain date, South Africa would be demonstrating to the world that it had confidence in its industries and products and this would benefit the rand.

He said that taken together, a lowering of import duties, an improvement in the exchange rate, the ending of the import surcharge and a one percentage point cut in interest rates would give the economy the boost it so badly needed.



# More pros than cons for regional trade blocs

B/Dewy 6/2/92

DAVOS — The emergence of regional trade blocs, long feared as a harbinger of resurgent protectionism, offers more opportunities than drawbacks, say businessmen and trade officials attending the annual conference of the World Economic Forum.

This consensus represents a dramatic change of heart for leaders who for years warned that a failure of the Uruguay Round of world trade talks would have dire consequences for the multilateral trade system carefully crafted since the Second World War, the officials predict.

However, since the talks stalled more than a year ago, many nations have begun to push ahead with the regional blocs, and businessmen and officials say now that the pattern appears more prone to free trade than to block it.

"I used to be part of the 'doomsday school', thinking it would be protectionist," said R.T. McNamar, MD of Oppenheimer & Co Inc of the US. "But it hasn't turned out that way." McNamar and other business leaders said that rather than esca-

late protectionism, the emerging trade blocs might be the building blocks of a future, even more liberal global trade system.

Trade negotiators recently set a mid-April deadline for finishing the Uruguay Round. But similar deadlines have come and gone several times during the past five years, and most nations are not waiting for the results of this last-ditch effort to forge new trade strategies.

The Uruguay Round seeks to strengthen the multilateral trading system by broadening the scope of the 108-nation General Agreement on Tariffs and Trade (GATT). It has been snagged by a dispute between the EC on the one hand and the US and other farm exporters on the other over rules for agricultural trade.

To be sure, no one at the forum recommended abandoning the Uruguay Round. But the routine calls for a successful outcome were not accompanied by the usual shrill warnings of protectionist disaster in the event of failure. Partly as a form of insurance in

the event of the failure of the Uruguay round, nations in North America, South America, Southeast Asia, and South Central Asia have already moved to form regional blocs they hope will assure their companies markets large enough to attain the economies of scale needed to compete globally. Most are patterned loosely on the EC.

The EC itself recently signed a free trade pact with the European Free Trade Association (Efta) to widen its common market.

Instead of relying on protectionism to delineate their markets, nearly all the new blocs are beginning from the principle that their success depends on their ability to compete, which requires openness.

This is partly because most nations viewed the blocs as launching pads for the global trade arena, officials said. By lowering barriers among themselves, groups of nations would become better prepared for world markets.

Venezuelan Development Minister Ismelda Cisneros said her country

would like to begin negotiating a free trade pact with the US, similar to the North American free trade agreement (Nafta) being negotiated between Canada, Mexico and the US.

Eventually, trade blocs forming in North and South America could forge links to become a hemispheric trade zone, as proposed by US President George Bush, officials from Latin American countries say.

In Europe, meanwhile, the creation of nearly 20 new states has also triggered calls for new trade blocs. Jacques Attali, president of the European Bank for Reconstruction and Development (EBRD), called for the formation of a 50-nation "continental common market" which would include the republics of the newly formed Commonwealth of Independent States.

Seven commonwealth leaders who attended the conference told businessmen here that their top priority was to form a mechanism to trade among themselves and with the outside world. In East Asia, the five members of

the Association of Southeast Asian nations (Asean) agreed last month to form an East Asian economic area, also aimed at promoting trade among its members and with the outside world.

Eventually, Japan could join the bloc, officials say.

According to former Japanese prime minister Noboru Takeshita, an Asian trading sphere, including Japan, the Asean nations and other newly industrialised countries such as South Korea and Taiwan, would have 510-million people, compared with 360-million in the Nafta and 380-million in the greater Europe formed by the EC and Efta.

Gross national product was \$6.2-trillion in Nafta, \$6.5-trillion in greater Europe and \$3.7-trillion in East Asia, Takeshita said.

"Asia has very close trade relations with the US and Europe, so much so that it could not possibly be to Asia's advantage to become a closed economic bloc," Takeshita said in a speech. — AP-DJ.

## LETTERS

Dear Sir:





# EC signing will not remove rifts

6/10 day 7/2/92

SLA

BRUSSELS — The 12 EC governments today sign a treaty on European union, their blueprint to shape the EC into a true superpower with a single market, one currency and one voice on the world stage.

Foreign and finance ministers will return to the Dutch city of Maastricht for the ceremony in the Provinciehuis, the venue of a gruelling summit which clinched a deal on political and monetary union last December.

But the treaty's lofty goals and the heady rhetoric of the celebrations will not mask for long the problems already crowding the EC's agenda.

Economic growth is flagging, world trade talks are on the verge of collapse and a bitter argument looms over the bloc's finances.

Political and economic instability stalks the former Soviet empire and a growing band of would-be members are beating on the community's door, demanding to be let in.

Less than a year before the advent of the much-heralded EC single market, a mass of legislation remains to be agreed upon. And even then, officials admit that totally free movement of people, goods, capital and services remains some years off.

"We face a difficult time," European Commission president Jacques Delors acknowledged recently.

Delors will attend the ceremony, together with European Parliament president Egon Klepsch and the prime ministers of Portugal, which holds the EC presidency, and the Netherlands and Luxembourg, which held it last year when the treaty was negotiated.

The new pact, a product of often bitter negotiations pitting Britain against most of its partners, virtually guarantees that some parts of the

Community will have a single currency by 1999 at the latest. And it takes the first steps towards giving the EC the military role it has never had.

The new provisions extending the EC's legislative role in such areas as the environment, education, consumer protection, public health and giving more power to the European Parliament are due to come into force next year.

But first, the treaty must be ratified by all 12 member states. Some such as Britain, Italy and France are preoccupied with forthcoming elections, while Ireland and Denmark must hold referendums before ratification.

Government officials anticipate few problems over ratification, even though some parliaments have pledged to follow the line of the European Parliament which is unhappy over receiving only a limited role.

Some poorer EC members are unlikely to rush ratification, however, preferring to assess the progress of the budget negotiations. The European Commission is expected to propose next week a further doubling of the money spent to help backward areas of the Community catch up with their neighbours.

The trigger for yet another round of discussion on the future shape of the bloc is the prospect of a community of at least 15 members within a few years and perhaps 20 or more by early next century.

Austria, Sweden, Turkey, Malta and Cyprus have all applied for membership. Finland is expected to do so soon and Norway and Switzerland could join them. Several central and East European states have made joining the community their long-term goal. — Sapa-Reuter.

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# EC urged to support SA economic development

*Bl/day 24/2/92*

*(SLA)*

CAPE TOWN — EC Commission vice-president Martin Bangemann is to recommend to the commission that the economic development of SA and southern Africa be underpinned by a wide range of supportive measures from the EC.

Bangemann announced this at a media briefing on Friday to mark the opening of an SA office of the Friedrich Naumann Foundation. Bangemann is chairman of the foundation's board of trustees.

The measures would be aimed at providing public backing to private industrial co-operation between EC countries and SA, although ideally the measures would apply to a southern African regional bloc.

The measures could, for example, provide guarantees for investment; grant a southern African regional bloc greater access to the EC market with its 350-million consumers; and include SA in a private and publicly funded system of insurance covering

LINDA ENSOR

the risk of losses incurred when investing in countries with which the EC has industrial co-operation agreements.

Other measures could provide political backing in the form of investment protection agreements, agreements for capital transfers and the transfer of profits, and the legal protection of intellectual property rights.

Bangemann said it was incumbent on European countries to back the political development of SA towards a fully fledged democracy.

Democracy without economic growth and stability was not possible and economic development could take place only with international co-operation.

Bangemann said he would recommend that Europe offer this co-operation to SA.

In his address at the opening of the foundation, Bangemann stressed the

importance of regional co-operation.

It was impossible in the modern world to attempt to foster economic development on a national basis, he said. Doing away with the Customs Union in southern Africa would be a first, shy step towards regional integration. More important would be the standardisation of technical and tax systems and possibly the introduction of a common currency.

The Friedrich Naumann Foundation has an annual budget of about DM30m, of which about DM2m has been allocated to SA projects. It is involved in projects throughout the world but its attempts to improve living conditions in developing countries had not had the success desired, Bangemann said. A lack of regional co-operation had been a major obstacle to economic development.

He saw the foundation's role in SA as being to stimulate debate by holding seminars and conferences on different subjects and to bring out constitutional and other experts to SA.

## EC contest launched to create a face for the ecu

BRUSSELS — It is still seven years away, but the race to create Europe's currency of the future, the ecu, began last week with the announcement of a contest for best design. <sup>810cm 10/2/92</sup> (SbA)

"It will be our daily money, a symbol of the oneness of European people," said Jean-Pierre Cot, a French member of the European Parliament and leader of the assembly's Socialist group.

The Socialists, the largest bloc in the 518-member assembly, are sponsoring the contest. The winning design will be submitted to the new European Central Bank, which will help make the final decision on the ecu's design.

Community leaders agreed at a summit in December to introduce a single currency by 1999.

But they left unanswered exactly what the new coins and banknotes would look like.

Even the name — ecu — has created problems. Some countries favour writing it as ECU because it stands for European Currency Unit. But others, notably France, insist that it remain lower case. The ecu was a mediaeval French coin.

Currency insiders say the new money probably will bear the community symbol of 12 gold stars in a circle. And countries may be allowed to retain at least one national symbol.

For now, the ecu remains strictly in the domain of high finance, existing only on paper.

Its value, about \$1.30, is based on a basket of EC national currencies.

Although its final appearance remains in doubt, the value of a common currency is not in dispute.

The community's executive body, the European Commission, estimates that a single currency will save businesses and individuals up to \$18bn a year in service charges by banks and other money-changers.

The winning design in the professional category of the contest will be minted in a special limited edition.

— Sapa-AP.

# THE WORLD LAST NIGHT

## Europe to get free trade zone

PARIS: MARATHON negotiations to create a 19-nation European Economic Area — a free trade zone stretching from Greece to the Arctic Circle — finally ended in success this weekend, two months after the deal was unexpectedly thrown out by the European Court of Justice on legal grounds.

The EEA, which would create a single market of 376-million people by abolishing all trade restrictions between the 12 EC countries and the seven countries of the European Free Trade Association, will almost certain-

ly exist by the end of this year. It will give EC citizens increased opportunities to live and work in Austria, Switzerland, Norway, Finland, Iceland, Sweden and Liechtenstein.

There appeared to be only one possible snag to the deal: the European Parliament has insisted that the commission must refer the new deal to the court again for a fresh opinion.

The commission will consider on Wednesday whether it is bound to comply.

— Telegraph.

S/Times 16/2/92

(56A)



# Germany scraps sanctions

B/Dewy 20/2/92  
GERMANY formally lifted sanctions on SA gold coins, steel and iron yesterday in recognition of moves to abolish apartheid, but said it would maintain its arms embargo, a German spokesman said.

Government spokesman Dieter Vogel told Sapa-Reuter the cabinet move was in line with an EC decision last month.

SA had not yet received notification of the formal lifting of sanctions, a Foreign Affairs spokesman said in Pretoria yesterday.

The EC said last month it would ease trade sanctions imposed in 1986 after Denmark, the only country blocking the move, capitulated. Denmark agreed to lift the EC ban on imports of SA iron, steel and gold coins after the Danish all-party foreign affairs committee decided the pace of reform in SA justified this decision.

~~SA~~ ~~SA~~ (56A)  
Business Day Reporter

UN sanctions on crude oil exports and arms trade with Pretoria remain.

When the EC decision was announced last month, SA ambassador in London Kent Durr hailed the elimination of remaining EC sanctions as "significant".

He did not believe the local steel industry would rush into Europe, but would rather follow a responsible and careful policy.

Iscor spokesman Piet du Plessis confirmed this at the time, saying the move was good news, but that Iscor would return to EC markets in an "orderly fashion".

Highveld Steel & Vanadium chairman Leslie Boyd said while SA now had access to all the world's markets, the industry would proceed with caution.

## NEWS IN BRIEF

Bl Day 24/2/92

### EC to speed up CFC ban

ESTORIL — EC environment ministers backed proposals over the weekend to speed up the phasing out of CFCs and other chemicals that destroy the earth's protective ozone layer. (S) (SA)

EC Environment Commissioner Carlo Ripa di Meana said all 12 ministers had backed a plan for a phasing out the chemicals by the end of 1995.

This is four years earlier than stipulated by the Montreal Protocol and one and a half years earlier than the EC's present internal deadline.

# Absa knocks R100-m off price for Bankorp

STAR  
Finance Staff 25/2/92

Absa has chopped R100 million from the price it is prepared to pay for Bankorp.

Absa said yesterday that as a result of valuations based on its own accounting practices and policies it had reduced its offer

from 312,5c to 288,5c for each Bankorp share — a reduction of 7,68 percent. This will reduce Absa's offer price from R1,31 billion to R1,21 billion.

Bankorp's shares are currently trading at 250c.

Absa will finance the takeover by issuing 107,5 million new Absa

shares at 1125c.

Bankorp ordinary shareholders will receive 100 Absa shares for every 390 Bankorp shares, and not 360 as previously decided.

The scheme is subject to approval by Absa and Bankorp, sanction by the courts and approval of the additional shares by

the JSE.

Analysts said that the reduction followed a "due diligence" exercise.

While it will be a blow to Bankorp shareholders to receive less than the original offer, the comparatively small reduction suggests Bankorp is not in such bad shape as had been thought.

# Keys sees partnership role for EC in new SA

By Neil Behrmann

LONDON — South Africa and other Southern African nations should negotiate a trade agreement with the European Community, Minister of Trade and Industry Derek Keys suggested yesterday.

At a Business Research International conference in London, Mr Keys said that South Africa would become the "economic flywheel" for sub-Saharan Africa.

The world cannot stand idly by and see the other sub-Saharan countries be delinked from world economic growth and consigned to some kind of "too-poor-country scrapheap", he said.

There was thus a need for the developed world and South Africa to form a partnership, which would see South Africans playing crucial economic roles elsewhere in Africa, Mr Keys said.

This would have a favourable impact on trade within the region and with the rest of the world, he said.

"In this connection, one would also wish to contemplate some arrangement of linkage to existing economic power concentrations."

Probably the EC would be the best economic power bloc, said Mr Keys.

Either Southern Africa should enjoy some existing EC trade arrangement or negotiate a separate arrangement for the region, entailing corresponding benefits and obligations, he said.

"South Africa's prospects for increasing exports are quite



Derek Keys ... to everyone's benefit

promising," he said.

"We have a stream of products heading north and a stream of products to which value can be added," he said.

Exports were typically between 25 percent and 32 percent of gross domestic product, he said.

There were four basic determinants of any SA govern-

ment's trade and investment policy, said Mr Keys.

Firstly, it should encourage internal markets to grow for decades ahead.

Secondly, it should develop the industry so that it could supply internal markets, while lowering tariffs for goods that could not be made locally.

Thirdly, businessmen should be encouraged to stimulate exports by developing value-adding plants.

"Like all governments, we would like to see income per capita growing by at least one percent per annum, implying growth close to four percent a year," said Mr Keys.

"This may be beyond us, although I don't think that it is, but just maintaining per capita income still implies real growth of around three percent," he said.

The greatest growth would be in demand for the basics of living, notably food, shelter, clothing and education, he said.

"We are starting to get some good quantitative advice from a

number of sources, which is helping to define the limits of the possible," said Mr Keys.

"Just how much in the way of resources is it feasible to apply to socio-economic ends and to what cost?" he asked.

"Nobody wants to even mildly inconvenience the golden goose, let alone kill it, if its egg production can be stimulated to everyone's benefit.

"I think it's Mr Mandela himself who said he doesn't care what colour the cat is, as long as it catches mice."

Mr Keys predicted that President FW de Klerk would win the referendum hands down and that Codesa would swiftly negotiate an interim government.

"As the political pressure gets transferred to the right quarters and the economy gets into higher gear, inflation should decline.

"Once capital flows swing from outwards to inwards," he said, "the rand will appreciate and reduce inflation by a point or two," he forecast.

# Defence cutbacks hit Grinaker

By Derek Tommey

Tough conditions in the construction industry and a cutback of defence orders for electronic equipment hit Grinaker Holdings in the six months to December.

Attributable profit dropped by 57 percent from R14,5 million to R6,2 million and earnings dropped from 41,5c to 17,8c a share. The interim dividend has been halved from 10c to 5c a share.

Grinaker's electronic subsidi-

ary, Grintek, fared rather better. A reduction in defence contracts affected Grinaker Electronics, one of its two operating companies. But its second operating company, Siltek, managed a 15 percent rise in earnings.

This helped limit the drop in Grintek's earnings in the six months to 11 percent from R13,8 million to R12,3 million, and the decline in earnings a share to 10 percent from 7,1c to 6,4c.

Nonetheless, the interim divi-

dend has been cut by 29 percent from 2,4c to 1,7c a share.

Grinaker chairman Jan Robertze said yesterday the construction company's earnings were 62 percent lower and similar results were expected for the second half.

He said the construction group had suffered from decreasing margins, particularly in civil engineering and related activities. Order intakes declined in real terms.



# Europe on the boil in cauldron of racism, recession

South 27/2-4/3/92

THE RECESSION gripping Western Europe is unprecedented and threatens to deepen further. The last time Europe faced anything like the current economic crisis, it resulted in the emergence of the Nazi regime in Germany and ended in a world war.

Today, despite the establishment of the European Community (EC), the threat of conflict remains. Indeed, within Yugoslavia it has materialised on a tragically massive scale.

Parallel with the growth of unemployment has been the rapid escalation of nationalism and racism.

Ultra-right forces have gained ground in nearly every part of the continent. In France, National Front leader Mr Jean-Marie Le Pen has seen his popularity soar as his attacks on North African immigrants increased. In the former East Germany, neo-Nazi attacks on black immigrant workers have become commonplace.

In Eastern Europe, the growth of nationalism has reflected the heightening despair among peoples wearied by hyperinflation and huge job losses — their lives rooted in poverty.

Even in East Germany, where the prospects for recovery are greatest, hopes of lifting living standards to those in the rest of the country within a reasonable period have been dashed.

In advance of unification the Bonn government suggested 10 years would be enough to put the East on an equal footing.

But new estimates this month

suggest that even with a fair wind behind them those who have stayed in the former communist state will have to wait until 2025 or so to achieve that goal.

A consequence of this gloomy reassessment is that Bonn will be forced to devote huge resources to boost its own economy and desperate pleas for foreign investment from Eastern Europe will be largely denied.

Russian President Boris Yeltsin has been snubbed by the West and the US in particular when he took the begging bowl to Washington.

Taken in perspective, the much-vaunted airlift of food from the West to Russia and the other former Soviet prospects can make only the most minute impact on the crisis these republics face.

Tension between the republics has grown, especially between Russia and the Ukraine, and within so many of the republics deep-rooted grievances between nationalities are being fuelled by a sense of desperation and the collapse of authority.

Hoarding has helped to cushion the first impact of the massive price rises but within months the reserves of food and other goods will have been used up and then greater conflict is likely. Recession and poverty always throw up scapegoats.

often derided because they frequently originate from poorer countries and are often linked with the worst excesses of fundamentalism. There is no shortage of examples of racism and nationalism — 50 years ago Budapest was home to 100 000 Jews; now only 8 000 live there.

And such is the patchwork map of Europe — for example, one third of Hungarians live outside Hungary — that nationalist conflicts in one state are likely to spill over into neighbouring countries.

Little help in combating xenophobia and racism is coming from governments.

Indeed, in the Social Charter adopted last December by the EC states except Britain, there is no provision for combating racism.

Ironically Britain remains the only EC member with anti-racist legislation. But opposition to the growth of the far right is increasing among the trade unions and progressive forces. In Britain an Anti-Racist Alliance has been established.

Next month the Federation of Construction and Allied Workers in Greece will host an all-European trade union conference to build solidarity against racism and xenophobia. The European TUC is to give a fresh impetus to migration and racism issues.

Most certainly the measures taken so far are inadequate and the far right will continue to make gains for some time.

The last decade of the century promises to be a real test as to whether the world, and Europe in particular, has learnt the terrible lessons that it was taught just 50 years ago.

With elections this year in the US and Britain, comparisons are being made about how President George Bush and Prime Minister John Major are doing in the re-election stakes.

All the latest opinion polls in Britain put the Conservatives and Labour neck and neck with the bookmakers still reckoning that Major will just make it.

A different picture is coming from the US where Bush did little more than scrape over his first primary hurdle in New Hampshire.

Already some US commentators are highlighting the fate of previous incumbents such as Lyndon Johnson and Jimmy Carter who failed to convince in the primaries.

Few expect right-winger Mr Pat Buchanan to steal the nomination from Bush but almost certainly the good showing of the challenger, with his message to put the US first, will persuade the White House to cut back even further on its international economic aid.

*(Roger Trask is the editor of the London-based magazine, International Union Rights. His column appears fortnightly.)*



## Foreign Affairs

Roger Trask

With the dashing of the huge expectations of a better life which were whipped up by the West to accelerate the downfall of the regimes in Eastern Europe, somebody has to be blamed.

Again it is the Jews in some European states who face discrimination, in other cases it is national minorities, but most of all it is migrant workers from North Africa, Turkey and the developing nations who bear the brunt of the attack.

Religious intolerance is also on the increase with an undercurrent of hostility towards Muslims who are



## 'EC will ask for yes vote in referendum'

GERMAN Economic Affairs Minister Jurgen Mollemann said last night the EC would ask for white South Africans to vote "yes" in the coming referendum because a "no" result would "disturb hopes and wishes all over the world".

He was speaking at Jan Smuts Airport at the start of his short SA visit.

*B. P. ...*  
Mollemann warned that no foreign investor would invest in SA in a "phase of civil war" that would result from a "no" outcome.

He said Germany — in a bid to promote the negotiation process. — would be prepared to intensify its economic and political cooperation with SA and to integrate the country fully in the world economy.

*28/2/92*  
Asked about the ANC's economic policy, Mollemann remarked that socialism and communism had not worked elsewhere in the world and he could not see it working in SA.

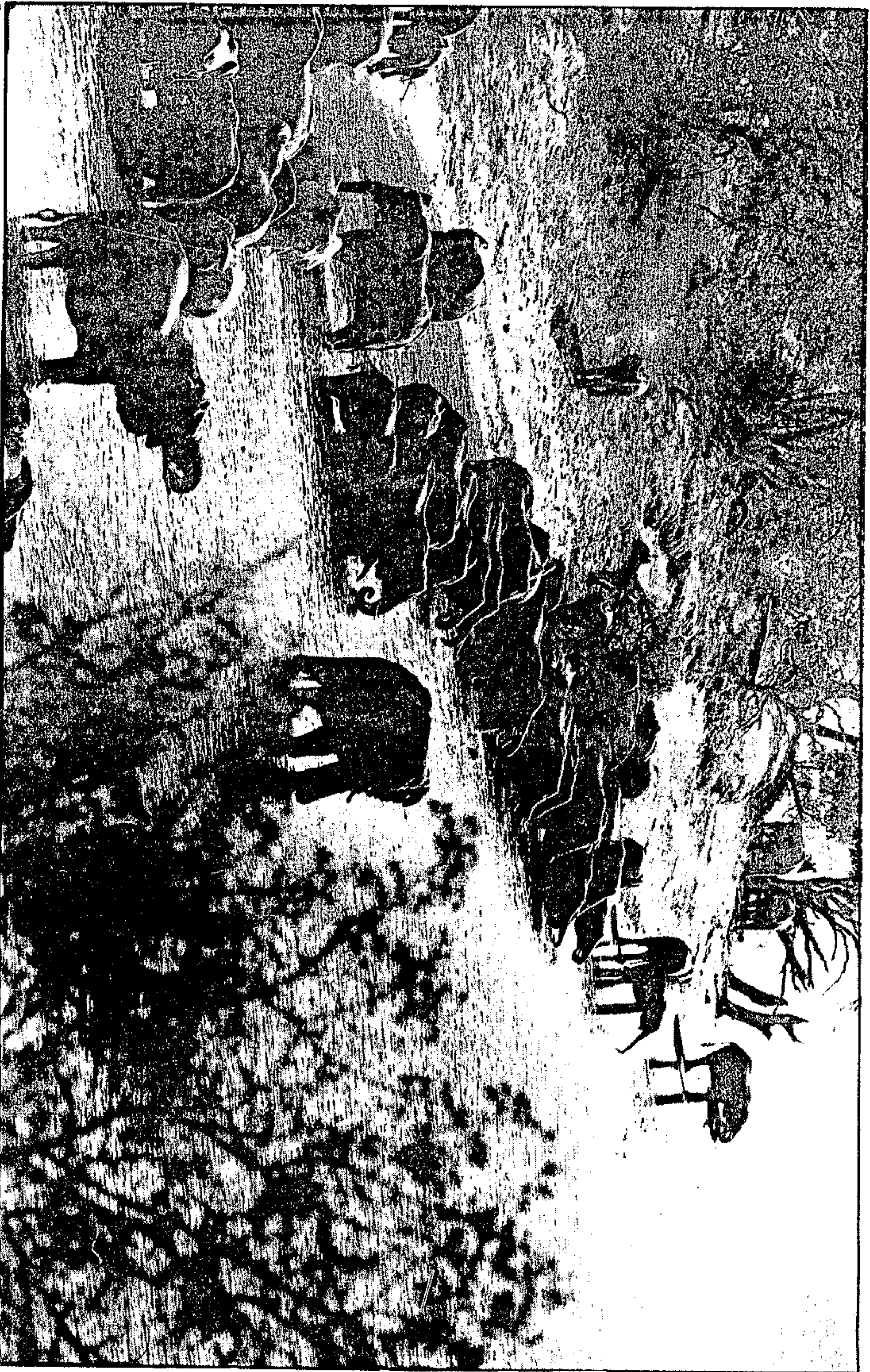
He would report his findings to the European Economic and Foreign Affairs ministers' councils on Monday. — Sapa.



56A  
26/2/92

**WILDLIFE MANAGEMENT:** Sustainable utilisation of wildlife is the answer  
*for future programmes, argues SA conservationist JOHN ILSLEY*

# Ivory ban 'has failed'



**LIFE AND MONEY LOST:** Elephant poaching has increased since the ban was imposed, and in addition South Africa has lost R9 million from sales of ivory and skin.

**S**OUTH Africa's self-imposed ban on ivory trading — in accordance with a 1989 Convention on International Trade in Endangered Species (Cites) will be meeting for two weeks in Kyoto, Japan, beginning on Monday. A panel of experts, which visited South Africa recently, will report that this country's elephant population is being reduced at an alarming rate.

**THE Convention on International Trade in Endangered Species (Cites) will be meeting for two weeks in Kyoto, Japan, beginning on Monday. A panel of experts, which visited South Africa recently, will report that this country's elephant population is being reduced at an alarming rate.**

**● Cape Town. Introducing stricter controls at Customs points, so reducing South Africa's undesired role as**





**LIFE AND MONEY LOST: Elephant poaching has increased since the ban was imposed, and in addition South Africa has lost R9 million from sales of ivory and skin.**

**S**OUTH Africa's self-imposed ban on ivory trading — in accordance with a 1989 Convention on International Trade in Endangered Species (Cites) ruling — has failed in southern Africa.

That is according to Rhino and Elephant Foundation spokesman John Isley.

Statistics over the past two years show that around 30 of South Africa's 8 500 elephant population fell prey to poachers in the past two years, more than were lost during the five years preceding the Cites decision.

Similarly Zimbabwe, which before the ban lost about five elephants a year to poachers, is now losing around 100 a year.

South Africa has also lost around R9 million which would have been made from sales of elephant skin and ivory and which would have, according to its existing policy, been ploughed directly back into conservation," Mr Isley says.

Kenya, on the other hand, says the ban has been successful in curbing its enormous poaching problem, which was one reason for the ban being imposed in the first place.

"I don't believe the ban has been successful in achieving its aim of stopping the illegal

**THE Convention on International Trade in Endangered Species (Cites) will be meeting for two weeks in Kyoto, Japan, beginning on Monday. A panel of experts, which visited South Africa recently, will report that this country's elephant population is in no danger of extinction. South Africa will use the opportunity to push for commercial trading to be allowed in products from its elephants.**

slaughter of endangered elephants in southern Africa.

Statistics show this trend has actually increased.

"Perhaps, overall, one could say the ban has been worthwhile in that international trade in ivory, which was spinning out of control at the time the ban was imposed, has been slowed down, giving us a breathing space to allow us to reorganise and set up better, more efficient and effective control systems."

Political expediency compelled South Africa to go along with the 1989 Cites ban voluntarily, even though it has never had a poaching problem. South Africa's elephant population, Mr Isley points out, has increased from 23 in the 1920s to around 8 500 today.

A Cites panel of experts, which visited South Africa recently, will report to the conference that South Africa's elephant population is not in danger of extinction.

This combined with the statistical data, is what South

Africa will use to persuade the Conference — meeting for two weeks in Kyoto, Japan — that it is expedient to move its elephant population from Schedule 1 (endangered animal, no commercial trade in its products allowed) to Schedule 2 (threatened animal, commercial trading allowed).

Zimbabwe and Botswana are both expected to forward the same argument and request to the Conference.

"It is unlikely that the Conference will allow us to resume trading in ivory, so we will go for a compromise."

"South Africa will reluctantly agree to continue to observe the voluntary ban on ivory trading for a further two years — if its elephants are listed on Schedule 2 — after which time it will sell ivory only to Japan for use domestically and under very strict conditions so that abuse and corruption will be stamped out."

Japan, adds Mr Isley, is the only country that has a dom-

estic market for ivory. Other countries, both in Europe and Asia, import ivory which is then processed into jewellery or ornaments and sold to tourists who take it back to their countries.

Japan does not rely on tourism to dispose of the ivory it imports. Most of this is used in its 400-year-old *hanko* industry — personal seals made out of small blocks of ivory.

While consumer demand for ivory accessories in Japan dropped after than ban had been imposed, *hanko* remains popular.

According to a report released earlier this month by the Environmental Investigation Agency, Japan has for many years been the world's largest ivory consumer, taking as much as 40 percent of the

ivory in international trade.

"In the years before the ban, Japan was importing an average of 100 tons a year and in spite of a significant reduction in local demand, it remains the single biggest consumer of ivory."

Steps being considered by South Africa to tighten up loopholes exploited by traders include:

- Excluding all private traders from dealing in ivory.
- Allowing only the National Parks Board to sell ivory obtained from controlled culling.
- Strictly supervising this ivory during the shipping process, perhaps even introducing bonded containers which would be sent directly to Japan.
- Paying greater attention to policing illegal ivory trade through the SAP's Endangered Species Protection Unit.
- Refining and possibly introducing the unique "fingerprinting" (isotopic testing) system for ivory currently being developed by the Archeometry Research Unit at the University of

Cape Town.

● Introducing stricter controls at Customs points, so reducing South Africa's undesired role as the main transit point in southern Africa for illegal ivory.

Mr Isley says it seems that Kenya, whose 1989 arguments at Cites resulted in the ivory-trade ban, would support shifting South Africa's elephant population to Schedule 2 with the compromise plan as a codicil.

By observing the ban for a further two years, Japan will also have the opportunity of improving its controls to ensure the ivory does not land up in the hands of illegal dealers.

The Sadedec countries will propose a similar deal for Sadedec members — tightening loopholes and trading only with Japan — and Botswana has already identified a site in Gaborone where it will set up a central selling point for Sadedec members, including Zimbabwe with its herd of 70 000.

"But the first hurdle will be to get the world to accept that our elephants are not endangered and to move their listing from Schedule 1 to Schedule 2.

"Sustainable utilisation of wildlife is the answer to future conservation and must include the ability to trade in products obtained through a controlled programme," says Mr Isley.



STAR 2/4/92  
**Plea for Africa famine aid**

BRUSSELS — The European Community made a plea yesterday for more food aid to avert massive famine in Africa that threatens 60 million people and a half dozen fragile democracies. EC Commissioner Manuel Marin asked the EC trade bloc for an additional 220 million European Currency Units (about R750 million) to add to the total of 385 million Ecus (about R1,33 billion), which have already been approved for this year.

● Reports by Star Foreign Service, Sapa, Reuter, Financial Times and Associated Press. (S6A)

# EC plans to lift embargo on oil exports

B (Daw) 7/4/92  
(SA) (SA) (62)

LUXEMBOURG — The EC would lift an embargo on exports of oil to SA, German Foreign Minister Hans-Dietrich Genscher said yesterday.

"There will be a decision on lifting the oil embargo in the expectation that this will contribute to positive developments, especially in the forming of an interim government," Genscher told reporters at a meeting of EC foreign ministers.

Portuguese Foreign Minister Joao de Deus Pinheiro, who chaired the meeting, said details would be announced later.

Government yesterday said the move would help SA's return to world trade.

Foreign Minister Pik Botha said: "As far as I am concerned sanctions have gone. The playing field is level. It's now up to us to resolve the situation inside SA."

ADRIAN HADLAND reports that DP energy spokesman Roger Hulley described the move as "a very positive one which will provide an important economic boost. It will help bring the price down."

Hulley said the lifting of the embargo would make it possible to sell off further oil reserves worth several billion rands.

Industry and JSE sources, however, predicted that while the EC move would go some way to removing the cost of obtaining supplies, it was unlikely to have a significant effect on pump prices.

Mineral and Energy Affairs director-general P J Hugo would only say the announcement was good news.

EC diplomats said ministers were also expected formally to end sanctions still barring sporting, scientific and cultural contacts. The sanctions which will remain are embargoes on imports and exports of arms and sensitive goods for the armed forces, along with measures affecting military and nuclear co-operation.

SA's ambassador to the EC Bhadra Ranchod, anticipating the lifting of the embargo, said it would help improve ties and inspire business confidence.

The PAC's observer mission to the UN protested against the EC decision, saying it was a "gross violation" of the UN Security Council's mandatory sanctions against SA.

— Sapa-Reuter, AP-DJ.

# EC to lift embargo on SA oil exports

STAR 7/4/92

The European Community is to lift an embargo on exports of oil to South Africa, following a similar move by the US last July.

German Foreign Minister Hans-Dietrich Genscher meeting with his EC counterparts in Luxembourg yesterday said the decision, due to be ratified last night, was being taken in the expectation that this will contribute to positive developments, especially in the forming of an interim government.

Diplomats said Ministers were also expected formally to end remaining sanctions involving sporting, scientific and cultural contacts, which in effect have already lapsed.

The only sanctions which will remain are embargoes on imports and exports of arms and sensitive goods for the armed forces, along with measures affecting military and nuclear co-operation.

The moves follow the vote by whites last month in a referen-

dum to back President de Klerk's efforts to dismantle apartheid and reach agreement on a new constitution with the majority black population.

The Community agreed to end its ban on new investments in South Africa at the end of 1990, and its ban on the imports of iron, steel and gold coins early in 1991.

Oil industry operators in South Africa welcomed the unexpected announcement, but noted that the Community's decision will have limited financial impact. For the past few years South Africa has been buying its crude at world prices, paying little if any premium.

The diminished impact of the embargo was already evident last year when the Government announced it would sell part of its strategic reserve to finance social upliftment.

It will, however, allow South Africa to diversify its sources of supply. The country will also be

able to trade crude oil products openly.

What remains unclear is the extent to which yesterday's announcement will undermine the United Nations' embargo which remains.

Locally, it will provide added impetus for the decentralisation of oil procurement, which has been controlled by the Central Energy Fund.

Shipping Research Bureau, an Amsterdam-based monitoring group, estimated that South Africa's oil imports cost \$1,6 billion (about R4,48 billion) in 1989.

Demand is about 30 percent below that of the mid-1970s due mainly to progress made by South Africa in achieving a level of self-sufficiency through developing a synthetic fuel industry which converts coal to oil and gas.

The PAC observer mission to the UN yesterday protested against the EC move. — Financial Times News Service, Sapa.



# Embargo lifting 'symbolic'

B10am

8/4/92

DARIUS SANAI

THE lifting of the EC's oil embargo carried only a symbolic effect, with little benefit expected to be derived for the domestic economy or fuel users, leading industry sources said yesterday.

A shroud of secrecy imposed by the Petroleum Products Act prevents government officials and others from commenting openly about the oil embargo or oil purchases.

But officials within the Mineral and Energy Affairs Department, and senior sources within the oil industry said yesterday the lifting would have little short-term effect on SA.

An Engen spokesman said SA's efforts to secure

oil in spite of the embargo had been so successful that the EC's actions would matter little. But the lifting could act as a catalyst for the UN and Arab League to lift their embargoes.

Although the effects on domestic prices would still be small in the long-term, such a move would lead to the reincorporation of SA's oil industry into the international oil world, the spokesman said.

Other industry sources said Sasol would ultimately benefit from the relaxing of the embargo. "At the end of the day, secrecy costs money, and if they can stop being secretive, they will save

money," one said.

Some EC members carried considerable political influence, and the Arab League and Opec member states could take a new stand on SA by the end of the year, another said.

A spokesman for Caltex said no change in SA petrol prices could be expected. "Nevertheless, freer access to world crude can only be a good thing," he said.

Meanwhile Sapa reports Inkatha has welcomed the move.

IFP economic spokesman Gavin Woods said fuel that had been stockpiled over the years should now be sold off at a faster rate than at present.

● Comment: Page 8

# Soft sterling waits for election result

Blaney 8/14/92

**SIMON WILLSON**

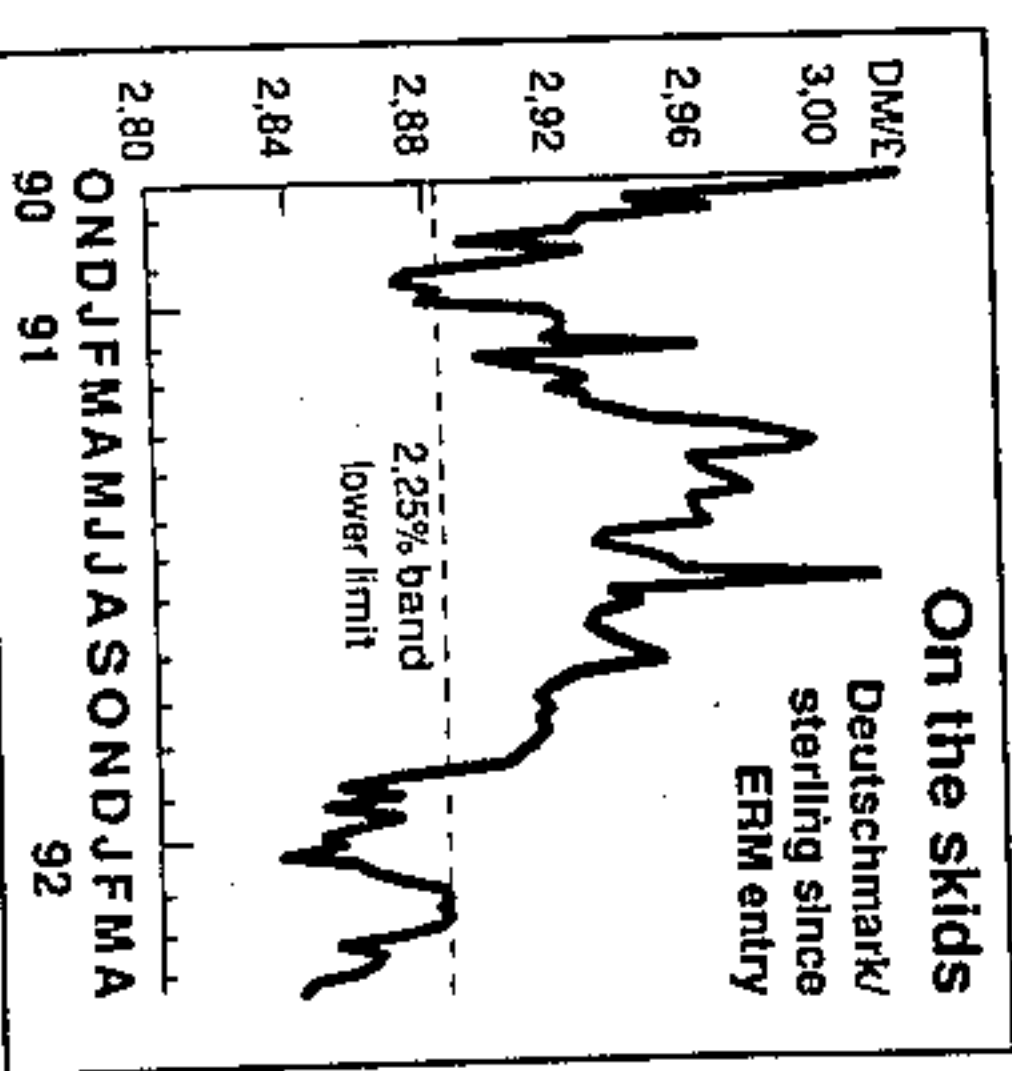
56A

A CRESCENDO of denials that there is any plan to devalue sterling after tomorrow's British general election has done little to support the currency. The pound seems set to go into the poll looking distinctly soft in the low to mid DM2,80s, with the shadow of devaluation still hanging over it. Sterling has weakened as the election has drawn nearer, and has experienced a pattern of relapses with every release of opinion polls showing the opposition Labour Party in the lead. But sellers of sterling have only been acting rationally: Labour was against sterling's DM2,95 central parity in the exchange rate mechanism (ERM) of the European monetary system (EMS) right from the start.

When sterling entered the ERM in October 1990 the Labour Party aligned itself with those who held that DM2,95 was too high a parity and one that would be excessively restrictive on a sluggish economy. At the same time, opponents of the parity argued, the obligation to defend DM2,95 would retard any lowering of interest rates designed to stimulate the recession-gripped economy. Market players factoring a sterling devaluation into their positions are merely putting two and two together. If the party that opposed DM2,95 finds itself in office on Friday morning having to make good promises to end the recession, lower unemployment and spark an investment led recovery, it will need to lower interest rates.

If an ERM parity of DM2,95 does not permit an early half-point cut in base rates, will it be long — some traders are asking — before the new government with its many social goals selects a parity that does permit the rate cuts required to start the recovery? One of DM2,80, for instance?

From being vague about their commitment to DM2,95 over the past year or so, Labour officials have reacted to the proximity of power since the election campaign began by seeming to rule out devaluation. The separation of the party from a lower ERM parity has, however, remained woolly and unspecific. The



party leader said this week he would "do what had to be done" to relieve pressure on sterling.

The election campaign has changed abruptly sterling's ERM outlook. In February, the pound was edging above what would be its lower limit if it had a 2.25% fluctuation band around its central parity. Talk was of when the pound would switch to the narrow band from its present 6% fluctuation range, and of the greater confidence and stability this would engender.

Now the calling of the poll and Labour's consistent lead in the opinion polls have put sterling on the skids. Far from thinking about moving to the narrow ERM band, the question now is whether the pound can hang onto a 6% fluctuation range. Its lower limit is off the chart at DM2,7730.

Committed devaluationists still have to accommodate some timeta-

bling in their scenario, and this suggests that moving sterling to a lower ERM parity may be a lengthy process. Because sterling is relatively close to its 6% fluctuation floor, a lower parity would mean an EMS realignment — that is, changing the central parities of all the other members of the EMS too. This can only be done with the unanimous agreement of the other member governments, who are likely to be too preoccupied with their own economic problems at the moment to consider handing a competitive advantage to Britain.

Negotiations with other EMS members would take several months, and it could be near the end of the year before any agreement is reached. In June the UK assumes the rotating EC presidency for six months, which should give it some extra leverage. The earliest realistic time for any devaluation to take effect, therefore, is at the European summit meeting in Edinburgh in December. By then, however, tangible recovery could be under way in Britain, and a devaluation may be seen as unnecessary.

# Smoke baffles Capetonians

Staff Reporter

56 CT 9/4/92

A BLANKET of smoke which hung over the False Bay area last night baffled the fire department and many Capetonians as it appeared to be one of those rare occasions where there was smoke without a fire.

The fire department searched the area as far as Stellenbosch from 4pm but could not find the origin of the smoke. Residents kept on calling them — and the Cape Times — till late last night.

A possible explanation was that in the False Bay area there were many open fires to ward-off the chilly night air and because of windless conditions a layer of smog formed.



OIL SANCTIONS

FM 10/4/92

(SA) (SA)

## **Time to lift secrecy too?**

The announcement this week that the EC will lift its oil embargo against SA is of more importance politically and diplomatically than economically. It's a rebuff to the ANC's demand that sanctions continue, but it is hardly likely that the move will have any impact on the availability or price of petrol, considering that oil has been in heavy over-supply on world markets for some years.

Though reporting on the source and price of SA's oil supplies is still restricted locally under the Petroleum Products Act, it is generally believed that the country has been receiving as much oil as it needs — and at prevailing international prices. It is possible, however, that gaining access to the full range of available shipping services might reduce transport costs modestly.

The rapid crumbling of oil sanctions reinforces the case for the repeal of the onerous legislation preventing the full reporting of energy matters locally. Ironically, while South Africans were kept in the dark on where their oil came from, important information on the local oil market was widely published overseas. Foreign reports have repeatedly listed the source of SA oil imports, their amounts, the methods of evading sanctions, the scope of local synthetic-fuel production and total demand.

Nothing would enhance public confidence more in government's administration of energy markets than granting the full freedom to report on the subject without fear of breaking the law. ■

# Ruling clears way for world's largest market

Blbday 13/4/92

S6A

BRUSSELS — The EC's highest court has removed the final obstacles to plans for linking the European Community with the European Free Trade Association, creating the world's biggest single market, diplomats said at the weekend.

The European Court of Justice ruled the giant European Economic Area, stretching from the Arctic to the Mediterranean, was compatible with EC law, clearing the way for the signing and ratification of a joint pact by the 19 national governments and the European Parliament.

Under the common market deal, the association will take over hundreds of EC rules to create a 19-nation trading zone in which goods, persons, capital and services can for the most part move freely. Together, the EC and the Association account for two-thirds of world trade.

The association comprises Austria, Finland, Iceland, Norway, Sweden, Switzerland and Liechtenstein.

The EC's 12 members are Belgium, Britain, Denmark, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal and Spain.

Last November, the court threw the future of the 19-nation trading zone into doubt when it ruled a joint EC-Free Trade Association court contravened the EC's founding treaty.

Europe's two trading blocs then renegotiated that part of the accord but the European Parliament, concerned its own powers would be reduced under the pact, insisted the court vet the revised deal.

The court's ruling did not address strong objections put forward by the European Parliament, which wants court scrutiny of all the accord's institutional arrangements.

Parliamentary sources said that the Strassbourg-based assembly would still do all in its power to ratify the accord in time for it to come into force on January 1, 1993. — Sapa-Reuter.

# No quick fix for world economy

STAR 14/4/92

PARIS — Policy-making officials from 10 leading industrial countries have agreed that the industrial world is headed for economic recovery within the next few months but saw "no real room" for an early general easing of monetary policies.

They concluded that government policies would broadly have to "stay the course", a senior European official said.

Meeting in a high-level committee of the Organisation for Economic Co-operation and Development (OECD), the officials said they felt there was "now a well founded hope of a world-wide recovery" although it might not be "a very buoyant one", the panel's chairman, Hans Tietmeyer of Germany, told reporters.

"A lot of people would like to see lower interest rates, but the question is whether this would be appropriate in the current situation", he said.

He stressed that in Germany, there was at present no room for a relaxation of monetary policy, and no changes were in the pipeline.

## Interest rates

US Treasury Secretary Nicholas Brady said here earlier he was looking for an easing of interest rates to stimulate growth in the industrial world.

"I have been saying that for over a year," he told reporters after talks with his former French colleague, Pierre Berégovoy, who became premier last week. French officials said they had agreed on the need to accelerate world recovery.

Commenting on the conclusions reached in two-day talks in OECD's exclusive working party number 3 (WP3), Mr Tietmeyer, a senior di-

rector of the German Bundesbank, said the group had discussed briefly what could be done to reduce Japan's trade surplus but had not specifically called for a stronger yen.

Questioned on the recent stock market turbulence, he said the impact of market developments would be discussed by the officials at their next meeting.

The focus this time was on growth prospects, and the group noted some signs of recovery in the United States, and improving prospects in Japan and Germany.

The latest US signs were mixed, but on the whole more positive, he said. "One has to be cautious," he added, stressing that "no one can predict precisely what the outcome will be".

## Japan

In Japan, he said, there will be a recovery from the second quarter with a further pick-up in the second half following the recent adoption of a fiscal package, after a first quarter that was not positive.

For Germany the expectation was one of positive growth from the first quarter, accelerating throughout the year. Bonn foresaw an average growth rate of two percent this year for Germany as a whole, with the former east Germany growing by 10 percent and the western part by 1.5 percent.

The group welcomed an improved growth performance by developing countries overall as a positive element for the world economy, noting they were expected to grow by four percent this year and next, double this year's projected OECD rate.

The officials agreed that former East bloc

countries were still facing a very difficult situation, but Mr Tietmeyer did not elaborate.

He said the panel, comprising deputy ministers and central bank officials of the Group of Seven (G7) countries — Britain, Canada, France, Germany, Italy, Japan and the United States — plus the Netherlands, Sweden and Switzerland, agreed there were "no quick fixes".

The officials saw budgetary consolidation — cutting deficits and rein- ing in on public spending — as probably the best contribution to sustainable growth in the industrial world.

He cited a general understanding that there was no real room for a more stimulative monetary policy, and that structural policies, including cutbacks in subsidies and privatisation, should play a bigger role.

## Integration

The group also recognized that continued growth in developing countries and the integration of Eastern Europe into the world economy required access to Western markets, and a successful conclusion of the Uruguay Round trade negotiations.

Questioned by reporters, he said he had heard no criticism, but a lot of praise in the WP3 for the Bundesbank's firm stance against inflation triggered by German unification. This had forced other European countries to maintain higher interest rates than warranted by domestic factors.

But he said the group felt Germany needed to improve the mix between its fiscal and monetary policies, and had welcome Bonn's intention to cut its budget deficit. — Sapa-AFP.



# EC court backs giant trade area

STAR 14/4/92 (S6A)

BRUSSELS — The European Court of Justice has cleared plans for the world's biggest single market — a giant European Economic Area (EEA) linking the European Community and the European Free Trade Association (Efta).

The Luxembourg-based Court, the EC's highest legal authority, gave its blessing to the 19-nation trading zone on the condition a joint committee set up to settle EEA-linked disputes does not touch upon EC court rulings.

It said this proviso should be made binding on all parties.

The court also said the article setting out procedures for dealing with competition cases was in line with EC law.

Efta comprises Austria, Finland, Iceland, Norway, Sweden, Switzerland and Liechtenstein.

The EC's 12 members

are Belgium, Britain, Denmark, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal and Spain.

The EC court threw the future of the EEA into doubt last November when it ruled arrangements for a joint court were in breach of the EC's founding treaty of Rome.

Europe's two trading blocs then renegotiated that part of the accord.

But the European Parliament, concerned its own powers would be reduced under the pact, insisted the court vet the revised accord.

The Court rulings have set ratification of the EEA badly behind schedule, leading to fears some of the countries, notably Switzerland, will be unable to ratify in time for it to come into force on January 1 1993.

— Sapa-Reuter.

## Three EC foreign ministers for SA

A "TROIKA" of foreign ministers from the Netherlands, Portugal and the UK is set to visit SA within the next month, according to senior diplomatic sources.

The three, the previous, present and next holders of the EC presidency, will represent the EC as a whole, rather than their individual states. *Blom 16/4/92*

Foreign ministry spokesmen in the three countries would not confirm the visit, but senior diplomatic sources said it was likely to go ahead before Codesa II on May 15.

Sources close to government said Foreign Affairs was aware of provisional plans and was awaiting further details from the governments concerned.

Portugal is the current holder of the rotating EC presidency. The Netherlands held the presidency until December 31, and the UK is set to take over from June 30.

British Foreign Secretary Douglas Hurd

DARIUS SANAI ~~SECRET~~

was in SA in May last year, and is one of the few "old guard" British ministers to have kept his position after the post-election cabinet reshuffle. *(SLA)*

Dutch Foreign Minister Hans van den Broek is due in SA in August, accompanying Dutch Prime Minister Ruud Lubbers on a visit that has roused the ire of the ANC. The Dutch leaders, who were key supporters of the ANC during the apartheid years, cancelled a visit planned for last February due to ANC opposition.

The ANC was unavailable for comment yesterday on the EC trip.

Hurd and Van den Broek, and their Portuguese counterpart Joao de Deus Pinheiro, will meet representatives of all the major participants in Codesa.

# Export firms warned to prepare for Europe

\$Times (Cape metro) 19/4/92

180 56A

WILL it be countdown or meltdown time for your company as it prepares an export drive to Europe in the short time remaining before Fortress Europe emerges at the end of the year?

Many companies are having their export hopes dashed because their products do not carry the EC mark of approval which certifies that they meet the European Community's stringent quality and safety specifications.

Products bearing this mark of approval will be cleared for import into any EC country from January 1, 1993.

The problem is that many South African companies have not taken the time and trouble to familiarise themselves with the EC legislation in the form of directives prescribing the technical requirements their products need to satisfy to be traded freely throughout the EC.

Products sold in the EC market, whether manufactured in EC countries or emanating from other countries, must comply with the requirements of the relevant directive or a national technical regulation which may exist in the absence of a directive.

There are situations where there are no directives — or they have not

yet been prepared — but where national technical regulations exist.

To become law throughout the EC, a directive must be incorporated into the laws of each member state, and in such cases all conflicting national laws must be withdrawn.

To help clear up confusion for South African companies, the Department of Trade and Industry has been holding a series of seminars throughout the country on the technical requirements for industrial products entering the EC.

At a seminar held at the Cape Chamber of Industries, Ben Ford from the Department gave the following steps a South African manufacturer must take if he wishes to export to the EC:

- Establish if there is a directive relating to his specific product and read it carefully. A list of directives is available from the Department.

- Establish the conformity assessment requirements.

- If there is no directive, he must establish if there is a national technical regulation covering the product he wishes to export to a particular EC country.

- If there is no directive or national

technical regulation and the product falls into the non-regulatory field, he must ask purchasers in the EC to stipulate their company's technical and other conformity assessment requirements.

Potential suppliers of industrial products to the EC should consult the Department of Trade and Industry in Pretoria or its regional office in the Western Cape, ☎ (021) 45 1508.

In the case of agricultural, veterinary or medical products contact the regional Department of Agriculture ☎ (021) 21 1370 or Department of National Health and Population Development ☎ (021) 948 8151.

The South African Bureau of Standards also gives valuable advice. Write giving full details to: Director-General, SABS (European Community Working Group), Private Bag X191, Pretoria 0001.

The SABS regional office can be contacted on ☎ (021) 689 5511. It can arrange to supply copies of the monthly SABS Bulletin, which contains helpful information on promoting quality and standardisation as a competitive tool.



# EEC's minimum 15% VAT a pointer for SA

ST Times [BUSINESS]

19/4/92

SA

EUROPEAN Economic Community states have agreed to a minimum standard VAT rate of 15% from January 1993.

This move could prompt SA to follow the international trend of raising indirect taxes and lowering direct ones.

The EEC minimum standard VAT rate of 15% may be indicative of a future SA rate. The present 10% VAT is comparatively low by world standards, says international tax consultant David Lermer, of Coopers Theron Du Toit.

"However, because of the strong political opposition to the tax, an increase in the rate in the immediate future looks unlikely," says Mr Lermer.

"SA also has one of the highest company tax rates in the world. There is little scope to increase VAT without lowering direct taxes."

Finance Minister Barend du Plessis was expected to announce an increase in VAT in the March Budget together with a reduction in individual

By CIARAN RYAN

and company tax rates of 43% and 48% respectively. There was no change in either tax rate.

Mr Lermer says: "The international trend is to reduce direct taxation, such as for individuals and companies, while increasing indirect forms such as VAT."

"The philosophy behind this is that taxpayers prefer to have more disposal income and to decide how and when they will be taxed."

## Stifled

For example, company tax rates were dropped from 33% in the UK last year and VAT was increased from 15% to 17,5%. Denmark dropped its company tax rate from 50% to 38% while increasing VAT from 22% to 25%. Belgium lowered company tax from 43% in 1989 to 39%, maintaining VAT at 19%.

Mr Lermer says: "The SA

Government has stated its wish to reduce direct taxation in the medium term. It appears to be accepted that high taxation stifles initiative for growth and profit generation."

Most European nations operate a split-rate VAT system, charging zero or reduced rates for food, educational material and children's wear. A higher rate applies to some luxury goods.

Although the system is complex and open to abuse, Mr Lermer says it is an option for SA, given the political controversy aroused by the reduction in the number of zero-rated items.

The harmonisation of indirect taxes in the EEC eliminates fiscal barriers to trade across borders. EEC custom duties are harmonised and a common tariff applies to goods entering the community. Transactions in the EEC are not subject to duties.

Attempts to harmonise excise duties have been less successful, however, because

this is a national rather than a community source of revenue. Minimum excise rates on mineral oils, alcoholic beverages and manufactured tobacco have been agreed on by the European Council.

VAT and customs duties are a major source of finance for the EEC. Only Germany and Spain have standard VAT rates below the 15% minimum required by January 1993.

## Highest

Denmark's standard VAT rate of 25% applies to all goods and is the highest in the EEC, although Italy charges 38% on luxury goods and Greece 36%. France charges 34%, Spain and the Netherlands 35% and Portugal 36%.

VAT will be charged at the rate applicable in the country of destination until 1997 when a definitive tax regime will be implemented. It will charge VAT on a source basis, similar to SA's VAT legislation for deals with Transkei, Bophuthatswana, Venda and Ciskei.

# EC 'troika' expected to visit South Africa

Own Correspondent

56A

JOHANNESBURG. — A "troika" of foreign ministers from the Netherlands, Portugal and Britain are set to visit South Africa within the next month, say senior diplomatic sources. CT 20/4/92

The three, the previous, present and next holders of the European Community presidency, will represent the EC as a whole rather than their individual states.

Foreign ministry spokesmen in the three countries would not confirm the visit, but senior diplomatic sources said it was likely to go ahead before Codesa II on May 15.

Sources close to the government said Foreign Affairs was aware of provisional plans and was awaiting further details from the governments concerned.

Portugal is the current holder of the rotating EC presidency.

# Oil disaster

# looms: SA

(56) ARA 21/4/92

## Damaged tanker's spill washes on Maputo beaches

STEFAANS BRÜMMER, Shipping Reporter

A HUGE salvage operation has been launched from Cape Town in a bid to prevent the oil tanker Katina P breaking up and causing a full-scale ecological disaster on the Mozambique coast.

The condition of the storm-damaged Greek tanker is steadily deteriorating and more than 3 000 tons of heavy fuel oil has already spilled into the Mozambique Channel, polluting beaches in the Maputo area.

Foreign Affairs Minister Mr Pik Botha said the South African and Mozambican governments were working closely together in a bid to ward off pollution.

His statement yesterday followed an appeal by Mozambican Foreign Minister Mr Pascoal Mocumbi for international assistance in juridical and technical matters.

South African equipment and expertise could prove crucial in preventing the Greek vessel breaking up and spilling its full 66 000-ton cargo of heavy fuel-oil into Mozambican, and possibly Natal, waters.

The tanker took refuge in Maputo Bay on Friday after heavy seas ruptured hull plates.

Cape Town-based salvors Pentow Marine, who will attempt to stabilise the listing tanker and avert a pollution crisis by transferring the cargo, have dispatched a small flotilla of anti-pollution and salvage vessels.

Meanwhile, anti-pollution and shipping experts from the South African departments of Environment Affairs and Transport were flown by Kuswag aircraft to Maputo yesterday. They were joined by experts from Britain.

They will assist Mozambican authorities, who are said to be getting "touchy now that the oil has reached some of their beaches." The Kuswag aircraft will stay in Mozambique to keep tabs on the slick.

An Environment Affairs pollution expert said last night if the Katina P's oil cargo could not be transferred to another tanker in time, the only alternative would be to tow the vessel to deep water and sink it.

Pentow chief Captain Dai Davies said the hull damage was "serious" and conceded there was a possibility the tanker could break up with disastrous results.

Elements of the operation are:

- The Richard's Bay harbour tug Hoffe, chartered by Pentow, is to keep the tanker's bow pointing safely into the weather. The Hoffe was to reach Maputo Bay late last night.

- The tug Causeway Salvor left Cape Town on Saturday. Before heading for Maputo it will pick up about 50 tons of salvage equipment in Durban, most of which was dispatched by road from Cape Town yesterday.

- The Pentow supertug John Ross left Cape Town on Sunday and is racing around the coast at almost 20 knots. The John Ross will reach the tanker tonight.

Dr Lynn Jackson, a Department of Environment Affairs pollution control officer, said the oil was so thick it would be difficult to pump and as the Maputo Bay area was shallow, had extensive tidal flats and coral reefs, all of which were sensitive to oil pollution the lucrative prawn industry, as well as tourism would be affected.

(56) ARA 21/4/92

# acts



# US has little hope for GATT breakthrough

Blvd 23/4/92

S6A

WASHINGTON — US President George Bush says he is determined to break the impasse over agriculture that blocks a new global trade agreement, but he is not willing to be the only one to bend.

Bush was expected to meet EC president Jacques Delors and Portuguese Prime Minister Anibel Cavaco Silva late yesterday, but administration officials did not expect the Europeans to table any breakthrough proposals.

The Europeans still did not have "a consensus and a single approach" on how to curb their agricultural subsidies, said one senior US official.

The agricultural issue has stymied efforts to liberalise the 108-nation GATT and the US blames Europe in general and France in particular for the logjam.

Bush said on Tuesday a successful new GATT "could pump \$5-trillion into the global economy" over the next decade, including \$1-trillion for the US alone.

"No one should doubt our resolve to preserve and expand the worldwide regime of open trade," he said.

The official suggested there was no more give on the US side on the agricultural question.

Without a compromise on agriculture, US officials fear other nations will abandon bargaining and doom the five-year effort to dismantle trade barriers.

One EC source quoted EC commissioner Frans Andriessen as saying the dispute hinged on exports of "a couple of million tons of (European) grain".

He said the EC was against cutting export volumes of subsidised grains, and Washington was equally opposed to a concession which might bring the Europeans round — curbs on exports of US grain substitutes such as oilseeds to the EC.

At stake is the Uruguay Round of talks which extends GATT rules on free trade to such sectors as agriculture, telecommunications, banking and textiles.

Talks have foundered mainly over demands that the EC make deep cuts in its subsidies to farmers. EC agricultural surpluses are sold cheaply on world markets in a subsidies war with the US that has robbed Third World producers of export markets for their principal products.

The main differences involve volumes of the EC's subsidised grain exports. The US wants them cut by 24%. Informed sources say the EC might go as far as 15%. The difference amounts to just 2-million tons.

The World Bank has said a deal would add \$50bn a year to Third World exports. Failure would dim the chances of recovery from a three-year economic recession.

It could also lead to a ruinous escalation of the US-EC subsidies battle, and a trade war where the biggest losers would be the rest of the world. — Sapa-AP-AFP.

# Warning of US-EC trade war

BRUSSELS — Sir Leon Brittan warned of a US-EC trade war yesterday after the apparent failure of last ditch talks between US President George Bush and EC Commission president Jacques Delors.

With the passing of yet another "deadline" for the resolution of the 100-nation world trade talks, the EC competition commissioner warned that failure would encourage a world recession and lead to a "profitless trade conflict".

Brussels experts said yesterday that after the apparent failure of Delors' visit to Washington, there was little prospect of a deal before the beginning of next year, after the US elections.

Bush and Delors spoke vaguely of "new ideas", but there was little hint of what these were. It seems that the Gatt doomsters have cried "wolf" once too often. The politicians are happy to let negotiations limp along — never stopping altogether, but not achieving a breakthrough.

Speaking in California, Brittan said it

Own Correspondent

was absurd that a dispute over agriculture would cost the world an "impetus to economic recovery and growth worldwide".

He pointed out that agriculture represented only a fraction of what was at stake in an agreement that ranges from banking to telecommunications. On financial services — worth 8% of EC output, double the worth of agriculture — he lambasted the US for failing to introduce reforms.

But he refused to allow Europe's 9-million farmers, and their subsidies, to shoulder the blame alone. He claimed that in the US subsidies and high prices for food cost consumers £43bn, whereas the Japanese paid £34bn and the EC about £20bn. Indeed, it was the US, he said, which was responsible for much of the current mess, by initially refusing to allow GATT trade rules to apply to its farmers. — Daily Telegraph.

## Japan urges firms to increase imports

TOKYO — Japan's International Trade Minister Kozo Watanabe summoned top executives from 177 companies yesterday and urged them to do more to reduce Japan's record trade surplus.

Officials at the Ministry of International Trade and Industry said they were worried the internationally sensitive surplus would not decline in coming months because of Japan's weakening economy, which has reduced import demand.

In a meeting at the ministry, Watanabe told the company leaders to prepare con-

crete "voluntary plans" for boosting imports and urged them to take advantage of tax credits for purchases of foreign manufactured goods, the ministry said.

He warned the executives that Japan was likely to face more trade friction and protectionism if it did not bring down its trade surplus, expected to exceed \$110bn overall in the fiscal year that ended last month, the ministry said.

Each company was expected to submit an import expansion plan. — Sapa-AP.

Introducing





AS THE EC moves towards the single market, planned for January 1 1993, a number of related developments will have a major impact on SA and southern Africa.

Negotiations have taken place on eventual association agreements between the EC and Czechoslovakia, Hungary and Poland. There is agreement between the EC and the central Europeans on the goals of the agreement, except for one point. The central European countries want formally to join the EC and see the agreement as leading to full membership. The EC sees association as a goal in itself without any guarantee of membership, though it does not preclude membership in the future.

The association agreements are based on freedom of movement for goods, persons, services and capital between each central European country and the EC. Bulgaria and Romania are not yet sufficiently advanced along the road to democracy and the free market to qualify for association, though the EC has signed an extensive five-year trade and economic co-operation agreement with Romania.

Yugoslavia has been told it will have to resolve its domestic political

# EC unity has lessons for SA

BID 24/4/92

**BRIAN HAWKSWORTH**

problems first. Pledges of Western financial aid to central Europe are rising steadily and now total 28-billion ecus (R100bn). The EC is coordinating efforts among 24 donor countries. This will reduce the amount of aid SA can expect and will make it substantially more difficult to attract investment capital.

The US and the EC have signed an agreement providing for regular consultation to strengthen their links.

An important EC-US agreement was concluded recently to harmonise industrial standards, including mutual recognition of data and product certification. Our business community and technology will need to heed this.

The EC is seeking to play down frictions with the US in its annual report over American trade barriers. Nevertheless there is alarm over certain protectionist and discriminatory legislation at state rather than federal level.

Among the barriers cited in the report are public procurement rules in 29 states which require the authorities to "buy American" instead of more competitive foreign goods. Other examples are restrictions on the ownership of real estate by foreigners.

During the Dutch presidency of the EC priority was given to ecology. Holland has strict factory emission norms, the tightest motor vehicle pollution controls in the EC and some of the cleanest beaches in Europe, despite a heavy industrial base and the continent's biggest port.

EC environmental ministers have endorsed a green label that will be awarded to environment-friendly consumer products. The EC hopes the idea will put pressure on industry to develop products that reduce pollution and to inform consumers of

the environmental impact of products. Similar green label systems exist in Canada and Japan and will be introduced in Scandinavia. SA industrialists should note this trend.

The EC Commission has proposed controversial new rules for multinationals regarding consultation with workers. Affected companies would have to set up a council to keep workers informed of plans affecting them such as job reductions, new working practices, new technology and organisational changes.

The directive would apply to companies with more than 1 000 employees in the EC and units of at least 100 staff in two or more community countries. This concept would be welcomed by the trade unions and is likely to receive support from various groups in SA.

The EC is also planning to adopt a 15% minimum standard VAT rate throughout the EC by January 1 1993. This could give weight to increasing our rate above 10%.  
An EC survey discloses European

industry growth over the past five years still trails that of the US and Japan. The EC's trade surpluses declined from 116-million ecus in 1985 to 50-million in 1990, mostly due to rising imports. The survey says European firms have concentrated on expanding intra-EC trade, which increased by 40% between 1985 and 1990, rather than on the world market. Our importers and exporters need to take careful note of this in developing their strategies.

In December in the Dutch town of Maastricht, EC leaders finally reached agreement on treaties for political and economic union.

The agreement (in toto) was less than most EC members had wanted but more than others had wanted to give. Southern African companies, in undertaking their strategic planning, will have to take very careful note of these developments.

Finally, immediate growth prospects in the EC are not good, and this does not augur well for rapid economic growth in SA in spite of the lifting of sanctions.

□ Hawksworth is a partner at Ernst & Young and the SA representative of the firm's Brussels-based European Business Advisory Centre.



AROUN

# Danes' vote halts move to unity in Europe

(56A)  
Sowetan  
4/6/92

**COPENHAGEN - The Danish people faced an unpredictable future yesterday after defying their own leaders and the European Community by voting narrowly in a referendum to reject the Maastricht Treaty.**

The stunning rebuff brought the Community's drive for political and economic union to a shuddering halt and drew reactions of shock and dismay from Denmark's fellow EC members.

As groups of anti-Maastricht Danes cel-

ebrated their surprise victory late into the night, political leaders who had overwhelmingly backed the treaty pondered the unprecedented problems facing the country.

Denmark could find itself isolated in a Community of one, while its partners signed a new, identical treaty and stripped the country of influence on the Community's future development.

In Brussels, it was announced that EC foreign ministers would hold an emergency meeting in Oslo today to discuss the implications of Denmark's re-

jection of the treaty, which calls for more power for European Community institutions and closer co-ordination between member states in many areas.

European financial markets looked set for a spell of turbulence as the Danish vote seemed likely to block plans for economic and monetary union later this decade, opening the way for a slackening of economic discipline by some member states.

The final count showed 50,7 percent voted not to ratify the treaty against 49,3 percent in favour, a margin of just 46 000 votes. - *Sapa-Reuter.*

**EC inflation rate up**

THE EC's average annual inflation rate crept up to 4.8% in March from 4.7% in February, the community's statistics agency Eurostat said in Brussels at the weekend.

REPORTS: Own Correspondents, Business Day Reporter, Sapa-AP.

SLA B10ay 27/4/92

The Ministry of Trade and Industry had envisaged last weekend's gathering as "75% pleasure, 25% work."

It was not much of a party. The deadlock between the US and the European Community (EC) over farm subsidies, which cost the industrialised economies \$100bn a year, remains.

Yet another deadline passed when President George Bush, who says the Uruguay Round is at the top of his agenda and the EC leadership failed last week in Washington to achieve the required shift in positions.

Commission president Jacques Delors said the EC had offered "a modest compromise" but "Europe is not prepared to pay any price."

Portugal's Prime Minister Annibal Cavaco Silva, current holder of the revolving EC presidency, was more positive: "It was a meeting among friends... very constructive and fruitful."

So the official rhetoric is doggedly optimistic in spite of 400 meetings and the 15 months which have evaporated since the "final" Gatt summit in Brussels in December 1990.

And the stakes are rising: the planned 30% reduction in tariffs would increase world trade by nearly \$200bn a year within 10 years, according to the Organisation for Economic Co-operation and Development (OECD).

At Bandai Kogen there was talk of "new ideas" from the EC that might go part of the way towards the 24% cut in the volume of subsidised agricultural exports, which is the Uruguay Round target. But, with Europe's farmers deriving half of their income from the Common Agricultural Policy's (Cap) \$46bn budget, the US suspects proposals to compensate them for loss will be open to abuse. Europe, of course, is not alone: subsidies make up 36% of farm incomes in the US and 76% in Japan.

A new intensive series of talks between the EC and the US starts this week and all Uruguay Round negotiators troop back to Geneva in June for yet another "final" meeting. The Group of Seven summit in Munich follows in July.

Whether these will see the runners hit the tape at the end of the "final sprint" which Gatt Director-General Arthur Dunkel started last November remains an open question. In Japan, on Sunday, one EC spokesman said the problems were all at the political level — and much depends on how confident Bush is of re-election in November.

For some cynics, that time horizon puts the Uruguay Round on hold for another 12 months. But there is an attempt to generate some urgency. As the trade ministers left Japan, the EC spokesman said: "If we have not got an agreement by the time of the G7 summit in July, we can forget about an agreement for this year — and perhaps forever."

Indeed, some officials have been saying that just keeping the negotiations alive will be hailed as "a success."

GATT FM 11/5/92

**Treading water**

SLA

When the invitations went out, the summit of Trade Ministers at the Japanese mountain resort of Bandai Kogen was intended to be something of a celebration. The successful conclusion of the General Agreement on Tariffs and Trade (Gatt) Uruguay Round was expected, after six years of negotiations.



# New European grouping covers 19 countries

PORTO, Portugal — An agreement to create the world's biggest single market will be signed by European Community and EFTA countries here tomorrow after a nail-biting end to nearly three years of tough negotiations.

The accord provides for a European Economic Area (EEA) of 19 countries and 380 million people. It covers all of Western Europe from the Mediterranean to the Arctic, and accounts for 40 percent of world trade.

The EEA agreement will extend the "four freedoms" of the EC's single market — the free movement of people, goods, money and services — to the seven countries of the European Free Trade As-

sociation (EFTA) (S6A)  
Austria, Sweden, Norway, Switzerland, Finland, Iceland and little Liechtenstein will take over about 70 percent of the EC's regulations, excluding mainly agricultural and political affairs.

Some diplomats and politicians see the agreement as an important step towards an increasingly-powerful pan-European economic and political federation that could fill the vacuum left by the collapse of communism.

European Commission president Jacques Delors proposed the EEA in 1989 as a way to extend the economic benefits of the EC to the neutral countries on

its fringes without giving them full membership.

Delors was afraid that Austria, Sweden, Finland and Switzerland would dilute the EC's ambitions for deeper integration of its 12 members into a political and military power — a process enshrined at Maastricht.

The neutrality issue has faded with the collapse of the communist bloc, and the EEA has become a classroom and waiting room for EC membership.

EFTA countries Austria, Sweden and Finland have already applied to join the community. Switzerland and Norway are expected to do so soon.

Some diplomats believe that if these countries

leave the EEA around 1995 to join the post-Maastricht European Union, then Poland, Czechoslovakia and Hungary could replace them in the EC's waiting room.

The 1000-page EEA agreement gives people equal rights to travel, live and work throughout the 19-nation area.

Banks, insurance companies, airlines and most other businesses will have equal rights of establishment throughout the area, industrial standards will be harmonised and restrictions on money movements will be lifted.

The result will be a much bigger market for all the countries involved.  
— Sapa-AFP.

## EC ministers to visit SA

LISBON — Three EC foreign ministers will visit SA next month to discuss the spiral of violence among SA blacks and what is seen in Europe as rights abuses by police.

810am 4/5/92  
The EC foreign ministers, who met in Guimaraes on Friday, agreed to send the foreign ministers of the Netherlands, Portugal and Britain to SA for talks with political leaders. Officials said the three ministers, whose nations represent the previous, current and next EC presidencies, will go to SA in the first week of June.

(SbA)  
The mission, a Danish idea, is designed to "help lower the level of violence ... and install a more democratic system in SA," said French Foreign Minister Roland Dumas. — Sapa-AP.

## Unrest death toll soars in another violent weekend

POLICE reported at least 14 deaths in unrest over the long weekend — bringing the countrywide death toll since the start of the previous weekend to 68.

Sapa reports yesterday's official unrest report said bodies were found in several Reef townships.

In Alexandra, two men died of bullet wounds, one was stabbed to death and two men were wounded.

At Zonkezizwe squatter camp outside Katlehong on the East Rand, police found the body of a man who had been shot. The body of a black man who had been hacked to death was found at Thokoza, near Alberton.

A body was also found at Merafe station in Soweto while a man was injured when people fired at him at Inhlazane station, Soweto.

Reuter reports that at least eight people died in violence on Friday night.

Police listed 18 incidents in which the eight were killed and 30 others wounded. Some of the clashes were linked to May Day rallies.

Police said two people were thrown from a train near Germiston after being stabbed. Another man was

9:10am 4/5/92  
Business Day Reporter

found shot at the wheel of his minibus in Imbali near Maritzburg.

The remaining five were killed in Alexandra, Katlehong, Thokoza, Dube (Soweto) and Secunda.

In the previous six days, 54 people were killed.

Police were on alert in potential flashpoints to keep the peace between rival black groups staging May Day Rallies. Witnesses said most of the clashes and killings happened as rival supporters headed for home.

At several of the rallies, Cosatu leaders threatened a general strike if government did not meet its demand for an interim government by June.

□ Government on Thursday declared the Vanderbijlpark magisterial district, which includes violence-torn Sebokeng, an unrest area. Law and Order Minister Hennis Kriel said in the Government Gazette that measures additional to the ordinary law of the land were necessary to enable government to ensure the safety of the public and the maintenance of order.

Tokoza on the East Rand, and another found shot dead at Mankwazi, in the same area. At Imbali, Maritzburg, the body of a man who had been shot was found slumped in his minibus on Friday.

Crime-busters . . . police reservists David Clark (left) and the haul of computers and printers they recovered after an accomplice allegedly stealing the goods from the First National Bank on Friday morning.

## EC wants neutral monitors

STAR 415792

LISBON — The European Community is putting its weight behind proposals for the introduction of international monitors in the South African townships, diplomats said yesterday.

The aim of the mission would be to keep an eye on police in the run-up to elections. This will be on the agenda when a troika of EC Foreign Ministers, the British, Dutch and Portuguese, visit South Africa.

The question was discussed at an informal meeting of EC Foreign Ministers that ended in

Portugal on Saturday.

"All are agreed on the urgency of the problem and the need to do something. What has not been decided are details of an EC role," a diplomat said.

Among the alternatives under scrutiny are an EC mission, a body comprising members of the Organisation of African Unity (OAU) — perhaps backed by the Commonwealth — and a United Nations group.

The initiative comes from Uffe Ellemann-Jensen, the Danish Foreign Minister, who visit-

ed South Africa last month. He concluded that the security forces lacked the popular credibility necessary to supervise a democratic transition.

The Government is understood to be unenthusiastic about an international mission scrutinising the security forces, and has stated that elections are out of the question while the township wars persist. Diplomats, however, hope to find a formula for intervention that will be difficult to resist. — The Independent News Service.

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## AFRICA BRIEFS

*W/Mail 8/5-14/5/92*  
**Police halt Harare student protest**  
 ■ ANTI-GOVERNMENT protests by thousands of rock-throwing students closed the University of Zimbabwe on Wednesday. Calls for the resignation of President Robert Mugabe and his entire cabinet, for the disbanding of Mugabe's ruling ZANU-PF party and for new democratic elections came from the crowd of students, estimated at 4 000. Hundreds of riot police prevented the students from marching into Harare's city centre where they intended to protest in front of the government offices. The police sealed off the university campus and fired rounds of teargas into the campus to disperse the students. The students planned to demonstrate for more financial grants from the government so the university departments could purchase more books and other teaching equipment. But when they were prevented by police from marching into Harare, the students became angry, started hurling rocks and shouting anti-government slogans.

**Churches focus on Malawi**  
 ■ THE Southern Africa Alliance of the Reformed Churches urged the Malawi government to release people detained "for exercising their right of free expression". Meeting in Lusaka, Zambia, the leaders of the churches criticised the month-long detention of Malawian labour leader Chakufwa Chihana. A delegation from the World Alliance of Reformed Churches is planning to visit Malawi this month because of concern for "the distinct deterioration of human rights". Life President Hastings Kamuzu Banda's government has been slated by Amnesty International and Africa Watch for mistreatment of political prisoners, but it appears that the international attention focused on Chakufwa Chihana is causing authorities to go by the book. Chihana was expected to appear in court this week and his lawyers would press the government to either lay charges or release him. It is believed the government will charge him with sedition.

*W/Mail 8/5-14/5/92*  
**Europe announces food aid to Africa**  
 ■ THE European Community is to provide food aid worth £154-million for African countries stricken by drought. Of the 800 000 tons of wheat to be purchased, some 680 000 tons is to be distributed in southern Africa and the Horn of Africa. Maize, beans and vegetable oil will also be supplied. European relief aid will be handled by non-governmental organisations already in the field, including the Red Cross and the World Food Programme. EC officials in Brussels said that as soon as they made purchases on the world markets, particularly South American maize, shipments could begin within a week. The EC itself has a grain stock of about 18-million tons.

**Sierra Leone calm with new leader**  
 ■ CALM has returned to Sierra Leone's capital, Freetown, following the military coup last week which toppled the seven-year rule of President Joseph Momoh. A governing council of military officers headed by Captain Valentine Strasser is currently ruling Sierra Leone. Strasser (27) was welcomed this week at a rally by crowds of thousands who greeted him as an example of young, dynamic leaders. As a result of looting and violence in Freetown after the coup, the United States airlifted its nationals out of the country while France evacuated its tourists by sea. It is expected the return to law and order will convince those countries to allow their nationals to return.

*W/Mail 8/5-14/5/92*  
**Food aid arrives in Mogadishu**  
 ■ IN a desperate attempt to stave off mass starvation in the Somali capital, Mogadishu, the distribution of emergency food aid has finally begun. A United Nations-chartered ship which docked in Mogadishu on Sunday off-loaded more than 5 000 tons of wheat. The International Committee of the Red Cross brought relief food ashore from a vessel anchored off Gezira Beach, south of Mogadishu. These food shipments are the first to reach Mogadishu since November, when serious fighting between rival factions forced the closure of the port.



## No panacea for EC's economic ills

OPORTO — The EC agreed at the weekend there was no economic panacea of low interest rates, strong growth and full employment just around the corner.

That was the message from a weekend brainstorming session of EC finance ministers and central bankers on how to pull Europe out of its economic doldrums.

New French Finance Minister Michel Sapin arrived at his first meeting of EC finance chiefs pleading for a European-growth strategy. Easier said than done, old hands muttered.

One way to give the European economy a boost would be further interest rate cuts.

In an unusual move last week, Britain and France allowed their interest rates to fall even though Germany kept to a tough monetary line. Neither the franc nor sterling lost ground within the EC exchange rate mechanism.

Belgium and the Netherlands, usually considered mere satellites in the German monetary universe, have recently flirted with allowing their short-term interest rates to fall below German ones. But fur-

ther cuts could be risky. (SWA)

EC chairman and longest serving EC central banker Erik Hoffmeyer said those who tried to cut interest rates in defiance of Germany sometimes burnt their fingers.

"What I would say is that you shouldn't try it too often," Hoffmeyer said.

Bundesbank President Helmut Schlesinger made it clear that wage pressures left no room to lower German interest rates in the short term.

Failing to find a solution in further rate cuts, ministers turned to budget policy. They could adopt a so-called Keynesian solution — a splurge of state spending in a dash for growth.

This was the economic remedy widely applied in the 1970s, and last tried in Europe by France in the early 1980s with disastrous results.

"Some would like to put more weight on the growth aspect. But they are very careful not to embark on ... stimulating government expenditure which got us into great difficulties in the 1970s," Hoffmeyer said. — Sapa-Reuter.

BIDAY 12/5/92

# A lesson in non-inflationary growth

Monday 13/5/92

SGA

SIMON WILLSON

one, too. Progress towards European monetary union (EMU), the ultimate goal of the EMS concept, is conditional on meeting stiff financial requirements. One of them is a budget deficit of no more than 3% of GDP. Any country exceeding that benchmark gets left out in the cold.

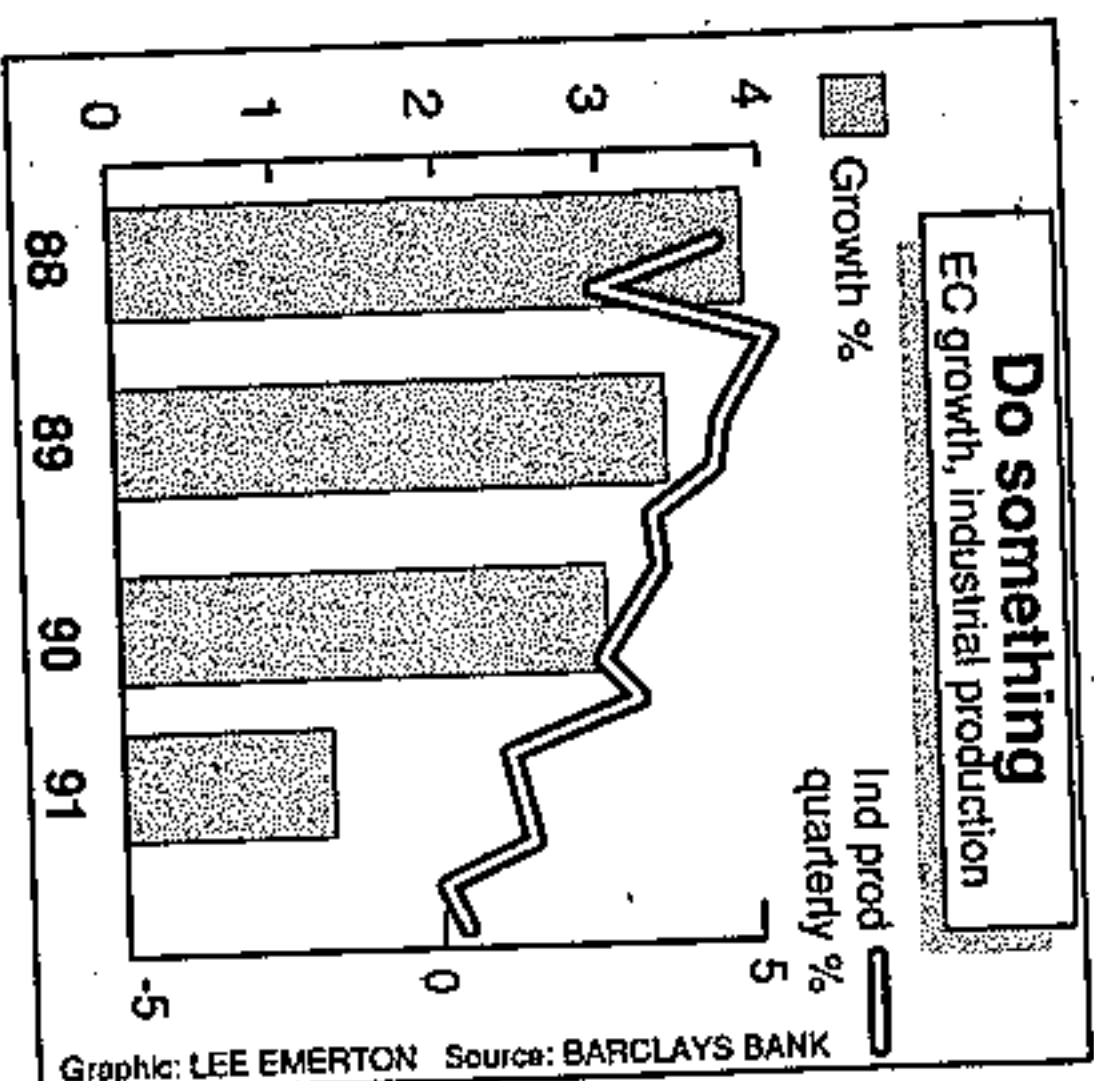
The meeting was meant to be a collective consultation to draw up a series of co-ordinated policies to stimulate EC economic growth. In the end, almost every proposal examined was ruled out by the terms of membership of the EMS's exchange rate mechanism (ERM).

comes so cheap to borrow that those recalcitrant consumers go out and spend again. Higher inflation follows, of course; the trick is to hold an election before it arrives.

employers capitulating to inflationary pay claims, is not about to cut. The other traditional option available to governments which need a growth spurt is fiscal reflation: boost government spending (despite the inflationary consequences), run up a budget deficit and let the state kick-start the economy. But the founding fathers of the EMS thought of that

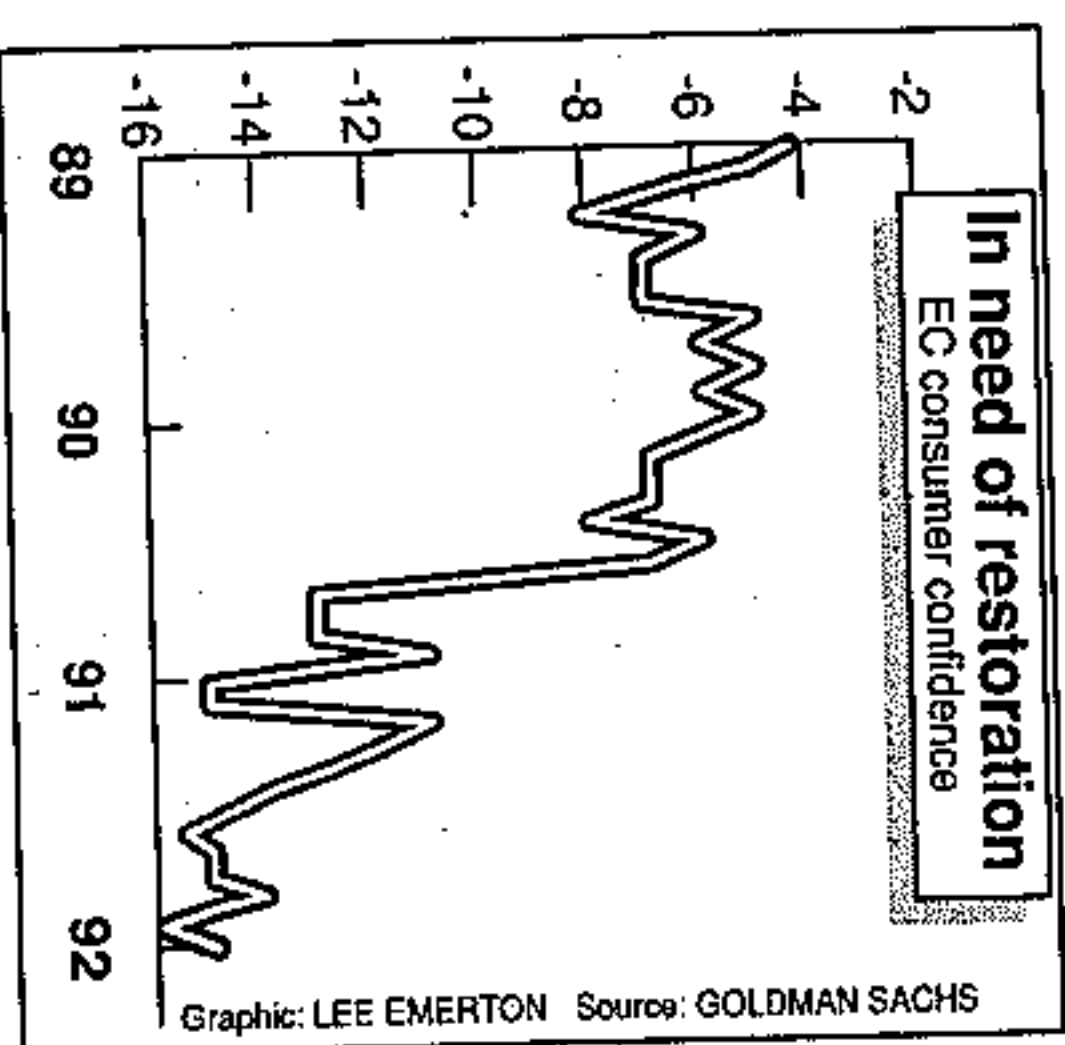
The summit turned into a long lesson on why fixing exchange rates is disinflationary. None of the traditional, short-term remedies for slow growth — the ones that made inflation such a headache in the bad old days — can now be contemplated by ERM members. Growth within the ERM, the delegates learned, has to be non-inflationary growth because ERM exchange rates are fixed.

The first chart shows the daunting background to the weekend gathering, which took place at the agreeably Bacchanalian venue of Oporto. EC growth is on the skids and industrial production has slumped as the British and, lately, the Germans



Graphic: LEE EMERTON Source: BARCLAYS BANK

Now that EC membership rules out exchange control and the ERM binds member currencies into crawling-peg exchange rate ranges, cross-border investors quickly abandon low-rate currencies and pile into high-yielders. Cutting rates, therefore, carries the risk that the currency concerned will drop through its ERM floor, and this is not allowed. Unilateral rate-cutting, then, is not on. As a rule, rates can only safely be lowered by a significant margin if all ERM members — particularly the Germans — cut at the same time. Germany, with an inflation problem and strike-threatened



Graphic: LEE EMERTON Source: GOLDMAN SACHS

So EC governments will shortly be massaging confidence by saying reassuring things about the single, barrier-free European market due at the end of this year and about more open world trade once the new GATT treaty is in force. Thanks to the ERM's fixed exchange rates, the one thing those governments are now unable to do is rekindle inflation with quick-fix rate cuts and state spending binges.



# SA asks EC for drought aid in southern Africa

b1 day 13/5/92

S6A

SA

SA HAS formally approached the EC for emergency drought relief aid for southern Africa.

Sapa reports that in a letter to the EC, SA said the drought could spell disaster for the region if emergency measures were not taken.

An EC spokesman in Pretoria, confirming the request, said the organisation would respond regionally.

A Foreign Affairs spokesman said although SA was traditionally not an aid recipient, the drought would place enormous pressure on the country's already restricted budget.

However, SA is expected to be excluded from a UN-sponsored conference in New York next month when donor countries will be asked to pledge aid for the region.

Agriculture Minister Kraai van Niekerk yesterday urged banks and suppliers not to sequester drought-hit farmers until his department had worked out details for distributing its R3,8bn in drought aid.

But in Parliament, Deputy Minister Tobie Meyer warned that drought aid to farmers could be withheld if they did not keep proper financial records. Speaking during the agricultural development budget vote debate, he said a departmental survey had found that 41% of farmers in Petrusburg had not kept financial re-

ords. "This raises questions about the management prowess of our farmers," he said.

GERALD REILLY reports from Pretoria that Van Niekerk said in an interview banks, other financial institutions and input suppliers had a duty to get meaningfully involved in the operation to rescue the farming industry from disaster. It could not be questioned, said Van Niekerk, that the farmers' producer price index had fallen far behind the consumer price index.

FNB senior GM Viv Bartlett said yesterday wherever possible the bank helped farmers in financial difficulties. But where it was apparent that an applicant for further aid could not trade himself out of his problems, "we have no alternative".

A Volkskas spokesman said the bank treated all cases involving financially distressed farmers with sympathy. However, there were some sequestration proceedings in the pipeline — involving heavy legal costs — which could not be halted. But these involved hopeless cases beyond further reasonable aid.

Dries Bruwer (CP Lydenburg) told Parliament yesterday that commercial banks had told him they were prepared to consider forming a consortium to take over the functions of the Land Bank.

Such a move would mean that the farmer, who worked with his commercial bank on a day-to-day basis, would have a more direct line to total financial servicing. A farmer often had to borrow from his commercial bank anyway when the Land Bank came breathing down his neck for repayment of loans.

Removing the administration of some Land Bank funds from the activities of co-ops might improve relationships between co-ops and their members, as the co-ops would not have to chase after farmers.

Bruwer also said the CP would oppose the establishment of subsistence farmers on high-yield agricultural land because this was not in the interests of SA. The state would have to take a very careful look at the justification for subsistence farming as against the interests of commercial farmers.

Public Enterprises Minister Dawie de Villiers said Eskom had written off almost R500 000 in unpaid electricity bills incurred by western Transvaal farmers last year.

Replying to a question from Bruwer, he said the debt of R498 634 had been notched up by 260 farmers. In the central Transvaal Eskom wrote off R158 101 owed by 78 farmers, and in the Free State debt of R52 524 was also written off.

STAR 14/5/92  
chance of  
admission  
to Lome

By David Canning

DURBAN — South Africa stands a good chance of winning trade preferences from the European Community, possibly even membership of the Lome Convention.

This is the view of Richard Doherty and Graham Branton, Brussels-based representatives of Deloitte Ross Tohmatsu Europe Services, who addressed businessmen at a seminar here.

Mr Doherty said he had heard the issue of South African membership of the Lome Convention — which allows preferential access to EC markets — being discussed at top levels in Brussels.

The issue was difficult. South Africa was regarded as a developed country, yet a large part of its population had low income levels.

South Africa should now be preparing the ground to apply for preferential EC treatment — either as a member of Lome or through a bilateral agreement.

While it had a strong argument for Lome membership — as its neighbours already were members — SA might have to drop any tariffs applying to other countries in its region.

It also might need to reduce its export incentive schemes which were not popular in Europe.

The seminar delegates also heard Deputy Minister of Foreign Affairs Renier Schoeman urge the Natal/KwaZulu region to improve its efforts to encourage foreign investment.

He said he believed the region was not yet ready to receive and influence potential investors "on a sufficiently coordinated and effective basis."

It would be a pity if Natal were to lose out on foreign investment because of a fragmented approach lacking the impact which could have been achieved by a coordinated effort to market the region and to draw investment.

"Even within the worthwhile body of the Natal/KwaZulu Joint Executive authority, the differences in powers of the component parts weakened its capacity to play a full role in some areas."

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## New bid to revive GATT

BRUSSELS — EC and US trade negotiators will meet in Washington next week to try to make progress in GATT world trade talks, a senior EC trade official said on Friday.

EC officials would not give the exact date, nor say who would attend. *(S6A)*  
*Bham 18/5/92*  
GATT director-general Arthur Dunkel said in The Hague last Thursday that he believed the two sides would intensify their efforts to achieve a breakthrough by the summer, and that meetings were likely to be held very soon.

The 5½-year-old Uruguay Round of talks on a new world trade order have been stalled for 18 months, mainly over a row about agricultural subsidies. — Sapa-Reuter.



BRUSSELS — The EC agreed on Friday to ban sales of a special tobacco snuff from July, but plans to end tobacco advertising were still totally stymied, EC officials said.

Health ministers spent just long enough on the ambitious and highly divisive proposal to ban all tobacco advertising in the EC for Britain, the Netherlands and Germany to reaffirm their unflinching opposition, the officials said.

The three have enough voting power to kill any attempt to make progress on the proposal.

The European Commission, which proposed the ban on all Press advertising as well as indirect publicity for tobacco a year ago, told ministers it would not hit fashion or luxury goods carrying tobacco-linked brand names such as Dunhill, as some had feared.

Health Commissioner

## EC plan to end ads for tobacco stymied

Vasso Papandreou told Denmark, which like Greece is neither firmly for or against the ban, that its worries about it killing freedom of expression were misplaced as the UN human rights convention allowed for limits to protect public health.

Sweden, a leading contender for EC membership, may well be dismayed by the approval of a law banning from July a form of wet tobacco ball used by about one in 10 people in the Scandinavian country.

So-called "moist oral snuff" is placed under the lip as an alternative to cigarette, pipe or cigar smoking, but has already been banned in some EC states. It is the first tobacco product banned at EC level.

"It hasn't got a real market here (in the EC) yet and that's why it's being banned now," a commission spokesman said.

He said the same law also contained provisions making it compulsory for cigar boxes and pouches of tobacco, as well as cigarette packets, to carry large-print health warnings such as "Smoking Causes Cancer" from the end of 1993.

British Health Minister Virginia Bottomley used the twice-yearly ministerial session to attack the huge subsidies the community gives to tobacco growers, the spokesman said, echoing earlier attacks by cancer research charities. — Sapa-Reuter.

# Preparing for the big plunge

STAR 21/5/92 (S6A)

**A** FIRST priority of the British six-month presidency of the European Community, which begins on July 1, will be to set in motion the process of its further enlargement, as was agreed in principle at Maastricht.

The four candidates from the European Free Trade Association (Efta) — Austria, Finland, Sweden and Norway — have now been joined by Switzerland.

Enlargement will have many consequences, but the dilution of the EC into a loose confederation of free-trading nation states on the model touted by Margaret Thatcher and her friends will not be among them.

All of the new candidates are hard currency countries who will have little difficulty in meeting the criteria for stage three of the monetary union agreed at Maastricht, and their accession would increase the probability of the project going ahead in 1999 if not in 1997. By championing their admission in the cause of a wider Europe, the British government will be helping to ensure that the EC is also deepened.

In order to participate, two preliminary steps would have to be taken. First, eligible countries must have been within the narrow band of the Exchange Rate Mechanism for two years prior to a decision to move to stage three in 1996. Britain would have to make up its mind on this by the end of 1994.

Second, to be eligible countries must have in place a free-standing, independent central bank. Legislation to denationalise the Bank of England would have to be included in the Queen's Speech of 1994 unless John Major wants it caught up with the general election he may wish to call in 1996.

In other words, the government cannot indefinitely conceal its intentions behind the opt-out clause.

The British like to think of the Eftas as natural allies within an enlarged Community, but this sentimental affection may be misplaced. For example, they all have politically powerful and pampered farmers and are liable to strengthen the forces of agricultural protectionism within the EC. The Scandinavian countries and Austria are advanced social

democracies and can be expected to support the Social Chapter of the Maastricht Treaty from which Britain, in isolation, also opted out. Four out of five were Cold-War neutralists. They would be more inclined to become members of the Western European Union (WEU) than of Nato.

Britain is engaged in a running battle with France over the status of WEU. The French want it brought into the European Union, Britain insists that it complement, but not duplicate, Nato.

Then there is the problem of Community institutions and the arrangements for majority voting.

The British view of the Eftas as nice, house-trained countries that can be fitted smoothly into existing arrangements is not shared by other countries. The arrangements agreed at Maastricht for conducting foreign and security policy have become a mockery already as a result of the Greeks' intolerable behaviour over Yugoslavia. Bring in the neutral Eftas, lacking all experience of the use of power in the pursuit of interest, and the whole business could become a total shambles.

The British may be inclined to say "We told you so", but that will not be the reaction of others who will press hard to combine enlargement with extensions of majority voting.

What should be obvious is that a Community of, say, 25 — and probably a Community of 16 or 17 — could not function effectively with the present decision-making apparatus. Yet to allow enlargement to become simply an agent of dilution would defeat its purpose. The goal should be to make war in central or eastern Europe as unthinkable and impossible as it became in western Europe when the traditional enemies, France and Germany, locked themselves into first the coal and steel pact and, subsequently, the Economic Community.

The Maastricht Treaty of Union provides a multitier model on which the European Community can be both widened and deepened, but a country that aspires to be "at the heart of European affairs" must be ready to swim in the deepest of its pools. — The Independent, London. □

# Takeover of Midlands Bank given go-ahead

31 Day 22/5/92

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BRUSSELS — The European Commission cleared the way yesterday for the Hong Kong and Shanghai Bank to take over Midland Bank.

"The Commission has concluded that the bid does not raise serious doubts as to its compatibility with the (EC) common market," the commission said.

The commission, which has the final say on whether major mergers are allowable under EC competition rules, had been investigating the bid for almost a month.

The probe covered almost all retail bank activities — treasuries, merchant banking, securities, pensions and insurance underwriting.

EC competition commissioner Leon Brittan said the banks compete in very few sectors and if a merger went through, fierce competition would remain in these sectors.

He said the merged company would not be big enough to have a dominant position on any of the markets examined.

The only area where there was a significant overlap between the two companies was gilt edged stock market making, which is a means of financing the UK public sector deficit by using British

government guaranteed stocks.

Commission sources said there was virtually no chance of Britain invoking a "national interest" clause to request a second look at the bid, because it had the blessing of the Bank of England.

The news will come as a blow to Britain's Lloyds Bank which has been considering a hostile rival bid worth more than the £3.7bn offered by HSBC Holdings, the Hong Kong bank's parent company.

Lloyds Bank said it was "keeping its options open" on the proposed takeover.

Lloyds had said it wanted its bid reviewed by the same body as the HSBC offer, but the commission said earlier this month that any bid from Lloyd's would fall outside EC jurisdiction because most of Lloyds and Midland business was confined to Britain.

A merger between Midland and the Hong Kong bank would combine the world's 40th and 25th biggest banks in terms of assets. The Hong Kong bank was active in Asia, Europe and the US while Midland, the 19th largest EC bank, was a stock market maker, and would still face intense competition in this area after a merger. — Sapa-Reuter-AP-DJ.

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working may divide voluntary organizations and public service contractors more than either of them are inclined to acknowledge.

When donors and governments look at NGOs from the perspective of the growth-centered vision, they are usually thinking of NGOs primarily as public service contractors to deliver services in support of growth-with-equity strategies. Few donor or governments as yet have any real appreciation of the distinctive role of truly voluntary organizations. Indeed they may be NGOs as subversive troublemakers because they set their own agendas, are wary of official influence, and may challenge official policies.

## Special Role of the Voluntary Sector

The voluntary sector defines a very distinctive force in society. Part of its essential dynamism comes from the fact that there are hardly any barriers to entry. You need only a social commitment. In a democratic society no permission is needed and no one can prevent one or a small group of people from creating a voluntary organization around whatever set of ideas or commitments happen to motivate them. If willing to volunteer the use of their time, even lack of money is not necessarily a barrier to entry.

One of the distinctive characteristics of voluntary action is that by definition it is not driven by expectation of economic or political reward, the two types of rewards on which the incentive systems of established institutions are most commonly built. The power of these reward systems

sustainable and inclusive society, they also have important distinctive qualities of their own. One of these, which makes it difficult to place them in the framework outlined in Table 5, is their ability to combine all three types of power competence.

Take a cooperative as an example. Its members may by mutual consent and through democratic processes extend quasi-governmental power to the organization's governing board to enforce agreed rules, including application of a system of fines. The organization may also serve as an instrument through which its members seek special advantages for themselves through political action relating to their industry. The organization may engage in market oriented business activities such as marketing member produce. At the same time, the members may be bound by special social commitments that create mutual obligations of a non-political, non-economic nature among themselves and between them and the larger society.

Given the central importance of people's organizations to our undertaking, far too little attention has been given to understanding their special nature and dynamics. I am referring here not only to this meeting, but more generally to the work of those who specialize in the study of organizations. This is a deficiency that it is important for us to work to correct if we truly believe that people's organizations are the building blocks of people-centered development. So long as we fail to deepen our understanding of these organizations we are likely to find ourselves rather



# Labour bodies show concern

By JOSHUA RABOROKO

TWO labour federations have expressed concern at the desire by British and multinational companies operating in South Africa to drop the European Community code of conduct governing employment conditions.

Although the Congress of South African Trade Unions (Cosatu) and the National Council of Trade Unions (Nactu) said the code did not protect black workers against exploitation, they called for a new approach to safeguarding the interests of their members instead.

Cosatu called for a new code to address the socio-economic status of workers, help create jobs and restructure the economy. Nactu, on the other hand, said the code was useless and urged workers to negotiate codes of conduct with employers without interference from parent companies.

The two federations were reacting to reports that European foreign ministers meeting in Brussels this week will discuss the argument of top companies that the code had "outlived" its usefulness and is difficult to apply because of reform in South Africa.

Cosatu spokesman Mr Neil Coleman said: "Those issues must be negotiated by trade union federations and multinational companies wishing to invest in South Africa."

*Sowetan 26/5/92*

56A

## EC needs to act swiftly on unity

*6/10/92*  
BRUSSELS — The EC might have to begin minting new notes and coins as early as next year to be ready for full economic and monetary union by 1997, a study said. (S6A)

In a report released yesterday, the Association for Monetary Union said that at current levels of production capacity, it would take four years to replace the 12 EC currencies. 2715192

The report said unless businesses and governments immediately began tackling a series of open issues, they would be unable to meet the timetable set by EC leaders at the Maastricht summit. — AP-DJ.

29/5-4/6/92  
w/mant

# Multinationals want EC code to be scrapped

Weekly Mail Reporter

BRITISH and other European multinationals with South African branches this week made representations to the European Community to scrap the code of conduct which governs their local operations.

They charge that political times have changed drastically since the 1970s when the code was introduced and that it is becoming increasingly difficult to identify workers by race.

But Michelle Cohen, executive director of the American Chamber of Commerce, said US firms in South Africa had no intention of scrapping the Sullivan Code, the US investment code.

Cohen said that although the code was a heavy burden and made US multinationals less competitive than their British and European counterparts, they felt it was still necessary. Fifty-six companies are signatories to the Sullivan Code.

German Chamber of Commerce and Industry chief director Klaus Volker Schuurman said: "German companies were not part of the thrust to abolish the EC code of conduct."

He added that the industrial relations practices of the 300 German companies in South Africa far surpassed the minimum requirements set down in the code. For this reason, the code was no longer relevant to their operations.

Although the six Swedish companies operating in South Africa do not subscribe to the EC code, "they are under an obligation to report on their activities", said Anders Mollander of the Swedish Consulate.

BPSA and Unilever are two British multinationals which are pushing for the scrapping of the code.

The Congress of South African Trade Unions says that if the code is scrapped, it must be replaced by the investment code drawn up at the federation's Economic Policy Conference in March this year. Cosatu's code is as thorough, if not more so than the EC code.

Among its clauses are that multinationals must abide by International Labour Organisation conventions and by local labour laws even if their operations are based in decentralised areas. When the code is ratified, multinationals will be compelled to disclose all information to the unions when necessary.



## Breakthrough

(56A)

The crack in one of the world's biggest protectionist walls, the EC's Common Agricultural Policy (CAP), clearly has implications for the stalled Uruguay Round of Gatt. For 30 years this hangover from two great wars has been an anachronistic blot on the records of economies which in most other respects were models of the free market.

In the historical context last week's political breakthrough in Brussels on the CAP is as symbolically significant as the demolition of the Berlin Wall. The core of the agreement by EC Agriculture Ministers is a 29% cut, over three years, in the support price of cereals. This will mean cheaper feeds which will be echoed in a 15% reduction in beef prices and 5% for butter.

It will not reduce the CAP's US\$42bn budget. Direct income support to farmers — who take 15% of their land out of production

cont -- D

FM 29/5/92

(56A)

under the set-aside scheme — will replace price subsidies and the budget could rise to \$48bn in five years.

But consumers who pay an estimated \$100bn annually above free market prices for their food, to fund production which is 24% over their needs, will benefit. Bread should be 3% cheaper while, for example, beef falls 15% and butter 8%. Running down the EC's stockpiles (25 Mt of grains, 800 000 t of beef and 700 000 t of dairy products) should help other producers locked out of the European market.

It, however, is only a crack, not total demolition. Europe's 10m farmers still command too much political clout. Analysts were quick to point out that, while the cereal subsidy move will bring Europe into line with free market prices, the latter are high because of shortages in the former USSR. The new lower EC price will still be 50% above world averages for the past four years.

The Irish European commissioner responsible, Ray MacSharry, was in no doubt that the Gatt deadlock should now be broken even if EC Ministers could not summon up the will to support his call for a 35% cut in support prices.

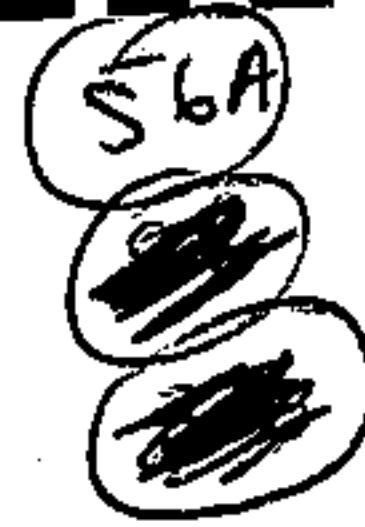
The prize for getting agreement on the tariff reductions envisaged in the Uruguay Round is nearly a 30% increase in world trade to \$4 500bn and everyone wants it.

Yet the press conference was barely over before sceptics were out in force. European farm productivity is increasing by 2% a year and this will blunt the efficacy of the set-aside plan. Policing it will be difficult and there is the question over the principle of income support for farmers which still constitutes a taxpayers' subsidy for a specific industry.

It was welcomed in Washington as "a step in the right direction" but there are other trade areas of disagreement, such as services and intellectual property rights. As French farmers reacted with customary vigour to the CAP deal, President Francois Mitterrand sounded a sour note about the lack of US concessions. Despite the top-level meetings, he said, "one cannot say discussion has advanced." British Agriculture Minister John Gummer was equally cautious: "The link between Gatt and CAP reform should not be exaggerated."

But the fact that the EC has been able even to say boo to its most sacred cow can only bode well for the fate of the Uruguay Round next month and the Group of Seven summit in Munich in July. ■

# Uncertainty over Earth Summit



Soufan 3/6/92

**RIO DE JANEIRO - The Earth Summit opening here today has become overshadowed with doubt.**

Delegates and activists - some 30 000 of them - are swarming through this cloud-swept city under the watchful gaze of soldiers with fixed bayonets and the avaricious eyes of Rio's thieves.

News has surfaced of divisions abroad likely to rob the summit of much of its potential effectiveness.

Japan has emerged as a leader in the push to clean up the world after an April "Eminent Persons" conference in Tokyo.

Mr Maurice Strong, the Canadian chairman of the Earth Summit, described that as "a major step within Japan to help crystallise political and public opinion".

"Japan's potential for leadership is critical to the success of the conference but also in the longer term to our overall success as a global community dealing with these issues," he told the official Earth Summit Times.

Many delegates see US President George Bush as a traitor after the United States yanked the teeth from a draft convention to limit carbon dioxide emissions, leaving it a statement of aspirations, and then refusing to sign a draft treaty to protect the world's animal and plant species.

Delegates had expected the United States to take the leading role in drafting environmental issues onto "the new world order".

In the European Community, divisions among member countries underscore the refusal of EC Environment Commissioner Mr Carlo Ripa di Meana to attend a summit where "everything has been arranged in advance to deliver only lip-service".

Developing countries are split over money - the key which will keep summit decisions locked on paper, or open them up to action. Countries in the former communist empire, for example, need more money than industrialised countries have available to lend to modernise heavily polluting factories.

The sheer size of the June 3 to 14 conference - 131 heads of state and governments are to attend, along with 12 000 representatives of non-governmental organisations - means this UN Conference on the Environment and Development, as it is officially known, is raising the level of global awareness 20 years after the first such conference in Stockholm.

The centrepiece of the summit is Agenda 21, a programme for the environment designed to reach into the 21st century.

Strong says agreement has been reached on 98 per cent of Agenda 21.

But the two per cent of issues remaining is where the major problems are, and

most concern money.

Fifty-five developing nations meeting in Kuala Lumpur in late April issued a declaration demanding that Rio summiteers establish a fund to pay for projects approved there, mainly because those countries resent the control developed nations exert over the finances of the Global Environment Facility, set up two years ago and now with an annual budget of about R3.6-billion.

Strong estimates the North needs to provide an extra R196-billion a year to help the South ecologically, and developing nations need to provide about R1 400-billion a year. - Sapa-AFP.

**'News has surfaced of divisions... likely to rob the summit of ... its potential effectiveness'**

# Threat to drop Denmark from Maastricht treaty

6/12/92 4/6/92

COPENHAGEN — Stung by Danish voters' rejection of a more closely knit EC, backers of the plan yesterday vowed not to negotiate a new treaty and said they would leave Denmark out if necessary.

Under the treaty that 50.7% of Danish voters rejected on Tuesday, the 12-nation community would by 1999 join in an integrated political, social and economic union with a common currency and foreign policy.

Danish voters, whose government supports the treaty, apparently feared that a stronger federal power would weaken their liberal social welfare policies.

There was concern yesterday that Danish rejection could lead to calls for renegotiation and dilution of the Maastricht treaty, but several leading community foreign ministers expressed strong support for it.

Portugal's Joao de Deus Pinheiro told reporters in Brussels "there is strong unanimity that the 11 should go ahead without hesitation".

The Danish vote was only the latest sign of resistance to surrendering national sovereignty surfacing among members of the world's largest and richest market. The EC has 330-million consumers.

French Foreign Minister Roland Dumas conceded yesterday that the Danish vote gives a "slight advantage" to French opponents to unity.

The Maastricht accord requires ratification by all 12 member nations.

The only other member to hold a referendum on the treaty is Ireland, whose voters will address the issue on June 18. Legislatures will vote on the treaty in the 10 other states.

British Foreign Secretary Douglas Hurd said yesterday the UK was committed to the treaty: "It's no good crying over the vote in Denmark, although I think it's a pity," he said.

Italian Prime Minister Giulio Andreotti's office also reaffirmed commitment to the treaty.

France's President Francois Mitterrand said he and Chancellor Helmut Kohl of Germany had already agreed to proceed with provisions of the treaty that applied to them.

But former British prime minister Margaret Thatcher, always reluctant to surrender sovereignty, called the vote a triumph of "democracy over bureaucracy".

Even if the other nations go ahead with Maastricht, the community may never be the same.

Denmark, as a sidelined member, could complicate the community's relations with new applicants.

Swedish Prime Minister Carl Bildt said the Danish vote would probably delay his country's entry. Sweden would hold at least two referendums among voters who might share some of the Danes' fears.

Approval of the treaty by Germany's parliament now appears less certain as the reality of the loss of the Deutschmark in exchange for an untested European currency unit sets in. German withdrawal from the single currency plan would defeat its purpose.

In Spain, too, ratification is uncertain because of Spanish demands for new funds to help prepare poorer economies for a single currency. Germany, Britain and other richer EC nations have been reluctant to commit new funds. — Sapa-AP.



# EC treaty despite Danish 'no' vote

(56A) CT 4/6/92

LONDON. — European Community leaders agreed yesterday that the EC should press on with the Maastricht unification treaty in spite of Denmark's shock rejection of it.

"There is no room for renegotiation of the treaty," Portuguese Foreign Minister Mr Joao de Deus Pinheiro, whose country currently holds the European Community presidency, said.

Mr Pinheiro and European Commission president Mr Jacques Delors said after crisis talks there was unanimity that the 11 other EC states should go ahead with it.

Although the treaty cannot legally take effect without unanimity, Mr Delors said the others should ratify it.

Former UK prime minister Mrs Margaret Thatcher hailed the Danish vote as "a great service for democracy against bureaucracy". — Sapa-Reuter

● Markets tumble on Denmark's move — Page 9

Denmark's rejection of the Maastricht treaty contains a warning for the EC

# Lesson from dissident Danes

STAR 5/6/92

56A

**D**ENMARK'S rejection of the Maastricht treaty can be seen in one of two ways. Either it is a minor accident on the road to European union, in which case business can continue as usual after roadside repairs, or it is a turning point forced upon Europe by gathering popular scepticism, of which the Danish vote is a symptom.

Proponents of business as usual, among whom the British Prime Minister John Major seems to have placed himself, can point out that only a minority of eligible Danish voters rejected the treaty and that they make up a tiny percentage of the population of the European Community.

Governments have negotiated, parliaments have debated, electorates have voted. To allow so much work to be undone by so few people would make a mockery of the whole process. The great European juggernaut must not be stopped by a tiny puncture.

If this line of argument is pursued, a way can probably be found to get going again. The signatories of Maastricht could sign new documents agreeing to do all the things they undertook to do in the treaty on the basis of intergovernmental co-operation.

Although Denmark would remain in the EC, it would have to stay outside the new arrangements envisaged in the treaty. At some point it would probably change its mind and come aboard because it would find, as members of the European Economic Area have found, that there is not a bright future in being subjected to decisions made in Brussels without the right to take part in their making.

This option is the one most likely to attract governments and their officials, but it should be resisted.

Evidence is accumulating that the dissident Danes are expressing an unease that is spreading more widely through European popula-



Defeated . . . Danish Premier Poul Schlüter and Foreign Minister Uffe Ellemann-Jensen face the press after the referendum setback in which voters rejected the Maastricht treaty.

tions. Much of it is inchoate and inarticulate at the moment, and it latches on to different issues in each country, but if there is a general message it seems to be: "Hold on a moment, let's look at the map again before we take the next

turning."

This is not bad advice. The Maastricht treaty was far from an ideal document.

It was a compromise that went too far for sceptics yet not far enough for enthusiasts, and it was

flawed by loopholes for those unwilling or unable to conform. It did not represent a common view of Europe's future, or take the EC as far forward as had been hoped. And scarcely anyone could understand it.

Worse still, it was conceived before the opening of eastern Europe. It therefore by-passed the debate over whether the end of the Cold War demanded more rapid integration in order to give Europe a stronger core, or a looser framework into which eastern Europe could be more easily integrated. In many ways it was out of date before it was signed. As a result, the new democracies received a far cooler and more muddled welcome than they deserved.

The Danes have sensed the treaty's shortcomings. When history comes to be written they may turn out to have done Europe a favour.

This is not to endorse the glee of the anti-Europeans. Their thinking

has been suspect for too long to be vindicated in this way. But it will be no bad thing if the opportunity is taken for a deeper look at Europe's needs in the new international context, and if more creative thought is now given to ways of accommodating at least double the present membership.

The answer could as well be true federalism as "wider and looser", or different structures altogether.

Britain is fortunate to be stepping into the presidency at this moment. Its pragmatism, diplomatic skills and commitment to enlargement are exactly what the EC needs.

Mr Major should not be diverted by calls for a referendum, or persuaded by weary officials to be satisfied with patching up the Maastricht treaty. He has the chance to lead the EC through a necessary period of rethinking that must carry the peoples of Europe with it. — The Independent News Service. □



hattered

forces would inter- ultimatum gene- of even more in- ing in the capital. national Commit- Red Cross closed to its hospital, hit by cannon Cross officials hospital was sending patients to other Sapa-AP.

# Floods force thousands from homes

GENEVA — Tens of thousands of people have been forced from their homes by devastating floods in Paraguay, Argentina and Brazil, a major humanitarian organisation said yesterday.

The International Federation of Red Cross and Red Crescent Societies said heavy and continuous rain

since April had saturated the basin of the rivers Parana and Paraguay

Reporting what it said was a very serious situation with generalised flooding in all three countries, the federation launched an appeal for funds to provide food and medicines to refugees.

In Paraguay, the federa-

tion reported, about 60 000 people were homeless.

In northern Argentina, disaster zones had now been declared and 100 000 people evacuated from their homes.

In the southern Brazilian states — all declared disaster zones — about 80 000 people had been made homeless.

— Sapa-Reuter.

# EC forges ahead but keeps door open for Danes

OSLO — The 12 EC states, meeting after Denmark rejected the Maastricht treaty, agreed yesterday that the other 11 states should press on with ratification, Portuguese Foreign Minister Joao de Deus Pinheiro said.

The doors remain open for Denmark to participate in Europe, but all 12 ruled out any renegotiation of the treaty.

The EC foreign ministers reaffirmed an aim set at in Maastricht in the Netherlands in December to strive for ratification of the treaty by the end of 1992, to coincide with the formal advent of the EC's barrier-free internal market.

The treaty cannot come into effect unless ratified by all 12 EC governments. It opens the way for a single currency and common foreign policy.

British Prime Minister John Major, confronting head-on a mutiny of "Euro-sceptics" in his

own Conservative Party, yesterday said he rejected the idea of killing off the Maastricht pact.

"It is unrealistic to think that everything has been changed by the Danish vote, just as it is unrealistic to think nothing has been changed by it," he told a rowdy session of parliament.

There was also the danger that Britain could end up with a worse deal than the Maastricht treaty on closer economic and monetary union.

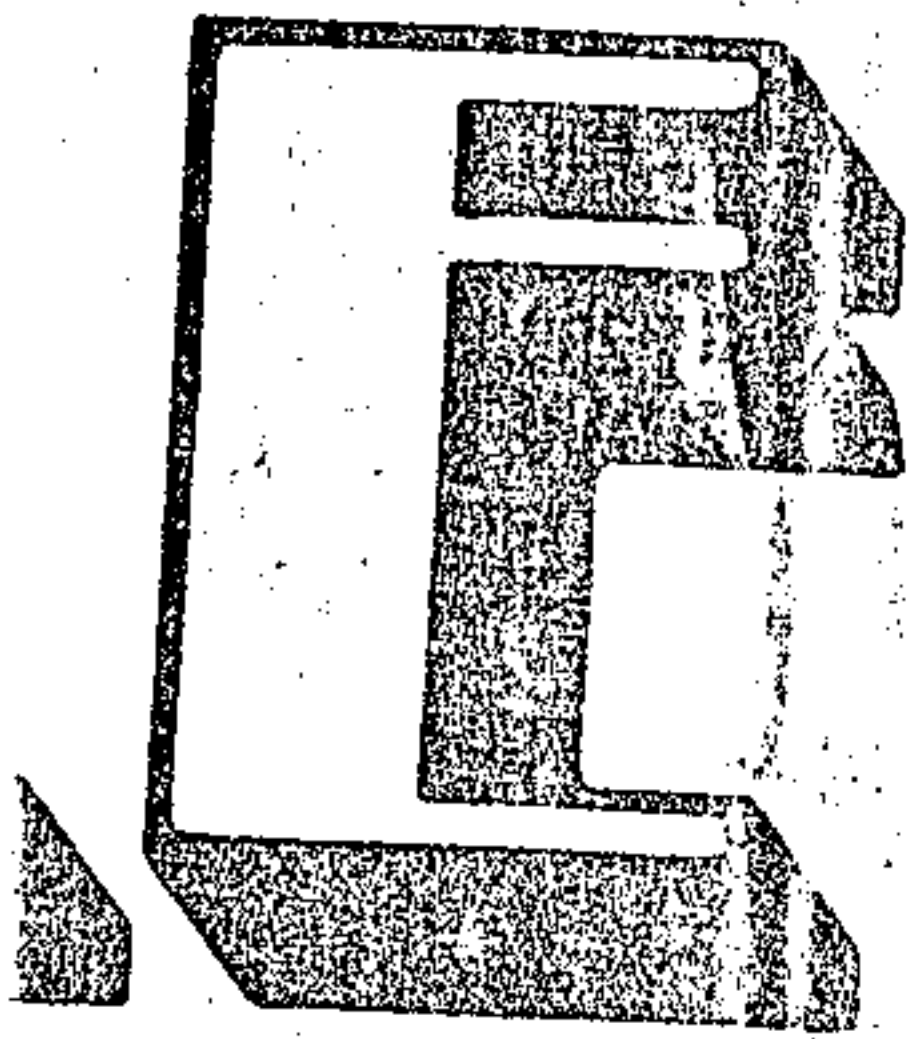
"If we went back to square one I don't think we could assume that our partners would agree all those matters that were of interest to this country," he said.

At the same time, in what may be seen as a warning to EC members talking of going ahead with union without Denmark, he said he was not about to let Denmark be isolated. — Sapa-Reuter.

● When the people say 'slow down' — Page 13

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# Durr hopes for best trade option

8/20/92 5:16/92

**FUTURE** co-operation and trade between SA and the EC would have to be formalised by a bilateral trade agreement, SA ambassador to the UK Kent Durr said yesterday.

Speaking at the Europe '92 Countdown conference in Johannesburg yesterday, Durr said the future of trade and aid relationships between SA and the EC would hinge on SA's classification as either a developed or a developing country.

Durr said SA was currently classified in Group 1 together with the US, Japan and Canada as one of the western industrialised countries of the world.

He said this reflected the view of SA "as a new world and not a Third World country".

However, Hong Kong and Brazil were categorised as developing countries, even though their per capita income was about \$6 000 compared with SA's \$2 700. In this light, he hoped that SA's status would be reviewed, as developing countries had privileged access to the EC as members of the Generalised System of Trade Preferences.

As SA needed a healthy economy to underpin its political stability, he hoped the EC would change SA's status in the period leading to a formal trade agreement. Durr said Europe was SA's major trading partner. SA's trade with the



MARCIA KLEIN

EC represented 50% of its global trade, and 25% of SA's GDP was dependent on its relations with the EC. He said that the UK was an important gateway for SA into the EC.

Trade between SA and the UK was flourishing, with about R10bn-worth of two-way trade between the two countries. The SA embassy was currently receiving between 50 and 80 trade inquiries a day.

"The crowd is no longer outside SA House, but is inside and doing business," he said.

Durr added SA had adopted EC standards, and the SA Bureau of Standards had done good work to establish these standards.

SA's most important source of tourism was European countries, and there were currently 25 applications by foreign airlines which were under consideration by the SA authorities.

But SA would have to show it was serious about reconciliation. Much of the economy was in need of large investment as well as assistance, primarily through access to the IMF.

Durr said SA would have to focus on regional co-operation, high levels of trading, environmental considerations, and promoting skilled immigration to SA.

The EC had recognised SA as the promoter of economic growth in southern and sub-Saharan Africa.



SA ambassador to Britain Kent Durr and the SA Finance Department's consul-general for Europe, Elias Link, who attended yesterday's Europe '92 Countdown conference at the Carlton Hotel.

Picture: ROBERT BOTHA



# EC ministers meet over treaty crisis

Bl Day 5/6/92  
OSLO — EC foreign ministers gathered in Oslo yesterday for crisis talks on how to rescue the Maastricht treaty, derailed by Danish voters in a referendum this week.

"We are here to listen to what the Danes have to say and to take stock. Europe has always proceeded by a series of hiccups and this is one of them," British Foreign Secretary Douglas Hurd said as he arrived for the emergency meeting.

In Tuesday's referendum Danish voters rejected by a slim 46 000 votes the Maastricht treaty on closer European political and economic union.

Danish Foreign Minister Uffe Ellemann-Jensen, reversing Copenhagen's initial position, told reporters Denmark had decided to drop its request for a renegotiation of the treaty — a suggestion already slapped down by the others.

He said he would ask his colleagues to find a compromise that would not exclude Denmark from the current EC while letting the others go ahead with their plans for a common foreign and security policy and a single currency.

Portugal, the current EC president, had already said the other 11 states would not run the risk of unleashing an avalanche of demands for treaty changes by going along with Copenhagen's request for a new negotiation.

The ministers were expected to discuss ways of prodding the other 11 states into ratifying the treaty agreed by their leaders last December while leaving open the possibility of Denmark catching up later if its voters

changed their minds.

Diplomats in Brussels have said this would create enormous legal problems even if the other 11 find a way to amend the treaty so that it can come into force next January as planned.

AP-DJ reported from Brussels that EC leaders said they would push ahead with the plan for a single currency and central bank despite its rejection by Danish voters.

But the Danish repudiation of the EC's Maastricht Treaty had left a cloud of legal and political uncertainty over the community's ability to carry out its economic and monetary union blueprint.

The Maastricht treaty can take effect only if it is unanimously ratified.

Even if it does not dash the monetary union program, the Danish vote could delay it by years.

New doubts raised by Denmark's repudiation spilled over into currency and bond markets on Wednesday, where investors favoured the Deutschmark, the anchor currency of the European monetary system, shunning the ecu and weaker European currencies.

"It is going to be hell for a while in markets," said Lehman Brothers International chief economist in London Gerald Holtham.

In Paris, the Matif futures and options market suspended trading in the June ecu bond futures contract after it went limit-down in record volume. The contract was pressured by uncertainty over whether the ecu would eventually become a single EC money as planned.

— Sapa-Reuter.

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# Eurocrats spell out SA options in EC

By Sven Lünsche

(S6A)

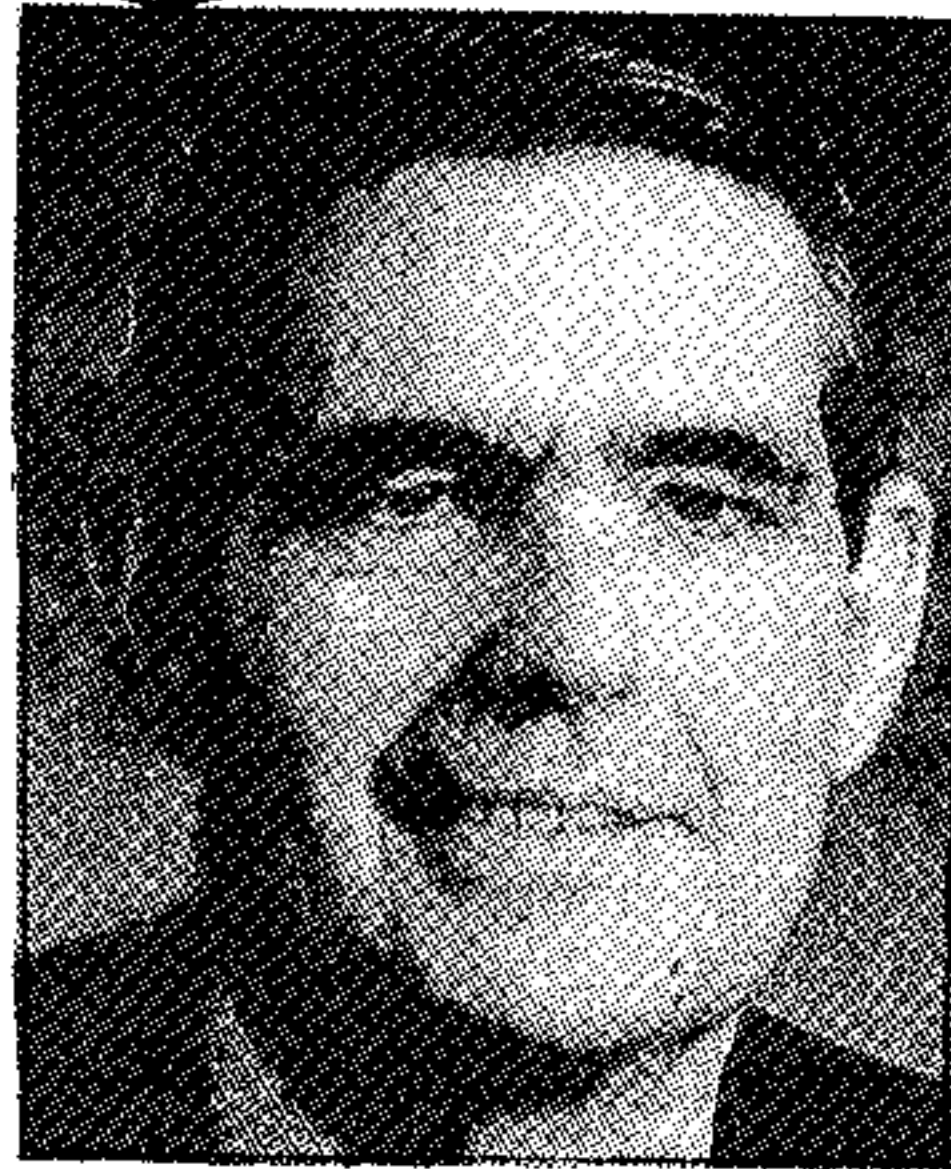
A drastic restructuring of South Africa's elaborate tariff and state subsidy systems is required if the country is to emerge as a major trading partner of the European Community.

This was the key message from a number of leading European trade officials who addressed a conference in Johannesburg on the impact of Europe '92 on SA.

"If SA business is to compete successfully in world trade markets, the principles of the free market and open trade must be carried through in practice," Christopher Roberts, the deputy secretary in the UK Department of Trade and Industry told delegates.

He warned that this would entail a drastic lowering of tariff barriers, getting rid of state subsidies and encouraging foreign investment, for the employment and new technology it brings.

"At present, foreign investors have plenty of choice, and they will go where they are made



Christopher Roberts . . . bureaucratic procedures will drive investors away

welcome. Bureaucratic procedures and onerous requirements will only drive them away," Mr Roberts said.

Mr Roberts and Lord Henry Plumb, a former president of the European Parliament and a member of its agricultural committee, stressed that a preferential trade agreement between SA and the EC would depend on the way in which the SA economy developed.

The options open for the best trade pact depended to a large

extent on whether SA should be classified as a developed or developing nation.

"A range of options exist between SA's current developed country status and its seeking developing country privileges — even to the extent of becoming a full signatory to EC's Lome Convention," Lord Plumb said.

"Access to Lome could have an adverse effect on the business sector in international circles but, conversely, increased aid to the 'new' SA could help to reduce political violence and thus erode one of the major stumbling blocks to foreign investment," Lord Plumb added.

Mr Roberts outlined the main options in formalising trade arrangement between SA and the EC:

**Most Favoured Nation Status:** MFN treatment means that the customs duties on SA exports to the EC would be no greater than those imposed on the generality of EC imports.

This is very much the situation SA is in at the moment.

**Generalised System of Preferences:** Under GSP the EC allows imports of industrialised goods from developing coun-

tries to enter duty free or at a reduced rate. It is doubtful, however, whether SA can qualify for GSP.

**Reciprocal agreement:** This would offer SA preferential access to the EC and vice versa and would be of the greatest value to the developed sector of the SA economy, but could be opposed by vested interests worried about competition.

There would also be difficulties in GATT, since developed countries are prevented by GATT rules from exchanging bilateral preferences unless they are setting up free trade areas or customs unions.

**The Lome Convention:** The Lome Convention provides favourable import terms to the world's 69 poorest developing nations.

Opposition to SA's entry to Lome could come from other developing nations as well as SA's own industrial producers.

Mr Roberts said that EC officials had not yet taken a position on SA's trade status, but he suggested that SA should negotiate a separate agreement, consistent with GATT rules, including some benefits from the Lome Convention and reciprocity for EC exports to SA.

STAR 5/6/92



# When the people say 'slow down'?

SM 5/6/92

SM 5/6/92. (S6A)

The Danes' rejection of the Maastricht treaty is a warning that EC leaders are moving too fast, argues TIM JACKSON.

**IN** YESTERDAY'S panic-stricken discussions all over Europe on what to do about Denmark's rejection of the Maastricht treaty, one option was never broached. Under Danish law, no referendum is necessary. Legally, the treaty may be ratified by a five-sixths parliamentary majority. Yet there is a reason no politician, Danish or foreign, has mentioned this possibility. To ratify a treaty that voters have said they do not like would be too naively undemocratic. If every country in the EC, rather than just Ireland and France, were to put the treaty to a referendum, it would be doomed.

According to the European Commission's own opinion poll, taken at the beginning of April, less than 13 percent of the EC's population have heard of the Maastricht agreement and think it will have a positive effect on people's lives. Until now, the politicians have discreetly ignored this. They had hoped that in time this lack of support for the sharp turn towards European integration could be redressed later on.

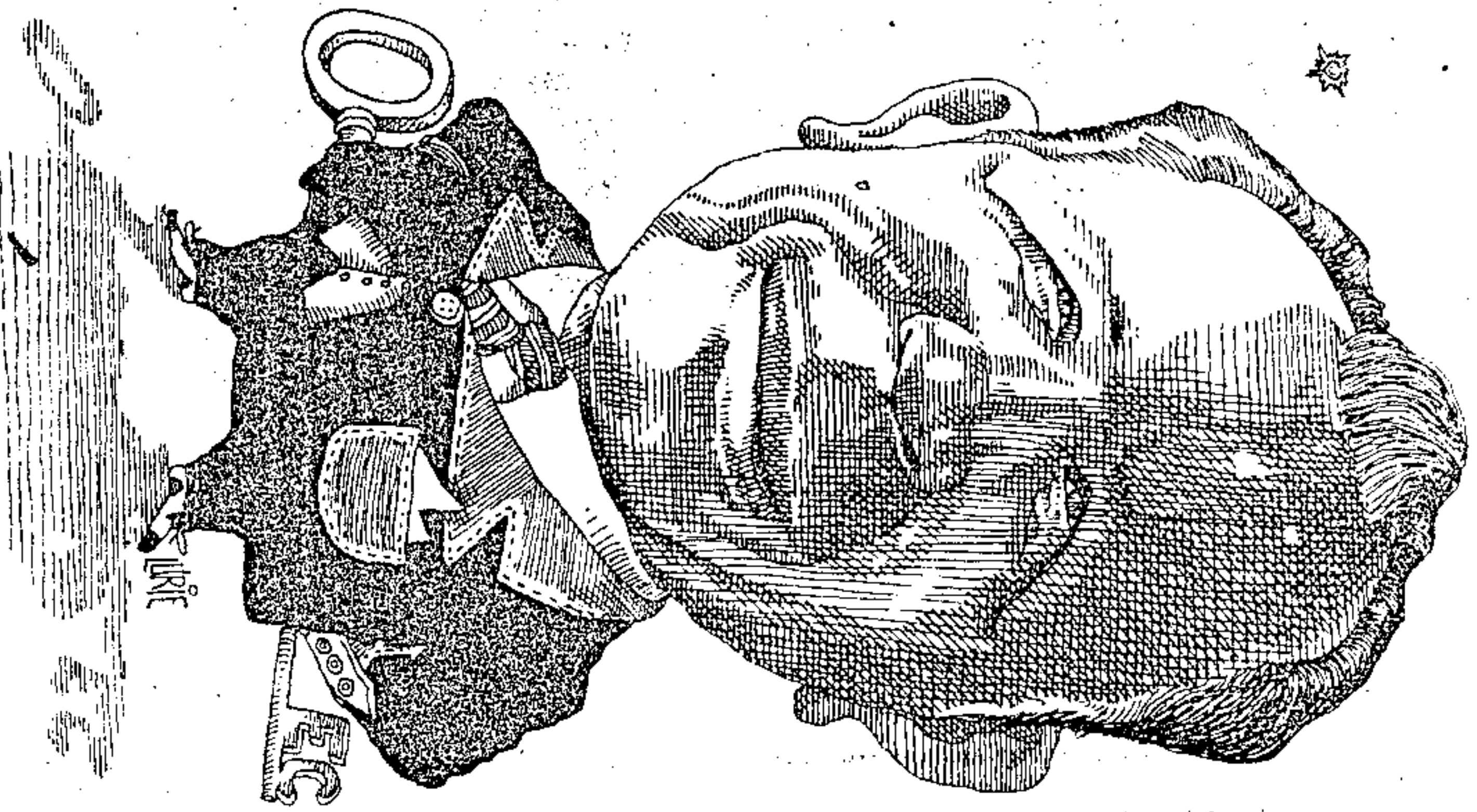
But 52 000 Danes, in an electorate only a tenth of the size of Britain's, have made this impossible.

The head of one of Brussels's leading think-tanks dismissed the idea of letting a few recalcitrant Danes halt the onward march of Europe. But the Danes cannot be dismissed so easily.

## Horrendous

What happens next? Denmark could have a second referendum, though it is unlikely that Maastricht could be re-packaged to make it more attractive. The Danes could be invited to demand an opt-out for some treaty provisions, as Britain did for social policy. Again, though, it is hard to see what for.

Much of the Maastricht deal consisted of amendments to the 1957 Treaty of Rome, which must stand until the Danes agree otherwise. In theory, the new bits — the common foreign and security policy, and the greater judicial co-operation — could be spun off into a separate treaty for the other 11 countries. The legal complications would be horrendous. On an optimistic note,



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Jacques Delors... promises of "political and institutional shock" overshadowed.

therefore, the process of union might be delayed by only half a year. But the referendum could have a far more dramatic effect. Given that

the fate of their lander — the Danes may give an unconscious lead to the rest of Europe, and the Maastricht compromise could disintegrate.

At first sight, a buried Maastricht would be a great loss. But Denmark may actually have done the rest of the Community governments a good turn in forcing them to ask a question they have preferred to ignore: How much public support is there now for the direction we have chosen? Jacques Delors, the European Commission president, promised member states a "political and institutional shock" at the Lisbon summit later this month, when he will report on changing the EC's institutions to cope with admission of more members. That will now be overshadowed by this week's greater shock at learning how far in front of their people the governments of Europe have been going.

The underlying problem is that there really are two different views of where the EC should be going. One is the aspiration towards a federal European state held by the Community's first six members (Benelux, France, Germany and Italy), which is probably shared by enthusiastic new members Spain and Portugal. The other is a wish for

other countries have concerns about Maastricht — the Irish on abortion, the French on giving votes to resident foreigners, the Germans about a single market, with the abolition of trade barriers and regulations. Of the two goals, the economic one is far easier to grasp. Everyone can see that consumers will be better off and companies will have lower costs if Europe has a single light bulb, a single telephone plug, a single currency. France and Germany would prefer a more direct kind of clout, as shown by their plan, announced on May 21, to set up an embryo European army.

## A la carte

But federalists say that picking and choosing a la carte cannot work. Any country that wants only economic co-operation, they insist, should leave the EC and ask to be relegated to the second division of the European Economic Area (EEA), a free-trade agreement set up between the EC and seven Scandinavian and central European countries this year. No country now inside the EC would accept that, however. Until now, it has been one of the Community's guiding principles to preserve a single structure. But if no easy solution to the Danish problem can be patched together, it might be time to recognise reality and think again. — The Independent News Service. □

# Denmark is out of European Treaty

OSLO - Danish Foreign Minister Uffe Ellemann-Jensen said yesterday he had given up hope of renegotiating the Maastricht Treaty.

It was rejected by Danish voters, and the Minister said Denmark needed time

to consider its future in Europe.

The Maastricht treaty sets out a blueprint for closer political and economic integration in Europe, with the prospect of a single currency and a common foreign policy added

to a barrier-free internal market.

"There is agreement among all Danish political parties that we will not ask for renegotiation of the Maastricht Treaty because we know that would be impossible," Ellemann-

Jensen said on arrival in Norway for a meeting of European Community foreign ministers.

"Today we are going to sound out the possibilities," he said.

"Then I think we all need a long time for reflec-

tion and consideration."

He said he did not think the Oslo talks would provide solutions to the crisis caused by Danish voters, who shocked the EC by rejecting the landmark treaty in a referendum by a slim margin.

SLA

Sowetan 5/6/92



# SA trade with EC pact this year urged by Keys

56A

ARC 8/6/92

SVEN LUNSCHÉ

A senior European Community (EC) delegation will visit South Africa later this year to discuss a bilateral trade agreement between South Africa and the EC, says Finance Minister Mr Derek Keys.

The agreement could see South Africa exporters gain favourable access to the unified European market in 1993, which will be largest consumer market in the world.

Mr Keys told a conference on Europe '92 in Johannesburg that the foreign ministers of Portugal, the Netherlands and the UK were expected in South Africa in the next few months to assess political progress and to negotiate a free trade agreement.

Earlier this year an EC-linked institution, the Centre for European Policy Studies, highlighted South Africa's potential role as an engine for economic growth for the entire Southern African region.

The centre said that the EC should provide technical and financial assistance to South Africa, but coupled this with a framework for regional economic integration.

Mr Keys warned, however, that South Africa could not fulfil its role as

a "locomotive for the region" if its own economy "was not running at full steam".

He added that any agreement providing for extended regional economic cooperation would take at least three years to draw up.

"We simply do not have that much time - South Africa needs every percentage point of growth to tackle unemployment," he said.

Instead Mr Keys called for an extensive agreement between the EC and South Africa to be concluded before the end of this year, which would facilitate:

- The promotion of bilateral trade;
- Foreign investment in value-added industrial projects in South Africa;
- Joint participation in development projects in the region; and,
- EC development aid to the region.

Turning to South Africa's tariff policy, Mr Keys said that active competition was most effectively promoted by allowing foreign companies free access to the local market.

"At the same time, however, we cannot afford to lose any more jobs in South Africa and we must be extremely sensitive in tuning tariffs to promote import competitiveness," he said.

# EC to discuss trade accord

By Sven Lünsche

SA

A senior European Community (EC) delegation will visit South Africa later this year to discuss a bilateral trade agreement between SA and the EC, says Finance Minister Derek Keys.

The agreement could see SA exporters gain favourable access to the unified European market in 1993, which will be largest consumer market in the world.

Mr Keys told a conference on Europe '92 in Johannesburg on Friday that the foreign ministers of Portugal, the Netherlands and the UK were expected in SA over the next few months to assess political progress and to negotiate a free trade agreement.

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# Slow move to European unity

Sowetan 9/6/92 (56A)

**SCHENGEN, Luxembourg** - Mr Guy Schemel can see the vineyards and pastures of Luxembourg, Germany and France gently fold into one another in the Moselle River Valley.

When he will see the frontiers vanish is another question.

The customs agent has opened a model-plane shop in case the borders and his job are demolished on schedule on January 1, "but we haven't heard a thing yet," he said. "We don't know what to do."

Schengen, a hamlet of 400 people at the intersection of the three countries, was intended to symbolise a unified future for the 12 nations and 345 million people of the European Community.

## Unity

Instead, the village and its drab customs building have come to represent the difficulty of achieving unity.

Over the past two years, eight of the EC members have signed or ratified the Schengen Agreement, which was initialled on a Moselle River boat near the village and intended as the model for a borderless Europe.

The community had even planned to erase its frontiers before the deadline, but progress has become as slow as life in Schengen.

"That this will happen" on schedule "is fiction,"

**THE European Community has committed itself to remove, by January 1 1993, the many trade and other barriers that keep money, people, goods and services from moving freely among its 12 members. RAF CASERT of Associated Press reports.**

said Mr Wouter van de Rijt, senior co-ordinator of the agreement.

Mr Louis Tobback, the Belgian Interior Minister, said: "To open your borders, you need complete trust," and that the mutual confidence is not there.

## Uphill

"Trust is one thing, but necessity is another, and the need is great" for a borderless Europe, he said in an interview.

Only France's parliament has approved the Schengen pact, and the agreement faces an uphill battle in Germany and the Netherlands.

Belgium, France, Germany, Italy, Luxembourg, the Netherlands, Spain and Portugal have signed the accord.

The four other EC members are Britain, Ireland, Denmark and Greece.

Ireland and Britain want to keep their own border controls.

Denmark seeks to continue a passport union with other Scandinavian nations that the Schengen terms would jeopardise.

Greece has inadequate facilities to control entry from outside the EC, and doesn't have the money to improve them.

Britain, the most wary of

European unity, fears removing its own border controls would let in a flood of illegal immigrants, drug traffickers and other criminals.

Mr Kenneth Baker, a former Home Secretary, said Britain would not make itself "an open house" to lawbreakers.

Mr Jacques Poos, Foreign Minister of Luxembourg, said the comment represented "an insular mentality that does not fit into the spirit of a new Europe".

The Schengen pact is far less ambitious than the Maastricht treaty the EC tentatively agreed to last December, pending ratification by each nation. Maastricht, rejected by Danish voters last week, calls for even tighter unity within the EC, including a single currency and coordinated foreign policy.

## Process

Defenders see open borders as a means to streamline trade, eliminate red tape and allow people to move freely.

Before a rules change in 1988, Schemel said, he had to process up to 136 documents at the Schengen border post in order for some trucks to cross the border.

A single administrative

document is now required, but even that has not removed all the problems. Each product needs its own form, the customs agent said, "so, imagine when a truck full of different clothes pulls up here".

The quarrel between Britain and Spain over Gibraltar, a British colony on the Spanish mainland, is delaying an agreement on control of the EC's external borders.

## Hardship

Proponents of a borderless EC say nothing makes it more urgent than immigration from poorer nations.

Foreigners fleeing economic hardship use the complicated patchwork of border controls at EC airports to shop for asylum, taking advantage of the easiest entry points and regulations.

"The increase of asylum-seekers has taken on dramatic proportions," said Mr Ruprecht Von Armin, the UN High Commissioner for Refugees. Under the current system, he said, immigration is "out of control (and) has discredited the concept of the right of asylum".

Requests for political asylum in EC nations rose from 169 000 in 1988 to 327 000 in 1990.

About 60 percent apply in Germany.

Tobback, the Belgian Interior Minister, said most of the refugees are hoping for a better economic future, not fleeing political

persecution.

"We always forget that 90 percent of the applications are unjustified," he said. "Most just try out their luck; they are not well-intentioned. A lot of them are dishonest."

Under the Schengen terms, asylum seekers could apply in only one member nation, which would rule for all. Asylum procedures and rules of the various countries would have to be harmonised, and the agreement sets criteria for the treatment of requests. Poos acknowledges that stopping illegal refugees always will be difficult.

"You cannot put electronic devices or a new iron curtain around the European Community," he said in an interview.

Others argue that consistent rules for all member nations will make it easier to keep illegal immigrants out of the community as a whole.

Controls now are sometimes lax, as illustrated by what happens at Schengen. The customs post is open from 8am to noon and 2 to 6pm. No cars are stopped at other times.

Police could do a better job if they were allowed to chase criminals across "this residue of frontiers," Tobback said, but elderly Belgians should be warned.

Many have vivid memories of the German invasion in World War 2, he said, and "They wouldn't know what hit them when the police arrived again." - Sapa-AP.



# EC debates its future financing

Blpaw 16/6/92

SAPA

**LUXEMBOURG** — EC foreign ministers met yesterday to debate the bloc's future financing; and Ireland, three days away from its referendum on the Maastricht Treaty, vowed to fight for a big increase in the budget.

"I will be telling ministers the referendum will be carried positively on Thursday," Foreign Minister David Andrews told Irish radio as he arrived for the talks. "We will be hoping to make our position clear. We want to achieve what is set out in the Delors II package," he said.

Danish ministers were equally confident of victory ahead of their referendum two weeks ago, but suffered a shock defeat which has thrown into doubt the future of the treaty on EC political and monetary union.

The budget package, named after European Commission President Jacques Delors, foresees a one-third increase in spending commit-

ments from 1993-97, a demand resisted by the bloc's wealthier countries.

But Ireland which, like Spain, Portugal and Greece, is a major beneficiary of EC spending, says any threat to the budget increase could boost the "no" vote on Thursday.

One possible compromise being floated by Portugal, which currently holds the EC presidency, is to keep the ceiling on EC spending for the next two years and phase in the increase over the five years from 1995-99.

But ministers plan no full-scale discussion of the Maastricht Treaty, having agreed that the other 11 will press on with ratification while Denmark considers its position.

"We have decided to use the months given to us by our colleagues to reflect and analyse and look at the discussion that is taking place in Europe right now.

"So we have decided not to comment on any of the ideas that are floating around," Danish

Foreign Minister Uffe Ellermann-Jensen told reporters covering the meeting.

It was reported from Stralsund, Germany, that more than 2 000 eastern German shipworkers occupied a yard there yesterday to press for an early EC decision on the future of their industry, their employers said.

Stralsunder Volkswert chairman Siegfried Heilmann said the workforce had taken the action ahead of a meeting of EC ministers tomorrow to debate plans to allow eastern German shipbuilding to get a special subsidy.

If the meeting postponed the decision until November, that would discourage investment and imperil contracts to build 15 trawlers and three dredgers, he said.

The proposals put forward on May 20 by the European Commission, the EC's executive, would allow the shipyards to receive state aid of up to 36%, provided they cut their capacity by 40% by the end of 1995. — Sapa-Reuter-AFP.

## NEWS IN BRIEF

### Arabs killed as 'collaborators'

**JERUSALEM** — Masked assailants yesterday gunned down two Arabs accused of collaborating with Israel, and soldiers blew up the home of an Arab stabbing suspect, wrecking another in the process.

The slayings raised the number of Palestinians killed by fellow Arabs during the uprising to 589. The body of Rathi Abu Chalif 29 was found at Rafah.

# Business



# French senate clears way for EC treaty

PARIS — The French senate, in a significant victory for pro-European campaigners, today approved constitutional changes to bring France into line with the Maastricht treaty of European political and monetary union.

The upper House, where the conservative opposition has a majority, voted 192-117 to adopt

STAR 17/6/92  
the changes, clearing the way for a single European currency by 1999 and a common foreign, security and visa policy.

The vote in France, a founder member of the European Community, came on the eve of tomorrow's referendum in Ireland on the Maastricht treaty.

Danish voters narrowly rejected the accords in a June 2

plebiscite, sending shock waves across Europe. EC officials said a second rejection would probably kill the treaty.

The Bill returns to the National Assembly for a second reading tomorrow and must then be approved by a three-fifths majority of a congress of both Houses, probably on June 29. — Sapa-Reuter.

# Japan strikes back in trade rules report

*Binnay*  
*10/6/92* Correspondent (56A)

TOKYO — Japan, frequently criticised for alleged unfair trade practices, has issued its own list of violations by other countries.

An International Trade and Industry Ministry (Miti) report listing 10 types of unfair practices accused the EC of offending in six areas, and the US in nine. Miti's annual review claimed the EC violated fair trade by applying arbitrary anti-dumping measures, establishing arbitrary rules of origin, arbitrary changes in tariff classification, and by restricting services trade.

It also cited Italy's limit on Japanese car imports. The US offended in the same categories as the EC, the report said, but was also accused of deficiencies in its protection of intellectual property, of excessive extra-territorial application of competition law, and of adopting unilateral trade measures. Singapore and Hong Kong violated fair trade by providing insufficient protection of intellectual property — pirating, for example.

Hong Kong was also listed as discriminating against foreign products in its procurement policies — an offence often pinned on Japan. — Daily Telegraph.

● See Page 14



**STOCKHOLM** - Nordic women are in the front lines in the war against the welfare state and their own hard-won rights will suffer in a male-dominated structure.

In Denmark, Finland, Norway and Sweden, women are far more sceptical than men about closer integration in the European Community.

They see it as threatening their high level of employment and sexual equality.

"Women fear a welfare backlash if we go into Europe," said Tore Bredal, associate director of Norway's MMI research institute.

"Rightly or wrongly, they think we would have to adjust to the community's (lower) standards of social rights."

Sweden and Finland have already applied to join Denmark and the other 11 members of the EC. Norway is expected to do so in November.

Sweden, Finland and Norway are members of the European Free Trade Association which signed a treaty with the EC in May to merge from next January into the world's biggest single

# Nordic women in fight for survival

market.

Marita Ulvskog, a Swedish Social Democrat who opposes her party's and the present government's policy to join the EC, said: "Women are more active because we have more to lose."

Newspapers in Denmark, which joined the EC in 1973, estimate that as many as 60 percent of eligible women voted "no" in the June 2 referendum to ratify the Maastricht Treaty.

The overall result was 50.7 percent against.

The treaty on political and monetary union would forge a common foreign policy, introduce a single currency and strengthen central EC institutions at the expense of those in individual countries.

A poll conducted by the Stockholm afternoon newspaper *Expressen* after the Danish vote showed that 16 710 of its readers opposed European union, with only 5 408 in favour.

The newspaper did not break down the poll results by sex, but said it found more opposition to European union

Sweden 11/6/92.

SLA

**In Norway, women do stand for the softer, inner-oriented values of socialism rather than macho capitalism.**

among Swedish women than men.

"Exactly as in Denmark, it is particularly young women, both young and old, who are sceptical about European union," the paper said.

"In part they suspect the European continent and Britain are less advanced on (women's) equality."

Women were also worried about the distant prospect of Sweden joining a nuclear-armed European power, *Expressen* said.

In Finland, Hilkka Pietila, a leader of Finland's non-party Alternative to EC/EU, said she believed women made up a majority of the growing number of

Finnish who were doubtful about the EC and European Union.

"We are against the EC/EU as we see it as patriarchal and undemocratic."

"It would take away rights that Nordic women have won in past decades."

"Like the nearly 70 percent of seats women have in the Finnish parliament, and give them to a male-dominated hierarchy," she said.

In Norway, the percentage of women opposed to the European Community has increased over the past 20 years, Bredal of the MMI said.

As in Sweden, women in Norway occupy two out of three public sector jobs and fear they would be the first to go if the male-dominated bureaucracy in Brussels took over.

Martin Saeter, a researcher at the Norwegian Institute of International Affairs, said the international economic climate, not the EC, threatened jobs. But the anti-EC lobby was deliberately playing on women's "insecurity over this."

Bredal said: "There are myths and

realities in all this. In Norway the debate is highly emotional. But women do stand for the softer, inner-oriented values of society rather than macho capitalism."

Scandinavian women combine family life and paid employment, relying on a smooth-functioning public sector to look after children, the elderly and sick while they go out to work.

In Sweden, 90 percent of women of child-bearing age go out to work, but the birth statistics of 2,15 children a woman are the fourth highest in Europe after Cyprus, Iceland and Ireland.

Paid maternity leave of 15 months a child, which can be divided between the parents, and widespread child-care facilities are reinforced by generous entitlement to time off for sickness of child or parent.

"The unique thing about Sweden is that so many women keep a foot in the labour market even though they are away from it so much," statistician Britta Hoem told the daily *Dagens Nyheter*.

Until last week, Finland and Sweden had seen Denmark as a positive example of how they would fare when they joined the EC. Norway, still to apply for membership, held the same view but the referendum upset calculations in all three countries.

"We feel that for the first time, we have the wind blowing in our favour," said Ulvskog. -Sapa-Reuter.



EDITORIAL

# A pause for reflection on Europe

Guardian [in] 12/6 - 18/6/92

HIS own personal experience of Europe, said the Prime Minister, tended to show that "all things are possible — in due course". That was ritual emolence and wisdom intermingled. The Danish vote against Maastricht isn't one of those confected Community crises to be finally cracked over a bottle of Beaujolais at 4 am: it is a real headbanger and thumbsucker. And the question that flows from it, the question for Europe, is what we now want to make possible?

Here the Danes are not much help. Their referendum produced the tiniest of majorities built, in crude terms, on three different foundations: those on the right who didn't like the treaty's threat to nationhood; those on the left who reckoned it far too feeble; and those, amid hard times and disillusion, who were simply against anything elected politicians proposed. Their joint verdict is democracy, of course: to be heard, respected, and in no way brushed aside. It is a gigantic legal spanner, hurled into the European works. But it doesn't tell us what the Danish people want; and it is of absolutely no use as a chart to a future suddenly wreathed in mists.

John Major was therefore right to keep his own thoughts for the future veiled and simple. There is no agreed European text for him to read from. And — though the responsibilities of the European Presidency are often puffed towards grandiosity — he suddenly has a particular weight descending on his shoulders. If things that are possible can be discerned, his will be the due time for bringing them to pass. His first domestic danger — a little mani-

fest in the House — must be that the doubters and critics on both sets of benches find something too wonderful about Copenhagen. Messrs Marlow and Budgen and Biffen and Cash weighed in with reinvigorated cheer as a chorus of Labour voices chirruped gloomily (and flaky loyalists filled the team room). The debate the Prime Minister thought he'd won is off and running again. The inevitable freeze on Maastricht legislation will be a nasty, temporising hiatus. But the real problem, the problem of statesmanship, is much wider than that. Mr Major finally has to declare, in round terms, what kind of Europe he believes in and thinks he can help to make work.

Thus far, in the decades since Edward Heath, Britain has been a drag anchor on the Community, the slowest and the grouchiest member. A posture. Last week Denmark stole our familiar role. We're stuck with finding a new one. George Walden, the most thoughtful of Tories, made the point well. Couldn't we now admit, he inquired, that all our European "triumphs" were really stopping our partners from doing things we didn't like? Mr Major responded only by reeling forth some of his favourite Maastricht stoppers.

He will have to start further back than that. He must begin (as he closed in his last Maastricht speech) with issues of peace and war, with the bloody history of Europe. That evil is not dead. It rains, even today, from the skies over Sarajevo. It is unthinkable that a project designed, from the outset, to prevent war once more engulfing our continent should be allowed to founder. There is

the urgency and the essential underpinning.

The achievements of a quarter of a century are not to be put in pawn. The challenge is how to carry them forward. And here the Danish dilemma becomes the most mixed of blessings. It will not aid the widening of the Community that Britain prefers to deepen. The rush of the Scandinavian countries for membership may become a thoughtful matter. The dreams of easy enlargement Mr Major once espoused have a faded quality. And, beyond that, when eventual widening comes, Denmark underscores a further problem. If 48,000 or so votes, in one of the Community's smallest nations, can stall the enterprise now, how can a Europe of 25 or so countries, from Cyprus to Lithuania, possibly function without much of the centralising power of override that Britain fears?

Everywhere, for the time being, logic and momentum are lost. Recession extracts a heavy price. Not just in Denmark, but in France and Germany too, the future is suddenly filled with doubt. That is both inevitable and no bad thing. Federations, commonwealths, nation states — they all have their bleak times. Though the temptation after the Danish vote (one Jacques Delors and many European echoes seem to have succumbed to instantly) is to proclaim that nothing has changed and that the force still drives on, the more prudent course is surely to reflect in humility for a short while.

A community of democracies has to take its peoples with it. Denmark is warning of what happens when that fails. Not the fault of the fabled bureaucrats in Brussels: the

fault of Danish politicians who failed to explain. There is a want of such explanation across a Europe where Greece and Portugal and Italy, as well as Britain, start from totally different levels of comprehension both of the benefits of the present Community and of the sacrifices monetary union will inflict.

Mr Major is right again. The Maastricht Treaty we have is a good enough blueprint and incapable, without utter chaos, of rewriting. But, in its implications for the Mediterranean countries, even before Denmark, it was already vulnerable: an impossibility waiting to happen. Maastricht itself was an agonised cook-up, a deal done by desperate politicians anxious — for their various reasons — to hail success before domestic audiences. That got the emphasis wrong. The deal itself was seen internally as the victory: the explanation of it was taken externally as read.

Lisbon in a few weeks' time is that opportunity for explanation: and, if inadequate, for a measured delay. Momentum is a natural not an artificial force. If the Danes decide on second thoughts, they should be allowed them. If the plans of Mr Delors frighten the Copenhagen horses, those plans need to be promulgated and debated and scrutinised. And if, when there are clear questions to be put, there is need for a referendum, so be it. Mr Major should not be afraid of a fruitful pause. That could be the opportunity to decide what things are really possible — and then to argue for them with passion and conviction from the front.

Le Monde, page 13

## EC puts a brave face

### on Danish rebuff

Guardian [in] 12/6 - 18/6/92

THE REST of the European Community defiantly proclaimed its determination to press on with



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ratification of the Maastricht treaty for European union despite its rejection in the Danish referendum last week.

But the Danish decision has plunged the community into an unprecedented constitutional crisis and put a question mark over the momentum behind further integration.

European lawyers and officials described the situation as a legal nightmare. There are fears the Danish rejection could stiffen opposition to the

### By Guardian Reporters

treaty in other EC countries — notably in Ireland, where a referendum will be held on June 18, and France, which announced that it would also hold a referendum.

The Danish decision may also delay plans to open up the community to new members from both western and eastern Europe — plans which the British Government hoped to pursue with vigour when taking over the EC presidency in July.

While many EC ministers insisted that negotiations for the accession of Austria, Finland, Sweden, and other countries should still go ahead next year as planned, the president of the European Commission, Jacques Delors, said the "No vote would have consequences for the prospects for enlargement".

The final count in the Danish referendum showed that only 48,000 votes separated the two sides, with 50.7 per cent rejecting the treaty against 49.3 per cent in favour.

John Major reacted to the Danish decision by announcing a postponement of the Commons debate on the treaty, pending legal clarification. But the Prime Minister insisted it would still be ratified as planned before the end of the year.

But signs that cracks in the Maastricht treaty edifice may be spreading came as the German Social Democratic opposition party

Meanwhile, rightwing critics in France and Germany of any supranational political union called for outright rejection of the treaty.

Mr Delors also urged the rest of the EC to redouble its efforts to ensure progress to European union is maintained. While noting "the expressed will of the Danish people", he said it was important to ratify a treaty "which will allow Europe to face up to its responsibilities in a changing world".

An emergency meeting of foreign ministers in Oslo set their face against any renegotiation of the

treaty and said the ratification process would continue. The meeting concluded with a determined attempt to defuse the crisis by brushing it under the table. Ministers expressed strong hopes of a change of heart and a reversal of the vote in Denmark before the end of the year.

The 11 countries that remain wedded to the Maastricht treaty warned Denmark's foreign minister, Uffe Ellemann-Jensen, that his government should not expect a reopening of the debate on the accord.

"The ratification process in member states will continue on the basis of the existing [Maastricht] text and in accordance with the agreed timetable before the end of the year," the foreign ministers said in a statement.

Denmark's prime minister, Poul Schluter, said in a television interview that he did not rule out a second referendum if it could be held "on a different basis". British diplomats immediately seized on this as a hopeful sign, and said that Britain could live with minor adjustments to the Maastricht treaty. "What had to be avoided was opening Pandora's box," a British official said.

Mr Ellemann-Jensen told his EC colleagues that his government was



— Plantu in Le Monde

keeping "all options open". He reportedly expressed confidence that the Danish people could be persuaded to change their minds in a new referendum, but he expressly ruled out any attempt by Denmark to renegotiate the terms of the Maastricht treaty.

British Government hopes of parliamentary ratification of the treaty before the summer recess were dealt a severe blow as resurgent rebel Tories demanded that the treaty's federalist clauses be excised and Gerald Kaufman, the shadow foreign secretary, said Labour could no longer support the bill ratifying the treaty.

Three weekend opinion polls in Britain showed support for a referendum. Lord Tebbit, citing the polls, said: "Maastricht is an issue of whether we should give away our power to govern ourselves. Now that is not a matter of government, that is a matter of the Government giving away something that belongs to the people... our right to self-government. That is when the people should have a say."

Despite overwhelming opposition to a referendum within the shadow cabinet, Mr Kaufman kept open Labour's options by saying: "One could not necessarily argue that

there should never at any time be a referendum." He also withdrew previous tacit Labour support for the bill describing it as "constitutionally flawed".

"Unless the government makes very clear indeed that it and the other 11, know exactly where they're going, the Labour Party believes that this bill should at present not continue and we vote accordingly," he added.

Leading Euro-sceptics vowed to keep up the pressure for a fundamental rewrite of the treaty. One Tory, Bill Cash, said: "If we are going to look at the European Community again in the light of the Danish referendum, then we are going to have to decide what kind of community we want. Phrases like the community being a single institutional framework must be one of the first things to be removed."

Ministers are awaiting the Lisbon summit on June 26 and 27 before deciding whether to press ahead with the bill in the Commons. The scale of opposition in the Commons, the need to await the French referendum, and the general sense of paralysis in the community all point to substantial delay. In the interim, Britain would

simply press ahead with plans for EC enlargement and see if the Danish government decides on a second referendum or if, instead, the community is first forced to negotiate a more decentralised version of the treaty.

Arguing for a second Danish referendum in a few months' time, Sir Leon Brittan, EC Commissioner, told TV-am that renegotiation of Maastricht was "completely unrealistic". He said: "The treaty is as good as it ever was, but its more difficult to get it implemented."

"The best way of getting it implemented is to go ahead in each of the other countries that want it, making it clear that they want it, and then seeing if we can get the Danes to have a second think."

He said that, if Britain sought to renegotiate or delay the treaty, the French and Germans would proceed towards monetary union, creating a two-tier Europe and damaging Britain's interests.

Danes want to stay in the EC, according to a Gallup poll in the daily Berlingske Tidende newspaper. Asked if Denmark should leave the community, 81 per cent said no, 11 per cent yes, and 8 per cent did not know.

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## THATCHER ON EUROPEAN UNITY

**A treaty too far** *(CB) (S6A) (GTS)*

## Margaret Thatcher endorses the Danish repudiation of Maastricht

**It is often** said that we British lack a European idealism. But this is not so. How could a country, twice within a century drawn into war to defend the liberties of continental Europe, feel untouched by Europe's future? And who would not admire the determination of democrats in France and Germany to avoid the rivalries and conflicts of the past?

We are just as idealistic about Europe as the federalists; we are just less federal. Experience has taught us that the best system under which to live is democracy — where members of parliament are seen to be accountable to their electorate. Support this by worldwide trade and you get the prosperity which we all seek.

In many of these things, we British have led the way. In the Eighties, we and our other colleagues in Europe passed the Single European Act to try to create a genuine single market in which free movement of goods, people, service and capital were ensured. But that movement was not to be unfettered. I remember saying that, if we just left the words as vague as that, we should be encouraging immigration and enabling terrorists, criminals and drug dealers to escape detention as they crossed borders.

We, therefore, hammered out a General Declaration attached to the Act. It said: "Nothing in these provisions shall affect the right of member-states to take such measures as they consider necessary for the purpose of controlling immigration from third countries and to combat terrorism, crime and the traffic in drugs."

I would never have agreed to the Act without that declaration. I am, therefore, amazed when I hear it suggested that it does not have the force of law and can be ignored.

Further, we made it clear in the Act that certain directives brought forward by the European Commission could only be passed by a unanimous vote. They included taxation, the free movement of persons and provisions relating to the rights and interests of employed persons.

I was quite happy that we had covered the most important things. To my amazement, the commission, realising that we in Britain were opposed to a draft-directive which sought to limit the working week to 48 hours, attempted to bring it forward under the Health and Safety provisions which require only majority voting. This is just not right.

But there is another point. The effort and efficiency of workers on the continent of Europe, especially in Germany, were held out as an example to us in Britain. It's quite a turn that other countries want to cut down the maximum work hours to 48 hours a week. Can it be that Britain is now the country to emulate — having the work ethic,

having dealt with trade union law and having low taxation and low public expenditure?

Not to mention political stability. The Act has not come fully into effect and yet already we have the Maastricht Treaty. It is a long, detailed document and should be studied extremely carefully. Moreover, because the language is often opaque, governments should be asked precisely what certain clauses mean.

I suggest that those who have to decide whether to include its provisions in their own laws should ask four questions:

Will it ensure and enhance democratic government? The answer must be no. It involves enormous transfers of powers from



**Thatcher**

national governments to a centralised bureaucracy. It speaks of a common foreign and security policy. It extends EC authority in a host of fields and provides for majority voting in many of them.

For most States, other than Britain, it introduces a social chapter which was first mooted at the Madrid summit and which has already given rise to more than 43 initiatives, of which 17 are new draft directives. Moreover, with the exception of Britain, which is keeping its options open (thanks to PM John Major), it is committed to the creation of a single currency no later than 1999. A single currency means a single interest rate, a single monetary policy, a single economic policy and eventually a single Minister. But control over economic policy and the supply of money to the executive is at the heart of parliamentary democracy.

The treaty passes colossal powers from parliamentary governments to a central bureaucracy. A dispassionate observer could perhaps be forgiven for wondering whether it is we in the West who are trying to convert the East to democracy, or they who are converting us to bureaucracy;

Will the treaty and its associated provisions on a common foreign and security policy continue to assure the defence of the West?

It was the steadfastness of the Nato alliance which brought a bloodless victory over communism. This is in stark contrast to the enormous sacrifices of life that were made to defeat fascism in the first half of the century. Indeed, no alliance has been more successful in keeping the peace with freedom and justice than Nato.

The lesson we learn from history is that an American presence in Europe is vital to our security. We know that there is pressure from isolationist opinion in the US to withdraw from Europe. Some of us are very concerned that the Western European union, by taking a larger part in defence arrangements, could send the wrong signals to American opinion. While the agreement itself is careful to say that the obligations of certain member states under Nato shall be respected, it is the general impression that often matters when decisions are taken about the future disposition of American forces in Europe;

Does the treaty and the general stance of the EC on trading matters improve the prospects for world trade?

The fact is that the protectionist policies of the Common Agricultural Policy are holding up the present Gatt round. Added to that, the social chapter which — again, thanks to Major, does not apply to Britain — will enormously increase industrial costs in Europe. This of itself can lead to increased protection just at a time when the world needs freer trade in goods and services.

Surely the EC should act as an example in upholding the post-war international structures which together were called the "new world order" and of which the Gatt is one;  Are the provisions of the treaty, together with those of the EC as a whole, in tune with the instincts of the people? They have been deeply concerned at the scenes of destruction and killing, of families fleeing day after day not in some remote country, but in Yugoslavia, a part of our European continent. They have heard, day after day, of ceasefire after broken ceasefire. They have seen or heard of European monitors pulling out of Bosnia just when their presence seemed most critically needed.

Would it not have been better for Foreign Ministers to follow the advice of Germany right from the beginning to recognise Croatia and Slovenia? Then we could have given those countries, and later Bosnia, the requisite weapons with which to defend themselves.

Has not this experience and that in the Gulf shown that, when it comes to action, there is no substitute for the nation-state?

Real progress comes not from more bureaucracy, but from the values and institutions of government by consent — through Ministers seen to be accountable to their electorate.

These things are in tune with the instincts of the people. They are part of the heritage we have built up over the centuries.

*Margaret Thatcher*

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**D**IPLOMATS on three continents are quietly preparing moves to monitor political violence and fair elections in South Africa knowing President FW de Klerk is working to thwart their plans.

Well-qualified officials of several governments here reported backstage talks are underway on two inter-related issues under the umbrellas of the Commonwealth Secretariat and European Community (EC), the United Nations in New York and the Organisation for African Unity (OAU) in Addis Ababa.

The two related issues:

- Firstly, the introduction of several hundred "peace monitors", complete with backup staff, transportation and other infrastructural equipment, to check on the origins and effects of political violence, the role of the security forces and ways of restoring relative normality.
- Secondly, the introduction of hun-

# Like it or not, world's

# going to watch SA

W/Mail 12/6-18/6/92



*Despite President FW de Klerk's resistance several foreign governments are planning to send delegations to South Africa to monitor political violence and elections.*

By **ARTHUR GAVSHON** in London

dreds of foreign observers to see that the country's promised elections are conducted freely and fairly.

Publicly and privately, De Klerk has made it known his government would resist the involvement of a corps of foreign peace or electoral monitors. In verbal and written communications with several countries—including Britain, the United States, Portugal, Nigeria and Kenya—he has

indicated the presence of observers from abroad could be construed widely in the Republic as "foreign intervention" to the detriment of his own government's authority.

Some countries—Britain and Nigeria among them for their own varying reasons—appear to have bought this line.

The British Foreign Office, for instance, is saying Britain has not been

approached formally to send any sort of monitoring team either to check on violence or on the conduct of a future election. If asked, though, the request would be considered.

Meantime, the government has funded the secondment of a British academic, a Professor PAJ Waddington of Reading University, to serve on Judge Richard Goldstone's Commission. Waddington is an

authority on policing, the handling of public demonstrations and how security forces should go about their business using minimal force.

For its part Nigeria, which presides over the OAU, appears to be backing De Klerk's stance partly because it shares— for its own internal circumstances—his concepts on federalism. Another reason is that a political accommodation is developing between the two countries, as it is also between De Klerk and Kenyan President Daniel arap Moi, with future economic co-operation in mind.

Several Commonwealth, EC and UN countries, however, have been shaken in recent weeks by documented disclosures—in *The Weekly Mail* and *New Nation* among other newspapers—of ministerial and senior military collusion with massacres and murders. Revelations of internal governmental corruption also have had their effect. And, as a consequence, they have been saying through their officials that both the peace and electoral processes in South Africa simply must be monitored if they are to be internationally credible.

It was with that in mind that Commonwealth secretary-general Chief Eneka Anyaoku had a series of discreet corridor-talks with leading delegates to Codesa last month when he attended the failed plenary session.

The underlying strategy is that if a consensus is established on the need for monitoring within Codesa, De Klerk's objections could be overruled.

Informants gave this rundown of discussions now going on in Europe, North America and Africa about monitoring:

- In London, Commonwealth diplomats are considering calling a special meeting of their Southern Africa Committee to examine the problem. The committee exercises a watchdog role over events in the Republic.
- If a future nonracial South African

government wanted to rejoin the Commonwealth, it would need to conform with the standards set by the institution. Also in London, Britain has stalled the visit of three EC foreign ministers to South Africa for talks with all parties until sometime after July 1 when the British assume the presidency of the EC. The three countries designated to make the journey are Britain, Portugal and Holland.

- In New York UN member countries have begun consulting over the sort of role the world body could or should play in promoting implementation of the Peace Accord and free, fair elections. There is broad backing for such a role but delegates seem painfully aware that the financially-strapped UN already is overburdened with peacekeeping missions.

- At OAU headquarters something of a split has developed on the monitoring issues. Countries like Nigeria and Kenya want to avoid offending De Klerk but most others favour substantial OAU representation in any system of observation.

In the past week, meantime, the International Commission of Jurists and Amnesty International have issued reports shedding new light on the degree of security force involvement in the violence. Their documented evidence has reinforced the case of those governments arguing for international monitoring of township violence and electoral surveillance.



# Cracks in European unity plans

**W**ELL-LAID plans for moving Europe towards a single federal state are coming apart at the seams following the decision of Danish voters to reject closer ties.

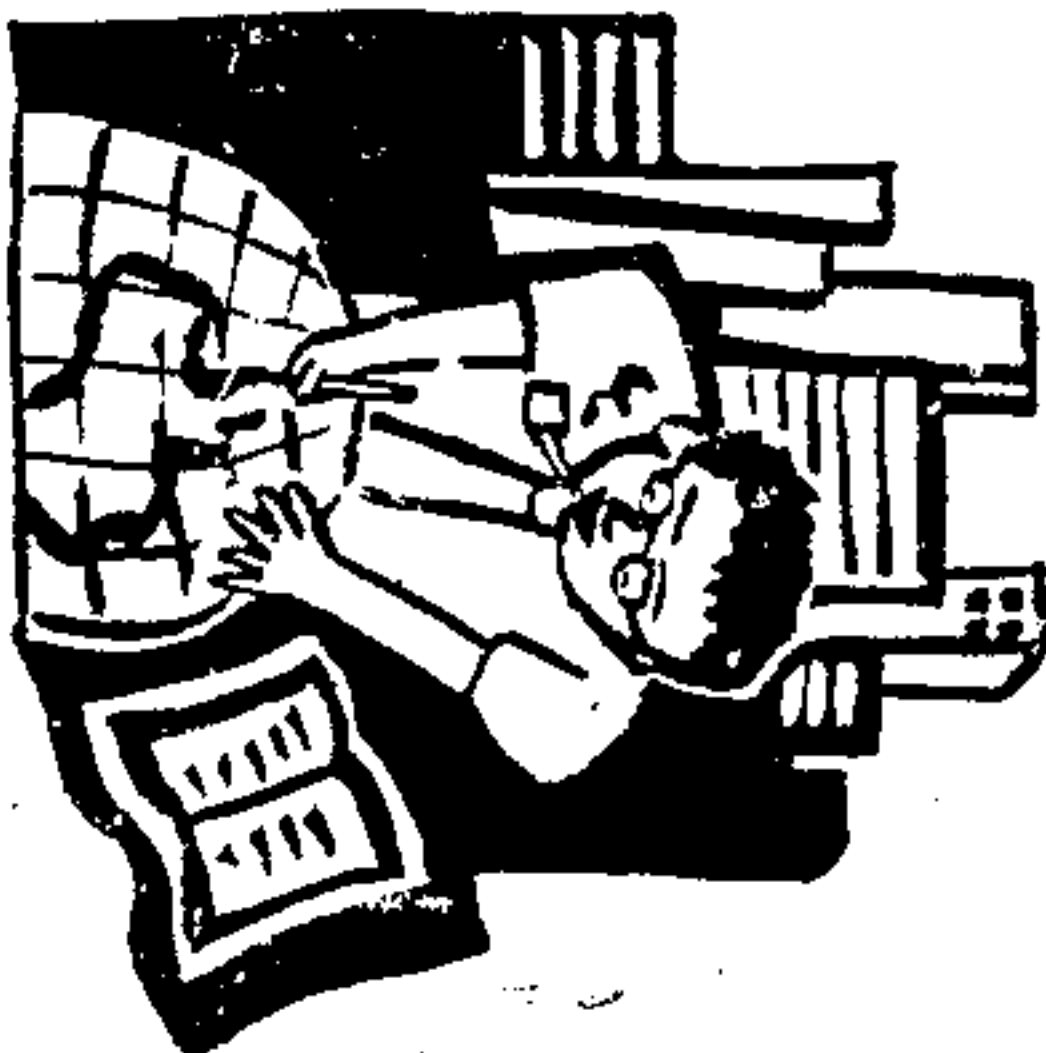
Apparently fuelled by concerns over German domination and a loss of hard-won welfare rights, the Danes voted in a referendum by a slim majority of 50 000 to reject the further European unity proposed in the Maastricht Treaty.

But the impact of their decision has sent such ripples across the previously calm European waters that within hours France decided to call a referendum on the issue and the British parliament abruptly suspended its ratification debate.

Attention now is focused on how the people of Ireland will vote in their referendum on June 18.

And in the other 11 states, those opposed to the Maastricht Treaty agreed on at a summit last December have been given a filip by the Danish decision.

Denmark is influencing its neighbours. At Westminster, commentators said it was hard to find a Conservative back-bencher who had



SOUTH 13/6-17/6/92

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## Foreign Affairs

by Roger Trask, editor of the London-based magazine, International Union Rights

anything positive to say about the Maastricht agreement, even though most of them had previously gone through the lobbies in support of a first reading of the treaty legislation.

MPs from both sides of parliament were demanding the British people be given a say on whether the treaty should be ratified.

Former prime minister Mrs Margaret Thatcher, an arch anti-federalist, could barely hide her delight.

"The Danish people have spoken for many who have not had a chance to make their views known," she said in veiled criticism of premier Mr John Major's refusal to concede a referendum.

"They have done a great service for democracy against bureaucracy," added Mrs Thatcher.

The Maastricht agreement represents the biggest move towards integration in the EC's 35-year history. Under its terms a timetable was set for creating a European central bank and a single currency by 2000. Foreign and defence policies as well as home affairs were also brought under EC competence.

It was apparently the fear of having to serve in an army dominated by Germany that prompted many younger Danes to reject the accord. Rocked by the Danish decision, European government leaders also

have to untangle an unprecedented legal and constitutional crisis. The terms of the Maastricht Treaty require that all 12 member states ratify it. Thus if one does not ratify it, and the Danes are now that one, the whole treaty should fall.

But other EC leaders who have staked their political futures on closer union do not see it that way. They have resolved not to renegotiate the accord and to proceed with ratification by the other 11 member states. Denmark, it seems, is to be left in some sort of limbo position, half in the EC and half out.

This complicates an already delicate situation. At Maastricht, Britain's unwillingness to sign the Social Chapter of the Treaty, covering social and labour policy and an opt clause for Westminster on the single currency, was the first fragmentation. Now that a "No" vote has been returned in Denmark, which joined the community at the same time as Britain in 1972, the facade of unity is visibly cracked.

The Danes' decision damages prospects for extension of the community to the rest of Europe. Mr Jacques Delors, president of the European Commission, who is

coming under increasing attack for pro-federal views, acknowledged the Danish decision would set back consideration of the applications already lodged by nations such as Austria, Sweden and Turkey.

Almost all European governments want to join as soon as practicable.

Britain, which chairs the community bodies in the second half of the year, had hoped to use its presidency period to accelerate extending membership. But until the Danish issue and the future of the Maastricht agreement are resolved, the level of uncertainty among community leaders is likely to bar progress.

And there remains the possibility that other member states, especially Ireland and France, might also reject the Maastricht agreement.

In those circumstances, especially if Paris says "No," the apparently solid edifices of the community reality would be under heavy strain.

For a continent which has suffered extraordinary upheavals over the past three years, the prospect of further destabilisation is daunting.

But again, the Danes' vote can be seen as defiance of machine politics and return decision-making to the people.



# EC pledges billions for 'green' aid

STAR 13/6/92  
JEREMY GAUNT

RIO DE JANEIRO — The European Community told the Earth Summit yesterday it was committing more than \$4 billion (about R11.2 billion) for specific environmental projects, launching a day of speeches by world leaders at the global meeting.

The pledge, some of which was completely new funding, was the first significant cash offer from the rich world in a conference plagued by divisions over how to pay for environmentally sound development.

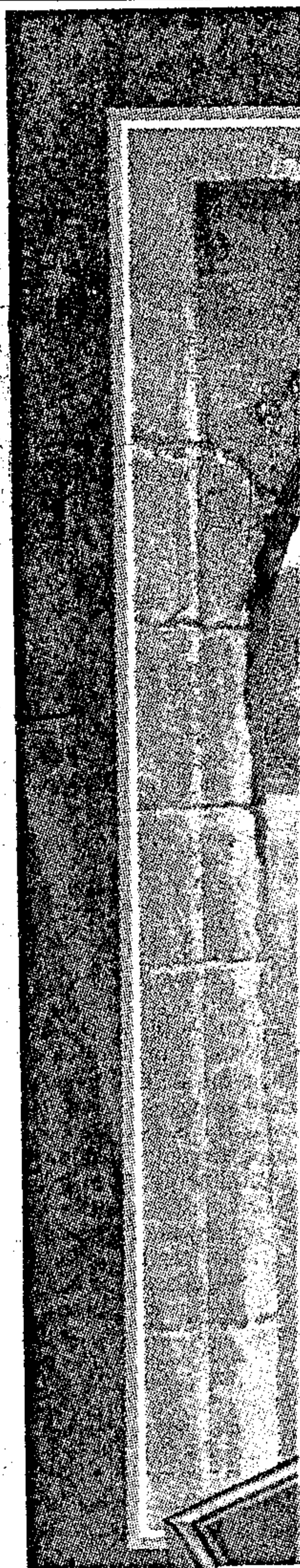
Meanwhile, as world leaders began their long-awaited speeches to the Earth Summit, negotiators reported they were close to agreement on a plan to protect the world's forests. "We are very close to the end," said main summit committee chairman Tommy Koh.

Koh, from Singapore, said talks through the night on a series of principles on how to protect forests had made significant progress, but that an accord to draft a treaty after the summit had eluded negotiators. Forest protection has been one of the trickiest problems facing the UN Conference on Environment and Development.

Yesterday most attention was to be focused not on negotiating, but on a series of high-profile speeches from as many as 60 world leaders.

United States President George Bush arrived in Brazil early yesterday but made no formal arrival statement. The US has been heavily criticised by other nations and environmentalists for the positions it has taken at the summit.

EC leader, Prime Minister Anibal Cavaco Silva of Portugal, said the EC would allocate the \$4 billion, including new and additional sources, as quickly as possible. — Sapa-Reuter.



# Restrictive trade policies 'impede global growth'

8/10/92 15/6/92  
GATT

BASEL — Industrialised nations needed to do away with restrictive trade policies in order to stimulate global growth, the Bank for International Settlements said in its latest annual report.

The bank was particularly critical of bilateral agreements which lead to "managed trade" in manufactured goods.

"It is difficult to overstate the extent to which such measures undermine the multi-lateral trading system, distort the allocation of resources, weaken investment and act as a drag on the growth of the world economy," it said.

"Anti-dumping measures often mask attempts to protect domestic producers from more efficient foreign competitors."

These measures restricted consumer choice, inflated costs and raised prices. They weakened a "vital force for greater productivity".

The organisation added that the measures did little to promote domestic output and employment because measures that protected one industry inevitably hurt others, through exchange rate appreciation and by inflating costs.

The bank said the industrialised world should open up further to exports from developing countries, now that many of these nations had freed their trade.

While developing nations had increasingly pursued radical trade liberalisation measures, the industrial world had limited

its openness.

Many potential exports from developing countries were goods most protected by industrial countries, such as agricultural products, semi-finished manufactured goods, clothing and textiles, it said.

Other aspects of the move away from free trade by the industrialised nations included the fact that the growing trade in services still remained outside the GATT, that agricultural production and trade had become increasingly separated from comparative advantage and that moves towards liberalisation were negotiated in a regional, rather than global, context, the bank said.

Regional free trade arrangements — such as the EC and the prospective north American free trade area between the US, Canada and Mexico — tended to divert demand from more efficient producers in the wider world unless accompanied by vigorous measures to reduce barriers to trade with third countries.

The bank also said that the EC's move toward European monetary union (emu) faced a difficult road to implementation, and if it succeeded could have some negative consequences for member countries.

Cited benefits of emu, such as exchange rate stability and low inflation, had already been realised or could be achieved without moving to a single currency, the report said. — AP-DJ.

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Russian US negotiators hope for nuclear pact



# Fine words, but little cash

**DOZENS** of world leaders pledged their political backing yesterday for a global action plan to clean up the environment.

But they hung back from making the heavy financial commitments which the Earth Summit organisers said were needed to make it work.

As 117 heads of state and government gathered in the vast RioCentro to endorse a series of accords to put the world economy on a more sustainable path, their ministers were engaged in hectic last-minute negotiations to finalise agreements, including one to conserve the world's forests.

President George Bush challenged other nations to draft specific plans to implement the Earth Summit's global warming treaty and called for a global meeting on the issue before January.

He said: "We must leave this earth in better condition than we found it."

The two-day heads of state gathering, the largest of its kind, marked the end of the two-week summit which was supposed to put the environment at the top of

the political agenda.

But all the accords which were due to be agreed fell short of their original aims, although many political leaders stressed yesterday that Rio must mark a beginning not an end.

The summit opened amid expectations that industrial countries would pledge money to aid the poor south improve its environment, an issue which dominated the debate. But the rich countries made modest commitments, laying most of their stress on non-financial initiatives.

The first leader of these countries to speak was Mr John Major, the UK prime minister.

## Enlargement

He said he would support an enlargement of the Global Environment Facility (GEF), the fund administered jointly by the UN and the World Bank to help the Third World from its present level of R3,51 billion to between R5,4 billion and R8,1 billion.

This would imply an increase in the UK's contribution from

R112 million to about R280 million. However, the UK had already announced that it would support an enlarged GEF.

Although Major said the UK would support other new aid initiatives, he declined to put any figures on them because the UK's next spending round had not been agreed.

Invoking the UK's strengths in scientific research, Major also announced a Darwin initiative to support studies of world species and habitats.

He said the UK would also hold a Global Technology Partnership conference early next year to improve access by developing countries to the UK's environmental technology.

Mr Helmut Kohl, the German chancellor, said Germany would support a GEF of just over R11,2 billion. But he cited the heavy cost of cleaning up East Germany for not making more general pledges of aid.

With the exception of a handful of smaller European countries, all the industrial nations are

resisting pressure from the Third World to pledge 0,7 percent of their GNP to aid by the year 2000.

Kohl only said Germany would do this as soon as possible, the form of words favoured by most industrial nations.

Mr Anibal Cavaco Silva, the president of Portugal, which holds the EC presidency, said Community countries would give R11,2 billion to finance Agenda 21, the Earth Summit action plan extending into the next century.

However, EC officials were unable to say how much of this represented new money.

## Commitment

The largest aid commitment is likely to come from Japan.

Japanese officials have indicated that it may make a multi-year pledge of R14-28 billion.

However, all these sums fall far short of the R350 billion a year which the summit's UN organisers have said the Third World needs. This reinforced the sense of anti-climax yesterday.

But there was also a concerted effort to stress the positive. - *Financial Times*.



GEORGE BUSH

Sowetan 15/6/92  
 By DAVID LASCELLES and CHRISTINA LAMB  
 in Rio de Janeiro

S6A



Colin Legum reports on relations between developing countries and oil multi-nationals

# EC may promote oil industry

STAR 16/6/92.



**T**HE European Community commissioned a series of studies covering the possibilities of its co-operation in promoting the oil industry with the 69 members of its associates in the Africa-Caribbean-Pacific area (ACP), the environmental case against the oil industry, and the relationship between developing countries and multinational oil companies.

A survey of the oil industry and of its potential for development in the ACP shows that only 12 produce any oil. Nine of these are in West Africa (Angola, Benin, Cameroon, Congo, Gabon, Ghana, Ivory Coast, Nigeria and Zaïre). The remaining three are Caribbean countries (Barbados, Suriname and Trinidad/Tobago).

Exploration for oil and gas has been carried out in a number of other ACPs, more recently in Ethiopia and Eritrea.

The most important recent discoveries have been in Papua New Guinea. Nigeria is the giant of the ACP in the oil sector, producing

almost 1.5 m barrels a day.

Just over 2 percent of the world's known oil reserves are to be found in ACP countries. Their production represents less than 4 percent of total world output.

The possibility of EC-ACP co-operation in oil development to the benefit of both is explored in a paper by Rui Alvim de Faria. He suggests that a solution might begin by setting up a new economic partnership in which the Europe-ACP oil industry trio would work for the consolidation of EC interests and ACP reconstruction.

The advantage to the ACP oil exporters is that their cyclical and structural problems would be eased in the medium and the long term. There would be a snowball effect vis-a-vis the neighbouring countries within the group.

Maria Kielmas, an independent analyst who specialises in the oil sector, writes critically of the problems of oil development in the Third World. She argues that for the developing nations the last 30 years have been an aberration

in their approach to the oil industry. She writes:

"There are two ways in which governments can build up an oil industry in their countries; through foreign investment and by encouraging their own nationals to start up companies. These days, the only substantial foreign investment in Third World countries comes from oil and mining companies. They do so because the political risk of investing potentially huge funds in a country with a short constitutional history is offset by that country's petroleum or mining legislation. This effectively overrides national law in such matters as foreign exchange controls, profits, repatriation and arbitration of disputes.

"Such is the competition these days for investment funds, that companies in some parts of Africa are able to write their own terms. They expect new governments installed after civil wars to honour contracts signed with them by the deposed administrations, something known as 'sanctity of con-

tract', otherwise they will walk away. No one is interested in investing purely for the sake of worldwide democracy."

She concludes that in countries with little or no oil, new local supplies are an obvious life-saver.

"The solution is clear. What is needed is a more realistic adoption of the currently much discussed idea of self-sufficiency. A country's economic wellbeing depends first and foremost on its own people investing in it, starting perhaps first by repatriating flight capital, then foreign investment follows. Oil development needs the kind of funding most African countries do not possess, but the principle is the same."

Dr Jeremy Leggett of Greenpeace — a former geologist at the Royal School of Mines, Imperial College, London, and a former oil consultant in Britain, Japan and Pakistan — expresses the viewpoint of environmentalists.

He writes that environment-dictated energy conservation and fuel-switching drives are on the

way in the 1990s, and that societal feedbacks may, in short order, come to impose the management of a paradigm shift on the energy industry and policy makers. Seeds of encouragement for the optimist abound.

For example, of the 23 industrialised OECD countries, 22 have accepted that there is a severe policy problem with global warming, to the extent of having agreed targets and deadlines for either freezing or cutting carbon dioxide emissions. The exception is the United States. He goes on to say:

"The corollary is that the long-term winners in the oil business will be those with the presence today to see the writing on the greenhouse wall. The admission to the Royal Society of Chemistry by Sir John Cardogan, BP's director of research, that if solar technology breakthroughs continue at their present pace, water, not oil, will be the fuel of the future, is but the tip of the iceberg of the corporate changes that are inevitable, one way or the other." Looking at the future of Ango-

la's oil industry, Alexandra Pega do points out that, as the only major producer of oil in the Southern African Development Co-operation Conference (SADCC), the country can play a key role in the region's economic development.

He points out that Angola has a high level of production and produces light crude which fits in with the needs of the region. The transport routes involved are short, communications are good and prices are competitive. The same opportunities exist for Angola in South Africa.

The possibility of using the African refineries to process Angolan oil for use in the SADCC region may prove to be an interesting option.

Another interesting aspect, he writes, is the possibility of co-operation with neighbouring countries, Namibia and Zambia, in the exploration of oil basins which extend across the national boundaries, using the principle of international unitisation agreements. □



# Dollar ostracised after Danish vote

STAR 17/6/92

By Carole Mason  
International Economist,  
Standard Bank

## CAROLE on CURRENCIES

Developments in international forex markets in recent days have seen a further loss of confidence in the dollar.

In part because of internal US developments but also because of developments external to the US, the dollar continues to soften, with its probable path of least resistance over the near term deemed to be one of further slippage.

The latest bout of dollar ostracisation on the part of international forex markets has its roots in Europe where, as a result of Denmark's recent rejection of the Maastricht Treaty, the European Community finds itself in considerable disarray.

The most obvious manifestation of the enormous

uncertainty generated by Denmark's decision not to ratify the Treaty has been sustained in the fortnight since Denmark's referendum result became known.

With the Danish result effectively removing the need for the 12 EC countries to adhere to the discipline required for greater economic convergence, those international capital flows that formerly sought the highest return within the EC suddenly sought security.

On the perception that the Deutschmark's anchor status within the European Monetary System represents a more secure long-term investment than those represented by high-yielding currencies like the lira and sterling (for whom the major attrac-

tion was simply their EMS link), the Dm has been able to advance sharply, not only against the European currencies but against the dollar and yen as well.

From a Dm perspective, on-going fall-out from uncertainty relating to the Maastricht Treaty leaves the Germany currency in good stead to advance further over the near-term.

With the June 18 referendum in Ireland representing another significant Maastricht hurdle (current opinion polls say the treaty will be ratified by a large margin in Ireland, but international opinion pollsters have had an appalling track record thus far in 1992), the Dm's perceived safe-haven status ought to leave it well-bid.

Whereas recent dollar weakness was originally a function of intra-EC uncertainty, however, its weak underlying tone has since been further augmented by market perceptions that the door to further monetary policy easing in the US has not been closed.

Recent economic data has proved disappointingly anaemic, prompting many forex analysts to revise forecasts for the dollar's probable trajectory over the medium-term.

It was widely believed in early 1992, for instance, that a progressively narrowing in \$/Dm interest rate differentials over the course of the year would enable the dollar to advance at the expense of the course of the year would enable the dollar to

advance at the expense of the Dm.

Now, however, as mid-year approaches, not only has the interest rate differential not narrowed, it may widen even further.

From a German perspective, official adamance that firm monetary policy resolve will be maintained suggests that the current \$/Dm interest rate gap is unlikely to fall as a result of any German initiative.

The only other way the gap can narrow, therefore, is if US interest rates go up.

This, too, seems extremely unlikely, particularly in the run-up to the presidential election in November.

Indeed, if political considerations alone were to hold sway, it is conceivable that US interest rates might actually fall further.

# Belgium announces massive gold sale

*bl/day 18/6/92*  
BELGIUM surprised world bullion markets yesterday when it announced it had sold 202 tons of gold, but market sources were divided over who had bought the metal. The sale is almost as much as the former Soviet Union sold throughout 1991.

An industry source in Johannesburg said the deal amounted to a realignment of central bank reserves within the EC, with Spain's central bank being the most likely recipient of the bullion. EC members must have minimum amounts of gold in central bank reserves.

However, some of the gold could have been sold on the spot market, and he noted that the sale coincided with a period in which gold had languished well below the \$340 mark.

He said bullion dealers were more surprised by the size of the deal than the sale itself.

*(M) (SBA)*  
MATTHEW CURTIN

It was Belgium's second major gold sale since early 1989 when it sold 127 tons of gold, thought to have gone mostly to the Spanish central bank, with some ending up in Portugal's coffers. Reuter reports that the Belgian National Bank said it concluded the sale two weeks ago, netting more than \$2bn in foreign exchange.

London gold market prices rose after the announcement, but the news raised the prospect of further sales by central banks sitting on 35 000 tons of gold. The Belgian bank said the sale had not disturbed the market.

Belgium still has 973 tons of gold, stored at Fort Knox in the US.

The central bank said the move brought Belgium's traditionally high gold reserves into line with those of neighbouring countries and facilitated the bank's participation in the pro-

cess of European monetary union. The sales reduced the share of gold to about 50% of the central bank's total reserves — comprising mainly gold, foreign currency and ecus.

Gold forms 49% of the total reserves of the Netherlands, 46% of France's and 35% of Germany's reserves. Belgium, with a population of about 10-million, had 30,23-million oz of gold at the end of April. By comparison, France, with a population of about 56-million, had 81 85-million oz at the end of March.

Dealers said it was unlikely the gold had been sold on the market because this would have affected prices. "I am convinced it was a direct sale to another central bank," said Patrick Drogne, partner with Belgian brokerage Drogne.

Gold was fixed in London at \$342, just 10c down on the morning setting.



# EC treaty in the balance as Ireland decides its vote

DUBLIN — Irish voters, who hold the future of the Maastricht treaty on closer EC union in their hands, are likely to vote 60-40 in favour of the accord in today's referendum, the latest opinion poll shows.

Yesterday's Irish Times poll showed 49% in favour of the treaty, 28% saying No and 23% undecided.

If Ireland follows Denmark in rejecting the accord, then the EC plan for a common foreign policy and a single currency may be in tatters.

"The eyes of Europe and of the world are on us this week," Irish Prime Minister Albert Reynolds said.

Ireland enthusiastically embraced the EC by an 8-1 majority in a 1972 referendum that heralded its entry into the giant trading bloc.

Reynolds argues that impoverished Ireland may have about the same size population as wealthy Denmark but it cannot afford to turn its back on Europe.

In his final pre-referendum broadcast on Tuesday, he painted a Domsday scenario for a No vote — jobs

lost, foreign investment drying up, interest rates rising.

Ireland receives six punts for every punt it puts into the EC and Reynolds told his compatriots: "We cannot have our cake and eat it. It is not realistic to think we can reject the European treaty and still enjoy the benefits of full membership."

Farm, trade union and business leaders have joined the four main political parties in calling for a resounding Yes vote.

Ranged against them is a "rainbow coalition" of nationalists, environmentalists, supporters of Irish neutrality and crusaders from both sides in a highly emotional abortion row.

In London, British Foreign Secretary Douglas Hurd, who becomes chairman of the EC council of foreign ministers on July 1, has ruled out renegotiation of the Maastricht treaty.

Renegotiation would cost Britain its credibility, he told the Daily Telegraph newspaper in a reply to some MPs from his own Conservative Party who are pushing for renegotiation.

Hurd said: "If the prime minister

had agreed to tear up a treaty which we had recently concluded in the name of Britain after a long debate and negotiation, our good faith would have been in question. We would have changed our word after giving our word."

In Bonn, Chancellor Helmut Kohl also brushed aside arguments from the growing ranks of Euro-critics, telling them he would present the Maastricht treaty for ratification without further negotiation.

Kohl told parliament the plan for a European union was not perfect but laid down clear guidelines for a stable currency and democratic Europe.

The treaty was a historic opportunity neither Europe nor Germany could afford to lose, he said.

In Paris yesterday, the French Senate approved constitutional changes to bring France into line with the Maastricht treaty.

Pro-European centre-right senators voted with the Socialist government. Neo-Gaullists and communists voted against the Bill. — Sapa-Reuter-AFP.

31 Dec 18/6/92

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# Viljoen's plea to Europeans

BRUSSELS - Pretoria's chief negotiator in talks to end apartheid, Dr Gerrit Viljoen, appealed to the European Parliament here yesterday for foreign aid and investment to South Africa.

In an address to the Euro-parliament's foreign affairs commission, he also called for foreign pressure on extremists on the left and right in South Africa to make them join negotiations towards an apartheid-free constitution.

Viljoen, Minister for State Affairs, said a week of mass action by the African National Congress on Tuesday risked degenerating into political intimidation and violence.

The ANC called the protest to pressure the Government into more concessions in constitutional talks, which deadlocked over Pretoria's insistence on safe-guarding minority rights under future black majority rule.

Viljoen said the call by ANC leader Mr Nelson Mandela was "putting the negotiation process under stress and intimidation" but added that talks were continuing behind the scenes.

He pleaded with foreign governments to give development aid to South Africa and encourage private foreign investment while waiting for a new democratically-elected government.

Viljoen added that the scrapping of apartheid had induced "tremendous overheated expectations" among the country's black majority which could turn into violence if frustrated by continuing low economic growth.

Earlier, Viljoen met with Frans Andriessen, vice-president of the European Commission, the European Community's executive arm. - Sapa-AFP

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## Classification the key

TRADE and aid preferences between the European Communities and a future South Africa will be highly dependent on its international economic classification.

If South Africa were to be granted developing country status with membership to Lome agreements, a strict quota system would operate for the country in a variety of product areas.

In an article published this month in the *South Africa Foundation Review*, Mr Robert Swain, director of Strategy Network International United Kingdom, argues that South Africa should not apply for Lome membership, but continue to promote a case for access to EC development aid funding.

The article says the South African relationship, as "developing" country status, demands a different approach.

Obviously there will be some difficulty in agreeing on the best choice of trade regime for both parties as the special circumstances of South Africa's trade in the past few years do not provide a basis for assessing the pros and cons of future options.

By JOSHUA RABOROKO

The EC is a major market and the UK and Germany are its most important trade partners. Both these EC countries will therefore encourage the best outcome for South Africa with regard to EC trade preferences as they have more to gain than others.

In addition it will require massive investment in health and education over the next few years to right the wrongs of apartheid and reduce unemployment.

The most useful trade arrangement would be that directed towards its labour-intensive areas - the same areas where neighbouring states enjoy EC assistance.

It has to be said that very few of South Africa's current exports to the EC would benefit from trade preferences. There would be firm objections within the EC to any beneficial arrangement for some of South Africa's existing exports which are EC sensitive, such as coal and steel.

# 'We've more to lose from integration'

SOUTH 20/6-24/6/92

By Tony Austin

20/6-24/6/92

**N**ORDIC WOMEN are in the frontline in the war against European integration, afraid that the welfare state and their hard-won rights will suffer in a male-dominated structure.

In Denmark, Finland, Norway and Sweden, women are far more sceptical than men about integration in the European Community (EC). They see such integration as a threat to their high level of employment and sexual equality.

"Women fear a welfare backlash if we go into Europe," says Mr Tore Bredal, director of a Norwegian research institute.

"Rightly or wrongly, they think we will have to adjust to the community's (lower) standards of social rights."

Sweden, Finland and Norway are members of the European Free Trade Association, which signed a treaty with the EC in May to merge from next January into a single market.

Ms Marita Ulvskog, a Swedish Social Democrat who opposes her party's and the present government's policy to join the EC, says: "Women are more active because we have more to lose."

**I**n Denmark, which joined the EC in 1973, as many as 60 percent of eligible women voted "no" in the June 2 referendum to ratify the Maastricht Treaty on integration.

Ms Hilikka Pietila, a leader of Finland's non-party Alternative to EC/EU, believes women make up a majority of the growing number of Finns who are doubtful about the EC and European union.

"We are against the EC/EU as we see it as patriarchal and undemocratic. It would take away rights that Nordic women have won in past decades, like the nearly 70 percent of seats women have in the Finnish parliament, and give them to a male-dominated hierarchy," she says.

Women in Norway occupy two out of three public sector jobs and fear they would be the first to go if the male-dominated bureaucracy in Brussels took over.

"In Norway the debate is highly emotional. But women do stand for the softer, inner-oriented values of society rather than macho capitalism," says Bredal.

Scandinavian women combine family life and paid employment, relying on the public sector to look after children while they work.

In Sweden, 90 percent of women of child-bearing age work, but the birth statistics of two-and-a-half children per woman are the fourth highest in Europe after Cyprus, Iceland and Ireland.

Paid maternity leave of 15 months a child, which can be divided between the parents, and widespread childcare facilities are reinforced by generous entitlement to time off for sickness of child or parent. — Sapa-Reuter



**Inflation eases in the EC** (S6A)

18/04/92 23/6/92

AVERAGE unadjusted inflation in the 12 EC countries eased to 0,4% in May from 0,5% in April, the EC's statistics agency Eurostat said in Brussels yesterday. However, the year-on-year inflation rate in the EC was 4,8% in May, up slightly from a revised 4,7% in April. The countries with inflation rates higher than the EC average are: Greece with 15,8%, Portugal (9,8%), Spain (6,5%) and Italy (5,4%).

# Yes vote puts Maastricht back on track

Sowefan 24/6/92.



**MAASTRICHT, Netherlands** - Maastricht smiled again at the weekend - Irish voters restored its dented image with a resounding "yes" to the European union treaty named after the Dutch town.

After the shock rejection by Denmark on June 2, it looked for a while as if Maastricht would be remembered for a major political blunder.

The Irish vote will keep the treaty alive, though Maastricht's place in the history books is yet to be assured.

Throughout the uncertainties of the past few weeks, the people of Maastricht have remained unwavering in their support for political and economic integration agreed at the European Community summit they hosted last December.

Closer EC links are simply taken for granted in this town of 117 000 which has been a European crossroads since the Romans founded it in 50 BC.

Situated at the tip of a sliver of land jutting into Belgium and Germany, Maastricht is already busy forging still closer ties with its neighbours.

On June 29 provincial officials from all three countries will meet here to sign a co-operation treaty promoting integrated development of the triangular Euro-region linking Maastricht with Liege in Belgium and Aachen in Germany.

"In this area we are so close to other countries that everyone is convinced of the necessity of joint development," said provincial vice-governor Jef Pleumeekers.

People here, accustomed to carrying three currencies in their pockets, can see the benefits of a single currency and other forms of European integration in a way few others can.

Maastricht's cosmopolitan atmosphere is clear at every turn along its cobbled streets. Fashionable shops and gourmet restaurants, with menus in several languages, compare with the best in Paris.

So, while recent opinion polls suggest a minority of the Dutch, traditionally among the staunchest supporters of European union, are now having second thoughts about the Maastricht treaty, the town itself remains solid.

"People here are maybe not 100 per cent in favour but it would come very close," said Bart Brouwers, city editor of the local newspaper *De Limburger*.

Maastricht residents are quietly proud that their town has become a household word around the world because of the treaty.

But the issue has generated little excitement among ordinary people.

"The town hall makes a big thing about it but most people aren't that interested," said real estate broker Henk Franken.

Whatever happens to the treaty, Maastricht is al-

ready banking some of the benefits of hosting the summit which culminated in the accord on European union.

Conference organisers have flocked to the town after seeing the way it handled the summit. Tourism is flourishing as sightseers come to see for themselves where the treaty was signed and where European leaders stayed.

This has fuelled a local boom, already underway due to an influx of international institutions and com-

panies.

In the last five years shop rents have doubled making Maastricht the most expensive shopping venue in the Netherlands.

The new prosperity has driven many traditional small shops out of the town centre.

Increasingly open borders have given rise to a wave of "drug tourists" who take advantage of liberal Dutch policing to stock up on narcotics here. - *Sapa-Reuter*.



World moves to defuse deadlock

By ARTHUR GAVSHON, London  
KEY world governments, still shocked by the Boipatong massacre, moved urgently yesterday to defuse the South African powder barrel.

Chief Emeka Anyaoku, Secretary General of the 50-nation Commonwealth, decided to fly immediately to the Republic for talks with President FW de Klerk, African National Congress leader Nelson Mandela and other high-ups. Topping his agenda will be a proposal for a Commonwealth role in monitoring the security situation. Anyaoku was due to depart last night.

The British Foreign Office disclosed that United Nations Secretary General Boutros Boutros-Ghali has been invited to London next week for talks on the South African crisis with Prime Minister John Major's government. Britain assumes the presidency of the European Community (EC) on July 1 and will be speaking for the 12-nation group.

Boutros-Ghali will be flying in from Dakar, Senegal, where the South African situation will be a hot subject of debate in the Organisation of African Unity summit.

In EC capitals, in Washington and at the UN and Commonwealth headquarters in New York and London, officials closely scrutinised the text of De Klerk's public response on Wednesday to the ANC's terms for returning to Codesa.

There appears to be consensus that De Klerk's offer to internationalise the Goldstone Commission investigation into the Boipatong murders will not succeed in luring the ANC back to the negotiating table.

This reaction was reinforced by a public declaration by 100 members of the United States Congress in Washington asserting that De Klerk's response to Boipatong and the breakdown of Codesa had been "wholly inadequate".

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# EC tries to mend Danes' damage

*Blom 26/6/92.*

*(S6A)*

LISBON — EC leaders, rattled by Denmark's rejection of the Maastricht treaty, will try to keep plans for closer European integration on course at a summit in Lisbon which opens tomorrow.

But Portugal, approaching the end of its six-month EC presidency, has lowered its expectations about the progress that can be expected. "I have a comprehensive knowledge of each country's position and have to be realistic," Portuguese Prime Minister Anibal Cavacao Silva, who chairs the two-day summit, said on Tuesday.

Denmark's narrow rejection of the Maastricht treaty on closer political and economic links between the 12 EC states in a referendum on June 2 will not be formally discussed.

The community has already decided its 11 other members should ratify the treaty as planned by the end of this year, so it can take effect in 1993.

EC leaders will try to patch up damage caused by the Danish "no" by reaching broad agreement on plans to boost the EC budget and admit new members.

The community is deeply split over proposals by Jacques Delors, president of its executive commission, to increase spending by one third over the next five years to 83.2-billion ecus.

To maintain a facade of unity between big net contributors such as Britain and Germany, which are resisting such a large increase, and the poorer states which would benefit from it, the summit is unlikely to discuss figures.

Keeping things vague will also make it easier for some EC states, such as Britain, to sell acceptance of the Maastricht treaty to their reluctant parliaments.

"There is no doubt that concern in some countries about a successful ratification process is influencing their behaviour and what they want to see coming out of Lisbon

(summit)," Delors told a news conference in Brussels on Wednesday.

But diplomats say there is still plenty of room for a stiff argument over the wording of the summit's planned statement.

The "poor four" — Greece, Portugal, Spain and Ireland — insist that any formula adopted in Lisbon must continue to award them a doubling of EC aid between 1993 and 1997.

They say they need the money to catch up with their richer partners before the planned introduction of a single European currency in the late '90s.

Ireland gave a much-needed boost to Maastricht by voting 2-1 in favour of the treaty in a referendum last week, but the "yes" vote was strongly influenced by expectations of increased aid.

The poor four are reluctant to discuss the admission of new members to the EC until a broad agreement on the Delors Two Package has been reached.

Silva has pointedly made the Delors Two Package the first item on the agenda when the EC leaders meet at a bunker-like conference centre on the banks of the river Tagus.

Enlargement of the community is the agenda's second item.

A draft strategy document already approved by EC foreign ministers says it should only accept candidates from the European Free Trade Area (EFTA) for the time being.

EFTA groups seven prosperous and well-established Western democracies similar to those of the EC. Four its members — Austria, Finland, Sweden and Switzerland — have already applied to join the EC and Norway may also seek entry later this year.

Britain, which takes over from Portugal as EC president on July 1, is particularly keen for the EFTA states to join and entry negotiations are due to start in early 1993. — Sapa-Reuter.

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# EC to hold <sup>(S6A)</sup> talks with 5 <sup>STAR 29/6/92</sup> non-members

LISBON — The European Community summit has agreed to start membership talks with Austria, Finland, Sweden, Switzerland and Norway.

The deal on enlargement of the Community, struck by the 12 EC leaders in Lisbon on Friday and Saturday, means that these countries could be in the EC by 1996.

But the membership of these countries are held hostage by the EC's crisis over the Maastricht Treaty and a bitter budget battle.

The treaty on political and monetary union — already rejected by Denmark — will have to be ratified first.

Acrimonious exchanges on Saturday about a five-year budget plan which would double transfers from rich to poor within the EC pointed to a long struggle.

The meeting was overshadowed by the bloodshed in Yugoslavia which a year of EC peace-making has failed to stop. Leaders said a UN force could be needed to bring aid. — Sapa-Reuter.

# EC ready to back UN against Serbs

B10am 29/6/92

(S6A)

LISBON — EC leaders have warned Serbia the EC might back international military action to break its siege of Sarajevo, capital of the former Yugoslav republic of Bosnia-Herzegovina.

A hard-won consensus at a two-day EC summit in Lisbon on the issue was overshadowed when French President Francois Mitterrand flew to Yugoslavia on a dramatic peace mission on Saturday.

Mitterrand's intention was to end the Serb siege of Sarajevo and arrange relief for its starving inhabitants. He flew to Croatia's Adriatic port of Split en route to Sarajevo and talks with Bosnian President Alija Izetbegovic.

Summit delegates agreed to support the UN if it decided it had to use force to break the siege in Bosnia.

On other matters, the EC leaders, stung by Denmark's rejection of the Maastricht treaty, agreed to try to make the EC more appealing to its people, but the meeting ended in a squabble over money.

At an acrimonious final session on Saturday, the 12 heads of government ducked tough decisions on the future of the EC budget, aid to poor member states and where to site key institutions such as the planned European central bank.

They agreed to open EC membership negotiations with Sweden, Finland, Austria and Switzerland once the community had ratified its blueprint for political and mon-

etary union.

German Chancellor Helmut Kohl said he had won backing for his view that the community had to press ahead towards closer integration, undeterred by Denmark's "no" to the Maastricht union treaty.

"We will achieve European union in line with the timetable agreed together in Maastricht."

British Prime Minister John Major stressed the 12 leaders' agreement that community legislation should be rigorously scrutinised to see if it was really necessary. "If it can be scrapped, it should be scrapped," said Major, whose country takes over the EC's rotating presidency from Portugal for six months on July 1.

"We will carry that work forward and seek to develop a less intrusive community."

Kohl led the eight wealthier northern states in resisting calls by the so-called Poor Four — Greece, Portugal, Ireland and Spain — for a doubling of the aid they get from EC coffers. Saturday's communique left the final decision for the next summit in Edinburgh in December.

The budget talks' failure was a personal blow to EC President Jacques Delors, who was forced to withdraw his compromise proposals only hours after EC leaders decided on Friday to reappoint him to a record third term. — Sapa-Reuter.

## Yeltsin approves banking plan

MOSCOW — President Boris Yeltsin on Saturday approved a plan for some of the biggest American financial institutions to sponsor a retail banking project in Russia.

He approved it during talks with E Gerald Corrigan, president of the Reserve Bank of the Federal Reserve Bank of New York and co-chairman of the Russian-American Bankers' Forum, an umbrella organisation for central banks and private financial institutions.

The plan envisages a reshaping of the Russian banking system, including the introduction of payments by written order, electronic systems of interbank payments and the creation of conditions for a market of government securities.

Yeltsin told Corrigan that the main problem of relations between Russia and the IMF was Russia's reluctance to liberalise oil prices, ITAR-Tass news agency said.

He explained that no one should demand immediate liberalisation of oil prices because it would worsen the social situation

in Russia.

He told Yeltsin that US banking circles were encouraged by the work being done in preparing for privatisation. He called for the process be speeded up.

Yeltsin signed a document approving the creation of the Russian-American Banking Forum, which will allow it to render expert and technical assistance in reforming the Russian banking system.

The forum aims to replace Russia's outdated, bureaucratic banking system with one that is responsive to consumer and corporate needs. Corrigan said this would encourage local and foreign investment.

Under the old Soviet system, all banks were state-owned, and savings accounts earned only 2%-3% interest. Commercial banks have been allowed for a year.

Corrigan said the project to develop a market for government securities would remove the burden of financing budget deficits from the Russian Central Bank. The bank now covers budget deficits by simply printing more money. — Sapa-AP.

A S Y T M



Rich EC <sup>SbA</sup>

# neighbours to join community

LISBON. — The European Community summit agreed to negotiate membership for its rich European neighbours but their hopes of joining the bloc are held hostage to the EC's crisis over the Maastricht treaty and a bitter budget battle.

The deal on enlargement struck by the 12 EC leaders in Lisbon on Friday and Saturday means that EFTA members Austria, Finland, Sweden, Switzerland and Norway could be in the Community by 1996.

But the treaty on political and monetary union — already rejected by Denmark — will have to be ratified first.

And Saturday's acrimonious exchanges about a five-year budget plan which would double transfers from rich to poor within the EC pointed to a long and difficult struggle before any such deal. — Sapa-Reuter

# Europe opens door, but entry difficult

Sf Times (BUS) 5/7/92

A TRADE war is brewing as Europe prepares for a single market next year.

Sacob deputy director general Ron Haywood expects the international trading arena to be the battlefield of the 1990s.

Most countries have realised that the key to economic growth is to add value to their products and increase exports, says Mr Haywood.

A prime target will be the European Economic Community, due to become the world's largest trading bloc.

## Door

John Mogg, the EEC director general for international markets and industrial affairs, says: "The door to Europe will be open, but we will not just let you walk in."

SA has long had its foot in this door. More than half of its total trade is with Europe and seven of SA's top 10 trading partners are European.

Europe accounts for about 50% of foreign investment in SA and more than 60% of SA's technology agreements.

SA was forced by sanctions to lower its profile in Europe.

Europe may be South Africa's oldest and largest trading market, but it should not be taken for granted. ZILLA EFRAT reports.

Its image in this market was also dented by bad publicity.

Mr Haywood says that to succeed in Europe, SA will have to re-sell itself. Companies will also have to view it as a new market with new challenges and opportunities.

"With all the excitement of the many new markets opening up to SA, exporters must not forget to increase old ones like Europe."

Many SA companies, especially large ones, have been active ahead of expected growth in the EEC market. They have set up operations in Europe and are complying with its standards and specifications.

Already a market of more than 320-million people, the EEC could expand to between 400-million and 500-million. Trade barriers against the seven European Free Trade Association (Efta) countries will be lifted next year.

In addition, several Efta nations have applied to join the EEC. There is talk of admitting Poland, Czechoslovakia and Hungary by the year 2000.

The removal of trade barriers between EEC members next year should improve economies of scale and increase competition among producers.

## Growth

Over time, the single market is expected to result in a 4.5% growth in EEC gross domestic product, 1.8-million new jobs and a 6% fall in prices.

SA Ambassador to the UK Kent Durr says trade and aid relationships with the EEC may largely hinge on SA's classification in the common market.

SA is classified as an industrialised country — along

with the US, Canada and Japan.

Mr Durr says this is something to be looked at because some nations with higher per capita incomes than SA qualify as developing countries and receive privileged access to the EEC.

He says co-operation and trade will probably have to be formalised in a bilateral trade agreement.

The single market will mean a common tariff on imports to the EEC and a freer flow of goods across member states' borders.

Webber Wentzel trade partner Leora Blumberg says there is a fear that the EEC could become more protectionist. Signs of this have appeared in General Agreement on Tariffs and Trade negotiations.

Areas of concern include stringent environmental controls and health, safety and packaging requirements.

Miss Blumberg says that implementation of anti-dumping legislation and public procurement legislation favouring EEC producers are potential barriers.

Mr Haywood warns that Europe can become a "fortress" against SA manufac-



RON HAYWOOD: Battles ahead

turers which do not meet its standards and specifications. But once a product is in Europe it will have to comply with only one standard and not 12 — the number of EEC nations.

He says the easiest way into Europe is through joint ventures or takeovers. That will allow advantage to be taken of a ready-made springboard in the EEC.

Small and medium companies are advised to link up with partners and find the "right" distribution network.

## Gateway

Because of the size of the EEC market, SA exporters are better off looking for niche ones.

Mr Durr believes London is the most convenient gateway to the EEC for SA companies. It is the financial capital of Europe and has been SA's major business partner for most of the century.

There is a surge of UK interest in SA. No fewer than 16 sponsored trade missions and delegations from the UK plan to visit SA in the next year.

Miss Blumberg says: "If the challenges are met and possible dangers are recognised, SA stands to benefit a great deal from the opportunities offered by the single EEC market."

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# Curb security forces — EC

STAR 10/7/92  
STRASBOURG (France) — The European Parliament yesterday called on South Africa to exercise more control over its security forces amid the mounting violence in the country.

The European Community assembly also appealed for a resumption of peace talks under Codesa, saying it was the forum most likely to lead to a genuine democratic, nonracial government.

The European Parliament said elements of the South African security forces appeared to be collaborating with violent extremists.

EC countries should help train South African police to respect human rights, it said.

But EC Commissioner Sir Leon Brittan told the assembly that such a move would breach a 1985 Community ban on contacts with South African security forces. — Sapa-Reuter.

# SA accused of dumping ferro-silicon

STAR 10/7/92

SLA

BRUSSELS — The European Community Commission is to start an anti-dumping probe of ferro-silicon exports from the People's Republic of China and South Africa.

The probe follows complaints from the Liaison Committee of Ferroalloy Industries in the European Community. It represents around 80 percent of EC producers.

Ferro-silicon is a raw material used in steel production.

Dumping by the two countries had caused European producers of the material to shut down as imports took a bigger slice of the market, the industry association said.

Imports of South African ferro-silicon into the EC in 1991 rose to 17 000 tons, about three percent of the EC market, from 4 000 tons, or 0,7 percent, in 1988.

EC imports of Chinese ferro-silicon rose a comparable amount, to 21 000 tons from 4000 tons, during the same period.

The South African dumping allegation is based on a comparison between domestic prices there and those of its exports to the EC. China's export prices were compared with export prices in other countries that produce the raw material.

The EC already has ferro-silicon anti-dumping duties in force against imports from Norway, Sweden, Iceland, Venezuela, Brazil, Russia, Georgia, Ukraine, Kazakhstan, and the republics of former Yugoslavia.

Egyptian Ferro-Alloys Co. recently avoided dumping duties by promising the EC Commission it would raise import prices.— Sapa-AP.



# EC told to do more for starving Africa

STRASBOURG — The EC must do more to relieve the African famine which is threatening 60-million lives, the European Parliament said yesterday.

"The huge scale of the approaching famine in Africa constitutes a challenge to the conscience of the governments and peoples of all member states," the EC assembly said in a resolution.

It said the EC should free emergency aid from its development fund for drought-stricken countries in the Horn of Africa and parts of southern Africa. It called also for armed protection of relief convoys and workers.

The situation is especially serious in Somalia, where civil war has aggravated the famine and huge numbers of children are afflicted with severe malnutrition, it said. The EC should continue providing assistance to Yemen, so it can take in Somali refugees, it added.

The parliament, whose opinions on such matters have no legal effect on EC policy, said rap-

id help was also needed in Kenya, where one-million Kenyans and about 500 000 refugees were suffering from a severe drought.

EC ministers should put pressure on the Renamo rebels in Mozambique, whose "violent acts . . . make the relief of famine so difficult in that country", it said.

In Munich this week, the seven wealthiest industrial nations heaped advice on developing nations as they ended their annual economic summit on Wednesday, but failed to match this with concrete promises of fresh cash.

But senior French officials cited progress on one particular point of concern to some of France's heavily-indebted African partners. Reaffirming the current debt strategy, the Group of Seven (G-7) leaders welcomed the "enhanced debt relief" extended to the poorest debtors by the Paris Club of creditor governments, chaired by France.

Since last year's 50% debt write-offs granted to Poland and Egypt, after American pressure, France has argued that Cameroon, Congo, Ivory Coast and Gabon, which owe two-thirds to three-quarters of their debt to governments rather than commercial banks, deserve similar or better treatment.

At the 1991 summit in London, some key creditors, including the US and Japan, rejected such aid.

"We have had a breakthrough," a French delegate said. "The summit has got things to move, and the Paris Club now has a more precise mandate."

The summit declaration promised "best efforts to increase the quantity and quality of official development assistance" but said this would be directed "more towards the poorest countries," and in particular "those countries that undertake credible efforts to help themselves." — Sapa-Reuter-AFP.

31 DAY 10/7/92

### EC unemployment up

THE EC's seasonally adjusted unemployment rose to its highest level since November 1988, climbing 0,1 percentage point to 9,5% in May from 9,4% in April, the EC said in Brussels yesterday.

The Netherlands, where unemployment dropped to 6,8% in May from 7,1% a year earlier, was the only EC member not to record an increase in unemployment. The biggest increases were in Portugal and Britain at 20% higher.

REPORTS: Sapa, Sapa-AFP, Political Staff, AP-DJ.

# Uncle's towering faith

S[Time] (bus) 12/7/92.

SA

**I**F there were a Nobel Prize for dogged optimism and untiring effort, Arthur Dunkel the avuncular Swiss director-general of the General Agreement on Tariffs and Trade (GATT) would surely be a leading candidate.

It is 18 months since the first deadline passed for the conclusion of the Uruguay Round of negotiations among nearly 120 GATT nations to liberalise trade — adding \$195-billion annually to the world's business and 0.5% to its growth.

The "final sprint" of talks was launched last October. That came to a halt before Christmas, mired in the long-running dispute, chiefly between the United States and Europe, about agricultural subsidies which cost the rich nations of the world \$180-billion a year.

Another effort was launched. Two months ago a breakthrough was claimed when the European Economic Community agreed to reform the common agricultural policy (CAP), its most sacred cow, by cutting farm subsidies which have made internal food prices artificially high and caused vast export surpluses which depressed the earnings of other producers.

A flurry of shuttling by the leaders of the main world economies ensued. For a few weeks there seemed real hope that the Munich summit of the Group of Seven would be the setting for an announcement that the process started six years ago was almost over.

UK Premier John Major made a mighty effort to focus the summit on the Uruguay Round, but failed. Politics simply forbade it.

President George Bush, wilting in the US opinion polls, with 10-million Americans on the dole and his bid for re-election 17 weeks away, was unable to make any compromise which would alienate the farm vote.

France's President Francois Mit-

This week's Munich summit steered clear of the world's most important economic goal — the liberalisation of trade.

**JOHN  
CAVILL  
IN  
LONDON**



terrand was equally strapped into a political straitjacket. His country was at a standstill as angry farmers rebelling over CAP reform were joined by truck drivers protesting at new penalties for road offences.

Ahead of Mr Mitterrand lies the campaign to persuade France to vote for the Maastricht Treaty — or what is left of it. His domestic popularity is in tatters in spite of his grandstand flight to relieve the siege of Sarajevo.

**H**E could not afford to inflame tempers even further by bowing to US demands, especially as Washington had threatened to impose "prohibitive" levies on \$1-billion worth of imports from the EEC unless American soya-bean producers were given a bigger share of the European market.

France would not consider any moves on the Uruguay Round until after the referendum on the Maastricht Treaty in September.

So the 18th G-7 summit largely

avoided what is regarded as the single most important global economic goal for the last decade and concentrated on matters like the horror of Bosnia, how to make former Soviet nuclear reactors safe and how to keep Russia afloat.

In a statement which contained more hope than action, the leaders agreed they were disappointed at the stalemate over agriculture, but said they were "convinced a balanced agreement is within reach". Yet another deadline has been set with no guarantees it will not suffer the fate of its predecessors.

Arthur Dunkel is undeterred. Surveying the unhappy record of the Uruguay Round, which is his swansong after 12 years at the head of GATT, Dunkel told the Financial Times: "I still have great confidence in the wisdom of nations.

"What we are doing is like climbing the last few metres of Everest without oxygen... when people are convinced it is the 11th hour there will be a settlement."

That is the kind of faith which moves mountains.

**T**HE hurricane which has blown through the Tokyo stock market has proved something of a fair wind for South Africa's corporate giants in moving four of them up the league table of the world's 1 000 most valuable companies.

The annual survey published this week by International BusinessWeek shows some hefty advances by SA groups — measured by their market valuations on May 29. The Global 1 000 list is headed by Royal Dutch-Shell, capitalised at \$78-billion.

De Beers Centenary, worth \$10-billion, climbs 30 places to No 152 — although its net profits of \$1.2-billion rank it 36th in the billionaire earnings league.

Anglo American, at \$8.2-billion, is at 207 (from 228) and \$5.1-billion Gencor climbed 83 notches to 384.

But the fastest mover was the Anglo-De Beers stablemate JCI. Its value of nearly \$2.5-billion catapulted JCI 130 places up the table to No 797.

Losers were the more heavily gold-based stocks. Driefontein, \$2.3-billion, dropped back 34 to 847th and GFS on \$2-billion lost 56 to be placed at 959.

There were omissions, however. The Rupert family have cause to feel miffed at the absence of their Swiss conglomerate Richemont.

At \$4.7-billion (this week) it deserves to be placed 431st, below Thyssen the German industrial group. Richemont's chief asset, the 63%-owned Rothmans International tobacco and luxury goods giant, has hurdled from 390 to 301 on its \$6.4-billion market cap.

Minorco, the Anglo-De Beers Luxembourg-registered international arm, is also conspicuous by its non-appearance. Capitalised at \$2.2-billion Minorco should be challenging Groupe Schneider of France for 890th position.



# EC could hold 'invisible' benefits for the City

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THE City of London's international trade in financial services, known as "invisibles", is being threatened by deficiencies in the "invisible infrastructure", according to an exhaustive investigation called the City Research Project.

The invisible infrastructure is the system of regulating and policing the City: the regulatory authorities and the legal structure.

Prof Richard Brealey, who led the London Business School team commissioned by the Corporation of London to write the report, identifies a number of possible "invisible" threats to the City.

One is the proliferation of official bodies with an interest in the development of financial markets.

Where 15 years ago the Bank of England and the Stock Exchange had a virtual monopoly between them over regulation and the business of sponsoring the City's growth, they now face challenges from the Securities and Investments Board, the four self-regulatory organisations, the Treasury, the Office of Fair Trading and the Department of Trade and Industry.

Brealey believes the lack of a "single or co-ordinated focus on London's international competitive position" is a serious obstacle to collective ac-

tion to correct any perceived trouble in the City.

On the other hand, he agrees that the creation of a "super authority", combining all regulatory and sponsoring powers, would not necessarily be the best solution.

Such a body would be huge and unwieldy.

The report, brainchild of Stanislas Yassukovich, the investment banker and former chairman of what was then the Securities Association, contains an extensive list of potential difficulties for the City but is almost totally devoid of any solutions.

A programme of action may in time be drafted. The interim report published last week was the result of six months of interviews with 200 City figures and the distillation of thousands of pages of statistics. Brealey has another 2½ years of research ahead of him.

Another invisible threat is the imposition of new regulations on the London market in the form of European Community directives.

In that case, the EC rules may not be sensitive enough to the particular needs of Europe's most sophisticated markets in London.

For example, the costs of underwriting equities in London may rise — albeit less than originally feared

## ROBERT PRESTON in London

— after the agreement last month of a new capital adequacy directive.

Brealey is less pessimistic about London's more visible ills, such as its ageing and congested transport system. "There is no clear evidence that this is having a significant current effect on the City," he says.

Similarly, although City salaries are higher than those in Paris and Frankfurt, he tentatively suggests they are justified by the apparently superior productivity of City staff.

Brealey defines an international financial centre as having two characteristics: a relatively high level of cross-border transactions and a concentration of offices of foreign financial institutions.

On that definition, London is the world's biggest international financial centre — as distinct from being the world's biggest financial centre, since the domestic business carried out in New York and Tokyo far outstrips London's.

The great concentration of financial employment in the world is also found in London.

The report says department of employment figures show that 620 000 people worked in finance and business services there in 1989, about 100 000 more than in New York.

London also has the greatest number of foreign banks of any financial centre. Even in 1991, a year of recession in banking, 31 new banks opened in London and 15 departed.

There was a net loss of US banks from London, but they were replaced by Japanese and continental ones.

There may be little sign of banks leaving London, but other centres are attracting new banks in greater numbers.

At the same time, London's large share of total international bank lending is declining slightly, according to figures from the Bank for International Settlements, the international forum of bank regulators.

Nonetheless, if foreign lending to domestic residents is excluded, London is the largest international banking centre with a 16% share, compared with 15% for Tokyo.

One of the report's more surprising conclusions is that London's biggest business by a wide margin is in foreign exchange dealing.

Brealey has for the first time tried to compare the gross revenues generated by different financial ser-

vices, although his attempts have been hampered by the paucity of reliable data and the complete absence of statistics on some newer financial products, such as swaps and derivatives.

Given that foreign exchange trading and international bank lending are respectively the top two earners in the City, the banking sector's importance to London is clear.

International insurance, dominated by the Lloyd's insurance market, comes in third place, although Brealey's colleague Jenny Ireland points out that earnings from that source have been declining.

Given the relative importance of foreign exchange trading to London, any move towards monetary union in the EC would have profound effects for the City.

Brealey, however, does not believe the disappearance of trade in sterling, francs and other European currencies would be too damaging.

For all that, it is clear why the government attaches great importance to the location of a European central bank or its money market dealing arm in London.

The rewards for the City of being the dealing centre for a unified European currency could be huge. — Financial Times.

## LETTERS

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# UK urged to quit European exchange rate mechanism

LONDON — Britain's present economic "slump" will last beyond 1993 and the nation's economic problems are exacerbated by membership of the European exchange rate mechanism (ERM), according to a group of leading economists.

The six economists, including Sir Alan Walters, former prime minister Margaret Thatcher's economic adviser, urged Chancellor of the Exchequer Norman Lamont to leave the ERM, in a letter to *The Times*.

They claimed Lamont's support for the ERM was "misguided", saying the government's monetary stringency had been necessary to reduce inflation in 1988-89, but was no longer needed and was "greatly exaggerated by the strategy of fixing the exchange rate to the Deutschemerk".

"The weakened state of the banking system, the collapse of credit, and the liquidity drain created by huge sales of government stock now add to the serious risk that the present slump of which we warned will be deepened and prolonged well into 1993 and beyond," they said.

The ERM had failed to create the prospect of a durable fall in inflation and lacked credibility. This was due to a "badly overvalued" pound, inevitable talk of devaluation, and "appalling prospects for government borrowing".

They proposed an alternative strategy, which they said had been successfully adopted by countries such as Germany, Japan and the US, and the UK itself during much of the '80s. This was one of "domestic monetary stability, organised around monetary and not exchange-rate targets", and implied leaving the ERM.

Since joining the ERM, UK exchange rate and interest rate has been linked to those of other European economies.

The economists said: "While the ERM is currently at the centre of our European policies, support for it in Europe is weakening in the wake of the difficulties it has caused in dealing with German reunification, and its viability is now in question with the collapse of the Maastricht ratification process and the associated plan for monetary union."

They argued that leaving the ERM would allow UK interest rates to drop below Germany's and cause the pound, which they believed was overvalued, to fall. Inflation would be held down by "responsible monetary policy, backed by a return to fiscal discipline".

The attack followed Prime Minister John Major's stand on remaining within the ERM, which he said would keep inflation and interest rates down. — Sapa-AFP.



# EC warms to Perrier buyout

BRUSSELS — The European Commission is expected to grant Swiss food giant Nestlé SA conditional clearance for its takeover of French mineral water group Perrier SA, commission officials say.

But the victory for Nestlé, after months of haggling to avert a veto, may fuel charges that the commission, the EC's executive arm, has exploited its powers as corporate watchdog for the European Community, using them to force an industrial policy on the French mineral water market.

Senior commission officials said yesterday that the commission would approve the takeover after a recent pledge by Nestlé to sell eight small water brands in addition to Perrier's Volvic label in return for the coveted prize of Perrier itself.

It would have to sell off the St Yorre brand and seven other labels, all to the one buyer, and get commission approval for the sale, for which the deadline remains secret, said the officials, who asked not to be identified.

They acknowledged that the conditions

set by the commission could be seen as an over-zealous attempt to create a new rival in the French water market rather than a verdict on the impact the Perrier takeover would have on competition.

The commission has been on shaky ground from the outset, by objecting to the takeover on the basis that it would lead to "duopoly" control of the French mineral water market by Nestlé and French food group BSN.

There were no provisions regarding duopolies in the EC merger regulations, even if the commission's worries were fully justified and made economic sense, the officials said.

The commission's verdicts on dozens of mergers have gone untested since the EC rules came into effect in September 1990, and only one merger has been vetoed.

But the officials said any government or company could wreak havoc on commission policy by challenging a favourable verdict on Perrier in the EC courts. — Sapa-Reuter.



## EC probe targets SA steel makers

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281 7192 EDWARD WEST (S6A)

THE European Commission has launched an investigation into the alleged dumping of manganese steel wearparts from SA, the EC's second probe into dumping by SA's steel industry this year.

Scaw Metals manager David Bennet said the inquiry followed complaints by wearparts makers in France, Italy, Portugal, Scotland, Spain and the UK, who alleged that SA castings were being sold in the EC at lower than domestic prices. About 8 450 tons of manganese steel wearparts were exported in 1991, he said.

Wearparts are parts of machinery which get worn away by contact with the material they are processing.

Sapa-AP reports that 18 SA producers are alleged to have undercut EC producers and depressed prices. Financial losses have led to some EC producers considering shutting down production.

SA's exports grew to 26% of EC consumption in 1991 from zero in 1983. Although the level of imports dropped 9.1% between 1989 and 1991, market share increased to 19% due to falling demand.

France and the UK were the two markets hardest hit. In France, SA's market share climbed to 63% in 1991 from 56% in 1989, and in the UK to 41% from 14%.

Bennet said questionnaires dealing with cost inputs, ex-works, turnover and export and domestic prices probably would be sent to SA producers within a week. SA companies would then have 30 days to reply. An on-site investigation by the EC was also probable, he said.

SA producers were deciding whether to make joint or individual submissions to the EC. If the EC decided that dumping had taken place, anti-dumping duties would be imposed, possibly on certain products which would then affect only some SA producers, he said.

Seifsa economist Michael MacDonald said making representations to the EC as a group could raise problems over aspects such as collusion and conflicting interests.

He believed producers would make similar representations to those by Highveld Steel and Samancor, under EC investigation for alleged ferrosilicon dumping.

**BUSINESS**

# EC set to thrash out deal on VAT rate

BLOOM 28/7/92 (56A)

BRUSSELS — European Community finance ministers met yesterday to thrash out a deal on minimum rates of value added tax (VAT) and excise duties, the largest obstacle still in the way of a barrier-free European single market.

Facing the ministers were eight separate directives and a host of problems, covering minimum VAT and excise duties on a range of goods from guide dogs for the blind to whisky.

A key part of the package, which has to be agreed in total or risk derailing the EC's dash to dismantle its internal borders by the start of next year, is a proposal to set a basic minimum rate of VAT throughout the 12 member states.

Diplomats said the ministers were on the verge of agreeing to a rate of 15% at a meeting in Luxembourg late last month but were stalled by a last minute British proposal that the deal should last only four or five years rather than forever.

Arriving at yesterday's meeting, British Chancellor of the Exchequer Norman Lamont, representing the EC's current British presidency, said he was confident that a deal would be struck.

"I am looking forward to it," he told waiting reporters.

Luxembourg's Finance Minister Jean-Claude Juncker, echoed the view.

"I am very hopeful we will get an agree-

ment," he said. "We have to finalise the job today that we started two years ago."

Another key point to be thrashed out at the meeting, and part of Britain's compromise proposal on VAT, concerns excise duties on alcohol, and in particular spirits.

Britain and Ireland, fearing a major impact on their exports of whisky to Spain and Greece, which have the lowest excise duties on spirits in the community, have fought against an original proposal to set a basic minimum duty of just over 1 100 ecus (\$1 500) for 100 litres.

Instead, the two have edged towards a proposal by Portugal — the last country before Britain to hold the EC's six-month rotating presidency — for a two-tier system with a basic 600 ecus (\$820) and a second level of 1 000 ecus (\$1 370).

Only Spain is currently below the 600 ecu floor. Greece has already announced that it will raise its duty to 600 ecus from next year.

Diplomats said Lamont would table a similar formula but not necessarily with the same rates.

Among other problems facing the ministers were a row between Britain and Spain on the duty on Spanish sherry, an argument between France and the Netherlands over VAT on cut flowers and a dispute between Luxembourg, Belgium and Germany over VAT on sales of gold. — Sapa-Reuter.

# EC ministers agree to minimum 15 pc VAT <sup>(SBA)</sup>

STAR 28/7/92

BRUSSELS — European Community ministers agreed last night on a mandatory 15 percent minimum value added tax rate for four years starting in January, officials said.

After an apparent climb-down by Britain, the ministers also agreed they would later set a minimum Community VAT rate from 1997 on, an EC official said.

A British spokesman, however, would not confirm whether Britain had agreed to extend Community authority on VAT rates beyond 1997.

British Chancellor of the Exchequer Norman Lamont, the last hold-out against a legally binding EC-wide minimum tax rate, agreed last month to the 15 percent floor for a trial period.

The reported accord would mean that even after the four-year trial, Britain agreed that taxes should be set by EC ministers as a group rather than national governments.

Under the agreement, EC members will have to have standard minimum VAT rates of 15 percent by January 1 1993.

## Standard rates

All 12 EC countries either already have standard VAT rates of 15 percent or higher or have announced plans to raise rates to the minimum.

Spain last week became the latest country to meet the goal when it announced it would raise its standard VAT rate to 15 percent from 13 per-

cent.

The 15 percent minimum would apply until December 31 1996. Ministers must decide before December 31 1995 what minimum will apply after 1996.

Officials said the decisions were needed to assure all members lifted their intra-EC border checks once the Community's single market programme takes effect in January.

Some EC officials fear that failure to agree could give some countries excuses to keep their border checks, delaying the full implementation of the 1992 single market program.

Separately, ministers agreed to a formula for taxing whisky and other spirits once border controls come down. — Sapa-AP.



DUMPING

S6A ~~SA~~ ~~SA~~ ~~SA~~ ~~SA~~

FM 31/7/92

# A dose of their own medicine

The anti-dumping investigation launched this week by the EC against imported SA manganese-steel wearparts — together with several other anti-dumping moves against SA over the past year — could be the beginning of the end for a number of SA's cherished industrial practices.

For years, local companies have enjoyed two-tier pricing — charging high prices to captive domestic consumers and low prices on exports. But this, together with cash incentives and tax breaks for exports and discounted electricity from State-owned power companies, usually signals that a country is dumping its goods, under rules set by Gatt and tougher regulations adopted by the US

forced to adapt or die. This they did successfully — by shedding uneconomic operations and becoming lean-and-mean global operators."

Scaw Metals MD Tony Harris, however, says, this week's EC action largely reflects the recession in the EC rather than a response to SA protectionism. "While SA exporters have maintained their export activity, this has been at the expense of EC producers. Our assessment is that we have about 30% of the EC market, against competition from mainland China and India. The anti-dumping investigation will have to determine if this is taking place. It's not at all certain that SA producers are dumping."

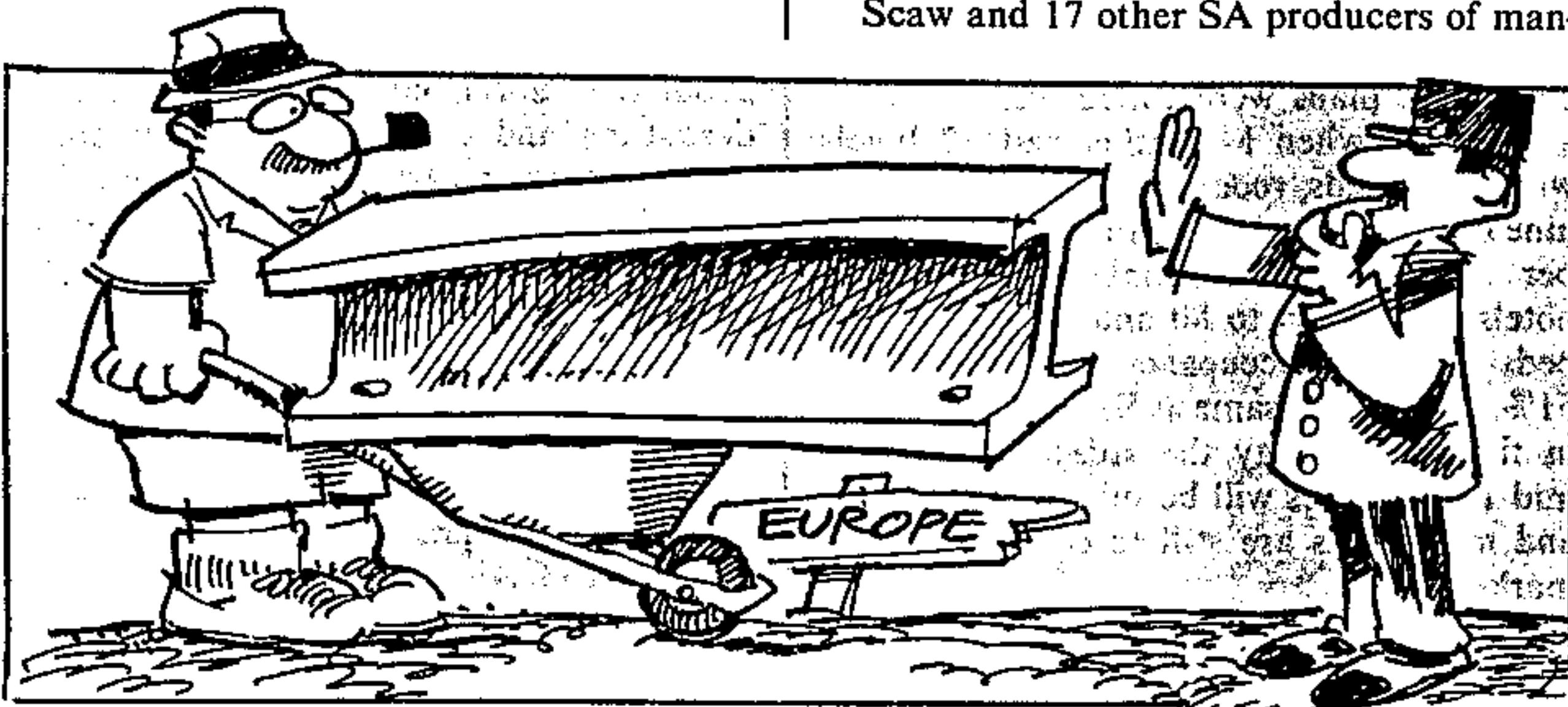
Scaw and 17 other SA producers of man-

export marketing assistance and subsidised electricity tariffs may also lead to countervailing duties. But this mainly applies to high-volume, high-value exports of raw materials or ferro-alloys."

The Geis scheme has been criticised for costing taxpayers more than R1bn a year. And a recent department report confirmed that unscrupulous exporters can easily defraud the scheme by lodging false claims. Now, Geis might encourage foreign governments to retaliate against SA exporters.

When SA stops worrying about other countries' dumping rules, it can start worrying about its own. They set a double standard and not only are they — like all trade restrictions — self-defeating, but they may also be beyond SA's ability to enforce. Webber Wentzel attorney Leora Blumberg says "anti-dumping actions worldwide are complicated and require sophisticated legal, accounting and financial expertise," skills that SA may not have. "Currently, there is great confusion and little consistency in SA's own anti-dumping policy. Businessmen would prefer sharper definitions, closer to the Gatt norms, than our current legislation contains."

Government naiveté over the complexities involved in rejoining the world seems to underlie the continuing confusion in trade and industrial policies. Maybe a few more anti-dumping actions aimed at SA exports will clear up that confusion. ■



and the EC.

For years, SA claimed it could not follow international rules because sanctions hurt its ability to export. But with the worldwide recession putting pressure on manufacturers everywhere, the country's trading partners are no longer buying this excuse and are apparently starting to crack down. SA is especially vulnerable because its own anti-dumping laws, approved in May, are among the most restrictive in the world.

Robin Bosomworth, chairman of the Cape Town-based Independent Wire Converters' Association, says: "With SA's draconian anti-dumping legislation, coupled with our high tariffs and export subsidies, it is not surprising that the rest of the world is starting to take action against our exports. We are more protected than the rest of the industrialised world, yet we are not yet seen as a developing country."

Basic-material suppliers, such as Iscor, say they need the high level of import protection because SA needs basic industries. But Bosomworth discounts this: "It's ridiculous to protect dinosaurs in a greenhouse when, globally, steel giants like US Steel, British Steel and Krupp in Germany have been

gane-steel parts are alleged to be charging less for their products in Europe than they do here. Next month the producers will probably get questionnaires asking for information on prices, costs, turnover and other items. They will probably have 30 days to fill out the forms and an EC investigator may visit SA.

This investigation follows an announcement earlier this month that the EC is examining Samancor and Highveld Steel for alleged ferro-silicon dumping, a probe that is also based on charges of two-tier pricing. And, for the past six months, Japan has been probing the alleged dumping of silicon-manganese by Samancor.

Meanwhile, with the recession and the coming presidential election, the US has toughened its anti-dumping enforcement. Local companies have mostly steered clear of the dragnet so far but US trade officials have expressed reservations about SA's introduction last year of the 37E tax incentives to encourage beneficiated exports.

"The US is becoming far more sensitive to cases of alleged dumping or subsidised exports," says SA Department of Trade & Industry official Rob Louw.

"Our general export incentive scheme (Geis), Industrial Development Corp loans,

## MAURITIAN TOURISM

Off the boil ~~SA~~ FM 31/7/92

Looking for a cheap hotel? Try Mauritius. The expected boom in tourism has not materialised, leaving developers who responded to the government's call to build more hotels eager to get rid of their semi-completed shells or hotels operating at 30% occupancy or less.

The government has put a moratorium on the construction of any other hotels but, at the last count, about 15 were up for grabs, including the semi-completed Capricorn, designed to have 1 800 rooms.

Though the Gulf War cut deeply into tourism, members of the tourist business blame Air Mauritius, which is 51%-controlled by the government, for making the problem worse. Charter flights are not allowed to compete with the national carrier and its artificially high tariffs. Airline and government officials say they want to keep numbers down to protect the environment and to keep up the image of Mauritius as an exclusive destination.

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## Bond rates set to fall

Business Editor

ANOTHER drop in home loan rates seems likely within weeks — and it could be followed by a second before the end of this year. *CT8/19*

The Board of Executors (BOE) — which led the market down in May — announced yesterday that it was cutting its mortgage bond rates by 1% to 16%, compared with the 18% now being charged by most banks and building societies.

Other institutions said they would not cut their rates until the Reserve Bank trimmed the bank rate.

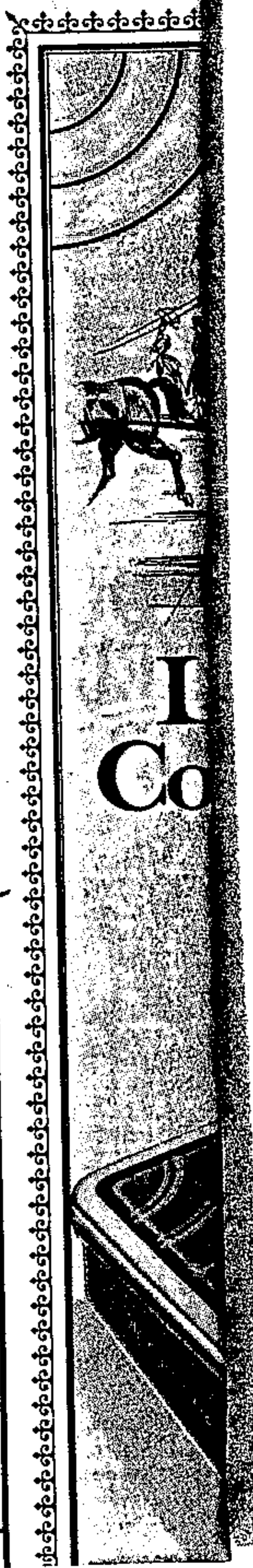
● Full story — Page 5

## New envoy to the EC

DURBAN. — Foreign Affairs director-general Mr Neil van Heerden has been appointed South Africa's ambassador to the European Community and his post will be filled by deputy director-general Mr Rusty Evans. *5/11 CT8/19*

Foreign Minister Mr Pik Botha announced that Mr Evans would step into the director-general's post on October 1.

There has been speculation recently about the future of Mr Van Heerden — widely regarded as one of South Africa's finest diplomats — and his reasons for quitting the important post.



# Lobby EC for trade gaps, Greek academic urges SA

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CAPE TOWN — SA businessmen needed to conduct an active marketing campaign in the EC to promote trade, Athens-based Business Development Centre MD Emmanuel Kondylis said in an interview yesterday.

Kondylis is on a visit to SA at the invitation of the SA Forum and has been meeting government authorities, industrialists, bankers and businessmen. He is an associate professor in business administration at the University of Piraeus.

He believed there were many trade possibilities between SA and Greece, Cyprus and the Balkan states, particularly in food, beverages and citrus fruits.

"There is a great opportunity for SA to break into new markets in Eastern Europe which are opening up free market economies," Kondylis said, stressing that it was important for SA to become as export-orientated as possible.

He said the success of the SA economy

LINDA ENSOR (SLA)

would depend on how well it competed on world markets. If SA could not compete, the poor would suffer.

Time was not on SA's side and it would have to grab all the opportunities it could to communicate the realities of a free market system.

"If SA does not prepare the groundwork for a successful transitional government, history will not give it a second chance. Businessmen have to go out of their way to assist the government and the ANC to reach an agreement based on economic and financial realities."

EC businessmen had adopted a wait and see attitude and were awaiting the first signs of agreement before moving ahead. The EC was overwhelmed with the problems of the eastern bloc countries and SA needed to lobby to get itself into the EC focus, Kondylis said.



## EC will give R2,6-m for drought relief

The European Community has agreed to contribute R2,6 million to support emergency programmes designed to provide drought-affected rural communities in South Africa with access to safe and adequate water supplies.

The Commission of the EC said in a statement in Pretoria yesterday the agreement was in response to a request from the Kagiso Trust, on behalf of the Consultative Forum on Drought. STAR 19/8/92.

It said the programmes were being co-ordinated by the forum's Water Task Force.

The Consultative Forum on Drought, which was convened by the Independent Development Trust and Kagiso Trust, involves community organisations, Government departments and non-governmental organisations. — Sapa.

# Drought victims receive EC aid

BLDAY 19/8/92.

Boon (56A)

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THE EC yesterday donated R2,6m to the Water Supply Task Force to keep emergency water supplies going to drought-stricken communities in the far northern Transvaal.

The task force is a joint effort by government and non-governmental organisations to take water to parts of the far northern Transvaal.

The donation was significant because it was the first to an agency involving government in many years, Agriculture Ministry spokesman Frans Loots said yesterday.

EC spokesman in Pretoria Tim Sheehy said: "We recognise that the current drought is having a devastating impact in some parts of SA. Many rural communities which comprise some of the poorest people in the country are suffering badly from the effects of the drought.

"We understand there are real dangers that this may precipitate major movements of population."

The money will be used to buy water pumps, drilling equipment and other capital items, task force co-convenor Len Abrams said.

Abrams said it was ironic that international aid had to be used while SA drought relief money remained inaccessible to the task force. "It points to the absurdity of bringing in foreign capital while SA can cope with the drought better than other countries in the sub-region."

But Loots said government was helping extensively by providing drilling rigs, tankers and engineers.

RAY HARTLEY

Government was reluctant to give taxpayers' money to non-governmental agencies because it would lose control over how the money was spent. "There may be some red tape involved in getting money to these agencies. Some of them are not interested in giving the government information on their books."

GERALD REILLY reports that a Nampo spokesman said yesterday that tens of thousands of farm-workers were being housed and fed on farms for humanitarian reasons and in the hope of good summer rains. This had reduced significantly the drift of unemployed workers to platteland towns and into major urban areas.

Financially strapped farmers had made agreements with workers to allow them to remain on farms without pay until preparatory planting work for new crops could begin.

The Development Bank of Southern Africa has said drought in the northern Transvaal could force between 1-million and 2-million people to move to the PWV area this year.

Nampo supported an appeal to farmers by SA Agricultural Union president Boet Fourie to speed up the "sluggish flow" of applications for aid. Fourie warned that applications received after August 31 deadline would not be considered. The Nampo spokesman said planting time was approaching and if serious bottlenecks in the process were to be avoided, farmers would have to "hustle".

## INTERNATIONAL NEWS Tons of food

# EC to give more aid to starving Somalia

■ Shipment of rice and palm oil for rural people coming:

**BRUSSELS** - The European Commission will send more food and medical aid to Somalia's starving people after committing funds to a Red Cross airlift and other relief efforts.

The commission, the European Community executive, said it would send 40 000 tonnes of food aid on top of 145 000 tonnes already provided this year to the devastated east African state.

A non-food humanitarian package for about R25 million also was being prepared, the Commission said in a statement.

The commission said an urgent shipment of rice and palm oil was already underway through the International Committee for the Red Cross for rural populations most affected by famine.

The ICRC, the UN World Food Programme and private relief groups working in Somalia would distribute the rest of the food aid, it said.

Relief workers estimate 1,5 million people face imminent death by starvation in the war-torn country where big international relief efforts are now underway after the long-brewing disaster finally grabbed the world's attention.

A 145 000-tonne US food airlift for Somalis is due to begin on Friday in neighbouring Kenya. EC member states and others have also boosted bilateral humanitarian aid.

EC aid worth R15 million finalised by the Commission last week, has been allocated to finance an ICRC food airlift and to provide medicines, medical equipment, high protein biscuits and water for the capital Mogadishu.

Diplomats said Britain, current holder of the EC's rotating presidency, was considering how to match the Commission's humanitarian efforts on behalf of the Community with joint EC political action. - Sapa-Reuter.

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STAR 25/8/92

# EC ministers to visit SA

S6A  
21/9

LONDON — European Community foreign ministers will visit South Africa next month in a bid to encourage the resumption of peace talks, the EC said in a statement yesterday.

The foreign ministers of Portugal, Britain and Denmark will meet President F W de Klerk, ANC leaders and church representatives during the September 2-3 visit.

The decision to visit SA was

taken in principle at the EC's Lisbon summit in June.

But member states wanted to make sure it took place "only if it could help the search for a solution to the violence and the resumption of the negotiation process", said the statement.

The SA Government said yesterday it would hold exploratory talks with the ANC and the PAC during the next 48 hours.

— Sapa-Reuter.

<sup>25 29/8/72</sup>  
**EC rules out  
currency rejig**

BRUSSELS. — European Community governments yesterday ruled out any realignment of currencies in the European Monetary System (EMS) and pledged coordinated action to maintain rates in the semi-fixed exchange rate mechanism.

A statement by the EC Monetary Committee said an EMS realignment would not be an appropriate response to tensions in European foreign exchange markets. (S6A)

# EC three due here on peace mission

## Political Staff

THE European Community troika arriving in South Africa today is to try to find ways of ending violence and resuming the peace negotiations.

The delegation comprises British Foreign Secretary Douglas Hurd, Danish Foreign Minister Uffe Ellemann-Jensen and the European Commission's external relations commissioner, Frans Andriessen.

They are accompanied by Portugal's top Africa expert, Secretary of State for Co-operation Jose Manuel Durao Barroso.

The ministers were expected to propose that the EC send a group of 10 to 20 observers to help bolster South Africa's National Peace Accord, British officials said.

They would co-ordinate their activities with up to 50 United Nations observers sent in to help end township violence which has claimed about 6 000 lives since 1990.

The ministers would also offer to help South Africa with training its police force.

The delegation will meet President De Klerk, African National Congress leader Mr Nelson Mandela and Zulu Chief Mangosuthu Buthelezi, and visit Alexandra township, near Johannesburg.

"Two things are clear," Mr Hurd told reporters at Heathrow Airport. "One is there can be no question of bringing back apartheid by force and the second is there can be no question of achieving a new constitution through armed struggle."

"So the extremes on both sides are clearly wrong and if that is so then discussion is the only way forward. The question is when and in what circumstances."

British officials emphasised that the delegation — the so-called troika representing the past, current and future holders of the rotating EC presidency — could not be expected to provide a "miracle solution" to the problems of South Africa.

It would be "unreasonable" to suppose they could bring about a resumption of negotiations between the ANC and the government, which the ANC broke off following the June 17 Boipatong massacre.

Mr Hurd said: "The objectives are to bring ourselves up to date and to see if we can help the parties." The delegation wanted to express "our keen interest that they should return to constitutional negotiations".

The trip was heavily criticised by the Times newspaper yesterday, which described it as a "pointless mission" and said the EC had not been invited to South Africa.

Mr Hurd rejected this. "The South African foreign minister rang me up some days ago and urged us very strongly to go and we know the visit is welcomed by the ANC and by other parties."

Speaking at the Free State National Party congress in Bloemfontein, Foreign Minister Pik Botha warned that Europe and the world would write South Africa off if a settlement was not reached soon.

He said he welcomed the troika's visit and believed all other players would too.



History may turn full circle on the idea of a European Community

# Maastricht: a French baby at risk

SMC 1/9/92

SMC

WITH a second opinion poll in two days suggesting the French may say "No" to the Maastricht treaty in next month's referendum, it seems that history may turn full circle. It was the French who invented the European Community. If they reject Maastricht, they may come to be seen as having initiated its disintegration.

The consequences of such a rejection are hard to predict. The outcome might, to the contrary, be a reinvention that would produce a treaty more suited to a community of 20 or more members.

The visionary economist Jean Monnet is rightly seen as the EC's intellectual father, but he was preceded by two compatriots, Edouard Herriot and Aristide Briand. In 1925, Herriot, then French Prime Minister, expressed the hope of seeing a United States

of Europe. He was succeeded by Briand, who that year put to the League of Nations his plan for a European Community involving the liberation of the movement of goods, capital and people.

The Briand plan was politely rejected by virtually all governments. The concept was revived after World War 2 by the economist Jean Monnet, with successive plans in the '50s for a European Coal and Steel Community, a European Defence Community and a European Economic Community.

The EDC was torpedoed by the French parliament in 1954. But the French played the leading role in shaping the ECSC and the EEC, continuing (with some Gaullist lapses) to cherish their vision of France leading a united and independent Europe that could deal on equal terms with the superpowers, and in which their old enemy, Germany, would become a loyal partner.

The factors making so many French people turn against the process they initiated are many and complex. There are worries on the respectable Right that Maastricht will reduce France's freedom of movement: they talk of independence rather than sovereignty.

The far Right is quick to fan the flames of nationalism and xenophobia, playing on fears that the elimination of internal frontiers will increase immigration.

The "No" camp includes those who resent the European Commission's interference in decisions on mergers and government subsidies to industry, and trade unions reviving the old canard that the EC is a capitalist plot against the working classes. There are also farmers, still simmering with resentment against reforms that threaten their livelihoods. Above all there is the deep un-

popularity of President Francois Mitterrand and his government. The treaty's opponents are urging voters to register their disapproval by saying "No". The two main opposition parties are divided, but their leaders, Jacques Chirac and Valery Giscard d'Estaing, have indicated they will vote "Yes".

Faced with three unloved politicians and much of the establishment appealing for their support, a large slice of the electorate may be tempted to show its contempt by saying "No".

Hopes of a positive outcome must rest on the high proportion (up to one-third) of those still undecided. The "Yes" campaign has barely started. If its arguments are rejected on September 20, the French people will have punished the child they conceived: whether wisely or foolishly, only history will tell. — The Independent News Service. □

# The French hold the future of European union

ADAM 2/19/92

56A

WHAT the French can get up to at weekends in late summer is the stuff of legend. The weekend after next, briefly obliged to abandon their traditional bucolic diversions, millions of pencil-wielding French citizens will have the foreign exchanges at their mercy.

The event that will transfix the markets on September 20 is France's ratification referendum on the Maastricht treaty on European monetary union. When the markets open the day after those pencils have done their worst, there will either be a panicky rush of Deutschmark buying or a relieved diversification into other European currencies.

Any rush into the Deutschmark would have immediate knock-on implications for the local foreign exchange market, of course, so cautious dealers will already have circled, in their brightest highlighters, the weekend in question.

The vote is an episode of critical importance to anybody with exposure in a convertible currency over the next few weeks. Precedent has already shown that the foreign exchange markets took a seesaw ride when a less important vote went against Maastricht three months

ago. That playground seesaw could well become a ravine bungee jump when the result of the much more momentous French vote is known.

The Maastricht treaty, it will be recalled, was signed by the 12 EC members in the eponymous Dutch hamlet last December. It set the EC on a firm, timetabled course towards full European union around the turn of the century and, although partly about European defence and foreign policy issues, was also greatly concerned with economics.

From the foreign exchange point of view, the important part of Maa-

stricht from union and the ecu to the familiar, Bundesbank-run, Deutschmark-based EMS. The buckling of the French franc and Dutch guilder in the chart is representative of Deutschmark gains against all EMS currencies in the flight back to the status quo after the Dutch vote.

France goes to the polls amid dire warnings that a "no" vote would ditch Maastricht and finally scupper EC political and economic union, leaving only the single market. Also at stake is the fragile bloom depicted on the second chart: EC business confidence. As the chart shows, confi-

dence has revived before industrial performance on hopes of a smooth transition to an EC single market and single currency. The obliteration of confidence, stability and the ability to plan forward that a "no" vote would trigger would surely hit out-put anew, heralding more stagnation for those EC economies struggling to recover from recession.

Furthermore, the flight into Deutschmarks that a French rejection is bound to start could finally overbalance the teetering EMS, leaving its weaker currencies in need of a realignment to keep within their permitted parity bands.

So France's voters have at the end of their pencils on September 20 merely the future of European union, the recovery chances of the EC's weaker economies, an EMS realignment and the short-term direction of the Deutschmark — oh, and whether to accept Maastricht, of course. But are they qualified to decide?

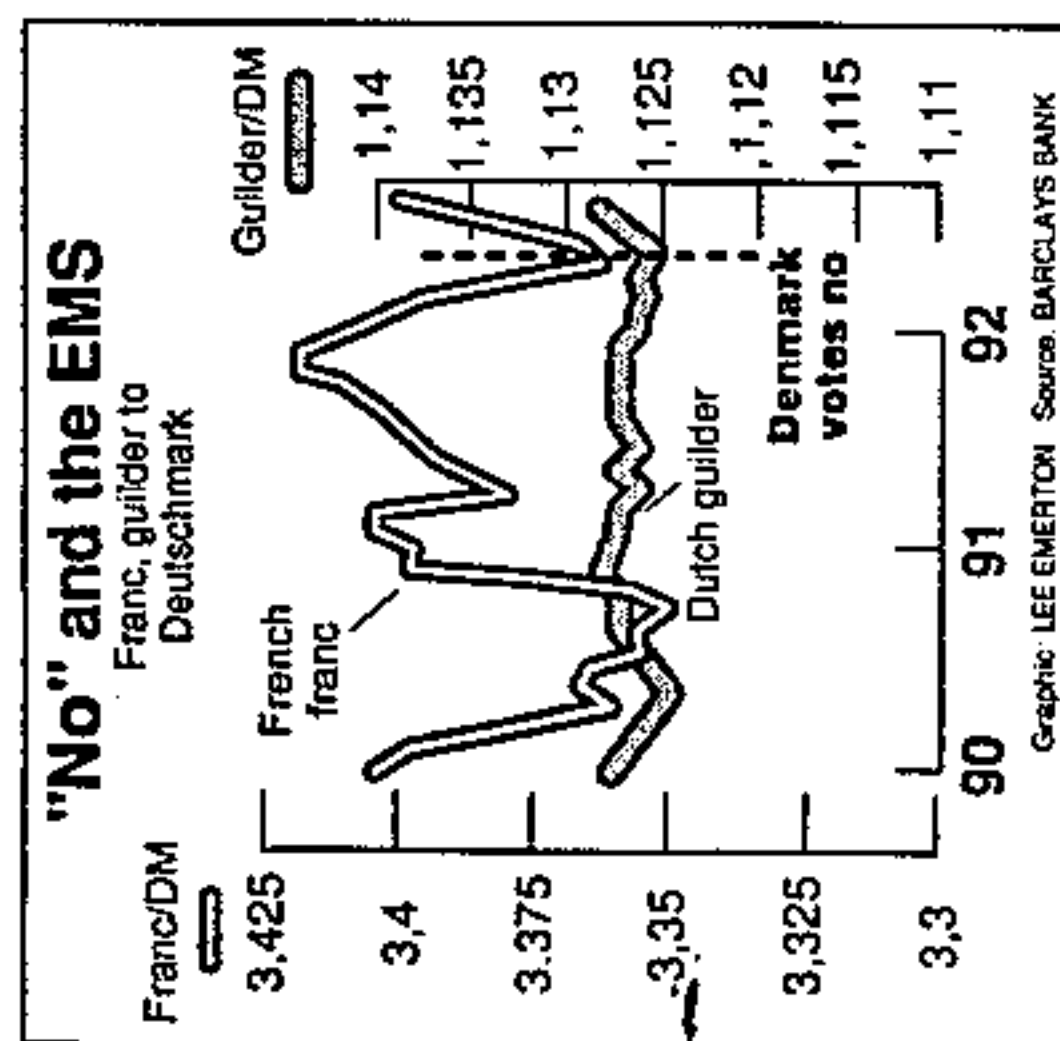
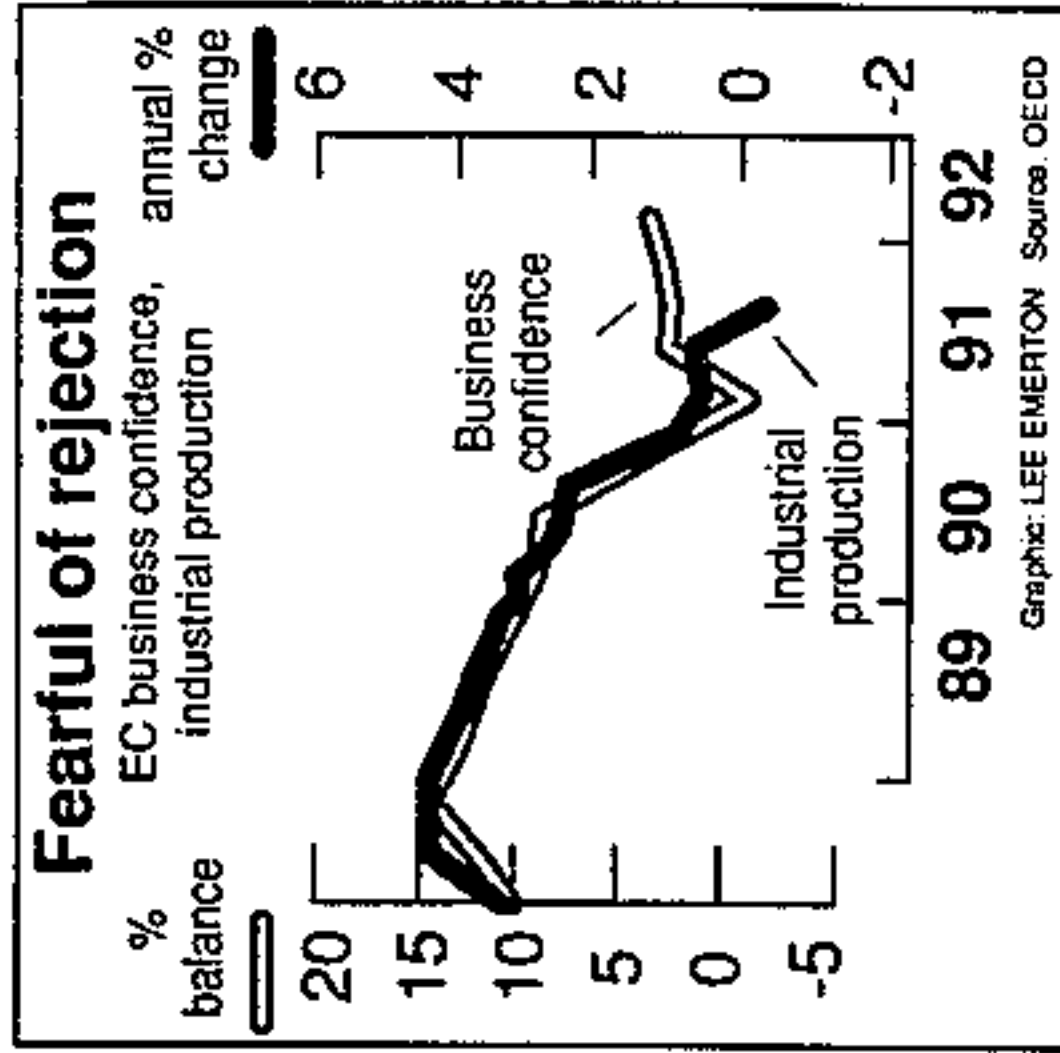
They should now be swotting Maastricht's key provisions: the subsidiarity principle, its currency convergence criteria, the cohesion protocol and other highlights. Why does one suspect that the French may have other distractions in late summertime?

## SIMON WILLSON

tricht commits the 12 to European monetary union by the millennium. Members will adopt the European currency unit (ecu) as their common currency from January 1999, abandoning the Deutschmark standard that the European monetary system (EMS) has become.

Having signed the treaty, some member governments thought they had better put the issue to a plebiscite since Maastricht effectively reworked the Treaty of Rome that established the EC in the '50s. Any thoughts that this would be a formality were banished when Denmark's voters rejected the treaty at the beginning of June.

The first chart shows the linkage from Maastricht to the foreign exchange markets. Even though the Dutch spurned the treaty by 50.7% to 49.3% — winning margins hardly come any narrower — the reaction in dealing rooms was immediate. Funds poured into Deutschmarks as investors and traders perceived a conscious, continent-wide step back



## LETTERS



## **'Non' could see German revaluation to help ERM**

LONDON — In the event of the French voting "no" to the Maastricht treaty on September 20, the Deutschmark may be revalued.

Leading City analyst Ruth Lea, Mitsubishi Bank's chief economist, told the BBC a "no" vote could lead to "some agreement" on revaluation, and a realignment of currencies in the European exchange rate mechanism (ERM).

If political pressures led to a revaluation of the Deutschmark, this would ease tensions in financial markets and within the ERM itself, Lea added.

A former political adviser to former British prime minister Margaret Thatcher, Sir Charles Powell, on the same programme dismissed speculation that a French "no" would be disastrous for the European Community.

"Germany is going to act more independently whether we ratify Maastricht or not," Powell said.

The Times, in an editorial yesterday, suggested that even if Maastricht collapsed, the treaty of Rome and the single European market, effective from January 1993, would still stand. The newspaper predicted, optimistically, that a French "no" vote would end the "intellectual monopoly of federalist thinkers". — Sapa-AFP.



# EC delegates meet Mandela, De Klerk

THE EC delegation which arrived in SA yesterday morning met ANC president Nelson Mandela in Johannesburg in the afternoon after lunching with President F W de Klerk. *Sapa 3/9/92*

During a brief media photo session at the ANC headquarters, Mandela said he had briefed the delegation on events.

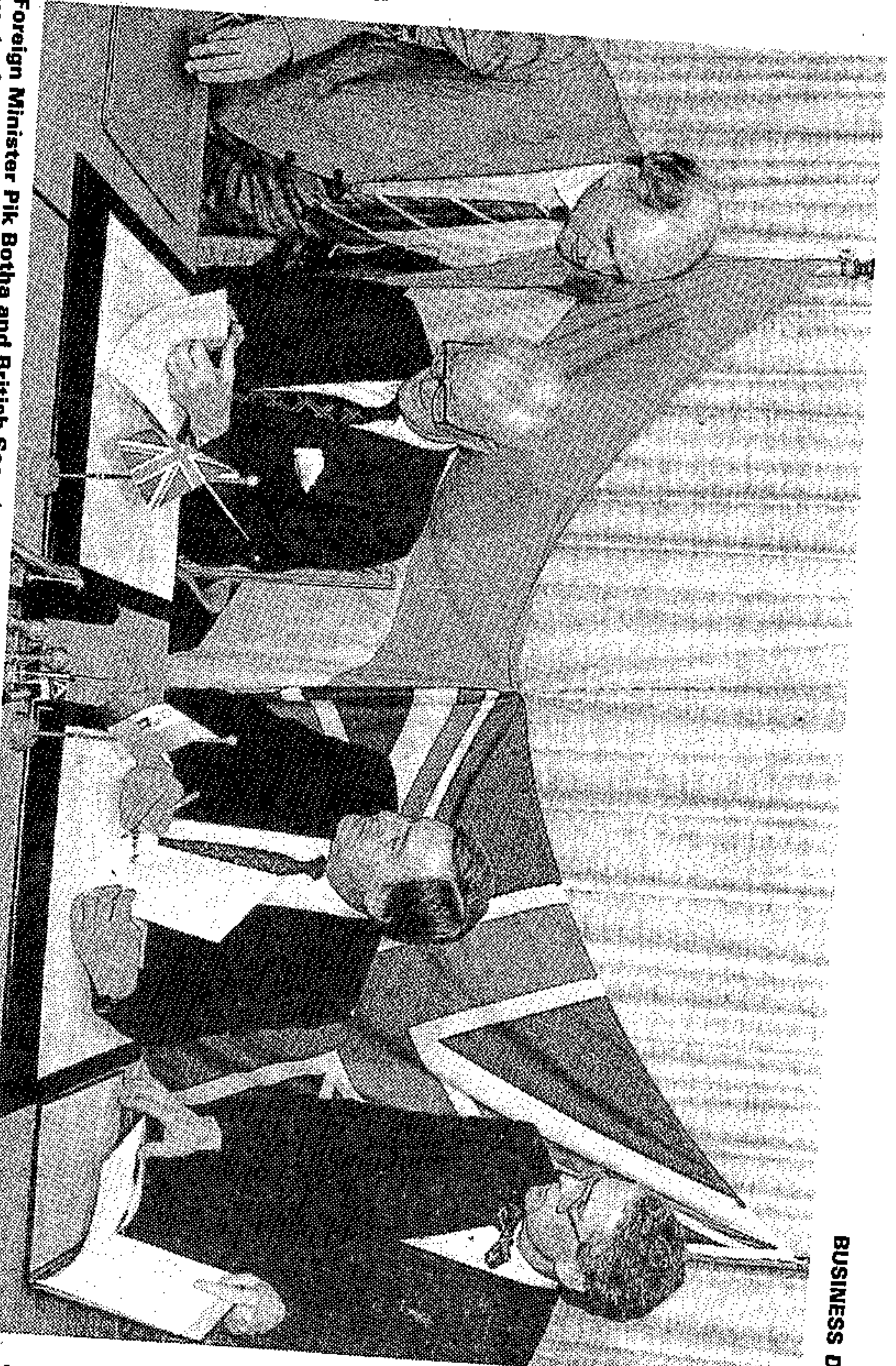
"They were very interested to hear our point of view," Mandela said. *S&P*

De Klerk, who had hosted a lunch for the delegation before it met Mandela, said he expected the members to have a constructive approach during their two-day fast-finding mission to South Africa.

The group also had made it clear that it was here to see what was going on and to render help where required, he said.

British Foreign Secretary Douglas Hurd said it was "interesting to listen to the ANC viewpoint after having met with State President De Klerk earlier in the day".

Hurd is accompanied by Danish Foreign Minister Uffe Ellerman-Jensen, Portuguese Secretary of State for Co-operation Jose Barroso, and a large contingent of assistants. — Sapa.



Foreign Minister Pik Botha and British Secretary of State for Foreign Affairs Douglas Hurd sign an agreement in Pretoria yesterday committing both governments to co-operate in the fight against drug trafficking and money laundering. They agreed to work together to trace, freeze and confiscate the proceeds of drug trafficking.

Picture: ROBERT BOTHA



# Europe faces Maastricht dilemma

By 3/9/92

BRUSSELS — What was meant to be a vote of confidence in plans for a single currency could instead trigger the most acute phase of European monetary instability and uncertainty in a decade.

French voters appear increasingly likely to reject the Maastricht treaty on European economic, monetary and political union in a referendum on September 20, delaying or at least delaying by several years plans for a single European currency and central bank.

By undermining the single currency goal, a French "no" would expose currencies in Europe's exchange rate mechanism (ERM) to harsh market forces previously held at bay by the programme. Many believe the turmoil after a French "no" could start the first broad realignment of ERM currencies since January 1987.

"If the French say 'no', the question of a realignment would become acute, but not inevitable. The European monetary system (EMS) has very strong defensive mechanisms," said Stefano Micossi, chief economist at Italy's employers federation, Confindustria. Few, however, doubt the system will weather the post-referendum storm, whatever the verdict in France.

"A French 'no' will probably deliver a mortal blow to Maastricht but it will not lead... to a breakup of the EMS," William Ledward of Nomura Research Institute has written.

Conversely, a strong French "yes" could restore much, but not all, of the single currency programme's credibility, which in-

cludes strict confidence-building targets for national governments on inflation and public finances.

Still, some uncertainty will remain because of the June 2 "no" by Danish voters. EC nations haven't yet agreed how, or whether, to proceed without Denmark.

"It will take time to restore credibility in the monetary union programme," said Bertrand de Maigret, head of the Paris-based Association for Monetary Union in Europe.

Moreover, if French voters give only a narrow "yes", the treaty would still face tough battles in Britain and Germany.

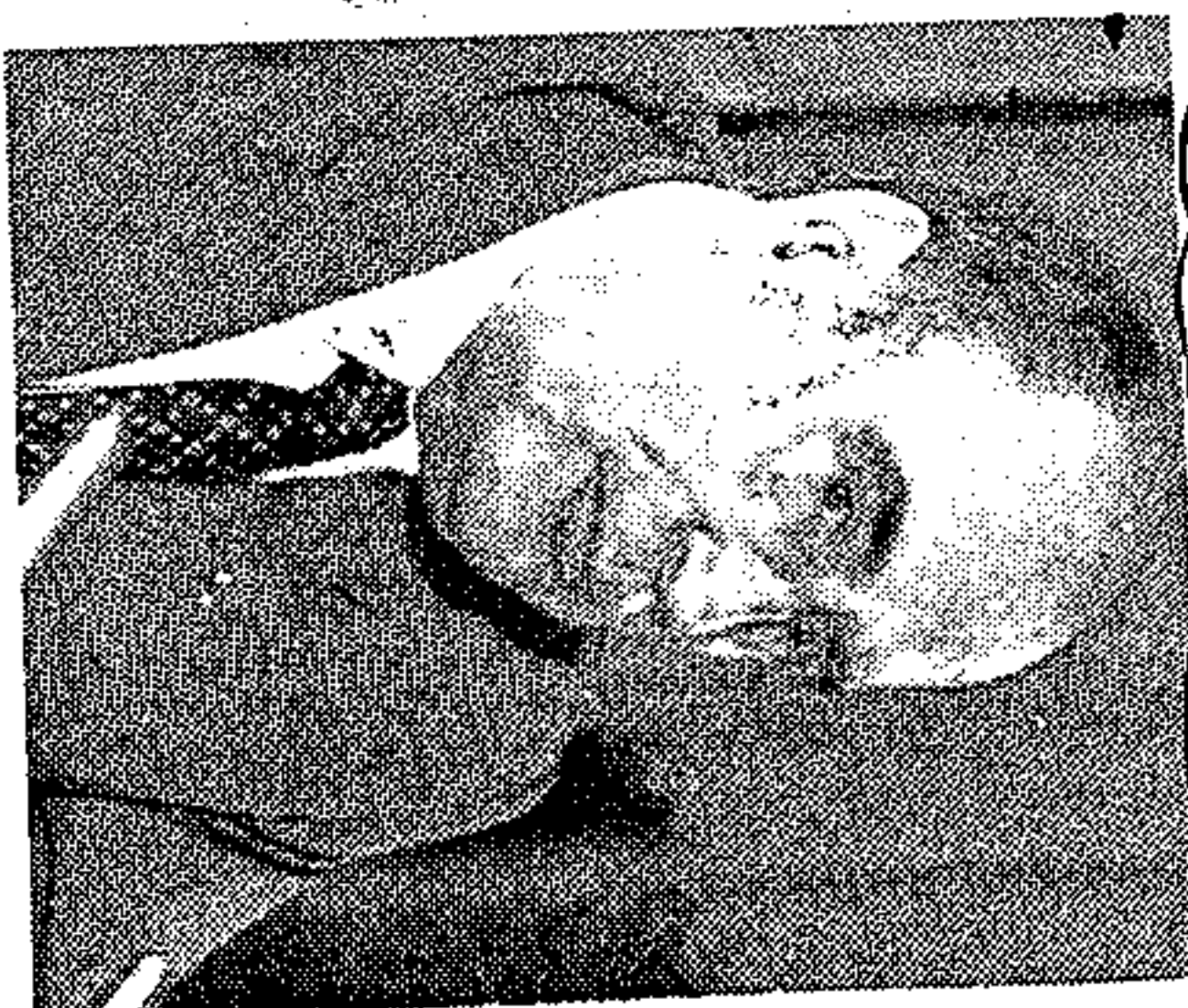
"Only a 60%-plus 'yes' vote would get the show back on the road," said Graham Holtham, chief economist for Lehman Bros International in London.

"A close 50-50 type of vote wouldn't counter the effect of a Danish 'no', which is obviously what (French President Francois) Mitterrand is looking for."

Mitterrand called the referendum on June 3, immediately after the Danish vote, in an apparent bid to quell doubts about the treaty's viability. The chance to vote on Maastricht, however, has unleashed an ardent campaign by its opponents.

The latest opinion polls have been divided, ranging from one showing 53% of voters firmly against, and another poll showing 53% in favour. Polls show up to 40% of voters are still undecided.

Analysts and traders say the immediate aftermath of a French "no" would be a further weakening of the ERM's de facto second-tier currencies, increasing devalu-



MITTERRAND

ation pressures. The pound and the lira, already at or near their ERM floors, are considered the most vulnerable, followed by the peseta and the escudo, and probably the Irish pound. Funds pouring out of those currencies would migrate to the Deutschmark and the currencies in the ERM's unofficial first-tier: the Dutch guilder, Belgian franc and Danish kroner.

Analysts disagree on where the French franc will fall in this divide, saying it depends on the government's willingness to raise interest rates. At the very least, the so-called second-tier countries will have to raise interest rates painfully high.

At most, analysts say post-referendum tensions could provoke a broad realign-

ment. In such a move, the mark and some high-performance currencies, including the guilder, Belgian franc and Danish kroner, would be upvalued and the second-tier currencies devalued to relieve them from market pressure. For political reasons, the French franc would probably move higher in step with the mark.

A French "yes" would have an opposite, though less pronounced, effect, analysts said. By reaffirming the single currency goal, the vote would go a long way to restoring confidence in the political commitment to monetary union. That commitment is considered crucial to countries like Italy, Spain and Portugal, which still must implement tough economic adjustment programmes to meet Maastricht targets.

Some market watchers say much of the tension has already been dispersed through pre-referendum position-taking, especially as opinion polls have helped prepare the psychological ground for a "no" vote.

"I think it will be like the Gulf war," said Guy Lermieux of Brussels stock brokerage Dewaay et Cie. "Everything will be so discounted that when it finally happens it will have an opposite effect."

Outside of financial markets, a French "no" would cast a shadow over EC progress in other areas, including the community's 1992 single-market programme.

"All the economies of scale we are expecting from the single internal market depend on monetary stability and monetary union," the AMUE's De Maigret said. "Otherwise, it will be a fragmented market." — AP-DJ.

# International leaders bolster 'oui' vote

PARIS — International leaders supporting the Maastricht treaty on European union yesterday joined the campaign for France's referendum on September 20, buoyed by a slight recovery of the "yes" vote in opinion polls.

After a dramatic surge of opposition, the latest polls have given the "yes" vote a slim lead.

Spanish Prime Minister Felipe Gonzalez became the first foreign leader to support the campaign, pleading for European political, economic and monetary union at a French Socialist Party meeting.

German Chancellor Helmut Kohl will follow suit tonight, backing Maastricht in a satellite link-up as part of a crucial television debate pitting Socialist President Francois Mitterrand against neo-Gaullist nationalist Philippe Seguin.

Seguin, a 49-year-old former social affairs minister, has been touring France and explaining his belief that the treaty would hand France's sovereignty over to Brussels technocrats, and should be renegotiated.

Defying the pro-Maastricht leadership of his Rally for the Republic, he has won over about two thirds of the party's supporters.

In Brussels, Germany's senior EC commissioner Martin Bangemann said the EC would have to stop the process of ratifying the treaty if France rejected it. Britain has said it would stop ratification if French voters gave the treaty the thumbs-down.

An opinion poll, meanwhile, put Mitterrand, 75, far ahead of Seguin in the campaign rankings.

But another poll said Mitterrand's popularity rating had fallen to 33%.

Widespread discontent against Mitterrand and the Socialist government has been cited as a major factor in the rise of opposition to Maastricht. As the campaign raged, the pretender to the French throne and the head of France's bosses joined opposing sides.

Prince Henri d'Orleans, Count of Paris, said the treaty endangered French sovereignty. Francois Perigot, head of the Employers' Association, said rejection would open the EC's free trade area to foreign business predators.

Jerome Jaffe, chief political analyst at the SOFRES polling organisation, said the campaign had entered a third stage of dealing directly with the treaty, after early enthusiasm for European union and an outburst of discontent rooted in domestic policies. — Sapa-Reuter.



# EC delegates meet govt, Mandela

(S6A)  
CT 3/9/92

JOHANNESBURG. — The EC delegation which arrived in South Africa yesterday met ANC president Nelson Mandela in Johannesburg in the afternoon after lunching with President F W de Klerk.

During a brief media photo session at the ANC headquarters, Mr Mandela said he had briefed the delegation on events.

Mr De Klerk, who had hosted a lunch for the delegation before it met Mr Mandela, said he expected the members to have a constructive approach during their two-day fact-finding mission.

The group also had made it clear that it was here to see what was going on and to render help where required, he said.

Mr Hurd is accompanied by Danish Foreign Minister Mr Uffe Elleman-Jensen, Portuguese Secretary of State for Co-operation Mr Jose Barroso, and a large contingent of assistants.

During the mission, they will meet Inkatha Freedom Party president Chief Mangosuthu Buthelezi today.

Mr Hurd said the EC was concerned by the violence in the country — but stressed that the problems of South Africa would have to be solved by South Africans.

He added: "You are going to find the answer here in South Africa. We are here to update ourselves.

"If we can be of some help of course we will do our best."

The delegation saw Mr Justice Richard Goldstone, Peace Committee chairman Mr John Hall and the Peace Secretariat's Dr Antonie Gildenhuys yesterday. — Sapa

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# Hurd: EC monitors for SA

PRETORIA. — The European Community will send 15 observers to South Africa to monitor violence as part of a package of proposals outlined by EC troika leader and British Foreign Secretary Mr Douglas Hurd here last night.

Mr Hurd, speaking at a news conference at the end of a two-day EC trip to South Africa, also announced the EC would send expert investigators to assist the Goldstone Commission's investigative task force.

The troika wanted an EC expert on each of the five in-

vestigative teams proposed by Mr Justice Goldstone.

Mr Hurd said the EC would also assist in training the police for the new political situation in South Africa.

In addition, the EC would act on a request to assist in existing programmes helping victims of the violence.

Commenting on the ANC's decision not to return to constitutional negotiations yet, Mr Hurd said he hoped talks would be resumed. The ANC was a crucial partner in the negotiations process, he added.

Earlier yesterday, after the EC delegation had toured Alexandra, Mr Hurd said: "It is still a shock to come here. Even though I came to Alexandra last year, it is necessary to remind oneself what is actually like and how bad it is."

He told reporters standing in the wasteland of derelict houses: "It is interesting to note the change. Last year nobody spoke of 'Beirut.'"

The EC group will visit Somalia before returning to Europe. — Sapa

## 15 EC observers set to monitor violence

PRETORIA — The EC will send 15 observers to SA to monitor violence as part of a package of proposals outlined by EC troika leader and British Foreign Secretary Douglas Hurd last night. (ZAP) (S6A)

After a two-day EC trip to SA, Hurd also told journalists the EC would send expert investigators to assist the Goldstone commission's investigative task force. B10AM/4/9/92

The troika wanted an EC expert on each of the five investigative teams proposed by Judge Richard Goldstone. Hurd also said the EC would assist in training police for the new political situation.

In addition, the EC would act on a request to assist in existing programmes helping victims of the violence.

Commenting on the ANC's decision not to return to negotiations yet, Hurd said he hoped talks would resume. The ANC was a "crucial partner".

The EC group will make a stopover visit to Somalia before returning to Europe.

Yesterday, the delegation visited Alexandra township, north of Johannesburg, and met delegates of the national peace committee's interim crisis committee for the township.

Their 20-minute tour of the township included the "Beirut" area. Hurd said: "It is still a shock to come here. Even though I came to Alexandra last year, it is necessary to remind oneself what it is actually like and how bad it is. It is interesting to note the change. Last year nobody spoke of 'Beirut'."

"It is very important that we do come here. Although we read the reports and see the images on television it is not the same. It is by seeing that you get the true impression," he said.

Hurd and colleagues, Danish Foreign Minister Uffe Ellemann Jensen and Portuguese Deputy Foreign Minister Jose Durao Barroso, were in SA to assess peace efforts and try to help get political parties back to the negotiating table. The troika also met Inkatha leader Mangosuthu Buthelezi and President F W de Klerk before leaving. — Sapa-AFP.



# No rates rises, says Bundesbank

SYDNEY 7/9/92  
LONDON — Germany, in an unprecedented gesture aimed at easing political and economic tensions in Europe, told its EC partners on Saturday it had no intention of raising interest rates.

In a day of tough talks among EC finance ministers and central bankers in the spa city of Bath, the Bundesbank offered hope to economies under pressure from its high rates, saying "in the present circumstances" it had no plans to raise rates. But it refused demands to cut rates.

The ministers and bankers tried to calm financial markets nervous that France could derail EC economic and political union if a September 20 referendum rejected the Maastricht treaty on European union.

In a rare joint statement they promised massive foreign exchange intervention and, if needed, higher interest rates to defend existing European currency parities.

The test will come today when financial markets open, after forcing Britain to defend the pound with cash last week, and Italy the lira with a sharp interest rate rise.

British Chancellor of the Exchequer Norman Lamont, who chaired the almost 10-hour meeting, swept virtually all other topics off the agenda, leaving ministers free to deal with the state of the EC economy and turmoil over the French vote.

They were, he said, deeply concerned about prospects for growth and for employment in the 12-member bloc.

"We felt that was so important it should take basically the whole of the meeting," Lamont told a news conference after the meeting.

In a four-point statement, the

ministers:

☐ Confirmed earlier commitments not to realign the European exchange rate mechanism (ERM) currency grid;

☐ Undertook to intervene in currency markets if needed using the resources of their central banks to help each other;

☐ Emphasised the need for all European economies to curb government spending and inflation;

☐ Said they would cut interest rates at the first opportunity; and

☐ Welcomed the Bundesbank statement that it had no immediate intention of raising interest rates.

German Finance Minister Theo Waigel and Bundesbank president Helmut Schlesinger faced colleagues who were concerned their commitment to pay for unification and stamp out inflation in Germany were stifling growth across Europe.

EC vice-president Henning Christopherson gave ministers a gloomy assessment of the economic outlook. The EC executive commission, he said, had cut growth forecasts for this year to 1.25% from 1.7% and saw little better in 1993.

Danish Economy Minister Anders Fogh Rasmussen said the Bundesbank pledge had come only after "colossal pressure" from the 11 other EC members for Germany to cut its interest rates.

Waigel denied that Germany had come under such pressure.

"We are neither isolated nor in the dock," he said. "We were able to defend our corner very well."

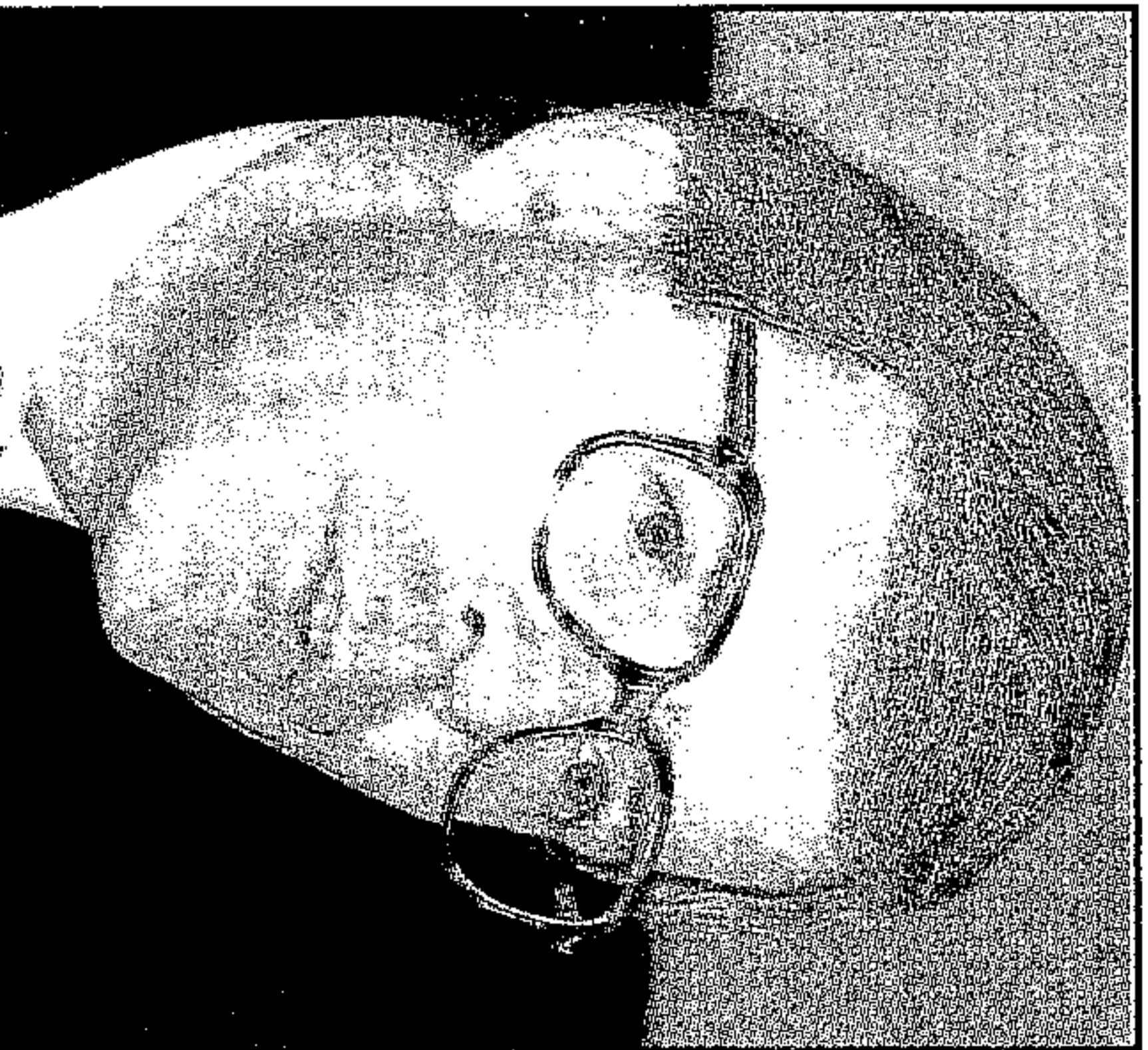
However, he said: "We will do everything we can, for it is in our own interest to ... create the room for interest rate cuts as soon as possible." — Sapa-Reuter.

# French 'non' to treaty would scuttle EC unity bid

STAR 8/19/92

SEA

**Polls show support is growing for a "yes" vote for the Maastricht treaty, but politicians are looking nervously at the French answer.**



John Major . . . still believes that Maastricht would be good for the UK and EC as a whole.

**THE THREAT** of French voters killing the Maastricht treaty on European union has caused a frisson of alarm across the EC.

Despite polls showing the "yes" campaign regaining some ground, politicians in London, Brussels and Rome are peering publicly for the first time into the economic and political void that would be left by a "non" vote in the French referendum on September 20.

In Britain, the prime minister's office acknowledged that French rejection would destroy the treaty, forcing the government to withdraw its own ratification Bill.

Martin Bangemann, Germany's senior Euro-

pean commissioner, conceded after a gloomy meeting of the EC executive in Brussels that ratification would be aborted in all member states.

Another commissioner said: "Everything is now overshadowed by France. There is a general feeling of unease and anxiety."

Emilio Colombo, the Italian Foreign Minister, called on parliament to speed its ratification debate and reduce the lira's special arrangements within the European Monetary System to help to "dispel concerns" in France about economic and political

integration in Europe.

The strategy adopted by EC states after the defeat of the treaty in the Danish referendum in June was to keep quiet and let the furor die down. But they misread the mood in France, where the inactivity of the pro-Maastricht campaign — and the silence of other states — has allowed opponents to build up a head of steam.

Latest opinion polls in France show support for the treaty has hardened, but only marginally. The "yes" campaign is still very nervous. It will fall to the Brit-

ish government, which holds the EC presidency, to staunch the effect on European currencies of a "no" vote and begin the search for an alternative way forward for the Community.

At least one senior British Conservative has suggested that the government might secretly welcome the demise of a treaty that faces increasing opposition within its own ranks. David Howell, chairman of the House of Commons Foreign Affairs Select Committee, told BBC radio: "Of all the unpleasant courses ahead, I think

the demise of the treaty, a clear French 'no', is probably going to be the least troublesome. It'll be very troublesome even so, but less trouble than trying to support a treaty which has fewer friends."

The British prime minister's office stressed that John Major still believed that Maastricht represented a negotiating success and would be good for the UK and for the EC as a whole.

But Mr Major came under strong attack from Paddy Ashdown, the Liberal Democrat leader, for refusing to accept French President Francois Mitterrand's appeal for direct help in his referendum campaign. — The Independent News Service. □



RLD

# Major says 'non' would kill Maastricht treaties

LONDON — British Prime Minister John Major said yesterday that a French "no" vote in the September 20 referendum would kill the Maastricht treaties on European political and economic union but outlined plans to salvage unity if they collapsed. *810AM 8/9/92*

Addressing the EC presidency conference he said: "Without the consent of all 12 member states the Maastricht treaty cannot proceed. It would be dead."

"The Danish referendum has already narrowly said 'no' to the treaty. The combination of that and of a French 'non' would be decisive." But he said, "Important as Maastricht is, we should not let this particular strand of European development blind us to the other issues before us. Maastricht deserves approval but it is by no means the whole agenda. It is but part of a bigger agenda."

As EC president Britain had to complete the single market by the end of the year, strengthen links with eastern and central Europe and prepare for community enlargement.

It also had to strengthen political co-operation, for example, over Yugoslavia, complete negotiations over future financing, seek a

successful GATT outcome and show that justice and home affairs co-operation was alive.

European Bank for Reconstruction and Development president Jacques Attali said burial of the Maastricht treaty through a French "no" would be a "a disaster for Europe and indeed for peace".

Attali warned that conflict in Yugoslavia might be only a beginning.

Pointing to shrinking economies in former communist eastern Europe since 1989, he said, "extreme economic dislocation has been a fertile breeding ground for political extremism in the past — not least in western Europe".

Attali called on the EC to adopt immediately after Maastricht a posture of maximum openness towards the new democracies and new markets on its doorstep.

He proposed multilateral negotiations among the 40 or so countries of Europe towards setting up a "continental common market".

As a first step, he proposed that existing EC association agreements be renegotiated, treating Czechoslovakia, Hungary and Poland, and any other countries willing and able to join, "as future equal members of an economic community rather than competitors to be kept out".

— Sapa-AFP.



The EC troika visit was more than symbolic, says Political Reporter Kaizer Nyatsumb

# Keeping all on their toes

Star 8/19/92

**I**T WOULD have been easy — and fairly tempting — to dismiss the two-day fact-finding tour last week by the European Community's troika of Ministers as yet another of those unwelcome visits by self-righteous, know-all foreigners who think they have a panacea for South Africa's ills.

Apart from putting pressure on the Government and the ANC to resume negotiations soon, it initially appeared not much was going to be served by the visit.

Not only did the EC no longer have the sanctions sword which might have needed review — a point made strongly by The Times of London on the eve of the troika's departure — but it had also become a somewhat parochial, inward-looking community which put Europe first and removed Africa from the top of its agenda.

**Why the mission then?**  
In an outspoken editorial, The Times said the EC troika — consisting of British Foreign Affairs

Secretary Douglas Hurd, Danish Foreign Affairs Minister Uffe Ellemann-Jansen and Portuguese Secretary of State for Co-operation Jose Manuel Barroso — had no business in South Africa.

"There are no EC troops in the region, nor is there EC aid that must be injected or withdrawn. There is no pressing role for the EC to perform in the intractable politics of black/white relations in South Africa.

"It is tempting to draw two conclusions from this trip, neither of them appealing. The first is that Europe still cannot quite believe that Africa is not its own backyard, that the politics of guilt have taken the place of the politics of colonialism.

"The second is that the EC will do anything and go anywhere rather than address its painful domestic agenda." The Times said.

But the troika's visit has been of greater importance than The Times and many others could

have expected. At a time when Europe is pre-occupied with itself and its own economic and political problems, any attention given to South Africa is to be welcomed.

Increasingly Africa — associated in Europe and in the West with starvation, poverty, widespread corruption and military coups d'etat — is being "marginalised" in world affairs, and aid to many countries in the continent is being made conditional on "good government", among other things.

Mr Hurd made it plain during the troika's visit here that Europe's interest in South Africa was not "a fleeting one". The EC, he said, had every intention of playing an important role in the country's transition to a full-fledged democracy.

This has at least two implications. While the EC becomes more and more inward-looking, it will do more than take a keen interest in developments here. When political stability is eventually attained and an interim government

is in place, it could be expected that more investment could flow our way from the EC and its member-countries.

More importantly, however, is the fact that the EC can now be relied upon to gently prod and persuade key political players in the negotiations process, most notably the Government and its chief interlocutors the ANC. Although Mr Hurd repeatedly said South Africa's problems were for South Africans to solve, he would no doubt have urged the ANC and the Government to make sure negotiations resumed soon.

There is another level at which the troika's visit was important. By agreeing to send 15 observers to South Africa to work in tandem with observers from the United Nations and the Commonwealth, to second representatives to the Goldstone Commission's five commissions and to help in the training of the South African Police, the EC is indirectly helping Pretoria meet some of the key de-

mands made by the ANC and the Pan Africanist Congress.

The involvement of the international community in the monitoring of violence is a demand made by both the ANC and the PAC, with the latter organisation going as far as arguing that negotiations should be chaired by "neutral" bodies such as the UN, the Commonwealth, the EC or the Organisation of African Unity.

As PAC deputy president Dikgang Mosenke observed after meeting the trio in Pretoria on Thursday, the EC delegation "understood the issues" here. Its visit, therefore, must have gone some way towards propelling the pace of behind-the-scenes *detente* to get the deadlocked negotiations resumed soon.

But while in the past Pretoria has always been the villain — and therefore had a lot to do "to clear the decks" before negotiations could begin — that perception is no longer as pervasive as it once was abroad.

Indeed, the ANC and the PAC could expect to be rapped on the knuckles equally hard — albeit privately — as Pretoria if they were perceived to be the ones retarding the pace of negotiations. Like the Government, they will have to *earn* the international community's support by appearing as reasonable as possible. And the EC troika's visit will have helped drive that message home. □



Douglas Hurd... EC interest in SA not just fleeting.

# UK expected to vote 'no' on EC

(SbA) CT 9/19/92  
PARIS. — Britain would vote against the Maastricht treaties, while Germany, Italy and Spain would vote "yes" if they held referenda similar to the one to be carried out in France on September 20, a polling institute said yesterday.

The BVA poll conducted for the weekly Paris-Match and the France-2 and France-3 public television networks showed Italian voters would be the most enthusiastic to vote for a politically and economically united Europe.

The "yes" vote would win 76% to 24% in Italy; 68% to 32% in Spain, and 60% to 40% in Germany, BVA said, while Britons would vote "no" by a margin of 56% to 44%.

The latest figure for France, where a flood of opinion surveys has had results see-sawing either way over the past weeks, was 52% "yes" to 48% "no."  
— Sapa-AFP

# EC: Denmark <sup>(56A)</sup> urges French 'yes'

CT 15/19/93

LONDON. — Denmark wants to see the French vote "yes" to Maastricht on Sunday, despite its own rejection of the treaty in a referendum in June, Danish Foreign Minister Mr Uffe Ellemann-Jensen said yesterday.

Throwing his weight behind efforts by EC leaders to secure French backing for the treaty, Mr Ellemann-Jensen said it was in the long-term interest of European integration that the French people voted "yes".

"The Danish voters may have questions about the wisdom of the Maastricht Treaty, but they certainly do not wish to turn their backs on Europe," he said.

Mr Ellemann-Jensen confirmed that the Danish government planned to hold a second referendum next year.

The treaty signed by the 12 EC leaders in Maastricht last December no longer existed, because it called for ratification by all 12, and now only 11 could do so. — Telegraph



# Currencies again in grip of turmoil

(56A)  
STAR 16/9/92

LONDON — European currencies lurched back into turmoil yesterday after enjoying just one day of calm in the wake of a cut in German interest rates.

As markets dismissed Monday's quarter percentage point cut in Germany's main interest rate to 9.5 percent as too little and too late, the pound tumbled perilously lower against the mark, raising once again the spectre of devaluation.

The Italian lira, devalued by seven percent on Sunday, was also hit by a fresh crisis of confidence in the Italian economy and the Bank of Italy had to intervene on foreign exchange markets to prop it up.

The renewed strains in the Exchange Rate Mechanism (ERM), Europe's system of semi-fixed exchange rates, came just five days before France votes in a referendum on the Maastricht Treaty on European union.

Many fear a "no" vote on Sunday will create havoc in financial markets and shake the ERM to its foundations, leaving weaker ERM currencies like the pound, lira, escudo and peseta wide open to speculators. — Sapa-Reuter.

# European realignment is good news for SA

By Neil Behrmann

LONDON — The South African economy, gold and the rand should benefit from the European agreement to realign currencies and cut interest rates.

Hardly surprising, the commercial rand which tends to move in tandem with the dollar against European currencies, rallied sharply.

It has recovered by nearly 4 percent from its record lows against the German mark and is up smartly against other European currencies.

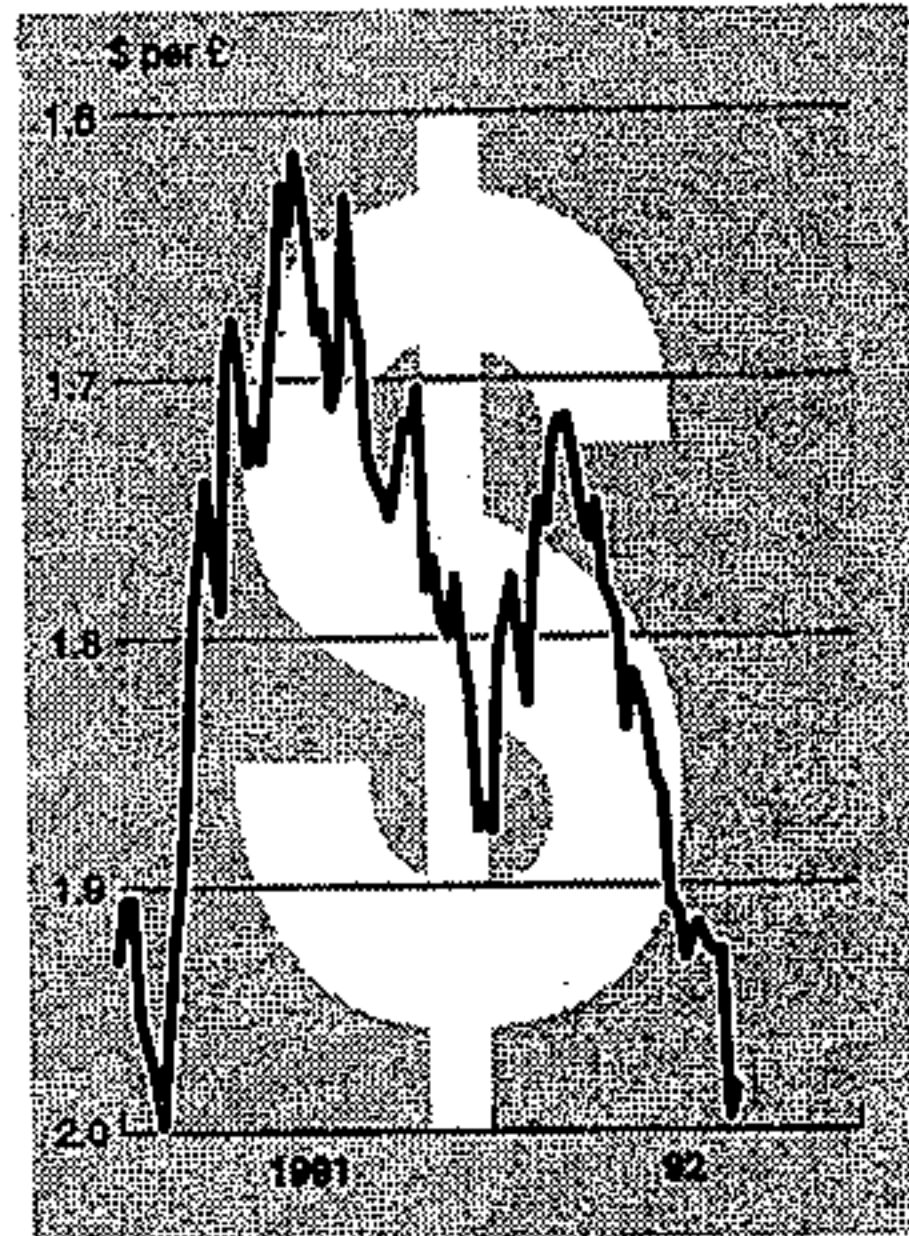
The conventional viewpoint is that gold should decline when the dollar rises.

Gold, however, is a dollar asset and when European currencies fall, some investors decide to buy the metal in preference to the US currency. So it is not unusual for gold to rally in line with the dollar.

A German investor would have done well in recent weeks had gold been bought at depressed Deutschmark prices. Gold quoted in marks is up by 8 percent from its recent low.

The currency re-alignment and German interest rate cuts will be beneficial for the SA economy for several reasons.

Firstly, the move by Germany



presages a move towards further interest rate cuts in the coming twelve months.

Recession is deepening in Europe, particularly in the UK and Italy, while Germany is slowing down rapidly. A decline in interest rates will hopefully arrest the economic decline.

The European Community accounts for 54 percent of bi-lateral trade with SA and a recovery will help exports.

Secondly, the rand has devalued by a considerable amount against European currencies, so manufactured exports are highly competitive.

Thirdly, excessive dollar weakness against European currencies has been negative for the rand.

The Reserve Bank manages

the rand against a basket of currencies and the European bloc has a high weighting.

As the mark surged, the rand slumped against European currencies, but the Reserve Bank was forced to raise the currency value against the dollar.

The result was a depreciation of the rand gold price.

Now that the dollar is recovering sharply from its ludicrous lows against European currencies, the Reserve Bank can allow some depreciation against the US currency.

The rand price of gold is thus up smartly and mine owners can breathe a sigh of relief.

It now appears that the dollar has at last bottomed within the Dm1,38 to Dm1,50 range.

Further recovery will be dependent on US economic revival and cuts in European interest rates.

International markets will remain uncertain, however, until France votes on the Maastricht Treaty on Sunday.

The treaty lays the groundwork for European political and economic unity, including the blueprint for a single European currency by the end of the decade.

A positive vote will take pressure off the pound and other weak European currencies, say dealers.

A negative vote, on the other hand will hit these currencies and force the British to either raise rates or maintain them at present punitive levels of more than 10 percent.

Yet even if the vote is negative, market forces will compel Britain and other European nations eventually to slash interest rates and, if necessary, devalue their currencies.

British and other ministers who claimed for months that the European Exchange Rate Mechanism (ERM) would not be realigned have been devalued themselves.

Markets that were originally sceptical about their statements do not take them seriously.

When Mr Major says that the pound is a strong currency, it falls the next day. Italy's devaluation points the way.

The 2 percent to 4 percent surge in international share markets may be the prelude to an even bigger surge if French voters say yes in Sunday's referendum.

Some believe the Bundesbank's decision to co-operate with other European countries is a cynical move to encourage a positive vote.

Others contend that there is a fundamental shift in policy after more than four years of rising German interest rates.



# Further ERM realignment expected

STAR

16/9/92

S6H

LONDON — Pressure for more changes in the European exchange mechanism seems unlikely to disappear, in spite of the lira's devaluation and the cut in interest rates in Germany.

Speculation about other currencies that could be affected by future devaluations centre on sterling, the Spanish peseta and the Portuguese escudo, all of which have traded weakly in recent weeks.

Much depends on next Sunday's referendum in France on the Maastricht treaty. If that delivers a No vote, holding up moves to economic and monetary union, investors may step up selling of the weaker ERM currencies, causing new strains in the mechanism.

There are two ways of assessing how the ERM realignment will affect the outlook for the mechanism. The more sanguine view stresses the special nature of the lira's problems, stemming from a weakening of international confidence in the Rome government.

According to this view, the

7 percent devaluation of the Italian currency has demonstrated the capability of Europe's leaders to adjust the ERM to take into account unique circumstances of member countries.

The fact that European politicians collectively persuaded the Bundesbank to cut borrowing rates is also seen as a hopeful sign.

## Important factor

Even though the easing in German monetary policy was slight, the important factor, according to this school of thought, is that it almost certainly marks the start of further reductions in Bundesbank rates over the coming months, as the German economy starts to slow.

Mr David Cocker, chief currency economist at Chemical Bank in London, said: The ERM will stay intact, whatever the result of the Maastricht vote. There will be no further realignment after next week. The second way of analysing

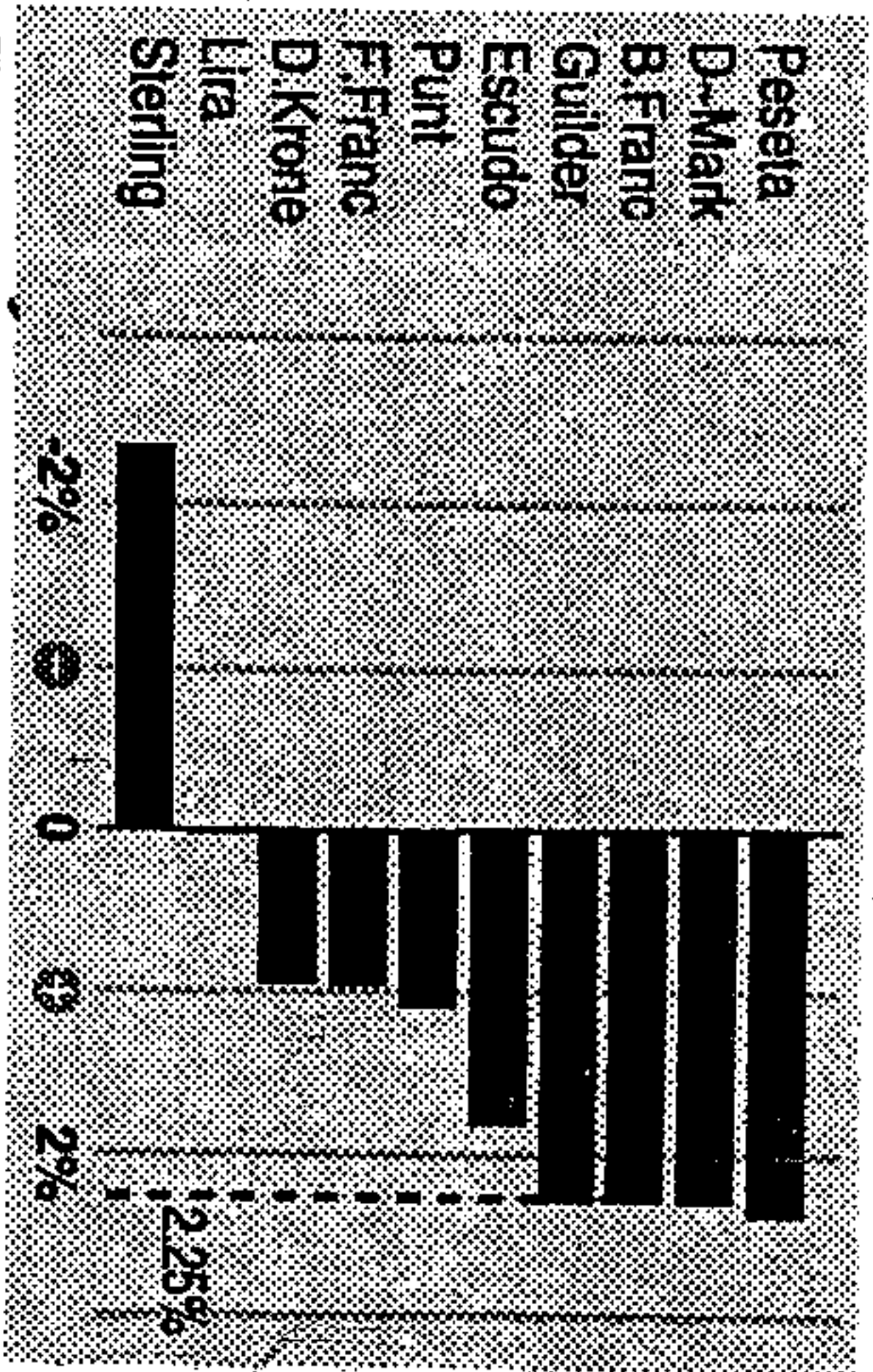
the realignment inclines to the view that the ERM has deep-seated problems which cannot be solved by one quick fix.

Mr David Owen, UK economist at Kleinwort Benson, the London merchant bank, said: The lira devaluation has raised questions about whether the ERM can be sustained in its present form.

Sterling, so this argument runs, is a candidate for a devaluation on the grounds that, without one, the UK will be unable to institute the large cuts in domestic borrowing rates that are needed to revive its battered economy. That would be especially the case if as seems likely the Bundesbank takes its time over further cuts in interest rates.

As for the lira, some believe the devaluation may not have been sufficient to stop further weakening.

Perhaps the strongest argument for further realignments is a psychological one. Last month, the European Community's finance ministers ruled out a devaluation of any of the 10



The chart shows the member currencies of the Exchange Rate Mechanism measured against the weakest currency in the EMS's narrow 2.25 percent fluctuation band. In practice currencies in the EMS narrow band cannot rise more than 2.25 percent from the weakest currency in that part of the system. Sterling, the Spanish peseta and the Portuguese escudo operate with 6 percent fluctuation bands.

currencies in the grid, on the grounds that a change in rates would not be the appropriate response.

With this promise having lasted just two weeks in the

case of the lira, the financial markets cannot be blamed for wondering whether the commitment to keep other weak ERM currencies at their central rates may turn out to be less than total. — Financial Times.



# Summit date may be set this week

STAR 17/9/92  
By Peter Fabricius

Intensive negotiations to set up a Government-ANC summit on violence are continuing, with some hope that a date could be set by the end of the week.

Both the Cabinet and the ANC's national working committee met yesterday when they were likely to have discussed the obstacles still impeding the arrangement of a summit.

ANC leader Nelson Mandela improved the mood for agreement when he said in an interview with The Star this week that he would be prepared to attend a summit on violence with President de Klerk if the Government gave the organisation assurances on the release of prisoners, a curb on carrying dangerous weapons, and adequate security around hostels.

Mr Mandela's remarks have put pressure on both sides to come to terms and led to optimism, at least on the Government side, that agreement could be reached this week.

Government and ANC delegations under Constitutional Development Minister Roelf Meyer and ANC secretary-general Cyril Ramaphosa have had several meetings this week to try to resolve these issues.

The ANC has warned that the speed with which an agreement could be reached would be determined by the Government's response to its three demands.

## Pick 6 set to top R3-m

The Pick 6 pool at Turffon-



Welcome . . . Deputy Minister of Law and Order Gert Myburgh (right) welcomes Unit at Jan Smuts Airport yesterday. ● Report — Page 3

# UK move rocks markets

By Magnus Heystek  
Finance Editor

World financial markets were plunged into renewed crisis yesterday when the Bank of England increased its base lending rate from 10 to 15 percent in a desperate bid to prevent a formal devaluation of the pound.

The move sent shockwaves through currency and equity markets, including those in South Africa.

The 5 percent increase by the Bank of England came in two stages.

Yesterday morning the base lending rate was put up from 10 to 12 percent but when this failed to support the pound, it was further increased to 15 percent in the afternoon.

However, the move had

little impact and sterling remained pinned to the floor.

According to international economists, the Bank of England now has no option but to formally devalue sterling. Any further increase in interest rates is likely to harm the UK economy, already in the midst of a severe recession.

Elsewhere in Europe, Sweden increased its prime rate by a staggering 500 percent to 75 percent, in an effort to halt the slide of the Swedish krona, and the recent run on the Italian lira continued.

The current bout of uncertainty on world currency markets was precipitated by the surprise cut in lending rates by the German Bundesbank.

Stock markets have also been badly affected by the

volatile currency markets.

Yesterday's events in Threadneedle Street in London badly buffeted world bourses.

The All Share Index dropped 40 points to 3138, wiping out all of its gains earlier this week, and the Industrial Index dropped by 45 points to 4087.

Gold was the only beneficiary of volatile markets and was trading at around \$349 an ounce after a morning fix of \$346,20.

The Gold Index rose by 20 points to 913 and looks set to rise further in the face of extreme uncertainty on world markets, said analysts.

The rand slipped back against the US dollar and was quoted at R2,82 but strengthened against sterling to R5,28.



# 'Eurosclerosis' expected to descend

STAM 19/9/92

NICHOLAS DOUGHTY

56A

BRUSSELS — The European Community, once a beacon of hope and prosperity, will never be the same again, whether the French vote for or against the Maastricht blueprint for European union tomorrow.

A popular tide of opposition to the plans for economic and political union is sweeping through member states, the EC's system of currency co-operation is threatened with collapse and a row has broken out over who is to blame.

The politicians are putting on a brave face, saying how this shows that the Maastricht treaty is needed for the EC's 350 million people.

Britain, which holds the EC presidency, has vowed to press on with the agenda.

From the corridors of diplomacy to the world of high finance, the same question is being asked: Can the Community keep its plans for a new Europe alive or is it condemned to years of stagnation and self-doubt?

The view seems to be that, whatever happens in the French referendum, much of the EC's impetus has been sapped by suspicion, confusion

and economic troubles.

Even though political co-operation and plans for a barrier-free internal market will continue, there will have to be, in the words of one diplomat, "a massive stock-taking".

Others predict a fresh bout of "Eurosclerosis", the sort of inaction and squabbling that affected the Community after the economic recession of the 1970s.

That also seems to be the verdict in the financial markets, which this week have sa-

vaged the European Monetary System (EMS), the embryo of a future single currency.

Jim O'Neill, director of research at Swiss Bank Corporation in London, said yesterday that a French "no" could finish the EMS completely.

"Maastricht is essentially dead, the French are going to vote on something which no longer exists," he added. Not long ago, it all looked

so different.

At the start of this year, EC leaders were glowing with pride. With the Maastricht treaty, they had agreed on plans to create a single currency by 1999 and set the course for political union.

One day, some of them hoped, the EC could also have one foreign policy and one army.

The EC would be a magnet of peace and prosperity, an international powerhouse able to take on the United States or

Japan economically and to speak with one voice.

It could draw in its neighbours in the new, post-Cold War Europe, bringing succour to the fragile democracies that had thrown off communist rule.

Then, on June 2, the Danish people voted narrowly to reject Maastricht. The crisis began.

France and Germany have always been considered the engine of the EC's development, especially at such an important stage in its 35-year history. About half of French voters

rects the ghosts of the past and some of the old mistrust that hardly seems the stuff of a new Europe.

Even if the French give resounding support to Maastricht, it may still be necessary to ditch the treaty and start again, diplomats say.

Unless all 12 EC members ratify it, the treaty cannot come into force.

"A French 'yes' will not be sufficient to put the Community back on the rails," wrote the Financial Times in an editorial yesterday.

"But, without one, EC leaders will be hard-pressed even to begin trying," — Sapa-Reuter.

seem to be against Maastricht. In Germany, a government poll made public on Thursday showed the people had grown sceptical about the European Community since last year.

The row over Germany's role in this week's currency crisis not only touches on the problems of setting up one economy but also brings up again the debate about the balance of power in the Community and the limits of national interest.

Diplomats say any debate about German power resur-

# World markets in turmoil after pound tumbles

STAN 19/9/92

THIS week saw one of the most violent upheavals on world currency markets in 20 years, with the Bank of England increasing its prime rate twice in one day by a staggering 50 percent, only to reduce it to its original the next day.

And then the British Government took the unprecedented step of suspending trading in sterling and pulling out of the European Exchange Rate Mechanism (ERM), whose primary objective is to limit the fluctuation of currencies of member countries.

Associated Press reports that the ERM was set up in March 1979 to prevent disruptive exchange rate swings.

But this week it was clear that the ERM is under a great deal of pressure.

The currency crisis was not only limited to Britain. Sweden took the astounding step of increasing its prime lending rate to a staggering 500 percent to protect its currency.

The ERM limits how much the currencies can move up or down against one another. Most members observe a margin of 2.25 percent above or below agreed rates. But Britain and Spain use a 6 percent band, which gives their governments more breathing space.

## MAGNUS HEYSTEK

The currency used as a benchmark for exchange rate movement is the Deutsch mark, given the German economy's key role in the European Community.

When currencies reach their limits within the ERM, central banks are obliged to intervene, buying or selling currencies or changing their interest rates. If that fails, a new value is set for a currency.

That was done earlier this week when the Italian lira was devalued 7 percent.

In extreme cases, as also happened this week with the lira and pound, the European Commission may grant permission for a currency to be removed from the ERM until the market has established a more stable rate. The ERM has no direct effect on the value of European currencies against the US dollar.

But recently, the Deutsch mark's surge against the dollar left other European currencies struggling to keep pace.

This week's turmoil has underlined the inability of even major economies to control vagaries such as their currency.



# French voters keep alive dream of united Europe

STAN 2119192 (56A) (15)

BRUSSELS — French voters have apparently saved from death Europe's far-reaching plans for a political and economic union. But leaders of the European Community must still find a way to overcome doubts about unity.

The French government said voters yesterday narrowly approved the accord.

France became only the fourth of the 12 EC nations to support the agreement, negotiated last December by the trading bloc's leaders in the Dutch town of Maastricht.

French approval was crucial. If France, a key architect of the treaty, rejected it, that would have been the end — at least for now — of the decades-old dream of European unity.

Opponents waged a strong campaign, complaining that France would lose control of its economic and immigration policies.

The landmark agreement would bind the nations together through common foreign, security and defence policies and create a joint

central bank and single currency by 1999.

All 12 nations must approve the treaty for it to go into effect next year.

Despite the narrow margin, Finn Laursen, professor at the European Institute of Public Administration in Maastricht, said any "yes" is a "yes".

## Relief as French vote 'yes' — Page 4

The French "yes" is likely to bring some calm to the currency markets, which were rocked last week, partly by uncertainty about Europe's future.

The currency crisis, the worst since the European monetary system was founded, forced Britain and Italy to withdraw their money from the monetary grid.

The French, Danish and Irish currencies were under pressure late last week, but the French vote may put off, at least temporarily, any further devaluations. But the

turmoil has almost certainly caused long-term damage to plans for an economic and monetary union.

The British pound and the Italian lira, now out of the monetary grid, may not make the first wave of countries joining the monetary union. Their currencies would not be merged into the new European money.

The EC's blueprint for a single market of 19 nations and 379 million consumers — a separate project from the Maastricht treaty — will be put in place on January 1. But without a single currency, it can never become a seamless market like the United States.

Inspired by a French "yes", bargaining on a new world trade agreement is likely to resume fairly soon and possibly be finished by the end of the year.

● British Prime Minister John Major yesterday called a summit of EC leaders for next month to decide on how to proceed with EC co-operation following yesterday's poll. — Sapa-Reuter-AP.

# Major wants faults in ERM ironed out

STAN 21/9/92.  
LONDON — British Prime Minister John Major said on Friday it was necessary to address the "fault lines" in the European Exchange Rate Mechanism (ERM) before sterling could rejoin.

He said his government's priority remained the fight against inflation. "The ERM is one means of achieving that policy. When it works properly it is the best policy."

"We have seen fault lines in the ERM revealed over the past few days. We need to examine it, look at those fault lines and see how they can be cured and make sure that monetary policy is run in the interests of all the countries of Europe and not geared towards national interests in any individual country."

He said ratification of the Maastricht Treaty by Parliament was certainly not imminent after its reopening on October 19.

## Indications

The government would await indications of how Denmark, which rejected the treaty in a referendum in June, would proceed. The treaty has to be ratified by all 12 EC states.

He said there were provisions in Maastricht that were greatly of benefit to Britain, but avoided stating openly that he backed the treaty.

British interest rates are set to fall sharply in coming months as the government waves goodbye to the ERM and seeks to pull the country out of an economic rut, economists say.

Leading independent economists on Friday said Britain, stuck in the longest recession since the 1930s, may have entered a new period of falling rates because it was no longer bound to shadow high German interest rates in the ERM.

They said interest rates could fall by two percentage points to eight percent in coming months as Britain warmed to the taste of life outside Europe's currency club.

They believed the messy and bad-tempered slide out of the EC currency grid meant that Britain, which has long been ambivalent about membership, would quit the system for good.

"By the end of the year I think interest rates will be down to seven or eight percent," said Ruth Lea, chief economist at Mitsubishi Bank in London.

For the British economy, cheaper borrowing costs could at last pave the way to recovery. — Sapa-Reuter.

# Smoking 'minor pollution culprit'

By Shirley Woodgate

Smoking has little, if any, effect on absenteeism in the workplace, according to Gray Robertson, a visiting American expert on sick building syndrome.

Addressing the second South African Conference on Indoor Environmental Quality at Midrand on Friday, he set the cat among the pollution pigeons with claims that 80 percent of indoor problems were due not to passive smoking but to faulty operation and careless maintenance of ventilation systems.

Smoking carried the blame because it was visible, while major invisible factors responsible for sick building syndrome, such as fungal spores, low humidity, fibreglass and exhaust fumes, were largely ig-

nered, said Mr Robertson.

He clashed head-on with National Council Against Smoking's Dr Yussuf Saloojee, who labelled smoking the "commonest source of indoor air pollution in this country".

"Over 600 scientific studies have linked passive smoking with ill-health. Six expert international committees have reviewed these studies and concluded that passive smoking is a significant health concern — and have recommended policies to protect the non-smoker," argued Dr Saloojee.

Discussing indoor environmental quality (IEQ), local ventilation expert MB Aerobee said legislation on the subject was ambiguous, and that many regulations were not followed.

He warned of an increase in demands for compensation from owners whose buildings with poor IEQ affected the

health and productivity of occupants.

Reacting to claims by CSIR scientist MA Oosthuizen, Mr Robertson once more raised eyebrows with claims that a combination of plant, soil and micro-organisms was needed for the removal of indoor air pollutants.

He said tests had shown that, over a period of a year, there was no difference between offices with or without plants.

After Miss Oosthuizen admitted that up to 70 spider plants in 4 litre pots would be needed to purify the air from formaldehyde in a 167 sq m house, he said: "While plants have an undoubted psychological effect on indoor conditions, there is at this stage no proof that they improve the quality."

Another issue which attracted lively debate was the incidence of legionnaires' disease.

STAR 21/9/92



# Relief as French vote 'yes' in poll

European leaders breathed a sigh of relief over the results of yesterday's French vote ratifying the Maastricht treaty on European union.

Within minutes of the first computer projections showing a narrow majority in favour of approving the treaty, Italian Prime Minister Giuliano Amato said: "If the French electorate had not voted 'yes', the work of 40 years would probably have been undone — causing irreparable damage."

The premier, who has been pinning his hopes of stabilising the lira on a French "yes" vote, said Italy had in the last few days suffered blows that had initially made him doubt whether the country could still make it into Europe through the front door.

The Dutch government welcomed the results but expressed concern at the razor-thin majority for the "yes" vote. Deputy Foreign Minister Piet Dankert told Dutch TV he was happy with the result, adding: "But the feeling is sombre. The problem is that it is a very small majority, and does not get us in the clear."

"The concern is that the British will still have problems with getting Maastricht approved, the Danish as well," Mr Dankert said.

"I think the one big advan-

tage of this (referendum) is that it has brought public opinion to the fore for all of Europe. One of the problems up to now is that there has been very little involvement of public opinion."

Denmark, which rejected the Maastricht treaty last June, said a projected slim "yes" yesterday was likely to help its cause.

"I think it should now be easier for Denmark to obtain a special arrangement with the EC. The European landscape is totally different from what it was in early June," said Foreign Minister Uffe Ellemann-Jensen.

"The fact that the result in France seems to be so close, and that other countries are worried about the same things as we are, should mean they will listen to Denmark's case with greater understanding."

Austrian President Thomas Klestil called yesterday "a good day for Europe and for Austria's course" towards EC membership.

"The French vote brings Europe closer together in a great political and economic challenge and strengthens the weight of the Community in international affairs," Mr Kelstil said in a statement.

Portuguese Foreign Minister Joao de Deus Pinheiro welcomed the result but said the EC had to involve ordinary people more in its decision-making. — Sapa-Reuter.

STAR 21/9/92



56A

# French 'oui' by narrow margin

PARIS. — French voters narrowly approved the Maastricht Treaty in a cliffhanger referendum yesterday, putting European union back on track after weeks of uncertainty.

President Francois Mitterrand hailed the vote, estimated by computer projections at 51.5% in favour of European union, as one of the most important days in French history. "France has shown ... that

it is still capable of inspiring Europe, which is able from now on to equal the greatest powers on earth," he said in a television broadcast from the presidential palace.

Interior Minister Mr Paul Quilès said after more than half the votes had been counted that they confirmed computer projections that a majority of the 38.3 million electors had voted to ratify the treaty. The turnout was about 70%.

The result, hailed by German Chancellor Mr Helmut Kohl as a new boost for Europe, put ratification of European political, economic and monetary union back on track after a setback in June when Denmark voted "no".

European Commission chief Mr Jacques Delors, whose political future had depended on the outcome of the poll, voiced hopes that the referendum opened the way to ratification of the treaty by

all other EC states. But he admitted it had been close. The margin of French public support could be too small to appear convincing in other EC countries which have not yet ratified the treaty.

Growing opposition in Britain, fuelled by last week's currency crisis, means it is still not certain that the treaty providing for a single EC currency by 1999 and a common foreign and security policy

will come into force as planned on January 1, 1993.

Mr Mitterrand, who negotiated the treaty last December, indicated the French vote opened the way to European union and was a sign of hope for East European countries wanting to join the EC.

The French franc rose sharply against the German mark as soon as the first projections were broadcast. The

franc was trading around 3.40 to the mark, compared to 3.42 on Friday, dealers said.

In London, Prime Minister Mr John Major yesterday called a special summit meeting of the heads of European governments to deal with issues raised by the narrow French approval of the treaty.

Britain currently holds the EC presidency. — Sapa-Reuter, UPI

Set CT 21/9/92



# focus on Europe

**B**RUSSELS (BELGIUM) - French voters have apparently saved from death Europe's far-reaching plans for a political and economic union. But leaders of the European Community must still find a way to overcome doubts about unity.

The French government said voters narrowly approved the accord on Sunday. With that, France became only the fourth of the dozen EC nations to support the agreement, negotiated last December by the trading bloc's leaders in the Dutch town of Maastricht.

French approval was crucial. If France, a key architect of the treaty, rejected it, that would have been the end - at least for now - of the decades-old dream of European unity. Opponents waged a strong campaign, complaining that France would lose control of its economic and immigration policies.

The landmark agreement would bind the nations together through common foreign, security and defence policies and create a joint central bank and single currency by 1999.

All 12 nations must approve it for it to go into effect next year.

"We can breathe a deep sigh of relief," said veteran EC consultant Mr Stanley Crossick.

Despite the narrow margin, "any 'yes' is a 'yes'," said Mr Finn Laursen, professor at the European Institute of Public Administration in Maastricht. "It will allow the process to continue."

The French "yes" will likely bring some calm to the currency markets, which were roiled last week, partly by uncertainty about Europe's future.

The currency crisis, the worst since the European monetary system was founded in 1979, forced Britain and Italy to withdraw their money from the monetary grid.

The French, Danish and Irish currencies were under pressure at the end of last week, but the French vote may put off, at least temporarily, any further devaluations. But the turmoil has almost certainly caused long-term damage to plans for an economic and monetary union.

The British pound and the Italian lire, now out of the monetary grid, may not make the first wave of countries joining the monetary union. Their currencies would not be merged into the new European money.

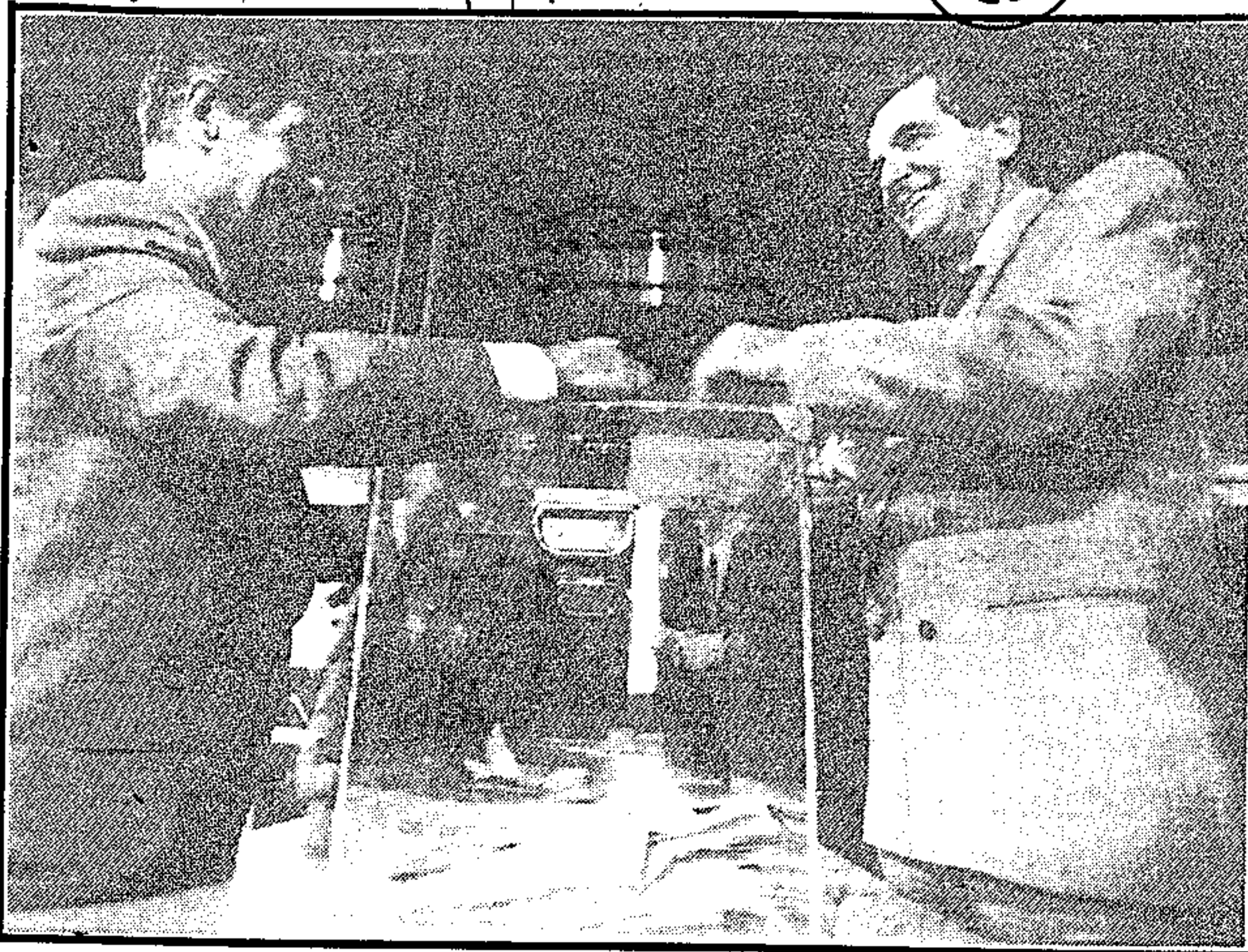
The EC's blueprint for a single market of 19 nations and 379 million consumers - a separate project from the Maastricht treaty - will be put in place on January 1. But without a single currency, it can never become a seamless market like the United States.

Inspired by a French "yes" bargaining on a new world trade agreement will likely be resumed fairly soon and possibly finished by year's end. France had refused - until after the

FOR decades the Europeans have dreamed of unity. The agreement to make this dream come true was signed at Maastricht last December. But a bitter campaign has been waged in Europe against realising a unified policy:

Sowetan 22/9/92

(56A)



**Former Defence Minister and mayor of Belfort, Jean-Pierre Chevenement (right), a militant of the No-vote, smiles as he casts his vote for the referendum on the Maastricht treaty for a united Europe. The treaty was approved by a narrow margin.**

referendum - to consider American demands for sharp cuts in European subsidies to farmers.

With French approval, the EC nations will now turn to finding a way to overcome Denmark's rejection in early June of the agreement. Danish voters were reluctant to give up some national sovereignty to a super-government. Danish Prime Minister Mr Poul Schlueter has said another referendum could be held on European unity in the first half of next year.

The vote, though, could not be on the same accord. Analysts expect the EC leaders to tuck on statements designed to ease Danish fears of creeping federalism.

British Prime Mr John Major also faces an uphill battle to win approval in Parliament. A bill to ratify the accord passed its key legislative stage in May, but was put on hold following Denmark's "no" vote.

Major, weakened by last week's currency crisis, must persuade some members of his own Conservative Party to support the accord. His

predecessor, Mrs Margaret Thatcher, has become a strident opponent.

Opposition in Germany, another promoter of European unity, has surfaced over plans to scrap that nation's powerful currency, the mark, for an unknown European money. But analysts expect Germany to fall in line.

The bitter campaigns against European unity in France and elsewhere, which caught politicians and bureaucrats by surprise, will have a lasting effect.

It may dampen enthusiasm for any future moves to unite the nations.

In addition, it will no doubt force officials to be more open about their decision making. Negotiated behind closed doors, the treaty was drawn up with little public debate and was hard to understand.

"Under no circumstances (can we) forget the lessons that have to be learned," Crossick said. "The people are rejecting a secretive bureaucratic process." - Sapa-AP.



# Edifice of unity already coming apart in number

56A

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**T**HE 250-page treaty agreed to by the 12 members of the European Community in Maastricht in December was the most radical and detailed move towards European union since the Treaty of Rome was first signed in 1957.

The treaty consists of three "pillars": economic and monetary union, a common foreign and security policy, and co-operation on police and judicial matters. If any of these collapsed, it was said, the "pediment" — the preamble, establishing a new European union — could not stay aloft. Each one of the pillars, however, as well as

the pediment, has cracks in it.

The preamble drafted by the Dutch government originally referred to a union "with a federal goal", but this was too much for Britain, which did not see federalism as a necessary or logical extension of the single market — the abolition of barriers to the free movement of goods, services and people — which is supposed to be in place by the end of this year. The pediment was amended to delete the word "federal" and substitute a vaguer commitment to "ever closer union".

The first pillar is the existing EC treaty, expanded and

The 250-page Maastricht treaty agreed to by the 12 members of the European Community is the most radical and detailed move towards European union since the Treaty of Rome was first signed in 1957. Resting upon three "pillars" of unity, it is already showing cracks.

amended. It gives the EC a new or greater role in subjects such as the environment, education, consumer protection, public health and pan-European networks (roads, computer links, power links and communications). At its heart are the provisions leading to a European central bank and a single currency by 1999 at the latest.

Britain reserved the right to

opt out of the final stage, however, and Denmark, which has already rejected the Maastricht treaty once, would have to hold a second referendum specifically on monetary union. Last week's crisis in the European Exchange Rate Mechanism (ERM) further emphasised the difficulty of moving towards common economic policies, let alone a single currency.

This pillar crystallised the suspicions of Margaret Thatcher when she was prime minister that Britain was about to surrender an unacceptable degree of sovereignty to bureaucrats in Brussels and politicians from other EC states. Mrs Thatcher demanded the right to opt out of decisions on social affairs. John Major had this written in at Maastricht.

The second pillar is the common foreign and security policy. The treaty seeks to improve on foreign policy co-operation by setting rules for joint action. Most decisions will be unanimous, including agreement that some decisions on implementing policy may be by a majority vote.

A future common European defence policy must be compat-

## of crucial areas

ible with Nato. The Western European Union, whose nine members are all in the EC, will be the basis of the community's defence arm, if members vote in 1996 to go ahead. But there are disagreements about how far this co-operation should go.

The final pillar covers co-operation on matters ranging from immigration and asylum policy to the fight against organised crime and drugs trafficking. It includes Europol, the embryo police intelligence agency. Germany and other "federalists" wanted this pillar and the second merged into a single EC treaty rather than

left to inter-governmental co-operation. They settled for the three-pillar arrangement in exchange for including provisions in the treaty to allow a gradual integration of these subjects into EC procedures.

If the structure were not shaky enough, two dozen protocols and declarations have been annexed to the treaty to accommodate national sensitivities on everything from Ireland's neutrality and constitutional ban on abortion to Denmark's refusal to allow foreigners (mainly Germans) to buy holiday homes on its soil. — The Independent News Service. □

# Currency markets in turmoil

By Neil Behrman

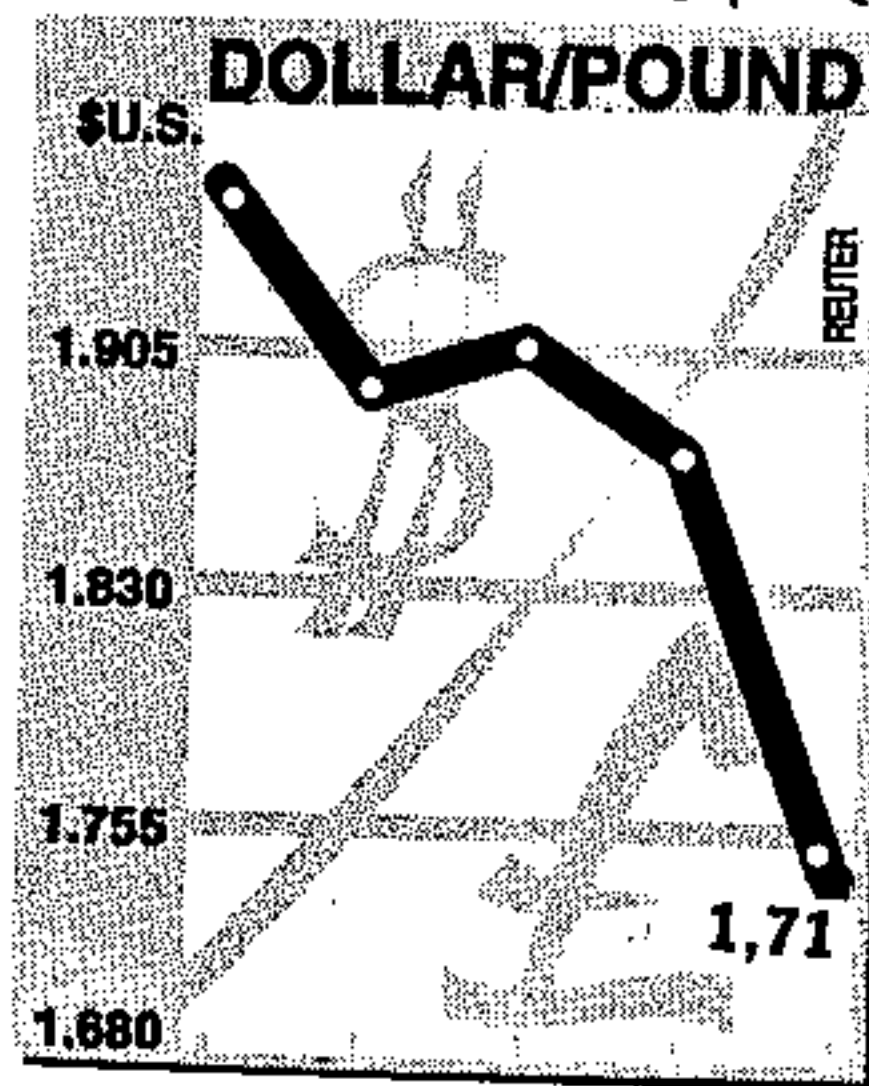
LONDON — Currency markets remained in turmoil yesterday following a slim French majority of 51 percent in favour of Europe's Maastricht Treaty.

Sterling plummeted against the mark after the referendum results and the French franc also weakened. The Italians decided to rescind last week's decision to put the lira back in the European Exchange Mechanism (ERM) today.

The slim majority in favour of Maastricht is expected to place even more pressure on John Major's beleaguered cabinet which must defend itself in parliament later this week.

Polls indicate that the overwhelming majority of British people favour a referendum and if there were a vote it would be against the treaty.

Mr Major has called a special meeting of European leaders to



discuss the problem. France has traditionally favoured a united Europe.

The most significant economic agreement at the summit held in Maastricht at the end of last year was that the 12 member states should meet strict economic goals of low inflation, limited budget deficits and uni-

form interest rates.

By the end of the decade, those member nations meeting these goals would be in a position to forge a single currency, managed by an independent European central bank.

Since weaker European countries such as Britain are suffering deep economic recessions, the timetable and inflexibility of Maastricht are worrying electorates.

In Britain, in particular, there is concern that the common voter has not been given a say and does not understand the implications of Maastricht.

Foreign exchange analysts say that the French vote was not decisive enough. While the yes vote may begin to ease the turmoil that shook the ERM, which links Europe's currencies, there is a question mark over European Community members' ability to move toward union.

# Major rethink over France's wafer-thin nod

Star 22/9/92

British Prime Minister John Major calls an extraordinary summit as Britain reconsiders its role in the quest for European unity.

(SLA) **B**RITAIN, as current EC president, signalled time-out in the march towards closer European union yesterday after paper-thin support for Maastricht in France and signs of growing British opposition.

Premier John Major called an extraordinary EC summit for early next month.

But in an article for the Evening Standard newspaper he said the European Community must not be paralysed by the fate of the Maastricht treaty, whose shock rejection by Denmark in its June referendum triggered a general rethink of where Europe is going.

"Now even the French have shown they have serious doubts about the extent of control from Brussels; serious concerns about the threat to their national identity," he said.

The French people on Sunday gave the treaty the narrowest of endorsements, with 51.05 per cent of voters backing it.

A senior British official said Mr Major wanted the summit to be held as soon as possible but had not yet fixed a date.

The meeting, expected to be in London, will concentrate on three issues that have shaken the Community to its roots:

- The turmoil in the money markets that has seen the suspension of the pound and the

Italian lira from the European Exchange Rate Mechanism.

- Concerns that have surfaced among the peoples of Europe about erosion of national identity and centralisation of power in Brussels that would follow as a consequence of the Maastricht treaty. This was a prime cause of Danish rejection.

Britain and the EC Commission are working on ways to ensure all decisions are taken at the lowest practical level.

- This issue is linked with the third: how to bring Denmark back on board.

Some sources have indicated that extra clauses might be considered, putting flesh on the "subsidiarity" idea.

Mr Major has begun intensive contacts to rebuild Community unity and set it back on course before the end of the British presidency in December. He spoke to Dutch and French leaders on Sunday and to German Chancellor Helmut Kohl yesterday morning. Although he still expressed his commitment to the treaty, he made clear its present problems of people wanting to maintain their national identities.

Britain last year negotiated the right to opt out of the Maastricht process for a single European currency. - Sapa-Reuter □



# UK interest rates expected to fall

STAR 22/9/92

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LONDON — British interest rates are set to fall sharply in coming months as the government waves goodbye to Europe's Exchange Rate Mechanism (ERM) and seeks to pull the country out of an economic rut, economists say.

Leading independent economists say Britain, stuck in the longest recession since the 1930s, may have entered a new period of falling rates because the country is no longer bound to shadow high German interest rates which dominate the ERM.

Interest rates could fall by two percentage points to eight percent in coming months as Britain warms to the taste of life outside

Europe's currency club.

They also believe the messy and bad-tempered slide out of the EC currency grid means that Britain, which has long been ambivalent about membership, will quit the system for good.

"By the end of the year I think interest rates will be down to seven or eight percent," said Ruth Lea, chief economist at Mitsubishi Bank in London.

For the British economy cheaper borrowing costs could at last pave the way for recovery.

Lower rates would breathe life into industry, boost consumer confidence and activity in the housing market and reduce the

burden of debt piled up in the late 1980s borrowing boom.

Many economists feared that Britain faced a prolonged slump within the confines of the ERM because domestic rates were effectively set by the mighty German Bundesbank.

Figures last week showed that British unemployment jumped in August to 2,81 million — its highest level for five years — meaning one in 10 British workers was out of work.

But there may be a heavy price to pay in the long term — higher inflation and a return to the stop-go economic cycle that

has bedevilled the economy for years.

"Lower rates may bring strong economic growth for the next couple of years but then we may be back to the old economic cycles," said Keith Skeoch, economist at brokers James Capel.

"The chance to move to stable prices has been thrown away for a generation," he said.

Britain joined the ERM in October 1990 to crush inflation, which then stood at 10,9 percent but has since fallen to 3,6 percent. Outside the ERM inflation may return, economists warn.— Sapa-Reuter.

### Unemployment static

SEASONALLY adjusted unemployment in the EC was 9,5% in July, unchanged from June, the European Commission's statistics agency Eurostat reported in Brussels yesterday.

REPORTS: Sapa-AFP-Reuter, AP-D.I.

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# Kohl heaves deep sigh of relief

Star 22/9/92

**I**T IS A 'yes' vote and that is all that counts." This hasty remark by a senior German government official when he learnt of the narrow pro-Maastricht outcome of the French referendum underlined the desperation in Bonn to salvage everything possible from the treaties on European union.

No West European politician has invested so much political credibility in Maastricht and a united Europe as Helmut Kohl. In trying to limit the disarray in pro-integrationist forces, Mr Kohl is not just defending a passionately held ideal, but trying to secure an essential element of a powerful, united Germany.

The oft-repeated phrase that German unification and European union are two sides of the same coin is not a mere slogan for Mr Kohl but an expression of his conviction that the Maastricht road is crucial for ensuring a secure and stable place for the new Germany in a stable European Community.

A failure to grasp this historic opportunity, he argues, will paralyse the European idea for 20 years, giving free rein to the revitalised spirits of nationalism and intra-European competition. For Mr Kohl, determined to see Germany anchored in a strong European structure, this is the horror scenario.

For this reason he is determined to act quickly, building on the tiny advantage offered by Sunday's French vote. Catastrophe has been averted, and in the chancellor's eyes European leaders must to do everything to swing their uncertain populations behind them.

Mr Kohl wants a European summit as soon as possible. He wants to go ahead with the first ratification reading of the Maastricht treaties in the Bonn parliament on October 7, and

The German government was very quick to welcome the result of the French referendum on European unity. But Chancellor Helmut Kohl faces an uphill battle in his own country.

will be urging his partners, such as British Prime Minister John Major, to press on too.

The Chancellery in Bonn wants to combat the impression that Maastricht is dead — something that can succeed only with a speedy, co-ordinated counter-offensive against the sceptics. "The European train is driving on," was the reaction of Foreign Minister Klaus Kinkel to the French referendum.

Germany is poised to launch a national pro-European campaign because Mr Kohl is waging an uphill struggle against a strong tide of criticism towards Europe. The latest opinion poll shows Germans divided, with 46 percent supporting Maastricht, 41 percent against and 13 percent undecided.

The cause of this dramatic swing in German opinion over the past nine months from a previous position of overwhelming, unquestioning support for European integration is two-fold: there is a general reaction against Brussels and European centralism, reinforced by a specific antipathy to giving up the German mark for a common European currency.

It is widely felt that at Maastricht, Chancellor Kohl signed away Germany's "finest piece" for very little in return. Some 70 percent of the population refuse to accept a Euro currency, a sentiment strengthened by the recent chaos in the European

currency markets.

These worries are being exploited by a small but growing group of politicians calling for a Maastricht referendum in Germany as well. They believe it would turn into a pro-mark and anti-Kohl vote. The government is resisting such calls, which are likely to grow stronger.

But this defensiveness around the German mark has made one thing clear for Mr Kohl — there can be no question of renegotiating the treaty on economic union. It either stands as it is or collapses. "I am not prepared to reopen discussions on what has been achieved. I simply could not explain that to the German people," said Finance Minister Theo Waigel shortly before the French vote. — The Independent News Service. □



# US pressed to raise rates

WASHINGTON — World financial leaders pressed the US yesterday to raise its interest rates to help quell turbulence on currency markets rocked by a week of uncertainty over European unity.

Leaders gathering for the annual meeting of the 170-nation International Monetary Fund (IMF) and World Bank were breathing easier after the French narrowly approved a European unity treaty.

However, the IMF's policy-making interim committee said more was needed to bring long-term stability.

It said: "Key countries need to co-operate closely in... facilitating a narrowing of interest-rate differentials."

The US and Britain have been pressing Germany to cut its interest rates, but Spanish Economics Minister Carlos Solchaga, the chairman of the interim

STAN 22/9/92  
committee, said US rates should rise, too.

"What is clear... is part of the problem... comes from the fact that interest rates in Germany are too high and interest rates in the US are too low," said Mr Solchaga, whose own currency (the peseta) was battered during last week's market crisis.

"I hope and think that in the future this interest rate differential will be reduced."

The US Federal Reserve Board (central bank) has been cutting rates for three years in an effort to foster a sustained recovery from the recession.

But the US economy remains nearly stagnant and government officials, seeking to bolster the re-election chances of President George Bush, have continued to press the central bank to consider further rate

cuts.

Many private analysts expect another interest rate reduction as early as October, particularly if the US unemployment rate takes a turn for the worse.

Michel Camdessus, managing director of the IMF, said it was up to the Federal Reserve Board to determine when the US economy was strong enough to raise rates, but said it should then do so quickly.

"We would recommend the Federal Reserve be prompt to accompany the recovery with moderate and corrective increases of interest rates as soon as recovery gains momentum," he said.

The treaty approved by the French on Sunday is designed to unite the 12-nation European Community in economic, foreign and defense policies and a single currency by 1999. — Sapa-AP.

YES means yes. The pulse is faint, but there. No matter how narrow the outcome, Maastricht is clinically alive. Or at least, to use a metaphor appropriate to a treaty which has already had one stake plunged through its heart, undead.

With its paper-fine "oui", France becomes the seventh country to ratify; more than half the EC has said yes. Germany, Belgium and Spain, where they do not trouble to ask the population what they think, should have no difficulty following suit.

Two countries, however, present serious political difficulties: Britain and Denmark. The Danes have said "no". In Britain, parliament has yet to approve a treaty which, in the eyes of MPs, is badly damaged, if not discredited. They may ask: was it not, regardless of France, nullified by Denmark on June 2?

It has come within an ace of being murdered by France, the country which has had the most formative influence on the EC and Maastricht. It has triggered a pan-European revolt against the over-mighty Brussels bureaucrats.

Above all, its provisions for European Monetary Union (EMU), based as they are on the Exchange Rate Mechanism (ERM), look lacerated by the events of the past week.

Largely as a result of last week's events, British Prime Minister John

# EC's pulse faint, but beating

5/22/92

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Major's chances of getting the Maastricht Bill through the House of Commons must be at best 50-50. Some say less. Since a failure would bring down the government, it is clearly not worth the risk.

That said, Major and Foreign Secretary Douglas Hurd cannot, and will not, want to shirk ratification; as ever, they cannot afford to have Britain perceived as the sole obstacle to European unity. They will stick by their words that Maastricht was a good treaty last December and is still a good treaty; the blood of Maastricht must not be on their hands.

Given these considerations, one can expect London to play a reasonably long hand. Britain will renew time-honoured formulas about the "Danish problem"; that British ratification depends on the Danes producing a plausible plan of their own.

The spotlight now swings back to Copenhagen, where the government faces a requirement to undo the damage done in Denmark's referendum, when the treaty was rejected by a majority of 23 000 votes.

There is no other way forward. According to regulations, the treaty

than on June 2, Schlueter knows that a referendum on this basis is risky.

Renegotiation, the second option, is unacceptable to the other EC countries. They fear it would immediately provoke demands for changes from other countries, notably Germany. Since Maastricht was signed in December 1991, Germans have woken with a vengeance to the consequences of EMU. In the currency crisis last week, Germany's popular Press drooled over the new "beautiful, strong" Deutschmark.

EC officials say Germans are less likely than ever to want to give up the Deutschmark for a European currency.

Denmark would not readily steer its partners towards the second option. Yet if Schlueter is forced to hold a referendum on the basis of an unchanged treaty, and loses, it would force a renegotiation.

Britain would then face internal pressure to follow suit. There would be a delay, which would at first be to Britain's advantage; there would be no need for precipitate action.

But the strategy risks renewed accusations, mainly from Eurosceptics, that the British government is permitting the country's constitutional future to be dictated by the whims of 5-million Danes.

Britain would also face massive pressure from other countries to ratify before Denmark, for they hope to present the Danish people, at their second referendum, with the affirmation of 11 out of 12 ratifications.

At some point, therefore, the nettle would have to be grasped. The British government must assume that current backbench feeling over the ERM and Europe is likely to abate. Once MPs wake up to the alternatives, such as the danger of France and Germany setting the pace in Europe, some of the recent polemical attitudes may be dropped.

Of course it would be pleasant to imagine that the EC would use these chastening times to forge a more congenial, more democratic treaty. But that is not the real world. Europe's leaders see a choice between Maastricht and a period of serious and frightening turmoil.

Given that, for Britain, the treaty's most noxious elements have been purged, London will find it has little choice but to proceed — with caution. — Daily Telegraph.



# Currency tensions expected to persist

BIDM 22/9/92  
PARIS — France's approval of the Maastricht treaty should banish any thoughts about the break-up of Europe's exchange rate mechanism (ERM), but the slender margin of victory in Sunday's referendum means that currency strains will endure.

Economists said the half-hearted endorsement of the treaty would invite foreign exchange markets to keep hounding the currencies seen as most vulnerable to a faltering in the drive toward economic and monetary union.

The French franc should not come under immediate attack, but the peseta, Irish punt and Danish crown will all be potential targets.

The ERM, which links the currencies of all 12 EC states except Greece in a semi-fixed grid, last week suffered the deepest crisis since it was set up in 1979.

The Italian lira was devalued by 7% on September 13 and was then withdrawn from the grid at the same time as the pound later in the week when selling pressure failed to abate. The Spanish peseta was devalued by 5%.

EC finance ministers, meeting in Washington, said on Sunday the result of the referendum, in which about 51% voted for the treaty, would ease strains.

But it was hard to find an ERM-watcher who agreed with this view.

William Ledward of Nomura Research Institute said the markets sensed after last week's run on the pound and the lira that the Bundesbank, though it recently spent DM60bn in intervention, was not prepared to offer unlimited support for beleaguered ERM currencies it believed should be devalued.

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"The tensions are going to persist until the Bundesbank makes it clear that it is happy with the present structure of exchange rates," Ledward said.

At that point the German central bank could announce that it intended to create unlimited amounts of marks to support the ERM. The upshot would be a cluster of hard currencies, based on the mark, that would be locked very tightly together, with fluctuations kept to a minimum.

Other countries would then have to wait until their economies were strong enough to join this group of currencies, meaning there would be a two-speed path to monetary union, Ledward said.

Jim O'Neill of Swiss Bank Corp said he expected the narrow referendum victory to lead to fresh demand for the German mark, which investors know they can trust in times of uncertainty.

O'Neill said finance ministers and central bank governors had been one step behind the markets throughout the crisis.

"Until policy makers come up with something that is ahead of market expectations, they're not going to stabilise currencies. The markets are smelling blood and this (the referendum result) is not going to change it."

Among the hypothetical solutions would be a significant reshuffle of ERM currencies based on a revaluation of the mark and the guilder or a deep cut in Bundesbank interest rates.

Judging by the public positions of France and Germany, neither measure seems to be on the cards. But if speculative pressures remain intense, policy-makers may yet be forced to view the proposals sympathetically. — Sapa-Reuter.



# Poor timing by poor nations

WASHINGTON — Monetary turmoil of world proportions and a French vote on European unification are hitting poor nations on two fronts.

On the one hand, the currency debacle that has left the European Monetary System in shreds is undermining developing nations in their efforts to overcome poverty, famine and debt crises.

On the other, Sunday's vote in France on European unification took centre stage at the International Monetary Fund-World Bank annual meeting in Washington, muffling the poor nations' calls for attention to their plight.

"Turmoil in industrial countries is devaluing our assets," Mohamad Imady of Syria, the first chairman of the Group of 24 developing countries (G24), told a weekend press conference.

"It is affecting the terms of trade," he complained.

The plight of the Third World

was to be pressed further forward yesterday at a meeting of the development committee, a grouping that brings together 22 poor and rich countries.

Their problems are many. First and foremost, a drought-related famine is wreaking havoc in East Africa.

In Somalia alone, two million people could starve to death unless they get urgent international help.

The G24 urged Western nations to "provide adequate financial flows to... improve their prospects for sustainable growth, poverty reduction, environmental protection, and the resolution of the debt crisis."

Officials voiced concern that the fallout from the crisis — weaker currencies and tighter budgets in Europe — would end up in cutbacks in aid for the world's poor.

The developing world is also concerned that their needs will

be shunted aside in the rush by rich nations to help Russia and the other former members of the Soviet bloc.

The French yes to Maastricht might return some calm to the markets and eventually translate into renewed attention to Third World problems.

But the vote took place during the IMF-World Bank conference, robbing poor nations of a prime chance to publicise their cause.

"This is all we needed," said a Latin American official, referring to the combination of a monetary crisis and a vote in France.

"This is the wrong place and the wrong time to come to ask for help," he said.

Still, and just in case anyone was hearing, the G24 asked industrial nations for "substantial debt cancellation and provision of adequate new financing... to deal effectively with the inter-related problems of growth and debt." — Sapa-Reuter.



Say oui . . . the headlines of the London morning newspapers yesterday, announcing the result of the French referendum on the Maastricht treaty. Picture: AFP

# Britain at centre of row over Maastricht deadline

STAR 22/9/92 (SLA)

NEW YORK — A row broke out at a European Community foreign minister's meeting yesterday with Dutch officials accusing Britain of misrepresenting EC views on the Maastricht treaty, and of seeking to slow down the process of European union.

Britain, which holds the EC's rotating presidency, rejected the charges but said it was not willing to be drawn into setting deadlines for the final ratification of the treaty.

"The whole communique was not accepted, the language was too vague," a Dutch foreign ministry official told reporters during a recess at a EC foreign minister's meeting at the UN General Assembly.

British Foreign Secretary Douglas Hurd drew up an initial communique, but both British and Dutch officials said it had been rejected as too long-winded.

Dutch officials said the British were also stalling on the timetable for ratification of the treaty which he said should be done "as soon as possible".

Other EC countries have requested an end-of-year deadline for ratification of the Maastricht treaty, which calls for European monetary union and a European central bank.

But a British Foreign Office official rejected talk of deadlines. "We're not into deadlines," the official said.

The British official also indicated that London was waiting for clarification of Denmark's intentions on how it would solve the problem caused by Danish voters' rejection of the treaty on European union.

He said that October 16

was the likely date for a special EC summit in London to discuss how European unity should proceed. Other sources said the October 16 date was now firm.

The foreign ministers from all 12 EC states met for nearly two hours to discuss how to pump new life into the cause of European union after a razor-thin victory for the "yes" camp in Sunday's French referendum on the Maastricht treaty.

The treaty had been scheduled to come into force on January 1 next year. — Sapa-Reuter.



# No end to jitters on currency markets

57am 23/9/92 (56A)

LONDON — News of a strong rise in German money supply sent fresh jitters through currency markets yesterday, prompting France to deny rumours that Europe's system of semi-fixed exchange rates was about to be suspended.

The Bundesbank's announcement that M3 money supply, a barometer of future inflation, rose an unexpectedly strong annual nine percent in August after 8.5 per cent in July, dashed hopes of an early cut in German interest rates.

The money supply data dragged down weaker European currencies and sent new shock waves through Europe's shaky Exchange Rate Mechanism (ERM), already strained by high German interest rates and the strong mark.

A spokesman for the French finance ministry in Paris had to deny rumours that the ERM might be suspended.

The central banks of Spain, France, Ireland and the Nether-

lands intervened in currency markets to hold the ERM together as the peseta came under attack and the Irish punt and Danish crown hit their ERM floors against the mark.

The French franc, generally regarded as a sound currency, drifted dangerously near to its ERM floor of Dm3,4305.

Currencies won some breathing space after German Finance Minister Theo Waigel said in Washington that he did not expect a near-term revaluation of the mark.

Earlier, Britain lowered interest rates by one percentage point to nine percent in an attempt to haul Britain out of its longest recession since World War Two.

The move had been widely expected after the pound dropped out of the ERM, freeing Britain of its commitment to keep interest rates high to defend the currency.

The news caused barely a ripple on currency or share markets. — Sapa-Reuter.



# Danes to vote on EC treaty again

(SBA) CT 23 | 09 | 92

COPENHAGEN. — Denmark will hold a second referendum on the Maastricht treaty, in mid-1993, Prime Minister Mr Poul Schlueter said yesterday.

Terms of the treaty require that each European Community (EC) member ratify it. The Danes rejected it in June, threatening the unification process.

Mr Schlueter said Denmark did not want to be tied to a single European currency.

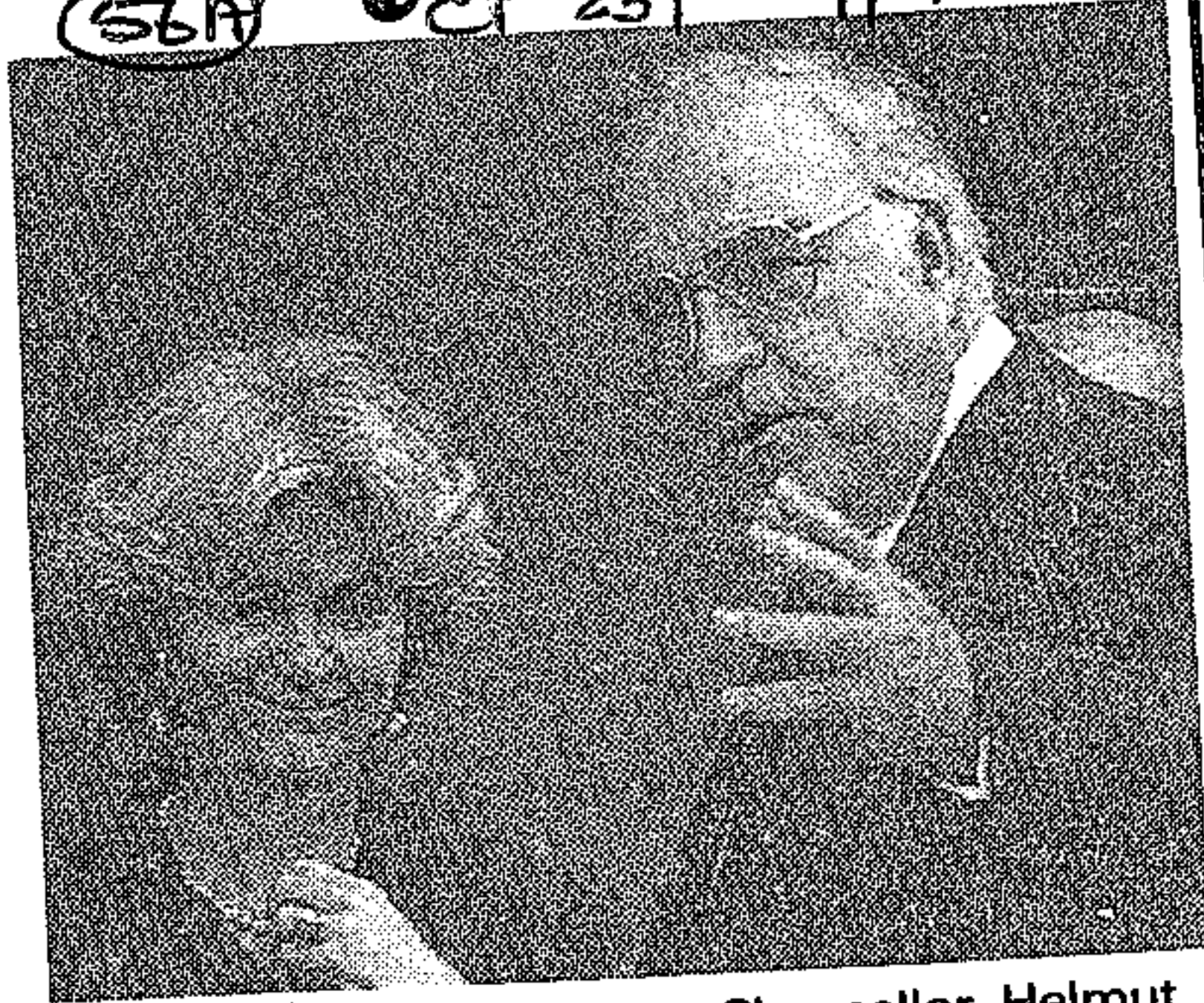
The treaty includes a timetable calling for it to begin going into effect by January, 1993.

Denmark will take over the EC presidency from Britain at the same time, and Mr Schlueter's comments were a clear indication that he expects the process to be delayed.

British Prime Minister Mr John Major has already said he thinks the ratification process should be delayed until the Danish problem is solved.

● In Bonn, Chancellor Helmut Kohl's coalition re-affirmed plans yesterday to ratify the Maastricht treaty by year's end.

Mr Kohl left Paris yesterday after talks with French President Francois Mitterrand on ways to pull the EC out



**EMPHATIC** ... German Chancellor Helmut Kohl talks to an interpreter on his arrival at the Elysée Palace yesterday for a meeting with French President Francois Mitterrand. Picture: AP

of a monetary and political crisis after France's narrow "yes" to the Maastricht treaty. No statement was issued after the talks.

Meanwhile an opinion poll released yesterday showed that only 32% of Germans were in favour of the political integration of Europe.

● In New York, a meeting of EC foreign ministers on Monday pledged to go ahead with the Maastricht treaty, but papered over crucial differences on when to ratify the pact.

● UK cuts interest rates — Page 10

## EUROPE

# Tories divided by

# Maastricht treaty

LONDON — British Prime Minister John Major is battling to patch up divisions within his Conservative Party over policy on Europe and the recession-hit economy.

Conservative Eurosceptics, led by his predecessor Margaret Thatcher, have stepped up their campaign against the Maastricht treaty since Sunday's knife-edge French "yes" to the accord on closer European political and economic union.

"It seems to me that Maastricht is like that famous dead parrot," former minister Lord Tebbit said on Monday, warning Major that the treaty could tear the party apart.

"They may try to nail it onto the perch again, but nobody will believe that it is still alive."

Major tried to stamp his authority on the fierce debate over Maastricht by calling an extraordinary EC summit for early next month.

"All of Europe's governments need to reflect hard on the lessons of the last weeks and months and on the future direction of the community," he said.

But in an article for the Evening Standard newspaper he said the EC must not be paralysed by the fate of Maastricht, whose shock rejection by Denmark in its June referendum triggered a general rethink of where Europe is going.

"Now even the French have shown they have serious doubts about the extent of control from Brussels, serious concerns about the threat to their national identity," he said.

Former prime minister Sir Edward Heath, who took Britain into the EC, stoked the debate within the Conservative Party by saying he thought there was a leadership vacuum. He warned the Eurosceptics that they would "find we are fighting hard and will not throw away the work of 40 years".

Asked if there was a leadership vacuum, he said: "I think there is. I am sorry to have to say it. Many of us have kept quiet in these past months."

The government has ruled out a referendum on Maastricht but is in no hurry to ratify it. Conservative grassroots sentiment will be sounded out at the party's conference on October 6.

The stunning and ignominious withdrawal of the pound from Europe's exchange rate mechanism (ERM) last Wednesday effectively ripped up British economic policy. Since then, the pound has had to run the gauntlet on world money markets and the government has not been able to halt its slide. Eurosceptics say Britain should now go it alone, while pro-Europeans argue the country is in danger of missing the train if it does not rejoin the ERM and rejects Maastricht. — Sapa-Reuter.

## EC scrutinises currency grid

WASHINGTON — Surveying the wreckage of their currency system after a week of turmoil, shell-shocked European officials are pondering what went wrong and if anything can be done about it. *Blom 23/9/92*

"The EC governments must draw some lessons from this," European Economy Commissioner Henning Christophersen told reporters at the IMF and World Bank meeting.

Bleary-eyed EC officials worry that some of the apparent flaws in the exchange rate mechanism (ERM) may be impossible to fix.

Central bankers accustomed to manipulating interest rates or buying and selling currencies to protect their own money found that substantial rate rises and billions of dollars had no lasting effect. Speculators preyed on the pound and lira, overwhelming efforts to prevent a devaluation.

This left Italy and Britain with the impossible choice of raising rates to something close to the 500% Sweden used to defend the crown or giving up.

Germany's Bundesbank disclosed it spent about DM60bn in a vain attempt to prop up the system's weak currencies last week.

Britain says it will not return the pound to the system until the burden of intervening to prop up weak currencies falls more on the stronger currencies' central banks.

French and British officials put much of the blame for the currency explosion on Germany's Bundesbank, which maintained high interest rates to squelch the inflationary pressure caused by its rapid unification with former East Germany. Other European countries were caught in a juggling act between keeping their rates high to attract capital and defend currencies or lowering interest rates enough to boost the weaker economies.

But Germany says the EC policy of clinging to the same currency parities for six years while economic performance among the members was drifting apart, was bound to lead to an explosion. — Sapa-Reuter.

## Delors, Dumas oppose renegotiation

NEW YORK — European Commission president Jacques Delors and French Foreign Minister Roland Dumas have opposed renegotiating the Maastricht treaty after France's narrow approval in Sunday's referendum.

Asked if the close French vote for the Maastricht treaty meant the pact should be renegotiated, Delors said: "If you try to rewrite it you open a Pandora's box and it is finished."

Dumas said most EC member states did not want to renegotiate the treaty.

He said after an EC foreign ministers' meeting at the UN that future European construction should take more account of peoples' doubts expressed by the large number of French who voted "no".

But he said this should not be taken to mean that the treaty itself should be renegotiated. — Sapa-Reuter.

Denmark to



Stanley Uys reports from London as the Maastricht shock waves spread

# Anger over muggers who stalk ailing sterling

SMC 24/9/92.

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If you read further, you will come across the word Maastricht. Don't be alarmed.

I have no intention of discussing the rights and wrongs of that 250-page treaty, which I have not read (nor, I suspect, have you, except for the few who are professionally committed to do so).

You must be saturated with Maastricht. But there are a few points that need to be made.

One is the havoc the events of the past fortnight have caused in British politics. The Chancellor, Norman Lamont, is dead in the water. He may hold on for a few months, even until next year some say, but he is doomed.

John Major himself is irreparably damaged. Margaret Thatcher's former press secretary Bernard Ingham believes that while Mr Lamont will eventually be thrown to the mob ("that's what chancellors are for after devaluation"), Mr Major's departure

should precede Mr Lamont's.

The usually loyal Daily Telegraph agrees: "After a political catastrophe of these dimensions," it said, "the custodians of the responsible government must go."

Mr Major, of course, will not resign as Prime Minister, even though his personal popularity is at an all-time low (74 percent of Britishers polled express unhappiness over the way the government is running the country).

But the path ahead is a tortuous one and the Conservative Party will be unforgiving if Mr Major makes another blunder.

His only comfort is that the Labour Party is just as divided over Maastricht as his own party is.

But how much consolation is this really if your own Cabinet is divided now over when to return to Maastricht, if ever, when the Euro-sceptics in your party are growing in number, and when pressure is growing for a referen-

dum to be held on Maastricht?

The Danes and French held their referendum, the latest opinion poll in Germany shows 44 percent supporting Maastricht and 40 percent opposing it — so why can't Britain have a referendum?

A weekend poll here showed a 47-24 percent majority against Maastricht, with 29 percent undecided, while another poll showed 59 percent against re-entry to the Exchange Rate Mechanism.

Britain will not get a referendum, for the simple reason that neither the Conservatives nor Labour want it — it would tear their parties open.

Another aspect of the Maastricht fiasco that needs comment is the morality of foreign exchange dealing: the young men, mostly in their 20's (these action junkies usually burn out by 30), who make vast profits for banks and other institutions just by buying and selling currencies. In Lon-

don, which accounts for a third of the global currency market (next to New York and Tokyo), there are 400 trading rooms churning currencies around.

About £100 billion (£500 billion) — a sum equal to a fifth of British gross domestic product — is traded on an average day, and vastly more in moments of turmoil. Only about 10 percent of that is accounted for by genuine trade, exchanging money for imports and exports.

There has been talk about the unacceptable face of capitalism. Savage things are being said about shirt-sleeved, perspiring predators, white-collar muggers who circle the ailing wildebeest that is sterling, or pick off the weakest currency.

A financial writer noted: "No government has the sort of money you need to take on these boys if they decide to go for sterling." The Bank of England threw

£10 billion at sterling without avail. Central banks cannot alter the balance of demand and supply. If you added all their reserves together, it would not equal one day's turnover in the foreign exchange market.

There is talk that foreign currency dealings must be urgently regulated, although other economists think the traders did Britain a service by forcing devaluation of the pound. One said it was difficult to decide whether to arrest them or give them a Nobel prize, while Mrs Thatcher's former adviser, Sir Alan Walters, asked: "Crisis? What crisis? Give three cheers for the money changers."

The final point I want to make is the way the row over Maastricht has caused nationalist sentiment to flare up in Europe. Anti-German feeling in Britain is to be seen to be believed, and the French are not all that popular either. We're back to the Hun and

the Frog. Meanwhile, the French, and others, have been talking about German demons. There is no question that the Bundesbank helped to pull the rug from under sterling. The debate really is on whether it was being a bully, or just exposing the reality of sterling's weakness.

How Europe gets itself out of this mess is still to be seen. It was a great ideal, bringing 12 countries together (with others to follow) to create an economic union that could match the US and Japanese blocs, and at the same time dispel the threat of war once and for all in Europe.

The core of this ideal no doubt will survive, otherwise a dangerous vacuum will arise in Europe. But what an example this fiasco sets for Eastern Europe, which looks to the European Community as its lode star. Rejection of the Maastricht Treaty by Denmark on June 2 was indeed a fateful day. □



# Economic gurus left puzzled by currency chaos

WASHINGTON — Economic policymakers wound up a week of tense meetings yesterday with more questions than answers about what ails the world economy and how to manage unruly currency markets.

Two weeks of unrelenting, costly chaos in world currency markets have left officials attending the annual meeting of the IMF and World Bank shaking their heads at the damage.

The European Monetary System was unraveling when officials gathered last week, and few believe conditions will have altered substantially when they bid each other farewell.

Likely to be left unresolved will be the questions of how to boost the world economy, which is experiencing one of its weakest years since the Second World War, and how to manage destructive currency markets.

US Treasury Secretary Nicholas Brady voiced financial leaders' growing agitation and helplessness in a speech on Wednesday.

"Capital markets have grown dramatically in size and complexity ... well beyond the resources governments can bring to bear (to control them)," he said.

Brady also called for coordinated efforts to get the global economy rolling again.

The US has been calling on Germany for more than a year to cut interest rates to boost sagging European growth, and it finally made a small adjustment downward early last week. Dealers say further cuts are necessary.

If the events of the last week had not been so gruelling they might almost have been comic, as things went from bad to worse despite all-out efforts to get the markets back in line.

The stage was set when the ministers arrived, as speculators last week succeeded in driving both sterling and the Italian lira out of the EMS.

The French franc and the Spanish peseta were next to come under attack. By late Wednesday, Germany and France had kept the EMS pinned together, as Bonn intervened to support the franc and France raised its chief lending rate to banks to 13% from 10.5%.

But a long-term solution to the unflamed markets still appeared elusive.

Responding to the increasing unruliness of the markets and the growing power of speculators over a currency's fate, Brady called for a new study of how the markets work — the second US proposal in less than a week in response to the currency havoc. — Reuter.

## Call for less currency control

WASHINGTON — World Bank president Lewis Preston yesterday urged the industrialised nations to address key fundamental weaknesses rather than seek out stop-gap measures to address the turmoil in foreign exchange markets.

Preston, speaking to reporters at the end of the joint annual meeting of the IMF and World Bank, emphasised that the US and Germany should reduce their reliance on monetary measures in managing the economy and expend more energy on dealing with their fiscal constraints.

The World Bank chief also urged the EC to avoid implementing currency controls, a comment that followed news from Europe that Spain and Ireland had moved to implement certain controls in an apparent bid to stabilise their currencies.

"I certainly hope the response will not be controls," Preston said. "That would be treating the symptoms and not the disease." *BIDAY 2579192*

Turning to the key issues among the G-7 nations, Preston stressed that "the over-reliance on monetary policy is just not going to work".

Preston noted that interest rates remained a central bank's primary management tool. But he said when interest rates formed the predominant method of economic management, then "no system is going to function smoothly".

Preston added the G-7 had been slow to address key fundamental issues, including opening world markets through negotiations in the Uruguay round of the GATT.

"Obviously it's troubling; troubling to any thoughtful person that these delays in the GATT round and in getting these fiscal deficits under control have taken so long. But that is one of the problems of being rich," he said. *(57A)*

Preston noted that "self-interest" was likely to be the impetus for industrial countries to implement reforms. But he added that generally he found a keen interest among all nations at the annual meeting, including the major industrial powers, in improving policy co-ordination to help foster world economic growth.

"I think the response from virtually every minister that I've talked to is the realisation that there hasn't been sufficient co-ordination and that it is in everybody's interest to work in a constructive way," Preston said.

The US has urged greater co-ordination among the world's industrialised nations, including a proposal by Treasury Secretary Nicholas Brady to conduct a study on the changes in the depth and scope of the world's financial markets to determine what appropriate remedies and interventions might be needed. — AP-DJ.

# Major voices doubts about ERM's future

B1DAm 25/9/92 (46) (56A)

LONDON — Prime Minister John Major told an emergency session of parliament yesterday that Britain could not re-enter the European exchange rate mechanism (ERM) until it was reformed — and he did not expect that to happen soon.

"We will examine carefully whether a reformed mechanism can be made to work," said Major, fighting to restore credibility to his economic policies after last week's humiliating withdrawal of the pound from the ERM.

"But I do not believe that we shall be able to go back into the mechanism soon or into the same mechanism we left last week," Major told a packed and raucous House of Commons, which he had recalled from summer recess.

Major restated his government's top priority of bringing inflation down and keeping it there, and expressed strong support for his embattled Chancellor of the Exchequer Norman Lamont, under pressure to resign after last week's debacle.

"Our ambition to bring inflation down steadily but surely ... remains our strategy," he said.

The prime minister blamed speculators in the currency market for sterling's withdrawal from the ERM last Wednesday. He said the pound had come under an attack "the size and scale we have not seen for a quarter of a century".

He said also the emergency summit of the 12 EC leaders would be held on October 16 in Birmingham.

Britain, which holds the rotating presidency of the EC, called the one-day summit after last week's turbulence on foreign exchange markets which saw the British pound and Italian lira pulling out of the European exchange rate mechanism.

Meanwhile, it is reported from Paris that the French franc held steady under an iron German shield yesterday, and a senior

French government official said the worst crisis in the European monetary system's 13-year history might be ebbing.

Bankers and government officials said currency speculators were licking their wounds and taking stock after Wednesday's Franco-German move to defend the franc-mark exchange rate. But French and German officials dismissed reports in two newspapers that Paris and Bonn were planning a shotgun merger of their currencies ahead of the single European currency proposed in the Maastricht Treaty.

The franc strengthened to 3,4045 to the mark from 3,4140 on Wednesday in much quieter trading, dealers said.

"The markets are gradually realising how big an obstacle they face," said a well-placed French government official. "We arranged all the means we needed to resist the run on the franc."

The Franco-German political alliance as well as the survival of the European currency grid were at stake, he said.

With apparently unlimited political backing from Bonn and monetary support from the Bundesbank, France was able to hold its key interest rate, the intervention rate, which determines commercial banks' base rates, at 9.6% yesterday.

But economists and dealers said it was too early to conclude that the attack on the franc was over.

In another development European Commission vice-president Sir Leon Brittan said in Brussels blame-laying had to stop before it killed plans for a unified Europe.

"The coherence of the community is at stake," he said.

"The doubt now surrounding the Maastricht treaty has cast a shadow over all the community's institutions," he said. "Recrimination fills the air."

"It is time to stop mutual recrimination and abandon the search for scapegoats," he said. — Sapa-Reuter-AP.

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LEADERSHIP AND DEMOCRACY

FM 25/9/92

# The ship of fools sails tonight

**Have you** noticed how — despite all our leaders piling on the rhetoric for democracy — we are becoming seriously undemocratic? On a range of issues, from the call for a general amnesty to the abolition of by-elections, the Nationalists propose major legal changes remote from any mandate they received in the referendum. The ANC speaks the language of power, not conciliation.

Between the two, they are impeding a settlement, and scare foreign investors stiff. The press clutches at straws, such as a possible summit between ANC president Nelson Mandela and President F W de Klerk on violence, but both seem intent on entrenching inflexible positions which predate the sweet talk of the Codesa exercise.

Law & Order Minister Hernus Kriel's announcement of a police investigation into crimes committed by ANC and SACP leaders radically contradicts the entire spirit of the indemnity process which allowed these leaders to return home to talk about a new constitution.

The investigation can only proceed now, he disingenuously argues, because the ANC men have returned to SA. In fact, their misdeeds have all already been considered in terms of the indemnities they have been granted; so the timing of the latest probe is extremely suspect.

We may not like what the ANC men stand for — or what they have done — but the matter hardly deserves to be whipped up by Kriel right now. Anyway, his *kragdadigheid* will not result in prosecutions. It amounts to the kind of red-baiting that John Vorster and P W Botha capitalised on to defend increasingly indefensible positions.

As for the elimination of by-elections, the precedent would be bad. It obviously makes little sense to hold more all-white elections if a tricameral MP becomes tired or dies. But a statutory block on all by-elections foreshadows a parliament of perpetual members who have been elected once, and whose ranks can be puffed out by co-optation. Until we have a new constitution, this parliament would consist of those who benefit from De Klerk's patronage; after that, one that would thrive on alliances of elites.

The argument that a by-appointment-only Cabinet would enable men like Derek Keys to stay above politics is bizarre. The Governor of the Reserve Bank should have more independence — but the Minister of Finance is a profoundly political figure since he gives taxpayers' money to various departments depending on the strength of their political pitch. Actually, Keys *should* fight an election for a party.

This unrepresentativeness is typical of the new order. NP and ANC alike make great play of being guided

by their constituencies — but as the last election recedes in time and the next one stays on ice, "the people" are less and less consulted. Look at SACP chief Chris Hani ranting against capitalism in Bisho, his inflammatory message immediately given reality in a looting spree.

This is pure Leninism whereby the vanguard elite knows best — even if, like Harry Gwala in Natal, it entails laying plans for more martyrs, which is all that a march on Ulundi would provide. Inkatha leader Mangosuthu Buthelezi — feeling marginalised — utters intensely ferocious warnings.

Meanwhile, again between them, the ANC and the Nats have destroyed the meaning of negotiation. It means talking without preconditions. The proposed meeting between De Klerk and Mandela — which may be delayed by yet another foreign fund-raising trip by the ANC president — is meant to concern ways of combating violence. But the ANC set certain conditions relating to violence which had to be met before the meeting could even take place.

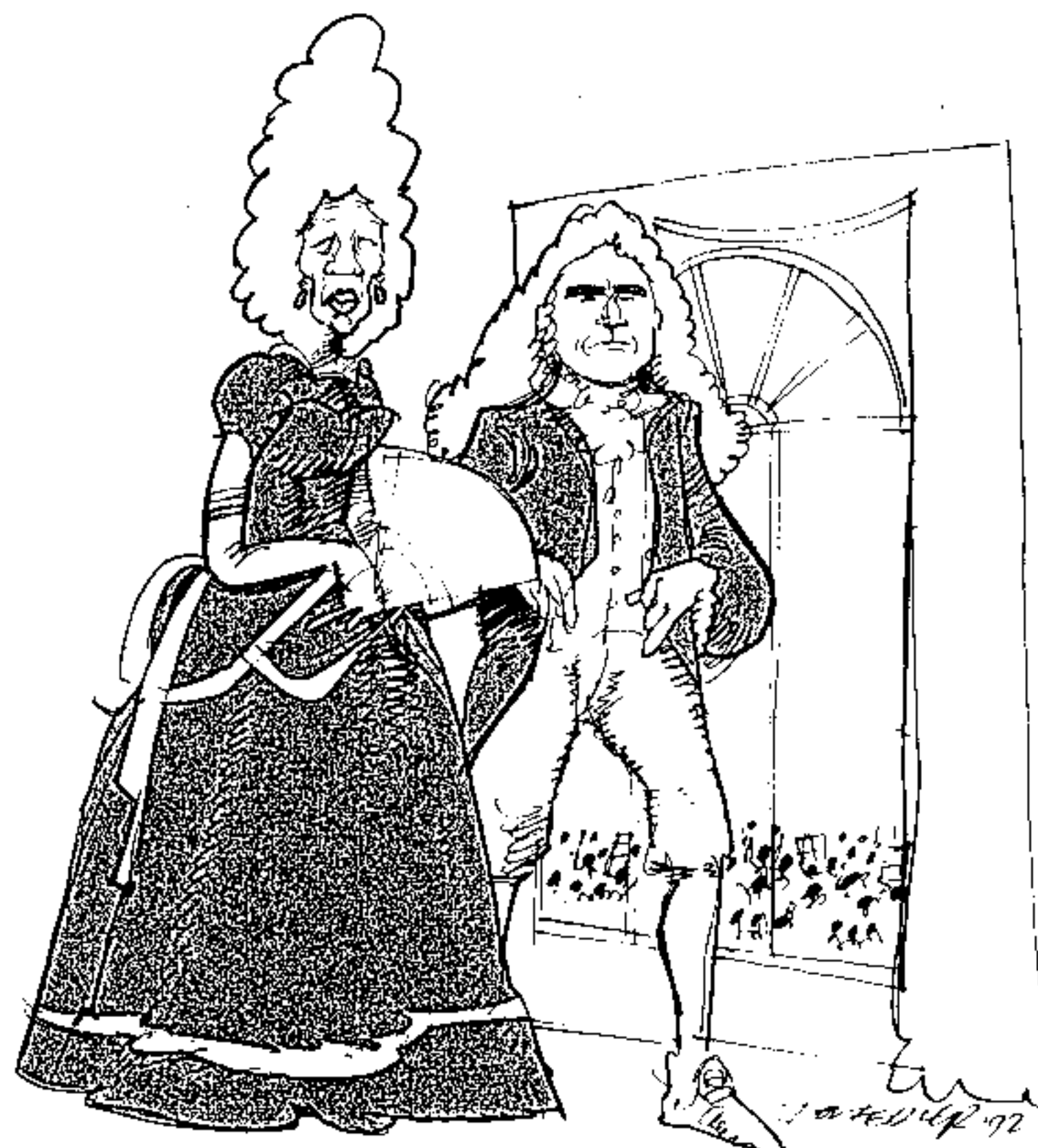
In return, Justice Minister Kobie Coetsee appears to have reinforced the Kriel line by insisting that political prisoner releases be balanced by a general amnesty.

Now, all these various *rolvertolkers* doubtless see themselves as principled men, safeguarding the interests of those who once voted for them in constituencies or smoke-filled rooms. But the killing goes on (35 unrest deaths over the weekend) and economic renewal becomes a matter of faith rather than fact.

Much of the acrimony and posturing arises from the murky climate which rolled in at the Codesa breakdown. It was as if the parties had been gritting their teeth, storing up resentments, while superficially wafting from one compromise to the next. Surely this is too simple an explanation? The agreements reached in Codesa will stand at the next round of full-scale talks — whenever that may be — or will have to be arrived at again through negotiation.

The idea that a settlement will be reached by either a patched-up, co-opted government of national unity, or by the NP handing over all power to the ANC, cannot be seriously revived. Yet the antagonists behave as if this may be so — a sentimental, ruthless and undemocratic view.

A further danger lies in the potential loss of international goodwill. As this generation of world statesmen has rediscovered in attempting to bring peace to ex-Yugoslavia, the problem is that nobody — Serbs, Croats, whatever — keeps his word. In the end, the democracies maintain a token, humanitarian presence but otherwise leave the place alone. You don't set sail on a ship of fools. ■





SLA

FM 25/9/92

# Turricane Maastricht strikes

The market message is that European monetary unity may be unattainable



Some were desperate for a "oui." Others ached for a "non." But across the European Community (EC), both sides were dismayed by the outcome of France's weekend referendum on Maastricht. What

they got was a "oui, mais..." or "yes, but..." by the slimmest of margins (51,05%); the promise of currency market chaos for some time yet; and the prospect of a two-speed Europe.

The UK, as so often in Europe, has been left out on a limb. It is now free, up to a point, to pursue its own economic policy without bending the knee to the Bundesbank. It exercised that freedom on Tuesday morning with a 1% cut in base rates to 9%, and the pound stayed firm. But the price is an effective devaluation and sterling's departure from the European exchange rate mechanism (ERM), to which it's unlikely to return soon.

Other European currencies outside the D-mark bloc — including the French franc — continue to take a beating at the hands of the forex market. A European Monetary Union (EMU) looks increasingly remote and, as the UK and Germany bicker, the EC is under greater strain than ever.

Yet by the time French voters queued up to mark their ballot papers, their referendum was, in one sense, an irrelevance.

EC leaders had tried to ignore the Danish rejection of Maastricht in June — a rejection, again by the narrowest of margins, which technically aborted the treaty. But by last week, EMU and perhaps even the ERM in its present form had been laid to rest by the foreign exchanges, with the apparently willing help of the Bundesbank.

The French were being asked to accept or reject the so-called Treaty of Maastricht, named after the Dutch town where EC government leaders agreed on it in December.

The treaty builds on the single European market, which comes into effect next year, with two bold — some would say foolhardy — proposals. One is for a new European Union with a common foreign and defence policy; the other, for EMU, accompanied by a single central bank and a single currency, the European Currency Unit (Ecu), to be in full operation by no later than 1999.

The treaty thus demands the surrender of considerable sovereignty by centuries-old nation states and vocal anti-Maastricht lobbies have sprung up in many of them. "Too far, too fast" is their slogan; but, while ratification is required by all member parliaments, only two members constitutionally

have to consult their electorates: Ireland, which voted positively, and Denmark.

The Danish "no" threw the EC into confusion. Since the terms of Maastricht demand ratification by all members, the treaty was, strictly speaking, dead. Ways around this awkward obstacle were and still are being discussed, including a second referendum. But then French President Francois Mitterrand answered the call and, in what now seems unfortunate political machismo, declared that the French people would be allowed their voice.

France has always been seen — and has, indeed, seen itself — as the number one European. The original EEC concept was hatched by a Frenchman. Current EC president Jacques Delors, who promised to resign in the event of a "non," is French.

The nation's foreign policy hinges on relations with Germany and the need for its containment within Europe. France saw closer union as a way of achieving this. A resounding French "yes" to Maastricht would restore momentum — or so it was thought.

It was a gamble. Mitterrand and his socialist government are not popular and there was a risk that voters would seize the opportunity to cast a vote of no-confidence. Anti-European lobbies were also gaining ground — rightwing nationalists, farmers upset with EC agricultural reforms.

While Mitterrand confidently forecast a 60% "yes," polls began to suggest the nos could win. Coming from France, that would have been lethal to Maastricht. Though the treaty's diplomatic and defence proposals were just as far-reaching, its economic aspect was more visible — and vulnerable. Currency markets eyed the European Monetary Union and ERM with renewed suspicion. Waves of selling began to hit weaker currencies, notably the lira and sterling, as speculators sought safety in the D-mark.

The perils of EMU were becoming uncomfortably apparent. If it is to work, EMU requires the economies of the 12 to be in a reasonably comparable state of health. To bring this about, Maastricht imposes a number of so-called convergence criteria: targets for inflation, deficit and public debt ratios, and interest rates.

But this is an attempt to create the effect in order to establish the cause. And since the criteria are set in terms of the stronger economies, they require considerable sacrifices by the weaker ones, in which low inflation goes hand in hand with high interest rates, high unemployment and low growth.

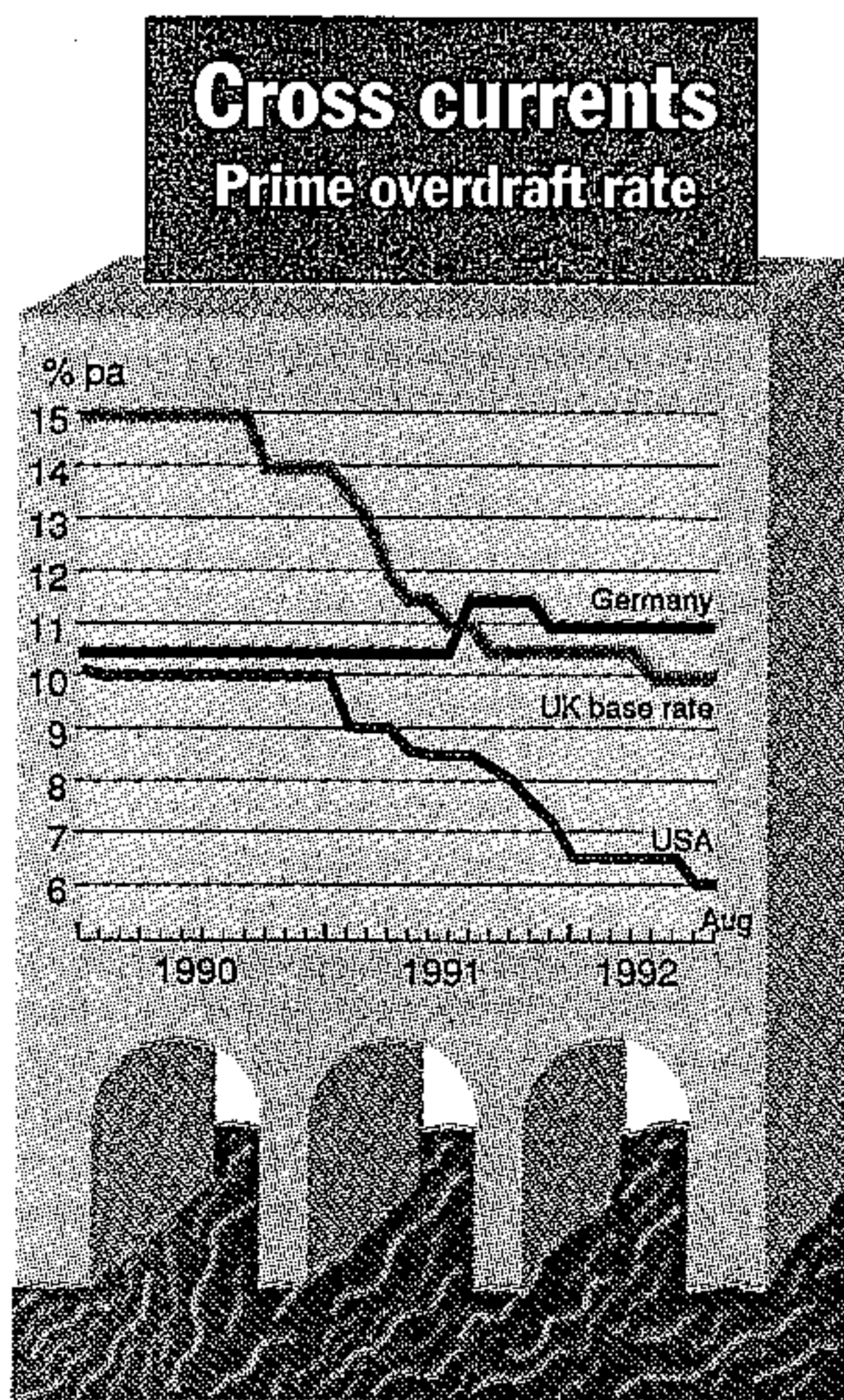
An increasing part of the pain has come from the high interest rates required to hold the weaker currencies within their ERM bands, bands dictated by the strongest currency — the D-mark. With German interest rates at historic highs — the key Lombard rate stood at 9,75% — other central banks had little room to manoeuvre.

Appeals to the German monetary authorities to cut interest rates went unheeded. Indeed, on July 16, the Bundesbank lifted its discount rate a marginal 0,25%.

One week before the French vote, after raising its interest rates to their highest since 1985, Italy succumbed to market pressures on the lira and agreed to devalue by an effective 7%. The next day, September 15, the Bundesbank agreed to its first interest rate cut for five years, reducing the Lombard rate by 0,25% to 9,5% and the discount rate by half a point to 8,25%.

It was not enough. Even if it had been, indiscreet remarks (later denied) by Bundesbank president Helmut Schlesinger suggested that a "more comprehensive" realignment was necessary. This was the latest in a series of uncharacteristic German leaks to point the finger squarely at sterling. Last Tuesday, sterling had fallen to its lowest rate against the D-mark since it joined the ERM — DM2,80, a fifth of a pfennig above the allowed floor of DM2,778.

The next morning the UK tried to hold the line with an unprecedented double rate rise from 10%, first to 12% and then to 15%. The



Source: STANDARD BANK



FM 25/9/92

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who engineered the Thatcher years of growth. Simply, they argue that inflation is low and declining anyway and that abundant experience has shown that defending an exchange rate against sustained market pressures is, ultimately, always impossible.

Sir Alan Walters, Tim Congdon and Patrick Minford have all said: "I told you so." They are satisfied they have been proven right and Major wrong. Circumstances will reduce interest rates and keep inflation low.

Indeed, it stands to reason that globalisation of money and capital markets in the Eighties, aided by advances in communication technologies and deregulation, greatly increased the already long odds against defending what markets see as unrealistic currency values. Authorities are today often powerless to withstand a sustained market movement, even if it is patently short-term.

Volatile values in free exchange markets may impede trade and thus hamper investment and growth. Production-driven enterprises tend to that conventional view. However, those alive to marketing opportunities don't necessarily agree — and with reason.

Many other impediments to trade are more profoundly debilitating. IMF MD Michel Camdessus points out, for instance, that: "It is a matter of concern that barriers to trade in industrial countries have increased since the start of the Uruguay Round of (Gatt) negotiations."

The greater impediment to world economic growth, however, is clearly the debt overhang from the virtually unbroken prosperity of the Eighties. Seldom, if ever, has a growth cycle been so prolonged and the consequent

in the Eighties. The bad debts of many large US banks and the savings & loan (building societies) fiasco have had a deeply debilitating impact on investor confidence there.

Unfortunately, the outlook for greater fiscal restraint in the large industrial economies is not immediately encouraging. The US is deep into an election campaign, the German budget deficit is being maintained by higher than expected unification costs and the slump in Britain has pushed up the cost of social expenditure as unemployment and business failures have risen.

What have come to be regarded as intolerable debt levels are now universal. Federal Reserve chairman Alan Greenspan suggests there is an element of obsession in the balance sheet correction taking place. Conse-

Of course, the British don't have to go back at all. Though their trade is increasingly with Europe, they virtually have the freedom of trade and exchange they need.

Moreover, if the sterling crisis has done anything, it has revealed a substantial concern there and in Europe over surrendering sovereignty. The pound was surrendered to the Germans at what has turned out to be a heavy cost to the ordinary Briton.

Domestic political constraints against re-entry may also be growing, though they may not yet be overwhelming. But Major may face a serious revolt in his party unless he takes that sentiment into account.

There is no reason why the Bank of England could not be given the constitutional independence of the Bundesbank if Major instinctively distrusts his fellow politicians' desire to defend the pound's purchasing power. It has been independent-minded at times and there is no reason to doubt that capability has been lost.

Wall Street fund managers fear that if the Brits re-enter the EMS, even the IMF's modest forecast of 1,1% world GDP growth this year and 3,1% next might be suspect. The Americans regard the EC proposal to remove all domestic barriers by 1992 as not trade liberalisation but its very antithesis. The UK authorities cannot be unaware of or impervious to that attitude.

There are, of course, other constraints that have been inadequately addressed in the major European economies, among them the rigidity of labour costs, especially in Britain, and government subsidies, especially in France. There are also areas of incipient socialisation in these economies that





markets were not to be put off and sterling at one point sank eight pfennigs below its floor.

That night PM John Major and Chancellor Norman Lamont threw in the towel and "temporarily" withdrew sterling from the ERM. Base rates were returned to 10% and the pound headed south.

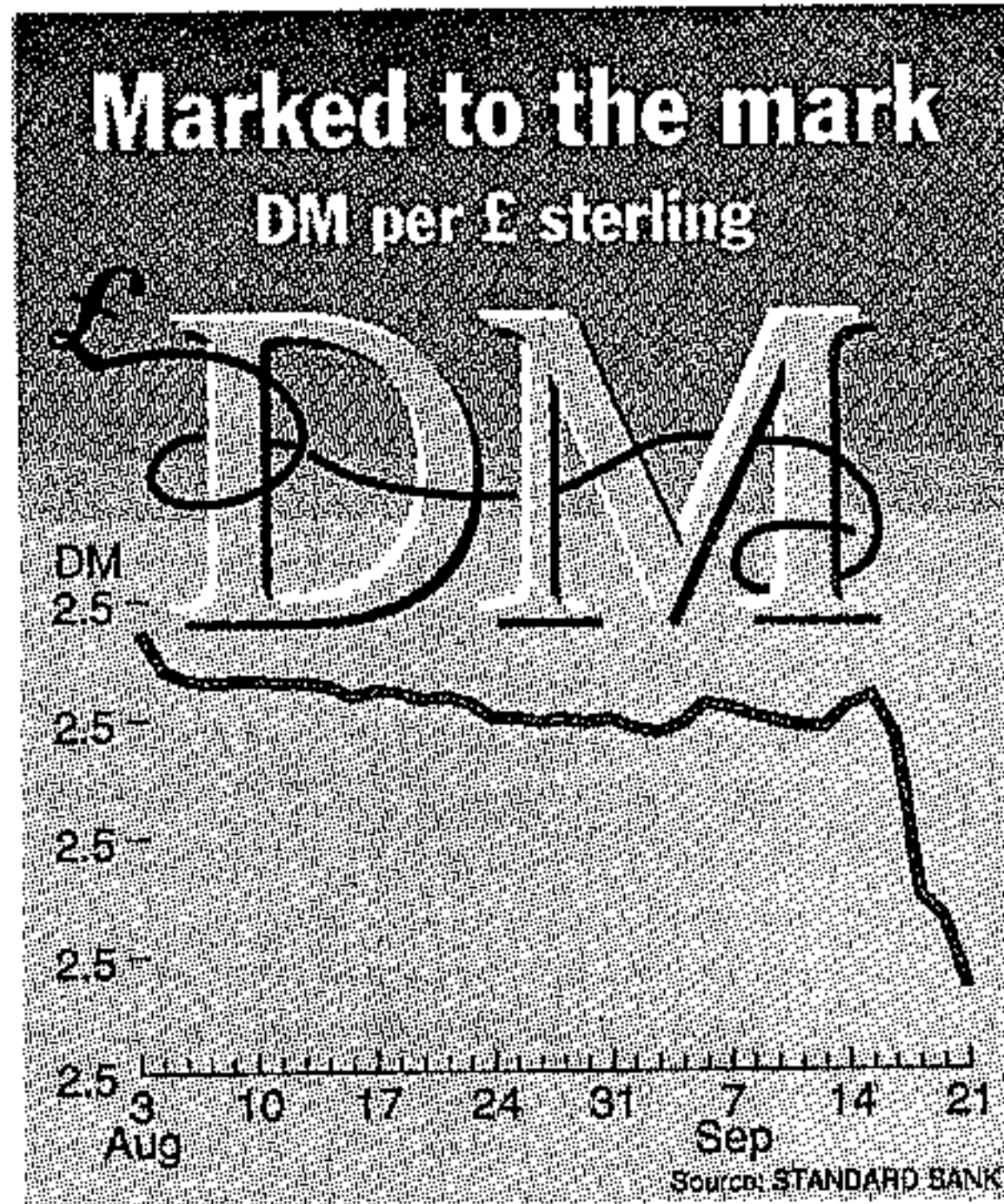
On Monday, the day after the French referendum, it had fallen 14% from its old central rate against the D-mark (DM2,95). It even dropped below R5. As one UK trader says: "I think we're shadowing the rouble now."

In a similar move, to free itself from the obligation of defending the lira within the system, Italy withdrew from the ERM. Though it originally promised to return this week, it has not. In Portugal, the penalties of remaining inside the system were apparent as overnight rates at one point hit 1 000%. The Spanish peseta devalued within the system by 5%. Score: Markets 4, ERM 0.

Early this week the French franc, Irish punt and Spanish peseta languished near the bottom of the trading bands, in spite of interventions, with the suspicion that traders would pick out the peseta or even French franc as their next victim. Dealers believe a French interest rate rise may be imminent.

No-one can be certain what will happen next but, at best, more realignments within the ERM seem likely. Italy has made it clear it will not re-enter the system until German interest rates come down. British PM John Major declared: "We shall not go back into the system until the flaws have been put right."

Schlesinger responded by saying the UK's



decision to return would not be unilateral but would have to be on terms approved by all other members. In an aside sure to infuriate the UK Treasury, he added that it would depend on UK interest rates.

Without a shift in the German stance, continued membership for countries outside the D-mark zone will be painful. Until now, most EC members have done their best to comply with convergence criteria in anticipation of eventual union. But if EMU is unattainable, why go through the misery? Even France may be hard-pressed to find a positive answer.

The result may be the two-speed Europe the EMU was designed to avoid, with a low-inflation, low-growth core centred on the D-

mark — Germany, the Benelux countries and maybe (or maybe not) France. As the price of higher growth, the rest could settle for higher inflation and higher exchange rate risk, for which the currency markets would extract a premium.

One of the few long-term beneficiaries of the turmoil may be the dollar, which early this week was gaining against all European currencies, including the D-mark.

The irony of this situation, which owes so much to the excessive strength of the D-mark, is that the German economy is weakening.

"I am convinced that, sooner than anyone thinks, Germany will be in a sharp recession," said Margaret Thatcher's economics mentor, Sir Alan Walters, this week. "And with the overhang of inflation, stagflation will haunt and taunt them. The likely appreciation of the dollar, as interest rates rise in the US and fall in Germany, is a common — and I think correct — conclusion of most observers. This will ease our (UK) travails and help us pull out of this dreary recession."

An EC summit is planned for mid-October, for government leaders to discuss what to do next about Maastricht. Denmark is warning that it will not be rushed and the UK that it will not ratify the treaty until the Danes resolve their situation. The French vote has shown that Maastricht simply doesn't have the popular support needed to put it into effect. And if lower interest rates aid recovery in Britain, that country's return to the ERM may be put off indefinitely.

The architects of closer European union may have to get out their set squares again. ■



# SA accepts EC offer to retrain policemen

**S**OUTH AFRICA'S contending political groups, including the government, have accepted a European Community (EC) offer to provide training and advice for the nation's police force now being restructured.

British Foreign Office sources who reported the unannounced agreement said it emerged from talks conducted between the three EC foreign ministers led by Britain's Douglas Hurd and South African leaders earlier this month.

Details of the arrangements are still being studied within the Community and will need further consultation with the South African authorities if and when a post-apartheid administration is in place.

The expectation in the meantime is that academics, lawyers, security and criminal justice specialists in key EC countries will be called upon to help in building up a force which in the European view should, in its membership fairly reflect the social composition of the South African people.

"The significance of this development should not be underestimated," one British diplomat observed. "It's the first formal acknowledgement by the South African state, on an international level, that outsiders can help to improve the credibility and competence of an internal security establishment which, plainly, no longer seems to enjoy the confidence of the people."

"This, in essence, was the burden of Professor Peter Waddington's appraisal when he visit-

Wm and 25/9-1110/92.

*The government's acceptance of European assistance in retraining the police is the first formal acknowledgement that the security forces need outside help.*

By **ARTHUR GAVSHON**

ed the Republic in July."

Waddington, who heads the faculty of criminal studies at Reading University, sharply criticised the performance of the police in Boipatong.

The government has already begun the job of shaking up its much-criticised 100 000-strong police force. Thirteen of 55 generals have been retired even though many controversial characters have kept their jobs.

A policy of "federalising" the force into a series of autonomous units is being implemented, stripping the central national command of many functions.

A new police academy is to be set up in Graaff-Reinet where enhanced standards of leadership will be evolved.

Hurd's EC mission also won the agreement of President FW de Klerk, African National Congress president Nelson Mandela and other leaders for the attachment of five European experts to Judge Richard Goldstone's commission on violence. These specialists — probably jurists or lawyers — in effect will add an international dimension to Goldstone's investigations.

Meanwhile the business of internationalising the Republic's ineffectual peace-making system is forging ahead on non-governmental as well as foreign governmental levels. These developments were reported:

● The World Council of Churches has arranged a programme of sending 15-person teams to South Africa over the coming year to monitor the workings of the multi-party Peace Accord, the negotiating process and ultimately national elections. Each group will serve about

two-month terms alongside other international observers. An advance party of constitutional lawyers, security and human rights specialists already has arrived to coordinate with other groups.

● EC and Commonwealth teams of 15 persons each will also be joining the countrywide network of monitors and observers.

● Delegates from the Organisation of African Unity (OAU), also in the country now, will shortly be arranging for their own monitoring units to join the network. The OAU has yet to decide on just how many they will be despatching.

● A total of 50 United Nations monitors complete with backup staff, communications systems and their own transportation is due to spread across the country in the next few weeks. Eight of them have already been deployed in Natal's flashpoint areas — they are an advance party which hurried out as killings in the province began escalating.

At the same time several American, British and European security firms, public companies and media interests were reported planning to send their own observers and correspondents to watch developments.

Timing of their arrivals is dependent upon the outcome of the scheduled meeting between De Klerk and Mandela; both men are under continuing personal pressure by world leaders to get back into negotiations again.



31 DAY 28/9/92  
Proposals to  
reform rate  
mechanism  
lack direction

BRUSSELS — Proposals to reform Europe's exchange rate mechanism (ERM) were vague and undirected ahead of tomorrow's meeting of EC finance ministers in Brussels to discuss last week's currency markets debacles.

Officials expected that proposals for reform would focus not on the ERM's rules but on how it was managed, and particularly on co-operation among monetary authorities.

Finance ministers were expected to take a long, hard look at how five years of currency stability were shattered in less than a week. They were expected to clash over the causes of and solutions to disarray in the exchange rate regime.

Tomorrow's debate is meant to prepare the ground for a special EC summit on October 16, which British Prime Minister John Major called to discuss the foreign exchange turmoil.

With the pound and lira suspended from the exchange grid; currency controls re-imposed in Spain, Ireland and Portugal; and the French franc bruised by its battle with foreign exchange speculators, analysts ruled out a return to the status quo.

Despite British calls for reform of the system, officials said Chancellor of the Exchequer Norman Lamont would bring no concrete proposals to Brussels. Major and Lamont probably had a more co-operative approach from the Bundesbank in mind, said Robbin Hubbard, chief economist at Paribas capital markets in London.

However, what might influence their thinking was a motion signed by more than 70 Conservative MPs urging the government to remove the pound permanently from the European monetary system (EMS).

Major, in a fighting speech at an emergency debate in the House of Commons on Thursday, said there would be no return of the pound to the EMS until the system had been reformed.

The petition was made public shortly after the government survived a censure motion raised by the opposition Labour party on the government's economic policies with a vote of 330 to 288.

The Labour amendment wanted to condemn the government for the "total collapse" of its "entire economic policy following their humiliating withdrawal" of the pound from the ERM last week. — AP-DJ, Sapa-AFP.



# France in bid to save treaty

STAR 28/9/92

PARIS — A week after its grudging "yes" to European union triggered the latest European Community crisis, France is searching for a face-saving formula to salvage the endangered Maastricht treaty.

Despite widespread speculation, French officials insist Paris is not plotting a "two-speed Europe" with Germany that would leave Britain, Denmark and Italy in the slow lane.

On the contrary, French diplomacy is working flat-out to find ways to enable the British and the Danes to accept European political, economic and monetary union.

President Francois Mitterrand has invited British Prime Minister John Major for talks this week to explore how the treaty can be saved at next month's emergency summit.

France and Germany share the same aim, officials say.

But for once, France is better placed to talk to Britain than are the Germans, whom London publicly blamed for forcing this month's humiliating devaluation of the pound.

"We are going to do everything we can to make things easier for Mr Major by clarifying issues which still cause concern and finding a solution to the Danish problem," European Affairs Minister Elisabeth Guigou said.

"Mr Major is very committed to ratification. The problem is how he can get a majority in the House of Commons," she said.

Ms Guigou said France backed the idea of adding a declaration to the treaty that would spell out the limits of the EC's sphere of competence and pledge to make decision-making more democratic.

She even hinted that the declaration might remove certain areas into which the executive commission had encroached.

Ms Guigou noted the idea of a "variable geometry Europe" in which different countries reached common goals at a different pace existed in the Maastricht treaty. — Sapa-Reuter.

the hunger strike called yesterday

# Major's European policy under backbench attack <sup>(56A)</sup>

LONDON — Embattled British Prime Minister John Major yesterday defended his European policy against attacks from within his own Conservative Party.

Amid a lack of clarity over his commitment to European monetary and political unity and fears among analysts and politicians that Britain is edging increasingly towards isolationism, Major told journalists he would not be distracted by "froth and bubbles". *Blom 30/9/92*

He dismissed criticism from within Tory ranks, where many have welcomed the withdrawal from the EC exchange rate mechanism (ERM), saying it would let Britain run its own recession-hit economy with its own needs in mind.

"This is a time for a clear, cool and careful calculation of what the British interest is," he said. Major, who will meet other EC heads before an emergency EC summit on October 16, said the problems were not Britain's alone.

Today Major meets French President Francois Mitterrand in Paris and Danish Prime Minister Poul Schlueter in London.

With Conservative rebels preparing to do battle against the ERM and the Maastricht treaty on European union at next week's party conference in Brighton, Major has been careful not to alienate core political support. He has set two conditions for bringing a Maastricht ratification Bill back to parliament — clarification of how the Danes, who rejected the treaty in June, will proceed, and further defining what decisions should be made at national and at EC level.

Political sources said there was little chance the Maastricht treaty Bill, suspended from parliament after the Danish vote, would be brought back until next year.

Major has insisted he will not take Britain back into the ERM until "fault lines" that led to withdrawal two weeks ago are corrected.

More than 70 backbench Conservative MPs have signed a motion in parliament welcoming sterling's departure from the ERM and urging a "fresh start" on economic policy. — Sapa-Reuter.

# Bundesbank rates expected to drop

FRANKFURT — If the Bundesbank does not cut interest rates again soon to help right the listing European monetary system (EMS), it may have to cut them anyway to save Germany's struggling economy, the Wall Street Journal Europe reported yesterday.

The betting is that such a move will come sooner rather than later — perhaps as early as Friday when the German central bank council will hold a meeting in the eastern German city of Schwerin.

But if the Bundesbank is planning such a move, it isn't providing many signals. The safest call is that a German rate cut by the end of the year looks increasingly likely as domestic calls for relief join foreign pressure on Germany's isolated central bank.

If a rate cut does come, it would be hard on the heels of the Bundesbank's September 14 reduction, which accompanied a devaluation of the Italian lira.

The Bundesbank then cut its Lombard rate by a quarter point to 9,5% and its discount rate by a half point to 8,25%. Financial markets hoped for cuts of a full point each in key interest rates.

For the next rate cut, anything less than a one-point reduction would be seen as unlikely to provide much of a kick for the Germany economy. But economists would view even minor cuts as indicating that the Bundesbank will come down in small but steady steps, shoring up Chancellor Helmut Kohl's sagging political fortunes.

Now he needs an economic revival almost as much as US President George Bush does. Even Kohl's own economics minister, Juergen Moellemann, speaks of a Germany on the edge of recession.

A worrying series of economic indicators bears him out. In western Germany,

July orders to the manufacturing industry declined 0,5% from June and 5,3% from July 1991. Unemployment in August was at 6% and rising as business slowed.

Former Bundesbank president Karl Otto Poehl told a Toronto audience last Friday that inflation pressures in Germany are easing. Because of the Bundesbank's high interest rates, there was "an increasing risk this will lead to a slowdown in economic activity, not only in Germany but in all of western Europe", he said.

If domestic pressures also build, analysts reason, the Bundesbank may find it increasingly difficult to resist an easing of monetary policy.

Since the second quarter, when real growth in western Germany slipped 0,2%, German economists have been revising their forecasts downward.

After two years of economic free-fall in eastern Germany, the turnaround seen for 1992 has been disappointing for Bonn. Official unemployment in Germany's five new states is about 15%. This complicates Bonn's fiscal planning, which had based deficit reduction on fewer subsidies and less jobless support in eastern Germany.

The Bundesbank has conditioned further rate cuts on speedier consolidation of fiscal deficits, but Kohl's programme has been snarled by political maneuvering.

Lower German rates could make room for rate reductions in the rest of Europe. A German cut could allow the US Federal Reserve to lower US rates again without adding pressure on the dollar.

But a revaluation of the mark would heap new burdens on Germany's export-oriented industry. Western European neighbours account for nearly 60% of exports, making the need for an economic spark at home more pressing. — AP-DJ.

(SBA)

30/9/92

BIDMey



# EC car slump dents demand for rhodium

B/DAM 1/10/92

S6A

MATTHEW CURTIN

EUROPEAN car makers are buying much smaller amounts of rhodium than they were expected to in the runup to the implementation of new clean air rules in the EC, says Implats Platinum (Implats) senior marketing manager John Hollely.

Hollely says the slump in the EC car industry has dented rhodium demand and prices. The metal is a key ingredient in modern three-way car catalyts, and high rhodium prices have helped SA platinum producers weather falling platinum prices in the past two years.

Rhodium prices have fallen 16% to \$2 270 an ounce this week from recent highs of \$2 700 in mid-July. Firmer platinum prices have not brought any respite to producers because the metal has consistently fought shy of the \$370 mark. Platinum was fixed in London yesterday afternoon at \$367,40, more than \$3 higher than Tuesday's afternoon fix of \$364,25, but \$0,10 down from the morning mark.

The prospect of another year of disappointing platinum group metal prices has hit market sentiment on the JSE. Only

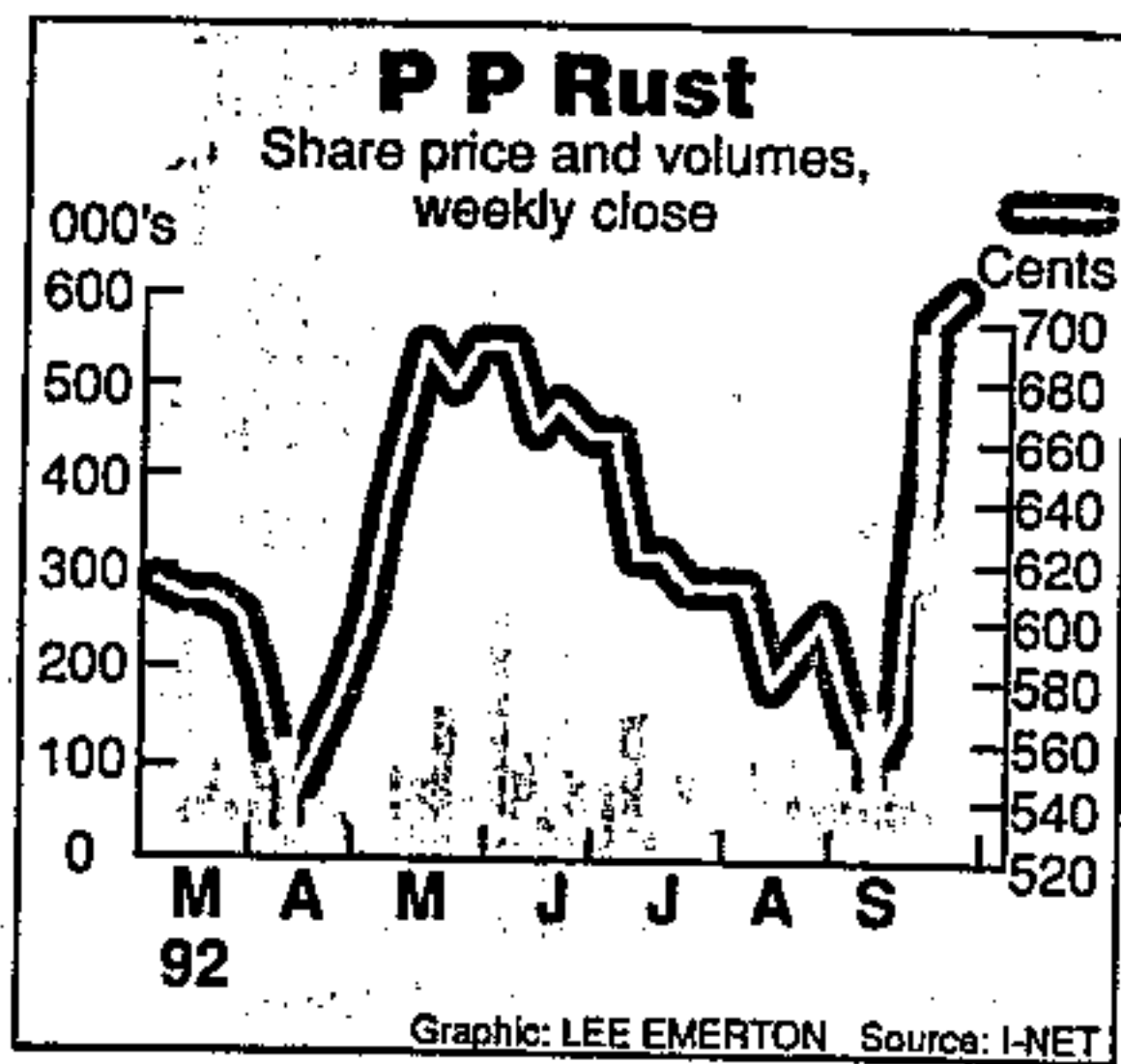
shares in market leader Rustenburg Platinum (Rusplat) and developing mine Potgietersrust Platinums (P P Rust) have weathered erratic platinum group metal (pgm) prices so far in 1992.

P P Rust closed at a new high of 725c yesterday, equivalent to a 25% increase since the start of the year. Rusplat shares have risen 34% in the same period, although they closed 35c down at R78,00. Heavy trade in P P Rust shares followed last week's announcement that management had cut the Platreef open-cast mine capital cost by R79m to R475, and revised estimates of its working costs, 18% down at R100 against R122 a ton milled.

Bearish market sentiment has knocked the shine off Implats, Lebowa Platinum, and Messina shares. Analysts said market confidence in Implats, dogged by labour unrest in 1991, was knocked by fears that the ANC's mass action campaign might spark political unrest in Bophuthatswana which could spill over into the group's mines. Implats shares rose 75c to R42 on the JSE yesterday, equivalent to a 46% or R36 discount to Rusplat stock.

Hollely said yesterday that the build-up in demand for rhodium in the EC, whose new clean air legislation mandated heavier pgm loadings in catalytic convertors in all new cars from 1993, had turned out to be more sluggish than expected.

He said British and French car manufacturers had appealed to their governments for dispensation from the new regulations because their stock of 1992 models, not fitted with the new catalyts, were so large that they would have to sell many of the vehicles in 1993.



# Major begins to lobby EC leaders on reform

B/DAY 1/10/92 (S6A)

LONDON — Prime Minister John Major embarked yesterday on a series of efforts to convince Britain's EC partners of the need to reform the European exchange rate mechanism (ERM) which he has

been criticising.

Major made a flying visit to Paris yesterday to see French President Francois Mitterrand before returning to meet Denmark's premier, Poul Schlueter.

He also planned to meet or speak on the telephone with the leaders of other western European states in the runup to a crucial special EC summit on October 16, called after Britain was forced out of the ERM.

After a 90-minute meeting with French President Francois Mitterrand, Major said they had agreed on some changes needed in the EC to make decision-taking more open and preserve national identities.

In a joint statement issued after Major had left, both leaders called for the ratification and implementation of the Maastricht treaty on European economic, monetary and political union.

British Foreign Secretary Douglas Hurd, in turn, went to Germany yesterday to soothe relations rat-

ted by accusations that Bonn was responsible for Europe's monetary crisis and sterling's retreat.

After meeting German Foreign Minister Klaus Kinkel, Hurd said there had been tougher times and that he and Kinkel were focusing on "the things we are going to do together".

Major, who holds the rotating EC presidency, had been criticising the "fault lines" he said showed when speculation against sterling pushed it out of ERM.

Despite reports from Brussels of resistance to any significant reform of the ERM, Major expressed confidence on Tuesday that the need for reform would be acknowledged.

He reiterated that the pound would not return without reform, in what observers saw as firmness aimed at placating hostility to the ERM among his own Conservative Party.

Major is expected to discuss the British attitude to

the Maastricht treaty, which has been cooling. Hurd has indicated Britain will not be ratifying it this year, as scheduled.

Meanwhile, it was reported from Frankfurt yesterday that the Bundesbank was expected to hold interest rates unchanged at a meeting tomorrow, ignoring international currency strains to focus firmly instead on inflationary threats to Germany.

On Tuesday a Bundesbank policy-making council member said interest rates must stay high due to inflation and wage pressures, and indicated there might be no further cuts until next year.

Economists said an easing of the turmoil which had swept through the European monetary system also virtually ruled out another relaxation of monetary policy in the immediate future, although some warned of a risk of a resurgence of tension. — Sapa-Reuter-AFP.

# 'Little Englander' mentality flourishes

56A  
~~56A~~

STM 11/10/92

**T**HE CASE for a referendum on Britain's future in Europe is irresistible. Events of the past fortnight have left no doubt that the British people are no longer, if they ever were, enamoured of the concept of an all-powerful United States of Europe.

More than that, grave misgivings have arisen whether the British want to be even a tiny part of the whole business. The much-despised "Little Englander" mentality is suddenly flourishing.

Walk into any pub or club, travel in any commuter train or coach and all the talk is of opting out of what has become part of General Charles de Gaulle's grand dream. The Brits, always suspicious of "bloody foreigners", want to go it alone.

After the terrible battering sustained by the pound, the nation is in defensive mode.

Being beastly to the Germans is perfectly acceptable since they are perceived to have led the onslaught on sterling. The French are despised as being the lapdogs of Berlin.

Friends, acquaintances, seemingly well-adjusted and reasonably intelligent people are refusing to buy French cheeses or German wines (though some of us would decline to sample the fruits of the German

Misplaced, misguided it may be, but there is no doubting the mood of the British nation on the question of a referendum on the country's future in Europe, reports **ALAN ROBINSON** of The Star Bureau in London.

vine on grounds entirely unconnected with matters political).

Yet, in this democracy, politicians are refusing to acknowledge that mood, let alone heed it.

All three major political parties have summarily ruled out a referendum. John Major won't have it, though many of his backbenchers demand it; Labour's John Smith rejects a poll and silences those of his MPs who do not agree; and the Liberal Party's Paddy Ashdown haughtily announces that referendums serve no purpose.

Even though some of the most crucial aspects of sovereignty, of democracy and of parliamentary tradition are threatened by the concept of one European super-state, none believes it an issue that should be put to the people.

Or do they?

There is a strong suspicion, among so-called Eurosceptics and neutral observers too, that the reason why the party leaders will not call a special ballot is that they

know they would lose.

All three have allied themselves and their parties so strongly to the EC ideal that defeat would bring about a colossal loss of face and perhaps of power, too.

If there were to be a referendum on ratification of the Maastricht treaty and a future totally committed to Europe, Mr Major, Mr Smith and Mr Ashdown would each have to campaign vigorously for a "yes" vote. Yet all the indications are that the outcome would be a decisive "no".

What then? In the past few weeks, Conservative Ministers, from the premier down, have set new standards of achievement in political gymnastics. But even with their skins of elephantine thickness, they could not cling on to office in the face of such a defeat.

Labour, under the man-for-all-seasons and principles-on-demand leadership of Neil Kinnock, might just about have pulled it off, but Mr Smith has been persuaded to be even more Euro-

pean than Helmut Kohl and Francois Mitterrand. He, too, would have nowhere to go but pensioned obscurity.

And Mr Ashdown's Liberals have been betrothed to Brussels ever since the realisation that the prospect of achieving office in Britain was as remote as discovering diamonds in the backstreets of Brixton.

They realise that the merest hint of a referendum would lead to the birth of a powerful new cross-party alliance housing some unlikely inmates united only by their antipathy towards Europe.

Already, the likes of Norman Tebbit and Baroness Thatcher are saddling up to ride again after their Damascan conversion from the anti to the pro-referendum lobby. Bryan Gould, of Labour's soft-Left, is preparing to charge, too.

But the point that galls millions of Britons is the assumption of the politicians that they alone know what is best and that the people cannot be trusted with the future of their own country. Danes were granted that right. So were the French. And even the Irish voted. Why not the British? It's a question to which Messrs Major, Smith and Ashdown dare not give a truthful answer. □



# EC officials agree on moves to curb bureaucrats' clout

S6A

STAR 21/01/92

BRUSSELS — European Community officials have agreed on steps to curb the power of the Brussels bureaucracy and resolve a key objection to plans for European union, senior British officials said yesterday.

They said representatives of the 12 EC nations agreed to allow any single member-government to take objections to any EC legislation directly to the European Council of ministers at any stage of the process.

The government could invoke the concept of "subsidiarity" — asserting national prerogatives over the EC in law-making where possi-

ble — and the measure would be suspended if a simple majority of the council agreed.

The British officials said the measure was included in a paper approved by the committee of representatives from the 12 EC countries preparing for an October 16 EC summit in Birmingham, England.

It will be presented to the EC foreign ministers meeting in Luxembourg next week and take effect immediately, if adopted.

The officials said the aim was to address growing concern that the Maastricht treaty on European econom-

ic and political union would create an undemocratic and overly centralised bureaucracy in Brussels.

The treaty, which was to have gone into effect on January 1, is now facing problems with ratification after Denmark rejected the text in a June referendum and French voters gave only a grudging "yes" last month.

German Chancellor Helmut Kohl is urging curbs on the "regulatory fervour" of Brussels. So one British official said it was better to act on the matter "rather than let it rot and affect the ratification process". — Sapa-AFP.

# UK and Germany in currency row

LONDON — Britain and Germany were locked in another row yesterday over who was to blame for the collapse of the pound and its exit from Europe's currency grid.

The dispute threatened to undermine British Prime Minister John Major's diplomatic offensive to rescue the Maastricht treaty on European union, and prompted renewed calls for Chancellor of the Exchequer Norman Lamont to resign.

However, Major yesterday called for an end to the "war of words" with Germany after a cabinet meeting.

And a spokesman for Lamont said, "There is no question of the chancellor resigning," after rumours that he was to quit swept financial markets, driving sterling to fresh lows.

Opposition politicians were joined by the Financial Times in demanding Lamont's resignation. "New measures need a new man," the newspaper said in an editorial.

The row over blame for sterling's forced exit from the European exchange rate mechanism (ERM) took an extraordinary twist with the leaking of a statement by Bundesbank President Helmut Schlesinger in London late on Wednesday in which he rejected British accusations.

The Bundesbank said yesterday Schlesinger's statement had not been intended for publication. The foreign ministry in Bonn said, however, the German embassy in London had passed the statement on to journalists with the central bank's consent.

In his statement, Schlesinger detailed

the scale of Bundesbank operations to support sterling and denied he had implied in a newspaper interview before Black Wednesday that sterling should be realigned in the ERM.

The UK treasury, which believes the Bundesbank was more supportive when the French franc came under pressure last week, shot back: "We have simply noted the very public way in which statements of support for the franc were made in contrast to the undermining statements made in relation to sterling."

Major said yesterday: "I think it is time to draw a line underneath this war of words with Germany. Germany has made it clear they regret the publication of the document and I am happy to accept that expression of regret."

He also expressed full confidence in Lamont. "The Chancellor has got a job to do, he is getting on and doing it," he said.

He said he would bring the Bill to ratify the Maastricht treaty back to parliament before Christmas or early in the new year.

The Labour Party has been swift to take political advantage of the economic crisis.

Its economic spokesman Gordon Brown said: "I think it is not a question of whether but when. Lamont has no future. It is inevitable that he has got to go."

Acrimony between Britain and Germany comes at a bad time for Major who, as EC president, is trying to iron out difficulties ahead of an emergency European summit on October 16. — Sapa-Reuter.

(561)  
B/D my 2/10/92

# German support for 'fast track' option

Guardian / W [in W/Mat] 2/10-8/10/92  
By Anna Tomforde in Bonn

SUPPORT for a "fast track" European monetary union gathered pace in Germany at the weekend amid reports that Bonn and Paris were forging ahead with plans to set up a common currency and a Franco-German central bank.

A government spokesman immediately denied as "completely fictitious" reports suggesting that agreement on such contingency plans had been reached between Chancellor Helmut Kohl and President François Mitterrand.

But the idea of a joint central bank, to be based in Frankfurt and headed by a Frenchman, found favour with Karl Otto Pöhl, a former president of the Bundes-bank.

Mr Pöhl, in an interview in Spiegel magazine, said the "ambitious" Maastricht treaty on political and

monetary union should be scrapped and replaced by a new treaty limited to laying the foundations for a European Central Bank.

"The Germans and the French have to show leadership now," according to Mr Pöhl. Both countries could soon set up a joint central bank in which the Benelux countries and also Denmark could take part, and which others could join when they felt ready to "subordinate themselves to the discipline of such a system".

Spiegel said Dr Kohl and President Mitterrand had agreed the "fine detail" of a merger of their two currencies and the establishment of a central bank. "This is an emergency plan, not our priority," the magazine quoted an adviser to Dr Kohl as saying.



# Labour in Maastricht disarray as Gould quits

*Guardian W (in W/mail)*  
2110-8110192

BRITAIN was thrown into further political disarray this week when, on the eve of the Labour Party's annual conference in Blackpool, one of its leading spokesmen, Bryan Gould, resigned from his front-bench post because he could no longer support the leadership's economic and European policies.

During his campaign for the party leadership three months ago, Mr Gould was an apparent supporter of Britain's membership of the European Exchange Rate Mechanism. Now, however, he says that Labour has failed to recognise "the futility and damaging consequences of putting defence of the exchange rate at the heart of economic policy." He also wants a referendum on whether Britain should ratify the Maastricht Treaty on closer European political and monetary union.

He is not without support in the party. Two or three members of the shadow cabinet, and about 60 MPs, are thought to be of like mind and he will undoubtedly become their standard-bearer. His resignation may not be a matter of great moment, but will mar the efforts of the new leader, John Smith, to present Labour as more united on Europe than the Tories.

Many friends had urged Mr Gould to stay on as shadow national heritage secretary and to argue his case from within the shadow cabinet, but he said: "I must stand up for what I think is right." He was not prepared to be compromised by a system of collective responsibility that was in danger of leading politicians of all parties into a conspiracy which would deny the British people a say about their future and the great economic and political issues of the next few years.

Similar — and possibly wider — rifts run in the Conservative Party. The Cabinet is divided between those who support the Prime Minister's view that, sooner or later, the ratification of the Maastricht Treaty will have to be forced through the Commons, and those who believe it is already as good as dead. The latter group fear — not entirely without justification — that an attempt to force it through would be to court disaster and run the risk of another general election next year.

When Parliament was recalled last week for an emergency session on the economy, the Prime Minister, John Major, sought to appease his back-bench critics by making plain that Britain would not rush to rejoin the ERM until its "fault lines" had been repaired, but went on to enrage them — and Labour's sceptics — by the evident strength of his determination to re-introduce the Maastricht bill at some stage, probably early next year.

Mr Smith, making an impressive Commons debut as Labour leader, won the argument, but not the vote. He denounced the "tragi-comic events" which led to sterling's devaluation and withdrawal from the ERM as "the work of a devalued prime minister of a devalued government" which had persistently scorned an industrial strategy.

The House gave Mr Major a majority of 26 for a minimalist motion expressing "support for the economic policy of the Government." But eight Tory MPs abstained, and others promptly unveiled a Tory motion, signed by 75 MPs, calling for an economic "fresh start" based on permanent abandonment of the ERM.

Mr Major will clearly have much explaining to do when he confronts the party faithful at next week's annual conference. How can he continue to espouse the anti-inflationary disciplines of the ERM when his Chancellor, Norman Lamont, so obviously rejoices in the freedom of being out of the mechanism? How can he explain the ab-

surdity of Mr Lamont's announcement that his policies would henceforth be attuned to British interests as if, hitherto, they had not been?

Some attention was deflected from the Commons debate by the resignation of the National Heritage Secretary, David Mellor. Dogged by newspaper reports, first of an affair with an actress, and then by revelations of free holidays,



Bryan Gould: 'standing up for what is right'

Mr Mellor insisted that he had been hounded from office by the tabloid press. He was going, he said, because such stories were "too much to expect my colleagues to put up with." He must also have been aware that, had he not resigned, the influential back-bench 1922 Committee would have demanded his scalp.

His subsequent resignation speech to the Commons was combative and distinctly unrepentant. While admitting that he was the author of his own misfortunes, he said there had been times in the past two months "when one wondered whether one was living in Ceausescu's Romania rather than in John Major's Britain." He had not resigned earlier, he said, because the Prime Minister had taken the view that, in this day and age, "the revelations — however sordid and cheap they looked — did not amount to a reason to quit the Cabinet." (Story, page 4)

He is succeeded at the National Heritage Department by the former Northern Ireland Secretary, Peter Brooke, who was thought to have retired to the back-benches after the general election in April. The bluff Mr Brooke, who demonstrated at the Northern Ireland Office that he is tougher than he looks, will have the job of charting the future course of the BBC, deciding on whether there should be laws to curb press intrusion into private lives, and running a national lottery to fund the arts, sport, and heritage.

The week saw further evidence of serious industrial decline. British Aerospace announced the shedding of 3,000 jobs and the closure of its factory at Hatfield, one of the country's oldest. And nearly 2,500 jobs are to go in the car industry — 1,487 at Ford and 950 at Rolls-Royce. Since 1980, Ford's British workforce has more than halved, from 80,000 to 37,200, while the Rolls-Royce workforce at Crewe has fallen from 5,300 to 2,400 in just 18 months.

Freed from the disciplines of the ERM, the Government cut interest rates by one point to 9 per cent, and may chance a further cut before or during next week's party conference. Though the reduction

was welcomed by business and unions as a small step towards stimulating recovery, both sides called for more substantial cuts. The Federation of Small Businesses, which represents 55,000 companies, said the cut had come too late to save the 280 small firms which were going bust every working day.

The Confederation of British Industry launched a fierce attack on the Government's failure to curb its own spending, or to make clear how it intended to control inflation with Britain outside the ERM. Its director-general, Howard Davies, said the private sector had so far borne most of the pain of adjustment to lower inflation, while the Government had failed to curb public sector spending and had conceded pay increases almost double the rate of inflation to some of its own employees. If inflation was to be kept under control, he said, any interest rate reduction would have to be accompanied by government action to revive the economy and exercise strict control over public spending.

Deep as the recession is, it has failed to curb Britain's voracious appetite for imports. The current account deficit rose from £1,025 million in July to £1,085 million in August. Imports rose by one per cent, while exports remained unchanged, leaving a visible trade gap of £1,185 million which was only partly offset by a projected surplus of £100 million on invisible trade.

The war against terrorism in Northern Ireland suffered a severe setback when a 2,000lb bomb was exploded against the perimeter wall of the forensic science laboratory in Belfast, causing extensive damage to the building and 750 homes in the vicinity. The blast could not but destroy or contaminate scientific evidence on which cases against terrorist suspects so heavily depend.

The release from prison of a woman who had been gaoled for life in 1989 for killing her violent husband by setting fire to him strengthened demands for a change in the law governing such cases. Kiranjit Ahluwalia, who had been convicted after pouring petrol over her husband's bed and setting light to it, was said to have suffered 10 years of violence by her husband. Her original plea of provocation failed, however, because her behaviour suggested premeditation.

Granted a retrial by the Court of Appeal, she became a *cause célèbre* in the growing debate on battered women who kill violent men. At her second trial, she pleaded guilty to manslaughter on grounds of diminished responsibility. The court accepted the new plea and imposed a three-year sentence, which meant her immediate release.

Hard on the heels of devaluation this week came the disappearance of the 10p coin, formerly the two-shilling piece, and the only coin to have survived the changes wrought by decimalisation 21 years ago.

FOREIGN EXCHANGES		
	Sterling Rates 28 September	Previous Closing Rates
Australia	2.4075-2.4110	2.3685-2.3715
Austria	17.66-17.72	17.78-17.83
Belgium	51.67-51.78	52.10-52.23
Canada	2.1523-2.1545	2.1263-2.1285
Denmark	9.67-9.71	9.77-9.83
France	8.48-8.48	8.74-8.76
Germany	2.5145-2.5177	2.5360-2.5393
Hong Kong	13.34-13.35	13.23-13.24
Ireland	0.9546-0.9569	0.9639-0.9662
Italy	2.106-2.112	2.127-2.137
Japan	206.72-206.93	206.24-206.46
Netherlands	2.8245-2.8279	2.8470-2.8573
Norway	10.15-10.19	10.22-10.28
Portugal	222.30-224.30	222.40-229.70
Spain	175.40-176.50	176.40-178.30
Sweden	9.39-9.42	9.43-9.50
Switzerland	2.2027-2.2058	2.2174-2.2223
USA	1.7270-1.7280	1.7130-1.7140
ECU	1.2769-1.2864	1.2928-1.3034

FTSE Share Index down 40.8 at 1873.1. FTSE 100 Index down 41.0 at 2540.0. Gold down \$1.79 at \$348.00



# Bundesbank will decide the terms

Guardian/W (in W/Ment) 2/10-8/10/92

THE Exchange Rate Mechanism may be kept alive if France succeeds in holding the franc's rate against the mark — but it is turning into a very different ERM.

No longer will countries be able to hope that their credibility with markets can be managed by declaration; the key ingredient of success is to be "Bundesbankable".

Monetary Europe promises to divide into two — those who can earn the unalloyed support of Europe's most powerful central bank, and those who cannot. The second group will live in a twilight world of exchange controls and frequent currency adjustments, either pegged or floating against the ERM's hard currencies. Far from the "fault lines" that hurled Britain out of the ERM being corrected, they look like being reinforced.

For the key moment in France's so far successful defence of the franc was when the Bundesbank joined the Bank of France and the two countries' finance ministries in issuing a joint declaration that, come what may, the franc-mark parity would not be changed.

Unlike Britain and Italy, there had been no damaging backdoor briefings and off-the-record remarks about the need for devaluation. The Bundesbank believes that the franc-mark parity is warrantable and it will support it.

France has earned the Germans' faith, showing time and again its willingness to follow German interest rates up if necessary to support the franc-mark rate. The political aim is to show that Europe has two hard currencies, and that France is an equal partner with Germany in running the EC. Decoupling the franc would risk turning the mark into Europe's sole hard currency.

Moreover, the political commitment extends to corporate France and Germany. Last week there were unconfirmed reports that leading German and French industrial companies had agreed not to sell francs for marks. British companies are more reluctant patriots, and in any case play second fiddle to the powerful City.

But the core of winning credibility in the current ERM hangs upon the Bundesbank's willingness to supply marks in unlimited quantities to those who need them — and then undertake the mopping-up process as the marks return home, depressing short-term German interest rates and potentially inflating German money supply.

The Bundesbank probably sup-

By Will Hutton (SGA)

plied as much as DM60 billion (£24 billion) to help the Italians, Spanish, and British, but eventually it drew a line. Only with the French has the offer of assistance been unconditional.

No other European central bank has this firepower, and in Washington last week Dr Helmut Schlesinger, the Bundesbank president, made it clear how he believed the ERM's fault lines should be corrected. Countries which entered the ERM and expected the Bundesbank's assistance as of right had in future to discuss whether their partners thought their exchange rates were sustainable. The subtext could not be clearer. No more fait accomplis before Tory Party conferences to get a politically important 1 per cent cut in base rates — with the Bundesbank left to pick up the pieces.

Weaker countries, then, can ex-

pect much more scrutiny of their ability to hold their exchange rate inside the ERM, and Britain is decidedly in their ranks. Moreover, weak countries have had another salutary lesson. Without exchange and capital controls in today's foreign exchange markets, no attempt to peg a currency against the mark has much long term chance of success.

Three countries last week reintroduced controls, all of which are aimed at reducing the capacity of international banks to borrow in their money markets and then sell the currency for speculative gain. Spain's controls demand that banks deposit funds interest free for a year with the Bank of Spain to match the amount they plan to sell for foreign exchange; Portugal now permits only between half and one-third of escudos in Lisbon's money markets physically to be used for potential currency speculation; while in Ireland the government has taken over the management of currency swaps, only allowing those that are trade-related.

Britain has set its face against the reintroduction of such controls, at the same time insisting that a precondition of its re-entry into the system is that Germany modify its policy. That is precisely what the Bundesbank is not prepared to do, insisting that countries that enter the system should live with German standards if they want the Bundesbank's support.

France, the Benelux countries, and Denmark can look for that support, and with exchange controls some of the weaker economies can live with the system too. But for Britain, with no such ammunition, the prospects are very much poorer, and successful re-entry may not be possible at all.

# Cabinet bust after one call

ROME — All Francesco Mannella wanted to know was why the hotel he was building did not qualify for a European Community loan. When he was refused an answer last week, he called the police.

Now Mannella and the people of the central Italian region of Abruzzo are pinching themselves in disbelief. The head of their regional government, Rocco Salini, and eight members of his Cabinet are in jail charged with attempting to defraud European and

STAR 3/10/92 (56A)  
Italian taxpayers of 450 billion lire (about R1 150 million).

Italians are used to waking up in the morning to learn that politicians have been marched off to jail overnight. But this is the first time that almost an entire regional government has been arrested.

While the authorities worry about how this mountainous and underdeveloped region is to be run, both the magistrates and EC officials are trying to find out what happened.

Mannella had been building a hotel in the town of Ateleta and believed it had a good chance of benefiting from EC funds. When he asked to see the documents showing why his application had been rejected, he was told there were none. So he called the police.

The Abruzzi Cabinet, which is also charged with abuse of public office, allegedly failed to observe the EC's criteria for the distribution of funds. — The Independent, London.



# Battle to save Maastricht starts

BRUSSELS — The rescue operation for the Maastricht treaty moves up a gear today when EC foreign ministers discuss how to show that it will not create an interventionist European superstate.

The meeting in Luxembourg will be the last preparatory session involving all 12 member states before the special EC summit in Birmingham on October 16, called to consider the tide of opposition to the treaty which has risen across the community.

Although ministers are preoccupied by the crisis over the blueprint for political and monetary union and the turbulence on foreign exchange markets which has rocked the European Monetary System,

they will focus part of their attention beyond the community's borders. (S)

Over lunch today they will hold the first joint meeting with the foreign ministers of Poland, Czechoslovakia and Hungary, who want the EC to go beyond existing agreements to agree on a timetable for membership talks.

They are also due to agree on a mandate for negotiating new trade and co-operation accords with the republics of the former Soviet Union and they will review preparatory talks with other West European states on joining the EC.

Current EC president Britain would like the Birmingham meeting to issue a declaration making clear how EC legislation will be

limited by "subsidiarity". That principle lays down that the community should act only when the problem concerned could not be tackled just as well by national governments.

Prime Minister John Major, facing a rebellion in his Conservative party which has intensified since sterling was forced out of the ERM two weeks ago, hopes that such a declaration will allow him to push the Maastricht treaty through parliament.

Meanwhile, Spanish Economics Minister Carlos Solchaga has proposed EC members pool their foreign exchange reserves in a bid to save the EMS, which he said was "almost absolutely broken", it was reported in London.

To restore confidence in the EMS, he proposed the pooling of central bank reserves which would be administered jointly to defend currencies within the ERM. — Sapa-Reuter-AFP.

## A change of heart

**LONDON** - Sixty-eight percent of Britons would vote against the Maastricht treaty on a closer European union if they were asked to take part in a referendum, according to an opinion poll published in *The Times* newspaper yesterday. *Sowefan 6/10/92*

This is a 20 percent increase on the number shown to be opposed to Maastricht in a poll in mid-September, before the collapse of Britain's pound sterling and its withdrawal from the European Exchange Rate Mechanism.

The poll said just 32 percent of those questioned would vote for Maastricht, compared with 52 percent in mid-September. *(S) (S6A)*



# Exchange control strategies lapse into the past

BDM 7/10/92

REVERBERATIONS from last month's disruption of the European exchange rate mechanism (ERM) are giving financial markets a test drive in a time machine. Glimpses of the past are suddenly appearing in the guise of contemporary reality, to the point at which decades of painstaking social and financial evolution are counting for little.

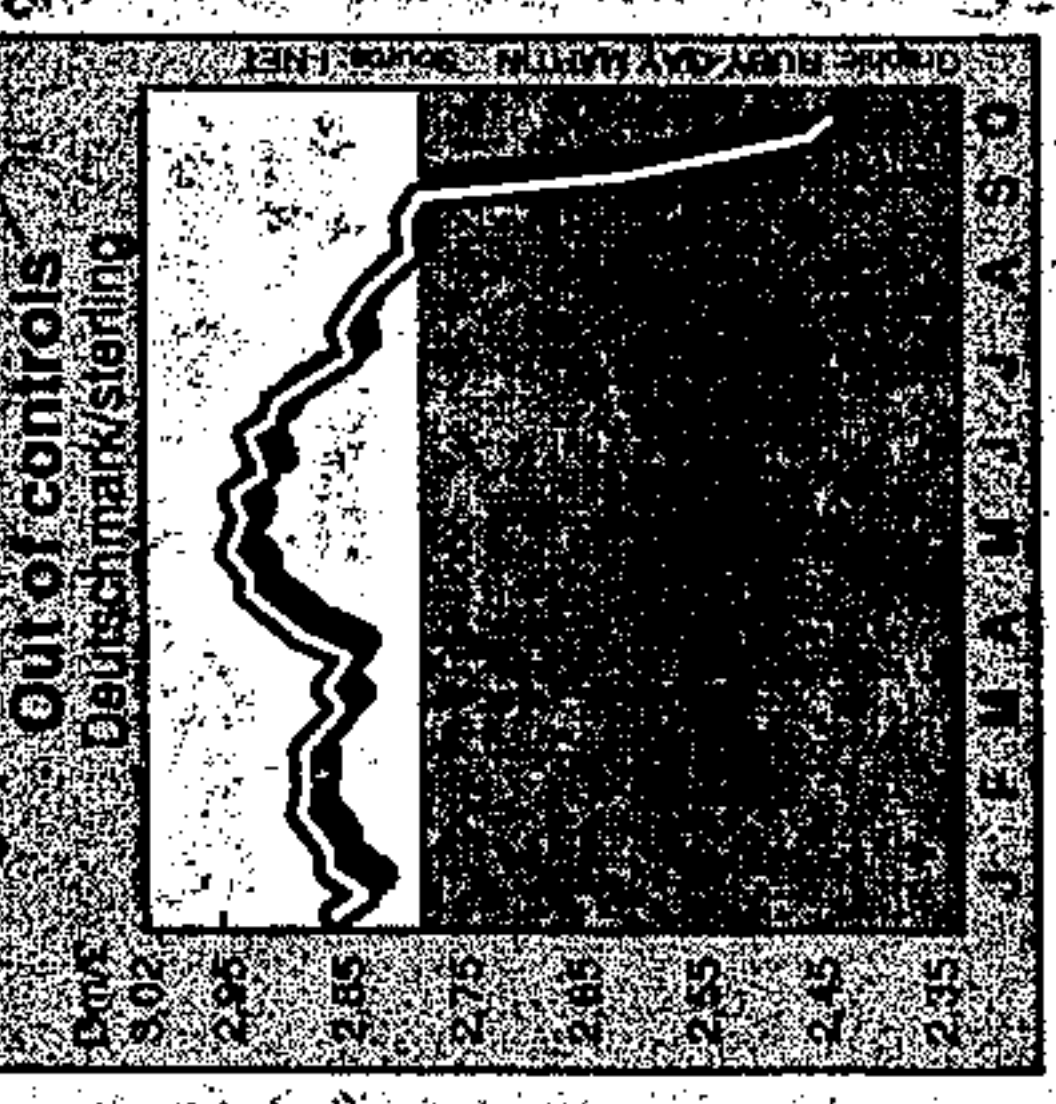
Anglo-German relations have reverted to something like their cosy warmth of 1940 over allegations from the British Treasury that nods and winks from the Bundesbank prompted the run on sterling. After spending a reputed £15bn from the reserves in a vain attempt to defend the pound's ERM parity, sterling was withdrawn from the ERM on September 16 — a date now settled in forex infamy as Black Wednesday.

But besides turning back the political clock, the tumult within the ERM has also sent financial evolution into reverse. It may have set back the cause of exchange control liberalisation by several years. Just as the notion that bureaucrats could restrict people's use of their hard-earned money was being held up to increasing ridicule, a sequence of events came along that apparently

justified that notion.

Several countries which had abolished exchange controls reacted to the ERM commotion by reimposing them. Bureaucratic regulation of the ability to convert currencies has not only become respectable again — it is seen by some as the guardian of more stable currency markets, and as a shield against the evils of speculation. This has implications beyond the boundaries of the ERM. In the developing world, weak-currency countries encouraged to dismantle exchange controls as an incentive to investment will have noted the ERM

investment will have noted the ERM



## SIMON WILLSON

countries' flight back to controls in time of currency turbulence.

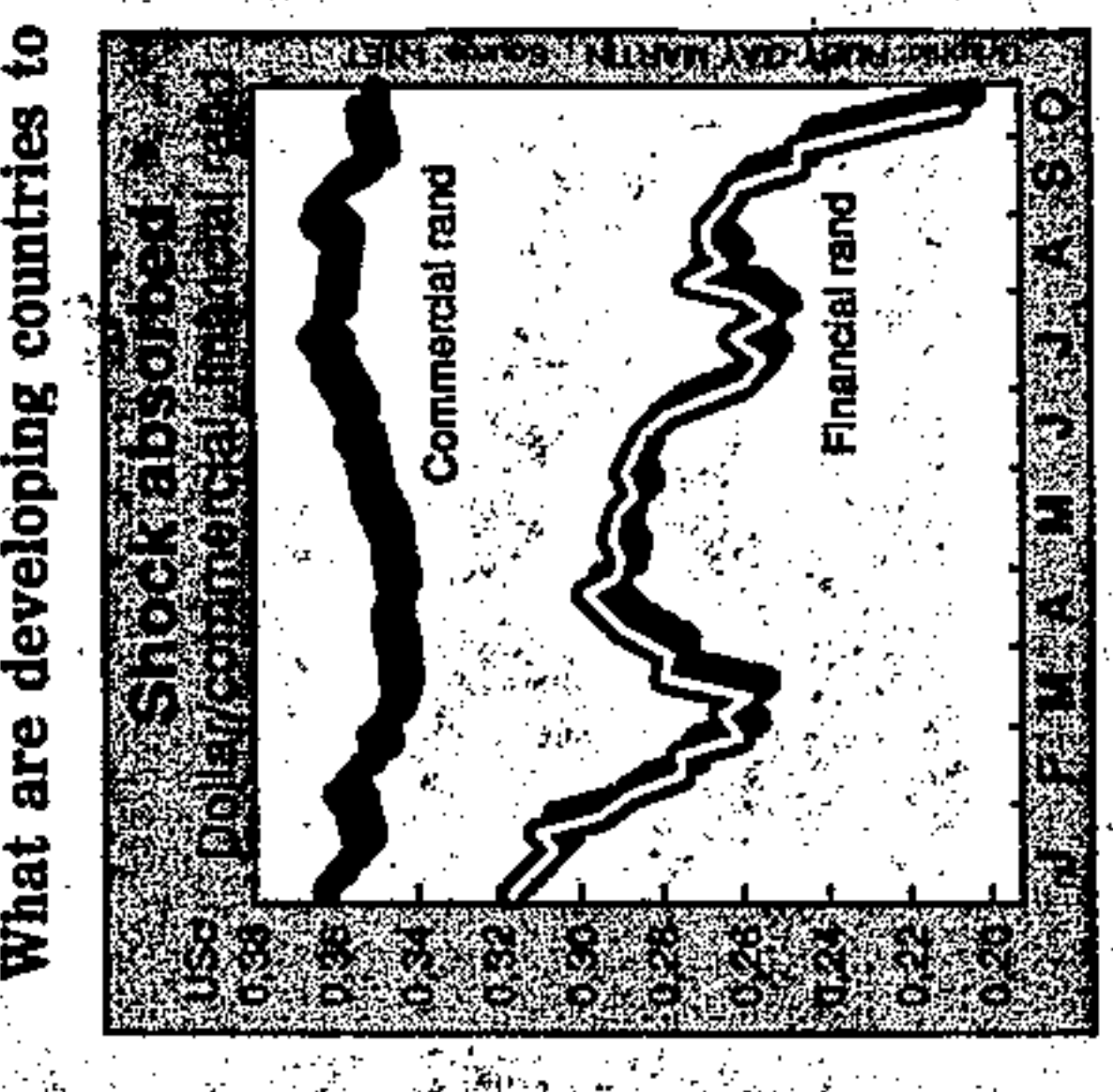
There is already a formidable roll call of exchange control restoration-ists in the wake of the ERM breakdown. Spain was first, as it backed up its 5% devaluation of the peseta on Black Wednesday with an emergency package of controls abolished only eight months previously. Ireland and Portugal swiftly followed suit, imposing new clamps on currency conversion and interest rate hikes as the punt and the escudo came under pressure. Ironically, the last of the EC's exchange controls came down only last year as part of the establishment of the ERM.

Two notable countries whose currencies were also under the cosh held off. France's remaining exchange controls were lifted as recently as 1990 but, thanks to fulsome Bundesbank support — which appeared to contrast strongly with the lukewarm moral and material support the German central bank offered sterling — the franc saw off the speculators.

As the first chart shows, the pound

did not survive in the ERM but, despite UK government statements that "whatever measures are necessary" would be taken to maintain sterling's ERM parity, renewed exchange control was not one of them. The first Thatcher government abolished all UK exchange controls on taking office in 1979. There must be more than a few wistful UK restorationists who want to jump into the time machine with Spain, Ireland and Portugal on seeing the defenceless pound plummet almost daily to new Deutschmark lows.

What are developing countries to



make of supposedly stable, homogeneous industrialised countries hastily circumscribing currency conversion rights as soon as the markets become disorderly? In particular, what might the SA authorities conclude from, first, the ERM confusion and partial resort to exchange control and, second, the recent performance of the financial rand?

The all too plain answer is in the second chart. An immediate inference is that the financial and its associated exchange controls have, over the past few weeks, fully absorbed heavy speculative and other pressures that would otherwise have smitten the commercial rand. Like Spain, Ireland and Portugal, SA has judged that the medium-term goal of greater currency stability justifies temporary infringements to personal currency conversion liberties.

Where SA parts company with the EC's exchange control restorationists, however, is in the timespan of restoration. The EC will probably again be free of controls in a year's time. SA will still have them, eight years after reimposition. But then, SA's problems are different. Aren't they?



# Cuban trade ban 'could sour EC-US relations'

B/D by 9/10/92 (56A)

BRUSSELS — The EC told President George Bush yesterday US-EC relations would be at risk if Washington went ahead with a proposed ban on business between EC-based US companies and Cuba.

An EC executive European commission statement said the extension of the US trade embargo against Cuba had "the potential to cause grave damage to the transatlantic relationship".

A commission spokesman said the so-called Cuban Democracy Act, which Bush was due to sign or veto yesterday, would cost \$500m a year in lost turnover.

"Without wanting to dramatise things ... it can affect turnover worth \$500m a year," he said.

Overall EC-Cuba trade is estimated at \$600m a year, he said, of which the lion's share is carried out by EC-based US companies.

He would not comment on options open to the EC if Bush ignored the 12-nation bloc's demand for a presidential veto of the Bill, passed by Congress on October 1.

Other officials said that in theory the EC could bring Washington up before GATT.

Washington and Brussels are already embroiled in a bitter dispute over oilseed subsidies which has compounded their row over general farm subsidies — the main stumbling block

in six years of GATT talks aimed at freeing up world trade.

"Although the EC is fully supportive of a peaceful transition to democracy in Cuba, it cannot accept that the US unilaterally determines and restricts EC economic and commercial relations with any foreign nation which has not been collectively determined by the UN Security Council as a threat to peace or order," the Commission statement said.

The unusually strong statement, issued in the name of the EC and of its 12 member states, said the EC had already sent an official protest to Washington on Wednesday.

Cuba's Catholic bishops earlier this week criticised the proposal, also known as the Torricelli Bill, saying economic embargoes enforced for political reasons were ethically unacceptable.

The Bill, designed to tighten a 30-year-old US economic embargo against communist-ruled Cuba, would ban foreign subsidiaries of US firms from doing business with Cuba and bar ships trading with the island from US ports for six months.

The EC statement said any US action affecting business carried out outside US territory would violate general principles of international law and the sovereignty of independent nations. — Sapa-Reuter.

937. Date of Birth: [redacted] THE EDITOR AND PUBLISHER: [redacted] THE EDITOR AND PUBLISHER: [redacted] THE EDITOR AND PUBLISHER: [redacted]



## BUSINESS

# France 'too weak to accept GATT deal'

BLOM 9/10/92

(S6A)

PARIS — Despite massive US pressure and growing isolation in the EC, the French government might be too weak to accept a deal on agriculture to unlock crucial world trade talks, analysts said yesterday.

Hounded by angry farmers, facing a parliamentary confidence vote on the budget and desperate to avoid defeat in forthcoming elections, the minority Socialist-led government was in no shape to make new concessions on cereals exports, they said.

France's new agriculture minister, Jean-Pierre Soisson, was flying to Brussels last night to urge the EC to take a firm line in talks with US negotiators this weekend.

"I will not let French agriculture be pushed off course to allow (US President George) Bush's re-election," Soisson said in a radio interview.

Referring to widespread unrest by farmers smarting from EC subsidy cuts, he said: "If they (other EC governments) want to build Europe with us, they must take into account the political situation in France and the situation of French agriculture."

The European commissioners for trade and agriculture will meet US trade representative Carla Hills and Agriculture Secretary Edward Madigan in Brussels on Sunday. The issue will also be discussed at next week's EC summit in Birmingham.

Hills said this week she thought a breakthrough was possible this weekend. Such a breakthrough, she said, would allow the 108 nations in the Uruguay Round of GATT to conclude an accord by the end of the year.

"My objective in this meeting is to sweep away the stumbling blocks that have impeded the progress across a broad range of subjects — services investment, intellectual property, market access — and get the talks back into a global setting,

and then set out an action plan in collaboration with the other nations at the bargaining table so we can meet the G-7 objective of completing the negotiations before the end of the year," she said.

Washington has applied pressure for a deal one month before the US presidential election, with a mixture of export subsidies to its own farmers and threats of penal tariffs against French farm products and European steel.

EC ministers agreed on Tuesday to press for a deal.

But their statement masked differences between Germany, Britain and most other member states which want a quick solution before the US election, and France, Europe's biggest cereals producer, which is not ready to make any more concessions.

The main conservative opposition party the Gaullist Rally for the Republic demanded yesterday that the government invoke the EC's rarely-used unanimity rule to defend French farm interests.

Under the rule, any dissenting voice within the community has the power to veto all the others when it believes its vital national interests are at stake.

The influential daily Le Monde warned in a front page article of a "weekend of danger for French agricultural production and trade".

A deal on US terms would mean French cereals farmers setting aside far more land than the 15% imposed by EC agriculture reforms adopted this year, Le Monde said. The EC reforms themselves sparked violent protests in France.

French farmers' unions are so worried about a possible sell-out that they have sent telegrams to EC president Jacques Delors and French President Francois Mitterrand calling for "extreme firmness in the trade talks". — Sapa-Reuter.

## Hong Kong set for more privatisation

HONG KONG — Governor Chris Patten said yesterday he supported the goal of further privatising the colony's public assets and that he would seek Chinese support for such efforts.

He also said the colony should fight inflationary pressures by improving efficiency and holding down wage growth, but stressed that the government should not take monetary measures such as raising interest rates, which could alter the local unit's connection to the dollar.

He described the link as "absolutely necessary".

Patten praised steps towards privatisation taken so far and said further efforts should be taken where possible.

He said while mainland authorities might be hesitant to take such steps, he would work to persuade them it was in Hong Kong's best long-term interest.

"I'm absolutely certain that continuing privatisation would be good equally in Hong Kong and for the services they require."

Patten, who delivered a wide-ranging maiden policy address that proposed further democratisation on Wednesday, was criticised in some quarters for failing to provide sufficient details of steps to fight inflation.

Consumer prices are expected to climb just below 10% this year and ease modestly in 1993. — AP-DJ.



# Cuban trade ban 'could sour EC-US relations'

B/D/My 9/10/92

56A

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## EC revenue

'squandered'

B10/11/92  
BONN — Billions of dollars in EC tax revenues were being squandered through mismanagement and fraud, German magazine Der Spiegel said on Saturday.

The news weekly quoted a confidential study by the EC Commission and central accounting office, in its report released ahead of publication today.

The study had found tax revenues redistributed to EC national governments for prescribed purposes were being wasted or hoarded, said Spiegel.

Some \$2.5bn had been spent to send EC economic development experts on largely useless missions to ex-Soviet republics, it quoted the 735-page audit report as saying. (SbA)

The experts failed to teach local officials economic know-how, but their bills totalled up to \$2 660 per person per day.

Transfer payments were being accumulated in ministry accounts of various member states and being concealed by bureaucrats, Spiegel quoted the report as saying. — Sapa-Reuter.

BRUSSELS — Three weeks after Europe's exchange rate mechanism (ERM) nearly self-destructed, proposals are beginning to emerge for ways to repair the battered monetary grid. However, the reform plans vary widely.

"As far as I can see, there is no consensus on even the need for reform, much less the direction to go in," said a European monetary source.

Even the timing of discussing ERM reform has proved controversial.

British Prime Minister John Major had hoped to debate changes to the currency system at a Birmingham summit on Friday. Other leaders, concerned that a debate could touch off a new round of currency speculation, asked that talks be put off until forex markets were more settled.

Major told EC leaders last week he would not invite finance ministers to Birmingham. Though they have virtually ruled out summit decisions on reform, the leaders could issue political instructions on whether and how to proceed with talks.

Major and Chancellor of the Exchequer Norman Lamont issued the first calls for reform on September 16 as they suspended the pound's ERM membership.

# Proposals to repair Europe's monetary grid are emerging

Although they have yet to propose concrete reform measures, their calls have been resisted by France, Germany, Belgium and the Netherlands.

EC finance ministers last week agreed to shelve debate on ERM reform until after an unspecified period of "calm and reflection".

Nonetheless, some ideas have begun to surface. Spanish Economics Minister Carlos Solchaga proposed European monetary system (EMS) central banks pool their forex reserves in a jointly managed intervention fund to support currencies, an informal review of currency parities and a co-ordinated, EC-wide reduction in interest rates. Spain, with Ireland and Portugal, responded to pressure on their currencies by re-imposing exchange controls.

A similar plan was scotched last year during negotiations on the Maastricht treaty, officials said. "Negotiators never could decide what you would do with those reserves and

how decisions would be taken. If it were up to all 12 (EMS members), you would have paralysis," said one.

The reserves proposal was received coolly by Bundesbank vice-president Hans Tietmeyer, who said it was inappropriate.

Tietmeyer and other Bundesbank officials said it was not the ERM rules but their application that was the problem. In particular, governments' extreme reluctance to devalue their currencies was behind last month's breakdown.

European Policy Studies Centre economist Daniel Gros, in a paper co-authored with European Investment Bank economist Alfred Steinherr, said EMS currencies were more realistically aligned after the September crisis. To restore credibility to the system, exchange rates should be fixed immediately.

A return to the old-style EMS with fixed but frequently adjustable exchange rates would be a "nonsensical step backwards". — AP-DJ.

(S6A)  
BIDM 12/10/92



**T**HE road to hell is paved with good intentions. Sel-dom can there have been a period so full of examples to illustrate this truth as this one. European unity was a great ideal. Those who inspired the European movement after the last war certainly had the best of intentions. But where will it all end? Perhaps not in hell. But on present showing certainly not where it was meant to. It was meant to bring peace between the European nations.

Never again, for example, would the German ambassador have to be angrily summoned to the Foreign Office or the German chancellor and the British prime minister have to exchange bitter recriminations in public.

Unfortunately, the bad old days are returning. One can see it in our leaders' furtive, frightened faces. By their fruits shall ye know them. What are the fruits today of the European movement? Not so much peace and plenty as suspicion, deception and confusion. Far from the road to European unity leading to the end of nationalism, it is now leading fast and furiously to its revival.

**S**outh Africa is another case in point. If a bloody civil war breaks out there, one wonders whether Bishop Trevor Huddleston, say, and the other campaigners for civil rights will accept any responsibility for this dreadful outcome.

At one level there is no reason why they should. Their intentions were of the purest. They simply wanted to put an end to white tyranny. But as that goal is about to be achieved, and one looks beyond it, a truly hellish prospect looms up. Just as one never expected to see a German ambassador angrily summoned to the Foreign Office again, so one never expected to see the Zulu tribe seriously preparing for war again.

SA could go the way of Yugoslavia. If it does the cameras of the world will be recording such scenes of savagery as to make the Sarajevo killings look quite civilised. All this was predictable, as were the dire consequences of a premature rush towards European unity. Idealists, however, never listen to wiser counsel; only to

# A yearning for the peaceful days of white tyranny

3pm 12/10/92 56A

**PEREGRINE WORSTHORNE in London**

the dictates of their own consciences. White tyranny, however discriminatory and cruel, was not the worst fate that could befall the SA blacks, any more than Tito's communist dictatorship was the worst fate that could befall the peoples of Yugoslavia. Leave ill alone does not sound a very humanitarian thing to do, but often it can save lives. Not that in SA there is any chance of going back to the relatively peaceful days of white tyranny. The reformers have seen to that, God bless them.

With every step towards majority rule, the number of blacks killed increases. Not nearly as many blacks died in the heyday of apartheid as now die during its decline and fall. At least under white tyranny the economy improved, from which blacks benefited. It is not improving now and, realistically speaking, has no chance of improving in the foreseeable future. By their fruits shall ye know them. What are the fruits of black majority rule likely to be in SA? Not so much peace and plenty as civil war and famine.

Realistically speaking, the only stable multiracial future for SA would be under a condominium of the two militarily strongest tribes — the Boers and the Zulus. President F W de Klerk and Chief Mangosuthu Buthelezi should make common cause. If there were to be a civil war, those tribes would certainly win it.

So what stops them imposing their joint rule now, before a bloody con-



Joint Boer-Zulu rule — SA's best hope?

dict, rather than after? Huddleston stops them. Such a move would run up against the conscience of the West. The conscience of the West demands one man one vote majority rule and nothing else — even if this does mean reducing the country to a desert. In effect, the conscience of the West will not be satisfied until the ANC rules SA. Only then will the UN be allowed to give its blessing.

Once again the best is allowed to be the enemy of the good, or at any rate the least bad. A Boer-Zulu condominium would not be a model democracy. Human rights would not be

guaranteed. But at least apartheid would have been completely destroyed without this leading to such a degree of chaos and disorder as to reduce the economy to ashes. A Boer-Zulu hegemony would not be the best of all possible worlds. But it would certainly not be the worst.

Yet where would we be without the idealists? Clearly they are a necessary evil. If everyone was as clear-headed about the consequences of trying to do good as are died-in-the-wool cynics like myself, then that would be no good either. Too

little optimism is as corrupting of judgment as too much.

In any case, nobody is consistently cynical. I was certainly not cynical about the consequences of overthrowing communism in the Soviet Union and eastern Europe. Such doubts as one had were suppressed. Sufficient to cross those rivers of blood when we came to them.

Famine could easily break out this winter in Russia, leading to bloody civil conflict, and if it does I hope we Cold War warriors, while not accepting blame, will at least not be too disappointed if communist totalitarianism ends up by being replaced by military rule rather than democracy. Half a loaf is better than no loaf. After all, simply getting rid of communist totalitarianism should be more than enough.

Which springs us back to Europe. When will the Euro-idealists realise that in greedily reaching out for the whole loaf of monetary and political union they are in danger of losing the half loaf, or three-quarters of a loaf, that is already in the oven? In none of the main EC countries is there the necessarily wholehearted consent of the people to justify further unification. If it comes it will have to be imposed from above, and anything of this order imposed from above will eventually be destroyed from below. Even the American union came near to being destroyed by one of the bloodiest civil wars in history.

**C**annot idealists have second thoughts or, better still, first doubts? In the past 40 years staggering progress was made in burying European hatchets. Not once was there an occasion in these years when a German ambassador had to be angrily summoned to the Foreign Office. Not once did the (bad) blood pressure of the European body politic have to rise so high. Cannot idealists ever leave well alone?

All the old warning signs are beginning to blink. Why are the European leaders not heeding them? From where comes the momentum that seems to be driving them blindly forward? Misplaced idealism would appear to be the answer.

O liberty! what crimes are committed in thy name! cried Madame Roland. Must unity, too, soon earn itself a criminal record? — Sunday Telegraph.



# Major rallies Tories in support of EC ties

5/DAY 12/10/92. (S6A)  
BRIGHTON — British Prime Minister John Major emerged strengthened from the annual conference of his Conservative Party after a bold confrontation with his predecessor Margaret Thatcher and others sceptical about the party's policy on Europe.

Party sources said Major's decision to face down Thatcher and her allies openly on the conference floor on Friday paid off, with the bulk of the party rallying, if cautiously, behind his support for closer ties with the EC.

Many delegates at the conference were disappointed not to hear a more positive message on recovery from the two-year recession. A lacklustre speech from Chancellor of the Exchequer Norman Lamont left the focus firmly on holding down inflation. They noted that while he mentioned the word "inflation" 17 times, not once did he refer to growth.

But Major's main task was to reassert his leadership after the ignominious withdrawal of the pound from the European exchange rate mechanism (ERM) and to beat down a revolt against his European policy led by Thatcher.

The roar of welcome he received on the final day of the conference indicated he had succeeded.

Major tailored his final speech to suit two markets. He reassured his essentially nationalistic party and the sceptical people of his island state that he was not going

to sell out their interests to other European countries.

"If there are those who have in mind to haul down the Union Jack and fly high the star-spangled banner of a United States of Europe, I say to them: You misjudge the temper of the British people," he said.

On the other hand he brushed aside as "myth" objections raised by Thatcher and her allies to the Maastricht treaty on European union, saying it represented not an erosion of national rights but a halt to the EC's centralising trend.

"Emotion must not govern policy," said Major, a former banker and one of the shrewdest politicians in the government. "At the heart of our policy lies one objective ... a cold, clear-eyed calculation of the British national interest."

He had another audience — Britain's 11 EC partners, which were also looking this week for a clear sign of commitment from Major, who is the current EC President.

Foreign Secretary Douglas Hurd said Major's willingness to confront his party rebels had been warmly welcomed in the European capitals.

"Any suspicions they may have had that we weren't serious, that we were equivocating ... that's all gone.

"They have seen both sides of it. They've seen the attack and they've seen the successful counterattack," he said in a radio interview. — Sapa-Reuter.

## IMF praises Greece's austerity programme

ATHENS — IMF executive director Michel Camdessus last week praised the Conservative government's economic austerity measures, expressing hope that the policy would continue.

"I have complimented the prime minister for the remarkable economic transformation of your country in the past two years," Camdessus said after meeting Prime Minister Constantine Mitsotakis.

After years of generous socialist spending the Conservatives came to power in 1990 and reduced state borrowing and inflation, and privatised the economy.

Inflation, at an annual rate of 15.3% in September, was still the highest in the EC, with the EC's average annual inflation rate in August at 4.1%.

The spending cuts, a public sector wage freeze and increases in indirect taxation and in the prices of services and goods have proved widely unpopular.

But Mitsotakis is holding firm, hoping to bring inflation under 10% in 1993. *BI DAY 12/10/92*

"It was very satisfying to tell the prime minister that what has been done during the last two years really went in the right direction," Camdessus said.

"And indeed, when you compliment somebody for having done something well, you cannot but suggest that they continue and do even more. Particularly as Greece now has accepted the challenge of the European monetary union," he said.

Greece has ratified the EC's Maastricht treaty on economic and political union, but is the only member that did not join the EC's exchange rate mechanism.

Central bank governor Efthymios Christodoulou told Camdessus that Greece could join next year.

"I believe that if this budgetary policy continues to be backed by an uncomplacent monetary policy, supported by the development of the strategies in the structural and privatisation fields, this will help Greece achieve its Maastricht objectives," he said. —

AP-DJ.

# Major's Eurobattle is still far from won

B10M 13/10/92.  
LONDON — British Prime Minister John Major won a victory at the Conservative Party conference, but he still faces a high-risk campaign to get the Maastricht treaty through Britain's parliament.

His next challenge comes on Friday, at an EC summit in Birmingham, where he will be seeking support from other EC leaders for moves to curb the powers of the European Commission and clarify the areas where national sovereignty will take precedence over European co-operation.

As part of Britain's search for progress on these issues, Foreign Secretary Douglas Hurd held meetings with officials from other EC governments last week and over the weekend.

But Major faces an uphill task in overcoming objections to the treaty from within his own party. On Friday, in an hour-long speech full of jingoistic patriotism, he won the support of most participants at the closing session of his party's four-day conference in Brighton. But though he emphasised his own refusal to accept anything smacking of federalism under the Maastricht treaty on European union, he failed to defuse the opposition of the so-called Eurosceptics within the Tory party.

Over the weekend, the Tory dissidents made clear their continued refusal to accept a treaty that they claim will cede too many powers over national affairs to a centralised European authority.

"Nothing has changed as a result of his (Major's) speech," dissident Tory MP William Cash declared. "The conference made it clear the Conservative Party does not want a federal Europe, nor does it want a centralising Europe."

The Conservatives have a narrow majority of 21 seats in parliament, and if all Tory members rallied to Major's support he would have no problems in getting the Maastricht treaty through.

But between 50 and 80 Tory members have strong misgivings about the treaty and many have said they plan to vote against it. If they do, Conservative Party officials say they think the government can still win ratification thanks to support from the opposition Labour Party, which favours the treaty.

Much will depend on developments in Britain's sagging economy between now and the time the vote is taken. If no improvement in economic prospects is in sight, Labour politicians may seize the chance to deliver a further blow to Major's already weakened administration by voting against the treaty.

In his speech on Friday, Major insisted that ratification of the Maastricht treaty, including the concessions Britain has won allowing it to opt out of proposals for monetary union and restrictions affecting employment under the treaty's Social Charter, was the right choice for Britain.

"We cannot pull up the drawbridge and live in our private yesterday," he told the Eurosceptics, affirming that Britain's economic and political future lay in closer links with continental Europe. At the same time, however, he pledged to resist any pressures to cede sovereignty over economic policy and other areas where the Eurosceptics claim that Britain's independence is endangered.

But concerns among EC countries about Britain's insistence on limiting the scope of the Maastricht treaty seem likely to make for a rough ride at Friday's summit.

The European Commission, the target of much of the ire of the Eurosceptics, is widely regarded in continental Europe as defending the smaller EC countries against their more powerful partners.

If only for that reason, nations such as Belgium, Spain and Portugal are likely to be hesitant about the kind of concessions Major wants. — AP-DJ.



# GATT: hard political decisions are needed

B/DAY 13/10/92

~~173~~ ~~231~~ (56A)

GENEVA — Six years ago in the Uruguayan resort of Punta del Este, ministers from nearly 100 countries agreed to launch a most ambitious effort to liberalise world trade.

When they convened, market economies were booming in Europe, North America and Japan and new players were emerging in Asia.

Now economists say a new GATT could provide the boost needed to end a prolonged global recession.

US and EC trade negotiators met in Brussels on Sunday and yesterday to resolve bitter differences over farm subsidies blocking a GATT deal.

The Paris-based OECD says a GATT accord would pump almost \$200bn a year into the world economy as freer trade stimulates production to meet mounting demand from a richer world. But hard political decisions must be made by key leaders in the face of fierce opposition from EC and US farm lobbies.

The September 1986 Punta del Este declaration setting in motion the Uruguay round of talks included sectors such as farm produce, service industries and the trading of intellectual property.

This was largely a trade-off providing developing countries seeking wider and more stable markets for their agricultural produce with the

incentive to open up to services mainly based in the developed states.

In December 1988, trade ministers meeting in Montreal set an average target of 30% for tariff reductions. Difficulties on agriculture already loomed as a potential barrier to accord. The EC, with a broad range of farm support, firmly resisted a US proposal to end all state agriculture subsidies within 10 years of the round's conclusion. A year later, what was to have been a triumphant finale to the round ended in near disaster as EC and US ministers found themselves still far apart on farm support.

GATT director-general Arthur Dunkel put the talks back on track, cutting the original 15 negotiating groups to seven. G-7 leaders at a summit in London in July pledged support for an agreement by year-end. But by December 1991 draft texts were not written.

Dunkel's version of a final deal, including proposals for compromise on agriculture, was accepted unenthusiastically by Washington and rejected by the EC.

Further months of fruitless bilateral talks followed, and again a G-7 summit called for agreement by the end of 1992. But political pressures on key governments were mounting fast. — Sapa-Reuter.

## Survey studies pound's exit

LONDON (SBA) A survey published yesterday reported that sterling's departure from the exchange rate mechanism of the European monetary system had "a marked effect" on asset allocation.

The survey, commissioned by brokerage Smith New Court and carried out by the Gallup organisation, found that fund managers did not expect an early re-entry into the ERM. The September 16 departure from the mechanism had triggered a "resurgence" of funds back into UK equities as well as into index-linked gilts.

And while institutions were more optimistic about the UK economic outlook than a month ago, they also said they were wary of a rise in British inflation.

In response to a series of special questions for this month's survey, about 25% of fund managers said they expected sterling to stay out of the ERM permanently. Just more than 50% said the currency would return at some stage but not within the next 12 months. About 60% said they believed the French franc would not be realigned downwards against the Deutschmark in the coming year.

The fund managers that answered the Gallup poll come from 100 financial institutions which together handle funds in excess of £542bn. — AP-DJ. B10M

13/10/92.

# Rogue trader of the markets — Speculator II

BPM 14/10/92

56A

A NEW villain is stalking the currency markets. Unscrupulous, mercenary and ruthless, he preys on the benevolence of other market players. He profits only from the distress of his rivals. He is the speculator.

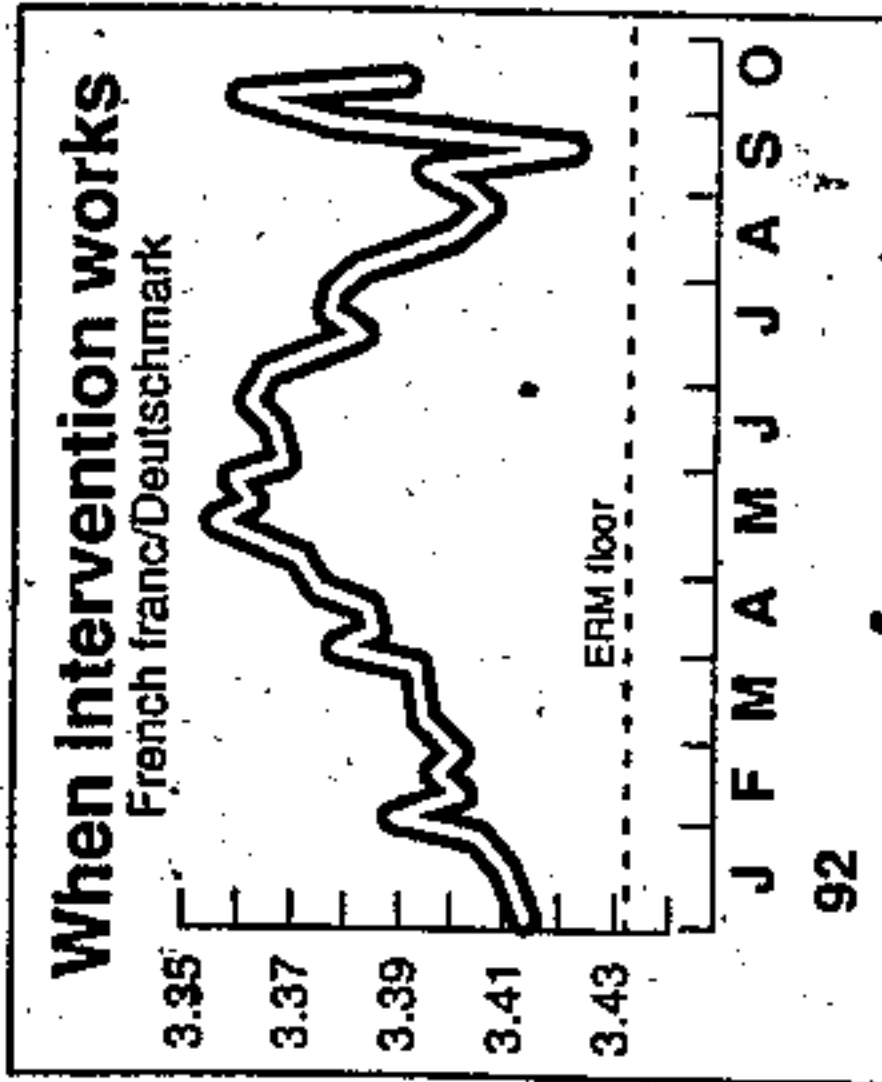
At least, that is what many European governments and central banks would have us believe. Four weeks after the commotion in the European exchange rate mechanism (ERM), Europe's financial authorities are busy hyping up a currency market malevolence that they can engage in mortal combat.

Like the title of the next Schwarzenegger picture, Speculator II is a conjured-up image of a rogue trader trampling the markets in pursuit of aggrandisement and gratification. It seems only the selfless central banks, acting on behalf of their philanthropic governments, stand in the way of this depraved beast.

But several EC governments and central banks have some explaining to do. Voters keenly await the details of how multiple billions in forex reserves were sacrificed in defence of some ERM parities that were evidently indefensible. Finance ministers drum fingers on desks in impatience to know how the ERM's painstaking structures for central bank

co-operation in supporting weak currencies failed so spectacularly.

Those of whom such explanations have been demanded have, as one, laid the blame on but a single miscreant. "We must make the speculators pay... hit them where it hurts — in their wallets," says French Finance Minister Michel Sapin. "Turn the tables on the speculators," chimes in EC vice-president Leon Brittan. Former UK Chancellor Lord Callaghan advocates an "excess profits tax" of 100% on speculative currency dealing. Spanish Economy Minister Carlos Solchaga calls for changes in the ERM to resist attacks



Graphic: LEE EMERTON Source: I.M.E.T.

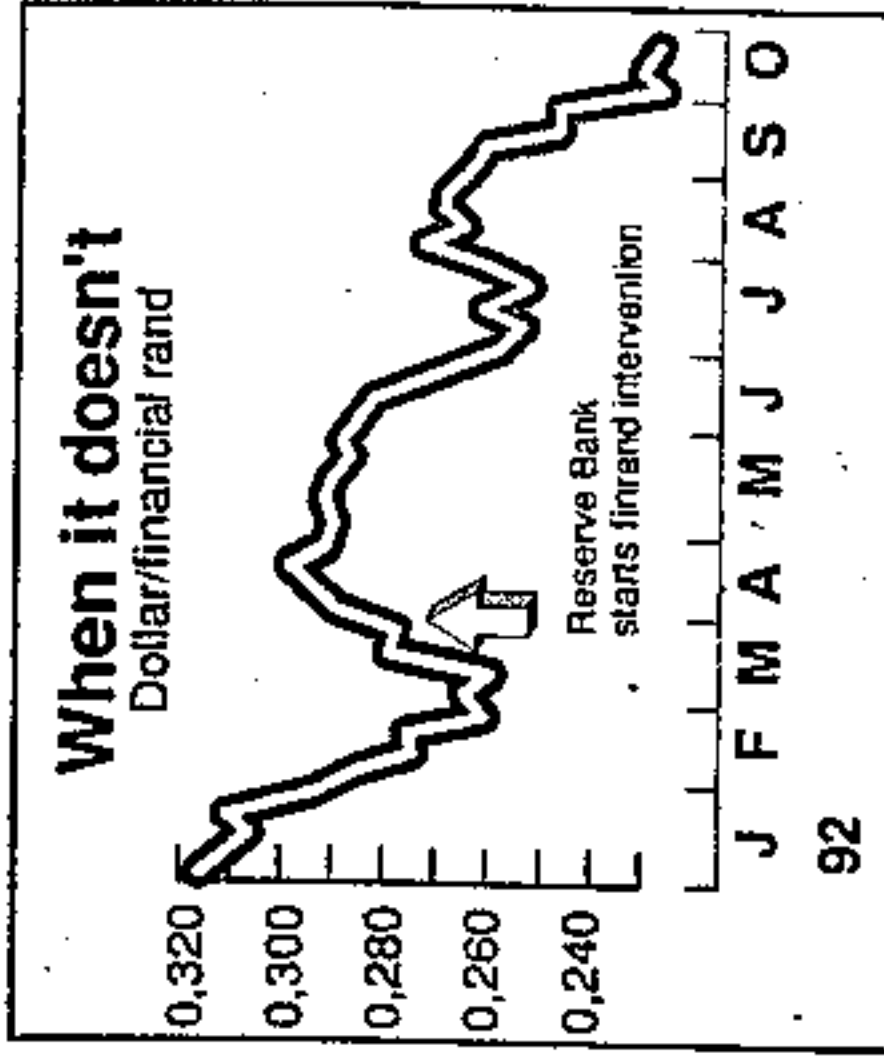
analysts are beginning to point out that their dealing room colleagues were only selling currencies down to levels indicated by the fundamentals, and have strict limits on the open positions they can run. They are further pointing out that the real speculators might be the governments and central banks that try to sway currency movements away from fundamentals by gambling billions in reserves, believing the markets have it all wrong and must be forcibly shown appropriate exchange rates.

This interpretation of speculation seems to be guiding the Reserve

Bank's financial rand strategy. In March this year the Bank said it would intervene as a net firmand purchaser to narrow the discount to the commercial rand, but would be constrained by the reserves position. The second chart shows a certain lack of effect of intervention to date, in that the firmand has fallen and the discount has widened. The Bank believes some of the R6bn in firmands that foreigners have on deposit at SA banks are being held for speculative purposes, but is not prepared to throw reserves at the problem. Instead, the unit is being left to find its own level.

Speculative firmand buying has turned to selling, however, as holders have spotted the Bank staying on the sidelines. Without the central bank prop at lower levels that seemed such a certainty seven months ago, the firmand is no longer the drawcard it was. As they did with sterling, the lira and the peseta, traders have been selling it down to its fundamentals, which are not hugely favourable for the moment. Since that might help to thin out the speculators among the R6bn on deposit, the Bank is apparently not stepping in.

For the time being, discretion is clearly the better part of valour.



Graphic: LEE EMERTON Source: I.M.E.T.

But a backlash of support is already accumulating behind dealers who took positions against sterling, the franc, the peseta and the escudo in the expectation that the currencies would fall. Outraged treasury

## LETTERS

finds itself. Let us hope it is not too





# France holding up new trade accord

STAR 14/10/92  
LONDON — If the dire warnings emanating from Paris are any guide, the future of the world trading system now hangs on the whims of a million Frenchmen.

That is only a mild exaggeration of the absurd backdrop to this week's farm trade negotiations between the European Community and the US in Brussels.

The grounds clearly exist for a deal on agriculture which would unlock the Uruguay round of multilateral trade negotiations. If the talks fail, it will be due either to a failure of nerve by the EC or, to the French government's fear of its farmers.

For the sake of a world economy in which the prospect of a Gatt deal is a rare glimmer of light, they must be allowed to succeed.

Both the European Commission (anxious to

demonstrate that the EC is not completely paralysed by its Maastricht problems) and President George Bush (desperate for a boost to his sagging political fortunes) perceive a narrow opportunity for a deal before the US presidential election on November 3.

An agreement now on agriculture would in theory clear the decks for rapid progress on other outstanding Gatt issues early next year. Without one, the Uruguay round will de facto if not de jure be dead, and a rash of tit-for-tat trade wars will probably ensue.

Hence the shrill noises from France in recent days. President Francois Mitterrand knows that his European partners want these talks to succeed, if only because a weakened Mr Bush will be more accommodating than a President Clinton.

He is also in no doubt that a Gatt deal which includes a mandatory reduction in subsidised farm exports will enrage his farming community and make his Socialist government all the more certain of defeat in elections next March.

His answer is to threaten to block whatever compromise is hammered out in Brussels.

Mr Mitterrand may be bluffing. Under the EC treaties, Community commercial policy is decided by a qualified majority vote. France can temporise in the hope that Germany will shy away from an intra-EC confrontation, but without German support, the only way France can stop this deal is by exercising a rarely used and legally questionable veto on grounds of vital national interest. — Financial Times.

# Little hope that summit will erase treaty fears

BRUSSELS - EC leaders will have plenty of soothing words for their citizens at a summit tomorrow, but little else to calm fears about the Maastricht treaty on political and monetary union.

Financial markets have already been told not to expect any changes to the EC's semi-fixed exchange rate system even though it was the havoc in currency trading around last month's French referendum on the treaty which triggered the emergency summit.

And any hopes that the gathering economic gloom might be lifted by a deal to liberalise world trade appear to have been dashed by France's determination not to make concessions in the Uruguay Round of talks with the US.

Even Britain is now talking of the summit as a step on the road to decisions at the regular EC summit in Edinburgh in December.

## Banner

In the swirl of diplomatic activity in the run-up to the meeting two things have become clear:

- To counter the tide of opposition to the integration plans of the Maastricht treaty, all EC governments are raising the banner of "subsidiarity", the community's shorthand for favour of national action; and
- None of them can yet agree on how it should actually work.

British Prime Minister John Major sees subsidiarity as a way of reinforcing the position of national governments.

Denmark regards subsidiarity as a key element in helping to reverse the referendum result of last June which rejected the treaty. But, in an illustration of how complex and contradictory the debate has become, Denmark is also arguing that subsidiarity should not be used to weaken EC legislation in areas that it strongly supports.

The arguments are in many ways a replay of the battles fought during the negotiation of the treaty itself, with countries such as Britain who prefer a less-integrated community trying to secure what they did not achieve last year and the "federalist" camp fighting to preserve the status quo. — Sapa-Reuter.

# 'Gold likely to receive support'

NEW YORK — Turmoil in European currency markets and healthy global demand for jewellery will support gold near its current price through the fourth quarter, analysts say.

But at the same time, with no near-term threat of high inflation in Europe, Japan or the US and mine production holding steady, most observers doubt gold will start any steep climb.

Analysts project a narrow fourth-quarter trading range for gold, centred near its present price level. On average, forecasts put the metal's price between \$335 and \$365 by the end of the year.

Spot gold ended on Tuesday at \$344 an ounce in New York.

Most analysts attribute

gold's staying power at present levels to the shifting of funds out of European currencies into gold, as investors flee the tensions that have plagued the European exchange rate mechanism in recent weeks.

Some gold watchers say the metal's gains during September's currency crisis affirmed its role as the ultimate investment haven.

As monetary strains forced the British pound and Italian lira out of the ERM and the Spanish peseta was devalued, many investors dumped European stocks and bonds. At the same time, gold prices leapt more than \$10.

The boost to gold that followed the currency crisis "basically refuted the theory that gold is an ancient relic that has no purpose"

to investors, says Santa Monica, California precious metals consulting firm Kaplan & Co's president Bruce Kaplan.

But few analysts, if any, talk of the currency crisis as reason to expect a major rally for gold. In fact, some say that what is noteworthy about gold's rise in price is how small it was.

Many say the small volume of gold's gains, amid such drastic currency turmoil, underscores the fact that the metal has lost its status as a haven from financial uncertainty.

O'Neill notes that "there are so many sophisticated instruments available now — currency hedges, energy or petroleum hedges, interest rate hedges — that the need to use gold as a hedge has lessened dramatically".

Investors are now less likely to use gold as a hedge against currency volatility. Investors are more likely simply to seek safe currencies, according to Painewebber senior metals analyst Bernard Savaiko in New York.

Analysts say gold has found indisputable support

in surprisingly healthy jewellery demand, which has shown sustained growth in the face of global economic recession.

The dollar-value of US gold jewellery retail sales rose 2.8% in the first half of 1992, compared with the first half of 1991, according to the World Gold Council.

Meanwhile, China's demand for gold jewellery has grown dramatically, outstripping its own mine supply and soaking up gold exports from all over southeast Asia, says Gold Fields Mineral Services

metals analyst Philip Klappik. China's rising per capita income and its increasingly liberalised trade with Hong Kong have fueled the country's gold demand, he says.

On the supply side, analysts continue to expect total gold mine production to fall off soon, dampened by the metal's low prices. Growth in mine supply has slowed in each of the last four years.

An actual 0.2% contraction in supply in 1992 is forecast by London-based Metals and Minerals Research

Services.

But many analysts disagree, saying they do not expect tighter mine supply before 1993. They note that SA production has held above mining industry forecasts so far this year, and several minor gold-producing nations have reported dramatic percentage increases in output.

Renewed inflation in the world's industrialised economies — like tighter mine supply — is a bullish factor that most analysts no longer expect to see before 1993.

If industrialised nations begin to take bolder steps to stimulate their economies, the potential for higher inflation could become greater, and gold would be boosted by its role as a hedge, analysts say.

And based on its likely impact on inflation, a victory by Democratic presidential candidate Bill Clinton in the US election in November is seen as mildly bullish for gold. Analysts say a victory for Clinton would lead to greater spending by the US government. — AP-DJ.

15/10/92  
S6A



# EC and US seek deal to save world trade talks

*6/10/92*  
*56A*  
BRUSSELS — The EC and the US are inching towards a farm trade deal, but still have gaps to close on oilseeds and subsidised cereals exports, say European Commission officials.

Agreement on farm trade would break a 21-month deadlock in the Uruguay Round of GATT and pave the way for a global agreement on trade into the next century.

"We're still on course for a GATT deal this year," said a commission

official. "But the last step is likely to be the most difficult."

He was commenting after US special trade negotiator Joe O'Mara left Brussels on Tuesday following technical talks with Guy Legras, the European Commission's Director-General for Agriculture. This followed the failure of political discussions in Brussels on Sunday and Monday between EC farm commissioner Ray MacSharry and US Agriculture Secretary Edward Madigan.


The EC's bottom line has been spelt out by MacSharry.

"We don't want to go beyond CAP reform — GATT has to fit in with CAP," MacSharry said, referring to sharp cuts in farm prices and output as part of a purge of the EC's profligate Common Agricultural Policy (CAP) agreed earlier this year.

EC leaders, meeting in Birmingham tomorrow, will review the state of play in GATT. — Sapa-Reuter.

## IDC grants loan to Natal Parks Board

GAVIN DU VENAGE

 (S6A)  
THE Industrial Development Corporation (IDC) granted the first loan from its R600m eco-tourism fund this week to the Natal Parks Board, to be used for the upgrading of the Hluhluwe Game Reserve.

The R18m loan will be spent on the Hilltop Hutted Camp, to build facilities such as a restaurant and shop, and to modernise the rondavels. 6/10/92

IDC MD Carel van der Merwe said three other loan applications, for a total of R30m, had been approved. Another six were still being considered. 15/10/92

Of the approved eco-tourism loans, 33% were for the private sector and the rest for conservation authorities.

Our Durban correspondent reports that a new, R7m road is to be built through the Corridor Game Reserve to link the Umfolozi and Hluhluwe game reserves.

The road will improve game viewing opportunities for visitors and ultimately lead to the establishment of accommodation facilities in the Corridor.

The combined area, covering about 100 000ha and containing the world's largest concentration of rhino, will be known as the Hluhluwe/Umfolozi Game Reserve.

# Ex-CCB boss 'offered killer an assassin's job'

BIDA 16/10/92

A CONVICTED murderer and rapist serving a natural life sentence was offered a job — later perceived by him to be that of killing people — by former CCB chief Joe Verster, the David Webster inquest was told yesterday.

Cyril de Jongh, sentenced in the Maritzburg Supreme Court in April last year, was called to testify after he allegedly told fellow inmates at Diepkloof prison that CCB operative Ferdie Barnard had gunned down Webster on May 1 1989.

De Jongh refused to answer several questions "for personal reasons", but denied having mentioned Barnard's name in connection with the Webster slaying.

However, he told presiding Judge M Stegmann that he knew Staal Burger, Chappies Maree, Joe Verster, Slang van Zyl and Calla Botha, all former CCB operatives.

"I met them during February or March 1989 at the Park Lane Hotel in Hillbrow, where Joe asked me if I was interested in a job. I was not and told him so," De Jongh testified.

Although the exact nature of the job was

STEPHANE BOTHMA

not disclosed during that discussion, De Jongh was told on the night of the Webster killing that "that was the kind of job offered to you by Joe Verster".

He was told this by a mutual friend of De Jongh and Burger, Justin Beyleveld.

On the night of the Webster murder, Beyleveld also pointed out former Brixton Murder and Robbery detective and CCB operative Chappies Maree as "the man with above average" skills with a shotgun who had shot Webster, De Jongh testified.

Evidence at the inquest by nine witnesses to the killing of Webster outside his Troyeville home gave conflicting accounts of what had taken place on that morning.

Only one witness had been able to supply police with identikit of the alleged killers who had used a "white car", possibly an Opel, from which Webster was shot.

However, it was not clear whether there had been three or two men in the car, whether the car was speeding or whether it had tinted windows.

The inquest continues.

# Call for laws to pass 'green' test

BIDA 16/10/92

CAPE TOWN — Compulsory environmental impact studies would have to be constitutionally imposed on all the legislation of a future government, ANC spokesman Albie Sachs said yesterday at a forum on the ANC's environmental policy.

He said constitutional guarantees to protect the environment would counter-balance the pressure a future government would face to build factories and create jobs. The green factor would have to be built into the legislative process from the beginning so that it became integrated into development.

Sachs said a delicate balance would

LINDA ENSOR

have to be struck between the right to development and the right to a clean environment. However, that development itself — such as electrification — would solve some of the immediate environmental hazards facing communities.

Strong grassroots community organisations would also ensure the implementation of a green policy.

Sachs said the environmental issue should not be appropriated for political purposes.



# Major's salvage act on Maastricht

THE PRIME MINISTER, John Major, and his Foreign Secretary, Douglas Hurd, were engaged in a major diplomatic offensive this week to persuade other member states of the European Community to arrive at a declaration — a form of words — that would enable Mr Major to persuade the House of Commons to ratify the Maastricht Treaty on closer European political and monetary union.

EC leaders were meeting at a summit in Birmingham on Friday with the object of salvaging a treaty which the Danes have rejected, the French have accepted with the narrowest of margins, and which runs the risk of defeat in the Commons unless the Prime Minister can persuade Euro-sceptics, on both sides of the house, that power is not about to be handed over to the bureaucrats of Brussels.

Mr Major was undoubtedly taken aback by the strength of opposition to Maastricht which surfaced at last week's Conservative Party conference. Many — possibly up to a third — of the "Tory faithful," as they were once called, supported a virulent attack on the treaty by the former minister, Norman (now Lord) Tebbit. In his emotive assault on the treaty, implicitly targeting Mr Major himself, Lord Tebbit demanded a policy that would put "Britain first, second, and third."

Maastricht, said Lord Tebbit, was a centralising treaty which no-one wanted. "Do you want to be citizens of a European union?" he demanded of delegates. "No," roared a sizeable minority of them, with a show of foot-stamping and barracking the like of which had not been seen since the rows over Rhodesia and capital punishment a decade ago.

His appeal was not to the Euro-sceptics, worried about where the Maastricht Treaty is leading, but to the Euro-phobes, who simply dislike foreigners and want as little as possible to do with them: the kind of flag-waving Brits who, as one commentator observed, "would have been better suited to smashing up the bars of Benidorm."

The anti-Maastricht campaign had been launched by Baroness Thatcher in a carefully-timed article in a newspaper called, ironically, *The European*. Totally ignoring the fact that it was she who signed the Single European Act, and who took Britain into the Exchange Rate Mechanism, she railed against both,

declaring that they were "incompatible with the maintenance of our constitutional freedoms, our democratic institutions, and the accountability of Parliament to the people."

The Government's defence was mounted by the flamboyant Michael Heseltine, President of the Board of Trade. Dismissing his many hecklers as "the inarticulate voice of the Conservative Party," he said that membership of the European Community — and, by implication, endorsement of the Maastricht Treaty — was in Britain's self-interest. Maastricht would reverse the centralising tendency of Brussels. Foreign companies would only invest in Britain "if they believe that we are an integral and committed part of the Europe which is developing around us."

Mr Heseltine won the conference over, and Lady Thatcher, Lord Tebbit, and their supporters have probably done themselves irreparable harm by their disloyal attempt to split the party ranks. Some thought they had come close to self-destruction. But others retain genuine fears about Maastricht, which Mr Major will seek to allay by persuading the Birmingham summit to make a declaration on subsidiarity — devolving Community decisions from Brussels to member states, and so limiting the "interfering" powers of the European Commission.

It all served to distract attention from the worsening state of the domestic economy. The Chancellor, Norman Lamont, who was supposed to use his conference speech to explain his policy following sterling's departure from the ERM, offered only a list of pious hopes. There would be a new target for underlying inflation (excluding mortgage interest payments) of between one and four per cent; the long-term aim for inflation was to be two per cent or less; there would be no set target range for exchange rates; firm downward pressure would be maintained on the growth of public sector pay and spending; money supply would be closely controlled; and so on.

Though Mr Lamont was widely expected to sanction another modest cut in interest rates, there was nothing in his speech to suggest measures for getting out of recession, or stemming the tide of unemployment and bankruptcies.

Nor did the Prime Minister have

much to offer in the way of remedies beyond recycled promises to cut red tape for struggling small businesses and to keep taxation and inflation low to "leave people more money of their own to spend and save." Mr Major will never be renowned for his oratory, but he does know how to fly the flag. "I will never, come hell or high water, let our distinctive British identity be lost in a federal Europe," he declared, in a 60-minute speech which included 60 references to "Britain" or "British." That's the kind of thing Tories like to hear.

One of Mr Lamont's odder undertakings was to "monitor" house prices as a guide to inflation. Hardly had he spoken than the Halifax Building Society — the country's biggest — reported the heaviest monthly fall of 3.1 per cent in the average house price. Given the stagnancy of the market, the figure probably needs to be treated with some reserve. The city fathers of Birmingham actually tried to persuade estate agents to remove their "For Sale" boards for the duration of the summit lest European leaders go away with the impression that Britain is up for grabs.

The IRA claimed responsibility for eight bomb explosions in London in less than a week. The most recent, at a public house in Covent Garden, injured seven people, one seriously, but the others caused little damage and no injury. MI5, which last week took over the leading role in the fight against terrorism from Scotland Yard's special branch, feared the attacks could be an hors d'oeuvre for something larger.

Baroness Ewart-Biggs, a doughty fighter for better relations between Britain and Ireland, died last week from cancer at the age of 63. Soon after her husband, Christopher, was killed by an IRA bomb while he was ambassador to Ireland in 1976, she set up the Christopher Ewart-Biggs memorial fund, which was used to establish a prize for writers who contributed to his ideals.

She later embarked on a political career and, after standing unsuccessfully as a Labour candidate for the European Parliament, went to the Lords as a "working peer" in 1981. She also took up a number of causes outside Parliament: as president of the British committee of Unicef and as a member of Lord Kilbrandon's all-party Commission on Northern Ireland.

# Chancellor defends economic policy

*Guardian [in w/mail] 16/10-22/10/92* 56A

NORMAN Lamont attempted to strengthen his hold on the chancellorship on Monday with a combative insistence that the fight against inflation linked policy before and after Britain's retreat from the Exchange Rate Mechanism — and kept his options open about imminent cuts in interest rates.

**By Will Hutton**

Under hostile and intense questioning in a special session of the Treasury and Civil Service Committee, he rejected accusations that he had a chance to avoid taking Britain outside the ERM by accepting a general realignment with the Italians the weekend before.

"No proposal was made that specifically included the pound," he said, adding that there had been no indication of a deal under which the Germans would have lowered their interest rates even further had Britain devalued.

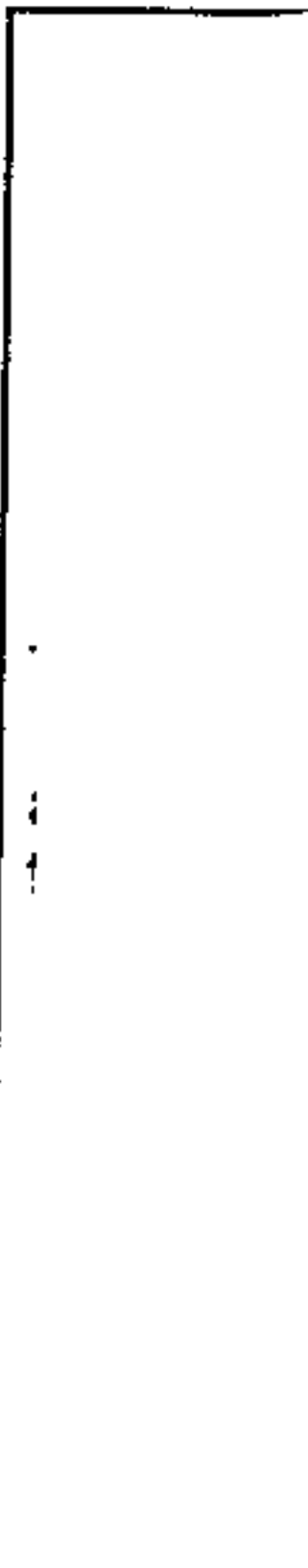
Now that Britain was outside the system, he denied that monetary policy amounted to no more than an invitation to trust his now widely discredited judgment insisting that even the Bundesbank had to be discreet in setting interest rates.

Policy was designed "to produce a reduction in inflation," he said, not to promote "a particular path of output." He emphasised his concern with inflation above other economic targets, such as growth and employment, by saying that "the object of monetary policy is not to produce

a growth target or a growth path for the economy".

As for his future decisions on interest rates, he stressed how important the state of the pound would be in informing his judgment, and said ERM membership had been a highly effective tool in lowering inflation.

He insisted that he had no option but to do what he did both in the run-up to the pound's suspension from the ERM and the suspension itself.





# Gatt failure adds to EC woes

By John Palmer and Julie Wolf in Brussels

(S6A)

*Guardian (w/ in w/mant) 16/10 - 22/10/92*

THE BIRMINGHAM European Community summit faces new crises after the failure of two days of negotiations by the EC and United States to resolve the deadlock holding up a world accord under the General Agreement on Tariffs and Trade.

The explosive issue of cuts in farm trade subsidies — which lies at the heart of the Gatt impasse — will now have to be resolved by the EC heads of government in Birmingham.

The problems facing John Major as host of the EC summit also grew on Monday with confirmation of contingency planning by the Commission in Brussels for a possible federal-style European union involving only some community countries if the Maastricht treaty fails.

In spite of vehement denials by the Commission and the British, French, and German governments that the idea had any official sanction, a series of options for alternative routes to European union have been prepared by a think tank attached to the office of Jacques Delors, Commission president.

One of these options envisages eight of the more federally minded countries pulling out of the present EC — leaving behind Britain and possibly Denmark, Greece, and Ireland. Officials said contingency planning had begun after the Maastricht treaty had been rejected in the Danish referendum last June.

"Everyone here wants and believes the Maastricht treaty will be ratified," one official said. "The think-tank is only doing its job; thinking about what might happen."

In Bonn, senior German government officials dismissed any idea of a new core community of eight members, as Chancellor Helmut Kohl and Pierre Bérégovoy, French premier, called for the Maastricht treaty to be ratified by all 12 in its current form and on time.

Although both EC and US officials claimed they had "made good

progress" in narrowing their differences over the key Gatt issues, no effort was made to disguise the seriousness of the failure to conclude an agreement. No firm date has been set for any new talks, although "technical work" on the farm trade problems is to continue.

There was gloomy agreement in Brussels that if no transatlantic agreement on Gatt is reached before the US presidential election, new uncertainty would be added to an already depressed world economic outlook.

The German government is in favour of the EC coming to a compromise with the US on farm subsidies because of the economic gains from a Gatt deal, but a split with Paris on this issue could undermine the entire Franco-German alliance.

The Gatt talks were held amid strident French warnings that Paris would block any deal that reduced subsidies to its badly pressed farmers. There were signs

that other EC countries would not try to outvote the French on Gatt during this politically difficult period in the EC.

During the discussions, the gap between the two sides on the key agricultural issue of limiting subsidised exports of cereals narrowed to one or two million tons a year. In other discussions the gap also narrowed on the issue of EC subsidies for oil seeds.

Some concessions offered by Brussels would follow in any case from reform of the Common Agricultural Policy agreed by EC ministers this year. Commission officials had hoped that any deal with the US could be sold to the farming community as going only a little farther than the CAP reforms.

However, in the past few days France has repeatedly rejected any more concessions to the Americans. The ruling Socialists have raised the spectre of serious public unrest by farmers already angered by the reforms.



# Recession to dominate EC summit

Guardian/W [unw] [main] 16/10-22/10/92.  
By John Palmer, David Gow, and Michael White

(S6A)

JOHN MAJOR'S hopes of a morale-boosting success for his campaign against European centralism at Friday's EC summit in Birmingham are under threat. The summit could degenerate into a row over Britain's excessive demands and the determination of leftwing governments to promote an anti-recessionary economic strategy on the community's agenda.

In the present nationalistic mood of the Tories the prospect that demands for a Europe-wide strategy to prevent the recession turning into a slump could overshadow arguments about the Maastricht Treaty and will test all Mr Major's negotiating skills as summit chairman.

Despite extensive negotiations to help break the Danish-led logjam over ratification of Maastricht, ministers in several countries are stressing that no concrete text is now expected to emerge in Birmingham, only what one British source called "an extra puff of wind for subsidiarity, for greater openness and the promotion of benefits to citizens".

Downing Street faces the embarrassing prospect that the summit may be knocked off course by the economic crisis which helped push sterling out of the Exchange Rate Mechanism last month. Jacques Delors,

president of the European Commission, is preparing to tell the summit that the recession could pose a greater threat to Europe than Maastricht or the kind of curbs on the commission's power which Mr Major has promised to entrench.

EC governments of both left and right are increasingly alarmed that the recession is still deepening throughout Europe and that unemployment risks reaching politically and socially explosive levels next year. A meeting of EC socialist leaders, including John Smith, in Brussels on Saturday, reinforced that verdict.

Paralysed by domestic budget deficits and fearful of renewed turmoil on the currency markets, governments are also worried that this week's failure to clinch a Gatt world trade agreement will send out the worst possible economic signal.

Mr Major wanted a Gatt deal and would like lower EC interest rates, but he would balk at plans now being considered by EC officials to co-ordinate jobs and investment efforts and stimulate programmes to improve the environment, transport, and energy infrastructure.

Co-ordinated suggestions include the partial pooling of national currency reserves to

create an EC monetary fund to defend ERM currency rates against attacks by speculators. Some EC officials also believe that the community should be given increased powers to borrow money to help finance economic recovery policies.

In Britain the week saw another savage round of job cuts, with the coal-mining industry especially targeted. Thirty of the remaining 50 pits were due for closure, with the loss of nearly 30,000 jobs directly and 20,000 in related industries at a cost in unemployment benefit of £40 millions a year, plus lost tax revenues, and the added cost of imported coal.

The Chancellor of the Exchequer, Mr Norman Lamont, faced hostile questioning when he appeared before the Treasury Select Committee of MPs on Monday but reiterated his belief that he had acted responsibly in the events leading up to Black Wednesday, when the pound was devalued and sterling left the Exchange Rate Mechanism. He was not pressed on the issue of unemployment, now expected to be 3.5 million by next summer. He rejected suggestions to "kick-start" the economy out of recession. Severe public spending cuts were also due to be announced this week.

# Farmers still in feather beds

S/Time (BUS) 18/10/92. (56A)

**T**HERE is one headline which has by now become so familiar that it automatically causes the eyes of even the most interested reader to glaze over. At regular intervals during the past 21 months it has read: "US and EC fail to break GATT deadlock."

The latest came this week. And as one US diplomat observed: "There have been more near misses on this than Bosnian ceasefires." It concerns, of course, the Uruguay Round of the General Agreement on Tariffs and Trade (GATT).

Next month it will be 10 years since the GATT Ministerial meeting in Geneva agreed to start the ball rolling in what is universally recognised as the biggest potential freeing up of world trade. That decision was activated at Punta del Este in Uruguay in 1986 with a four-year time scale to thrash out and finalise a new order.

There had been seven previous "Rounds" since GATT was formed in 1947 — the two most famous being the Kennedy Round of the 60s and the Tokyo Round during the following decade.

Their cumulative effect has been to reduce traded-weighted tariffs from the average of 40%, inherited from the protectionist trade wars of the 30s, to under 5% on manufactured goods. During that time the value of world trade has grown from \$50-billion to nearly \$6 000-billion (\$6-trillion).

But for those whose awareness may have been dulled by the mournful litany of failure to date, the Uruguay Round is to be the *Round*, slashing tariff barriers by another 30% and ending bizarre distortions caused by protectionist shackles in agriculture and trade in services.

**A**T ONE bound world trade should leap into a new era, widening prosperity and markets, with growth worth \$200-billion a year — in addition to normal expected expansion. It is a goal to which all 108 member nations of the GATT pay fervent lip service.

Yet after nearly 450 meetings the Uruguay Round still lies in the pending tray. Since the first deadline of December 1990 passed into history there have been a dozen or so serious attempts at the highest level to break the impasse.

A year ago Arthur Dunkel, the ever optimistic director-general of

**As yet another 'Round' of GATT meetings is about to get going, the EC resists US moves to cut its exports of subsidised foods**

**JOHN  
CAVILL  
IN  
LONDON**



GATT, announced the "final sprint". This week the negotiators tried again to leap over the hurdle of subsidised farm products in the European Community and failed again.

And yet again the negotiators of the EC and the US emerged from 21 hours of talks in Brussels, insisting that "good progress" had been made and that "we narrowed the gap".

**I**T is true. There has been progress. A few months ago the EC took the first step towards slimming down, if not slaughtering, its most sacred cow — the Common Agricultural Policy, which costs nearly \$50-billion a year, guaranteeing prices to farmers which are at least 50% higher than international free market levels.

As farmers around the world know only too painfully — from Natal's cane growers to grain producers in North America and Australia — the net effect of the CAP has been to generate gross mountains of surplus which have depressed world markets.

Yet all the big economies protect their farmers, nominally in the interest of maintaining internal self sufficiency. Even in Japan, the world's biggest importer of food, average domestic prices are double international levels, and subsidies amount to more than 75% of the value of agricultural output — all to protect its high cost farmers. The figure for the EC is close to 50%; in the US it is 36% and Canada 43%.

The taxpayers of smaller economies also featherbed their farmers. Some 70% of the income of Finnish

and 58% of Swedish farmers comes in the form of subsidies.

Thus a whole range of different subsidies are planned — mainly to pay farmers to stop producing. French farmers over the age of 55, for example, may be offered \$35 000 per hectare to retire.

Under the "set aside" proposals the British can get \$350/ha a year to watch the grass and weeds grow on their land or a grant of \$5 000/ha to plant woodland.

Even so there are bottom lines. In principle, the EC seems prepared to accept the US demand that it should cut the volume of subsidised food exports by 24% over six years — in addition to a 36% reduction in the amount of cash paid.

However, the EC wants flexibility to allow for swings of 10% as it

moves towards this target and variations in the speed with which some agricultural exports are cut. The US wants a tighter formula, with overshoots in any one year limited to 4%.

Then there is the nitty-gritty of the French wheat farmers and the American oil seed growers. The French will not hear of any cuts in their exports which are competitive.

And the US oil seed men are demanding a massive reduction in EC production to open up the market and reduce depressing surpluses.

**A**CCORDING to Dean Kleckner, president of the American Farm Bureau who lobbied the US negotiators powerfully and effectively in Brussels, America wants EC output of oil seeds slashed from 13-million tons to seven-million tons.

The EC is offering to reduce to 9.5-million tons. Kleckner said he distrusts the EC figure and warned the US government: "It would create a firestorm of protest among US farmers if the administration were to settle for anything less than a cut to seven-million tons."

President George Bush is in enough trouble as it is, facing the verdict of the US electorate on November 3. Hence no one was surprised when US Trade Representative Carla Hills discreetly decided more time was needed to analyse the details of the EC's ideas.

A "firestorm of protest" by America's emotionally powerful farmers could be just the thing to ensure that Bill Clinton takes over the White House in January.



# Emergency summit fails to tackle issues facing EC

BIRMINGHAM — For all their talk of restoring confidence and purpose to the EC, its leaders failed to tackle any of the major issues facing them at their emergency summit on Friday.

The day-long gathering, called to help put battered plans for European economic and political union back on course, had been expected to produce little. It produced even less.

On every question, from the need to make the EC more democratic to currency reform or aid to Yugoslavia, the leaders ducked hard commitments. They called the summit just a runup to December's meeting in Edinburgh, Scotland.

If the most modest goal was to give British Prime Minister John Major a boost as he faces a tough fight for ratification of the Maastricht union treaty, even that failed.

Major spent the day dogged by a slumping pound, mounting anger over his closure of 31 coal mines and finally the threat of a rebellion within his own Tory party over his economic policies.

The 12 leaders reaffirmed their determination to move together towards union and sought to allay fears among Maastricht critics that the

treaty would make the EC bureaucracy more powerful and intrusive.

But while pledging to make the community more accountable to its people, the leaders ran into persistent differences over how to share power between the EC bureaucracy and the member states.

If France and Britain stress national prerogatives to the hilt, Spain and other smaller EC states see a strong Brussels as a bulwark against domination by the more powerful members. The summit finally called for both.

The summit was briefed by Danish Prime Minister Poul Schlüter on prospects for ratification of Maastricht in his country, which rejected the text in a June referendum.

But the leaders got no further than to ask foreign ministers to present ideas on a "framework for a solution" at the Edinburgh summit.

The EC has clearly dropped any pretense that the ratification procedure would be complete in time for the treaty to come into effect on January 1 as originally planned.

Officials now say the community is rethinking its refusal to start talks on membership for new countries before all countries ratify Maastricht.

The summit had little to say about the currency crisis that drove the British pound and Italian lira from the EC's exchange rate mechanism last month, except to again call for "reflection and analysis".

While Britain took pains to avoid getting into any new slanging match with Germany over responsibility for the crisis, Italian Prime Minister Giuliano Amato chided Bonn for failing to show enough leadership.

On the ex-Yugoslavia, the summit called for "immediate and decisive action" to help hundreds of thousands of people facing winter starvation because of the ethnic conflict. But the EC gave no sign of how much new aid it was willing to provide.

Meanwhile, an opinion poll published on Saturday showed a slim majority of Danes would support European union in a new referendum if Denmark were given a special status.

The poll published in the conservative Jyllands-Posten daily showed that 55% would vote "yes" to Maastricht provided Denmark was exempted from a common currency and joint defence policy and that the EC became less bureaucratic. Of the rest, 20% were still hostile to Maastricht while 15% were undecided and 10% would abstain. — Sapa-AFP.



# Rupert slates Europe's bid to ban tobacco ads

B10M 19/10/92

56A

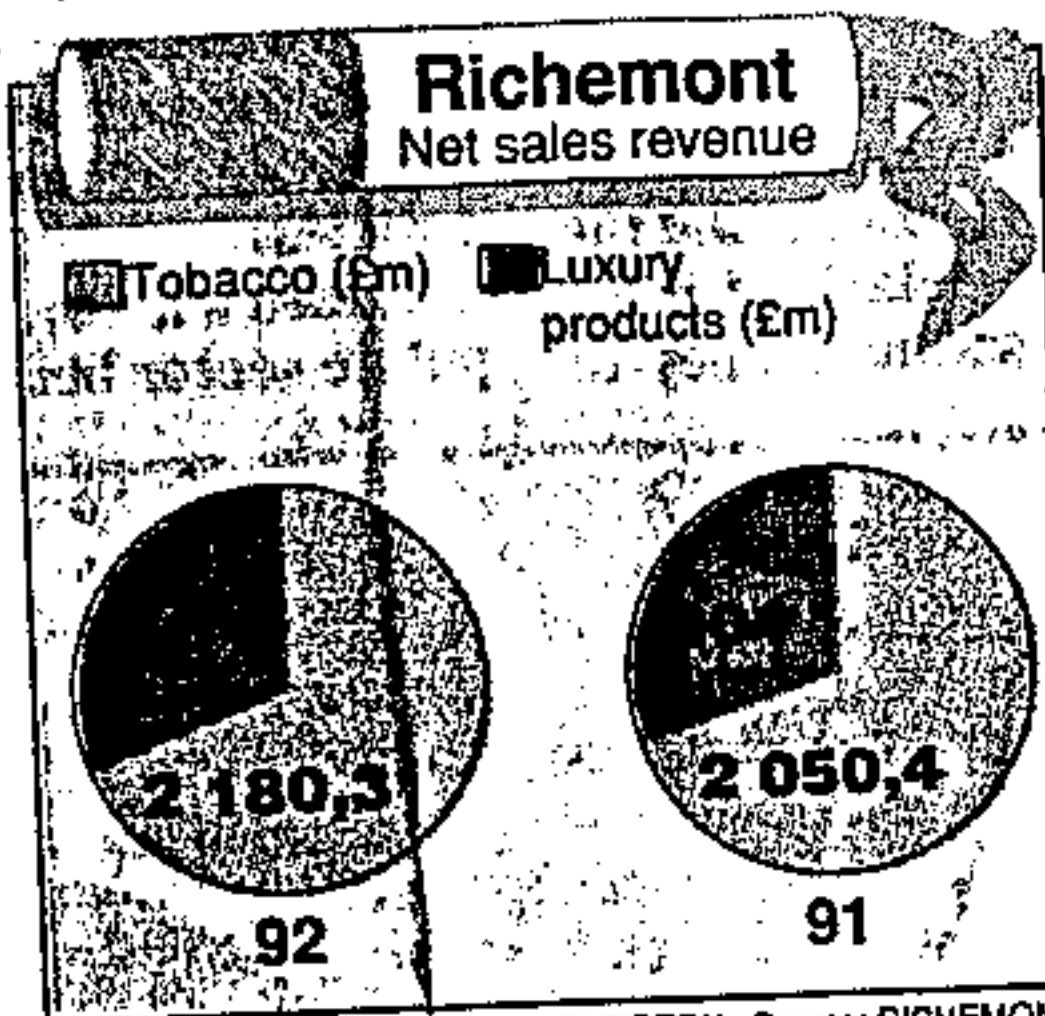
MARCIA KLEIN

THE European Commission's proposal to ban the advertising and promotion of tobacco products seemed to undermine the whole competitive ethos of the EC, *Compagnie Financiere Riche* MD Johann Rupert said in the group's annual review.

He said the proposal would also result in adverse consequences elsewhere in the world. "About three quarters of world tobacco production comes from developing countries in Africa, Asia and Latin America. In many of these countries tobacco is a significant contributor to the economy, foreign exchange earnings and rural employment."

He said the evolution towards a single European market remained uncertain, and "agreement on the necessary steps to harmonise tobacco taxation, packaging requirements and other vital matters is no closer than before". The suggestion of an ad valorem taxation, which favoured state tobacco monopolies, would disadvantage the main international companies, he said.

The Rupert family's tobacco and luxury goods group increased its attributable profit by 11.3% to £197.3m



Graphic: LEE EMERTON Source: RICHEMONT

on an 8.7% rise in gross sales to £7bn in the year to end-March, as both its tobacco and luxury goods interests increased their profits.

Sales of tobacco products rose by 6.3%, and luxury goods by 2.7% to bring consolidated net sales revenue up by 4% to £3bn.

RicheMont currently had manufacturing operations in more than 30 countries, sold its products in more than 160 countries and employed in excess of 29 000 people, Rupert said.

He said sales in Europe increased by 9.1%, but sales in the Asia Pacific region were affected by reduced revenue in Australia. Tobacco sales in

the Americas rose by 8%, but luxury goods in this area were below levels of the previous year.

Tobacco operating profit from subsidiaries grew by 4.4% "due to improved profitability in Canada and Germany and... despite a significant charge for rationalisation costs, a reduced level of profits from Australia and an increased level of expenditure in support of development markets".

RicheMont's tobacco industry interests are held through Rothmans International. Rupert said the worldwide volume of cigarette sales was marginally down on the record sales achieved in the previous year. Rothmans' senior management team had been strengthened during the year.

Recent acquisitions, including Sulka, Hackett and Karl Lagerfeld, offered "very attractive opportunities for future development".

Cartier opened 14 new boutiques in 1991 to expand its worldwide network to 151, and exclusive menswear business Sulka was expanding according to plan.

Dunhill Holdings had a difficult year, but reported a small increase in operating profit. It acquired control of Hackett menswear business, and since year-end, bought the Karl Lagerfeld fashion business.

# SA seeks new trade status

~~SA~~ (56A)  
BILLY PADDOCK

GOVERNMENT was negotiating with its trading partners and blocs such as the EC to have SA reclassified as a "developing" country, a status which could bring various economic and developmental benefits, Finance Minister Derek Keys said yesterday.

Speaking at a news briefing after meeting German Economic Co-operation Minister Carl-Dieter Spranger, Keys said the reclassification was expected to be completed by February.

Acceptance of SA as a developing country would make it eligible for assistance from the Organisation for Economic Co-operation and Development (OECD). In addition, SA would also be able to obtain political risk guarantees from the Multi-Lateral Investment Guarantee Agency.

"It would affect our relationship with foreign investors from any country who wanted to be assured they were covered against the risks of nationalisation, inability to remit currency and political unrest," Keys said.

He added that capital flight had been "nil" during the first quarter of this year,

but during the second quarter it had grown drastically to R2bn when Codesa 2 broke down and mass action began.

It is understood government was also trying to convince development agencies and their member countries that SA qualified for "developing country" status.

In a recent document, Trade and Industry director-general Stef Naude said that the successful conclusion of applications to the agencies would depend entirely on the willingness of the developed trading partners to recognise the status granted.

However, once SA was given developing status by the OECD, the World Bank and GATT there would be little opposition from the developed world.

Spranger said if SA were classified as a developing country, Germany would have the task of ensuring the country was not left alone with its problems.

Keys told visiting German journalists the process of disinvestment had stopped but the process of investment had not yet started.

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8/DAJ 22/10/92

**EC's inflation rate dips**

THE EC's average annual inflation rate fell to 4,0% in September from 4,1% in August and 4,6% in September last year, the EC statistics agency Eurostat said in Brussels yesterday. Denmark recorded the lowest annual inflation rate in September at 2% and Portugal the highest at 9,3% (SbA)



# Caution advised on entry to new world market

AS SA returns to an unfamiliar world market it should be cautious about rushing into long-term decisions — such as applying to be reclassified as a “developing country” — until it has fully canvassed and discussed the best options available to it.

This is one of the main thrusts of a discussion document commissioned by Sacob from Africa Institute of SA director Erich Leistner. The document was submitted to Sacob on Monday and has been distributed to government and extra-parliamentary groups, including the ANC, for consideration and input. Sacob, however, has not yet decided on its recommendations.

Leistner argues that there are certainly benefits to be derived from reclassification to a developing country — stated by Finance Minister Derek Keys on Tuesday as government's intention — but there are also many negative implications.

In a convincingly argued analysis of SA's possible future relations with the EC and southern African states, Leistner evaluates SA joining the Southern African Development Community (SADC), the Preferential

Trade Area (PTA), the Southern African Customs Union and the Multilateral Monetary Area (MMA) as well as the implications of being part of the Lomé Convention, which links African states with the EC.

He argues that links with the EC are the most important because of long-established ties, enhanced economic security, aid and investment, and EC support for regional groupings and a regional role for SA.

More precisely, the EC is SA's and southern Africa's foremost trading partner, accounting in 1990 for 44,7% of the customs union's imports and 27,3% of exports, with most of SA's neighbours being tied into the Lomé Convention.

Because world trade was increasingly dominated by a few giant economic blocs, a trade war is feared if the Uruguay Round of GATT talks fails. But should they succeed, block formations will become less attractive, decreasing the value of tariff and other preferences granted to the southern hemisphere.

Finally the EC, like the World Bank, favours regional market inte-

documents of Trade and Industry director-general Stef Naude that he is ambiguous about pursuing the option of reclassification.

## BILLY PADDOCK

SA needs to negotiate alternative agreements with the EC and need not go hat in hand because it can argue that it is the only sub-Saharan country where preconditions exist for a self-sustaining economic development; an economically revitalised SA would provide many opportunities for EC exporters and investors, not only in SA but, thanks to SA, in the surrounding countries; and with the Lomé Convention being seen as disappointing in forging development, the EC, by co-operating with established and demonstrably competent managed SA institutions and channelling funds through them, could enhance the effectiveness of its aid packages.

However, although popularly perceived as a desirable option, there are several reasons why the Afro-Caribbean-Pacific states and others would oppose the move.

Leistner says that SA may be able to convince member countries of GATT to reclassify it. But “such a retrogressive step, if it succeeded, might arguably cost it more in respect of international creditworthiness and foreign investment than it would gain by way of EC development assistance”.

It is also understood from recent

economic co-operation nor integration are ends in themselves and what matters is the extent to which they promote production, trade and investment.

SA should persist with the Southern African Customs Union because it works and is a source of great revenue to partners. The same applies to the MMA which should be broadened to bring in Botswana.

But SA should be cautious of joining either the SADC or the PTA in their present forms as this could further heighten tensions and conflict between these organisations. Therefore in its own interests as well as those of the region, SA should insist on rationalisation of the SADC and PTA as a condition for serious negotiations about membership.

Leistner also suggests that, like Europe, where the EC and the OECD function beneficially next to each other, southern Africa also needs a non-operational expert forum where regional policies and needs can be discussed outside the constraints of executive bodies with their own agendas.

Therefore, regional ties have to be formed because of the inherent desirability of it and also because, in the eyes of the World Bank and the EC, SA is regarded as the saviour of the region economically.

Leistner emphasises that neither

## LETTERS



There is a certain ambiguity in SA claiming to be the gateway to the rest of Africa, with increasing linkage to institutions such as the OAU, the Southern African Development Community (SADC) and the Preferential Trade Agreement (PTA), when at the same time business seeks to divorce itself from being lumped together with the rest of Africa.

The challenge is to avoid "Afropessimism" from investors at the same time as encouraging the EC and other development funding bodies to continue addressing SA's internal and regional problems. Herein lies the crux of the future EC-SA relationship, as "developing" country status demands a different approach. Future trade and aid preferences between the EC and SA will be dependent on SA's classification.

There is an opportunity for SA to seek some sort of preferential trade agreement with the EC; a range of options exists between its present developed country status and seeking developing country privileges. The potential benefits of EC trade preferences are also dependent on the outcome of GATT, where SA is classified as a developed country.

The obvious drawback to seeking "developing status" is the effect this would have on the business sector in international circles. Conversely, increased aid to the new SA would help reduce the political instability and erode one of the major stumbling blocks to foreign investment.

The EC is a major market and the UK and Germany are its most important trade partners. Both these EC countries will therefore encourage the best outcome for SA with regard to EC trade preferences as they have the most to gain, although some Afro-Caribbean-Pacific (ACP) states and other developed nations (competitors of SA) would object to preferential treatment of SA in certain product sectors. Any GATT member could also challenge an EC-SA agreement if it thought its trading interests would be damaged. SA's most useful trade arrange-

# A change in SA's trading status can cut both ways

B/D/My 22/10/92 (56A)

ROBERT SWAIN

ment would be that directed towards its labour-intensive areas — the same areas where neighbouring states enjoy EC assistance. Very few of SA's current exports to the EC would benefit from trade preferences. There would be firm objections within the EC to any beneficial arrangement for some of SA's exports which are EC sensitive, such as coal and steel. In addition, some of the more labour-intensive exports, if given a preference, would damage SA's neighbours.

Despite these problems, SA does require some kind of external assistance, primarily because of inadequate investment levels resulting from financial sanctions. If SA was to change its status to that of a developing country within the framework of the various EC trade preference options where this is required — Generalised System of Preferences, a reciprocal association, a non-reciprocal association, "associate" Lomé status, and full Lomé status — then it might well opt for a change in the financial world. This would have a direct effect on its ability to attract investment; some would argue a negative effect.

The problems associated with the co-existence of two different economies in SA — a developed OECD type and a Third World type — de-

mand two different solutions. The eligibility of SA for these various trade agreement options (other than most favoured nation status) would firstly be dependent on the submission to GATT, and while the SA Customs Union remains, any agreement would also extend to the customs union's countries Botswana, Lesotho, Namibia and Swaziland.

In addition, if SA were to seek an association agreement — similar to the recent agreements between the EC and Poland, Czechoslovakia and Hungary — then subregional cumulation between SA and its neighbours would have to be negotiated.

If Lomé membership was pursued, then labour-intensive manufacturers would come under threat of exclusion to protect other ACP states, and EC producers might seek to protect themselves from SA competition in the semi-processed minerals sector (also open to challenge from non-EC states such as Australia and Canada).

Full Lomé membership is the most beneficial status the EC can confer. It would mean that regional processing would meet the requirements of the rules of origin and would therefore stimulate intra-

regional trade — a policy goal of the EC in southern Africa.

It may also mean that preferences would extend to a wide range of products which SA may want to produce for export in the future, such as those in the floriculture/horticulture sector. Full Lomé status would allow SA tenders for European Development Fund aid contracts to carry out work within the ACP. This, in terms of the vast technological and management "know-how" of SA in finding "African solutions to African problems", would benefit all parties — the EC, the ACP states and SA.

Earlier this year an EC delegation to Harare indicated that membership of Lomé would be offered to SA after its first democratic election. If this occurs, then quotas restricting imports from ACP states to the EC would have to be expanded to ensure an equitable trade agreement.

The Stabex mechanism in Lomé, whereby downward price fluctuations for agricultural commodities are offset, would have to be examined carefully in SA's case, as would the Sysmin mechanism, whereby mining operations are aided by EC funding. These two Lomé mechanisms are unlikely to be able to cope with SA membership.

If Lomé status was to be offered, then it is likely that a strict quota

system would operate in various product areas. SA's manufacturing sector is larger than any other ACP country and, although SADC states would want SA in the fold so that their products qualify under the rules of origin procedure, it is likely that other ACP states would be unhappy with facing increased competition from SA.

Finally, a change in SA's status to that of a developing state to achieve Lomé membership would involve the whole OECD in this deliberation — a problematic negotiation.

An EC-SA agreement should therefore err towards one unlikely to be challenged, particularly as it is so difficult to assess which industries will be competitive in the future.

About one-third of SA's present exports would find some benefit from preferential access to the EC. However, the major products where reductions in tariffs might be considered would only account for about 5% of total exports. The major beneficiaries would be the deciduous and citrus fruit, fish, and paper industries. Only ferro-alloy and fruit products might meet with major opposition from developing countries. Other products, such as sugar and beef, would fall foul of the commitments to other Lomé producers and Common Agricultural Policy restrictions.

The EC — about 25% of SA's export market — does not dominate, but it is important. Preferences gained on products from an EC agreement are unlikely to benefit SA greatly and would raise objections from ACP and developed countries.

With the new European Economic Area in Europe in 1993, there will be heightened competition from the rest of the world and SA must improve its performance to compete. External assistance is required but, given the lack of direct benefits to SA, it is doubtful that an EC preferential trade agreement, outside of one negotiated on a regional basis, would greatly enhance SA's position.

Swain is director of Strategy Network International UK. This is an edited version of an article in the June edition of SA Foundation Review.

# US, EC blame each other for collapse of trade talks

*B/DM*  
 BRUSSELS — The US and the EC are blaming each other for the collapse on Wednesday of GATT world trade talks, and a senior EC official has warned that a trade war could result.

The official spoke yesterday of a stark choice — either a resumption of negotiations between the two sides after the US presidential elections on November 3, or an escalation of tit-for-tat tariff reprisals.

Earlier, a senior US administration official said in Washington that no agreement between the US and the EC appeared possible "at this time" and no further talks were scheduled.

The US embassy in Brussels said US special trade negotiator Joe O'Mara left EC headquarters yesterday for Washington after suspension of the talks. This was denied by the EC's executive European Commission, then confirmed by the embassy. The Uruguay Round of GATT,

*23/10/92*  
 which started in 1986, has been stalled for two years, mainly over the high level of EC subsidies to farmers.

Politicians and economists agree that a GATT agreement, which would lower barriers in a wide range of world trade, could boost the global struggle against economic recession hugely, but that failure could accelerate recession.

The US official said there had been "substantial regression" in the community position, particularly in subsidies paid to oilseeds producers, since a high-level negotiating session on October 11 and 12.

But the EC official counter-charged that the US negotiators had made big concessions in the oilseeds quarrel, then had withdrawn them when they realised the deal would not be accepted by the US Congress or farm lobby.

He said the Americans had also hardened their position over US demands for bigger cuts in subsidised

*56A*  
 EC agricultural exports than France, the community's biggest exporter, is prepared to accept.

The two sides are further divided over EC demands for cuts in US exports of grain substitutes for animal feed, which the Europeans claim deprive them of markets at home.

The EC has also been resisting US demands for bigger cuts in subsidised exports of agricultural products on the grounds that it cannot risk the political cost of going further than its announced reforms.

The EC and the US have set their latest deadline for a GATT agreement involving all 108 member countries at December 31.

But both sides are under pressure from their powerful farm lobbies not to give way. Earlier this month, EC farm commissioner Ray MacSharry warned that failure to settle the quarrel over farm subsidies by the end of this month would delay a GATT deal for at least two years. — Sapa-AFP.





15, rue Falguière, 75501  
Paris, Cedex 15

Guardian [w/lin w/mant] (S6A)  
**Europe still at 'go'**  
23/10-29/10/92

THE EXTRAORDINARY European Council meeting in Birmingham on October 16, called by British Prime Minister John Major right in the middle of the monetary upheaval that followed on the heels of the French referendum [in which the Maastricht treaty was approved by the narrowest of margins], fulfilled the task it was set by most of the Twelve. This was to reassert, for the benefit of capital markets and public opinion, that they were determined to go ahead with the construction of Europe and make sure that the process of ratifying the treaty was duly completed. Any idea of renegotiating the treaty was therefore outlawed.

In the minds of the Twelve, the idea for the moment is to sweep doubts aside and show that the Community is determinedly pressing on down a road that has been clearly marked out. At the height of the monetary upheaval, Major briefly toyed with the idea of dragging the Community into reforming the European Monetary System (EMS). Had he succeeded, he would have wrecked the work of completing the programme of economic and monetary union (EMU). Very tactfully, the other members of the Community urged him to abandon such a project, which he quickly but resignedly accepted.

All that is left on the negotiating table today of the British prime minister's reformist intentions is *subsidiarity* — an attempt at reinterpreting the sharing out of responsibilities between individual EC states and EC institutions. While they want to prevent the Community from turning into too technocratic an institution, most EC countries — and this was confirmed in Birmingham — also want to avoid the Brussels Commission's power to initiate action being called into question. They are convinced that that such limitations, which London wants

to impose, would lead to a Community without imagination and ideas. On this issue, too, Major's European strategy would appear to be coming unstuck, so much so that the prospect of a very difficult ratification debate in the British House of Commons is looking more and more probable.

The continuing recession and the hardships it is causing are playing into the hands of Major's political opponents. How is anyone to believe in the advantages of the European venture when the crisis is going from bad to worse and nothing is being done about it and it is not even raised at European Council meetings? Even more than

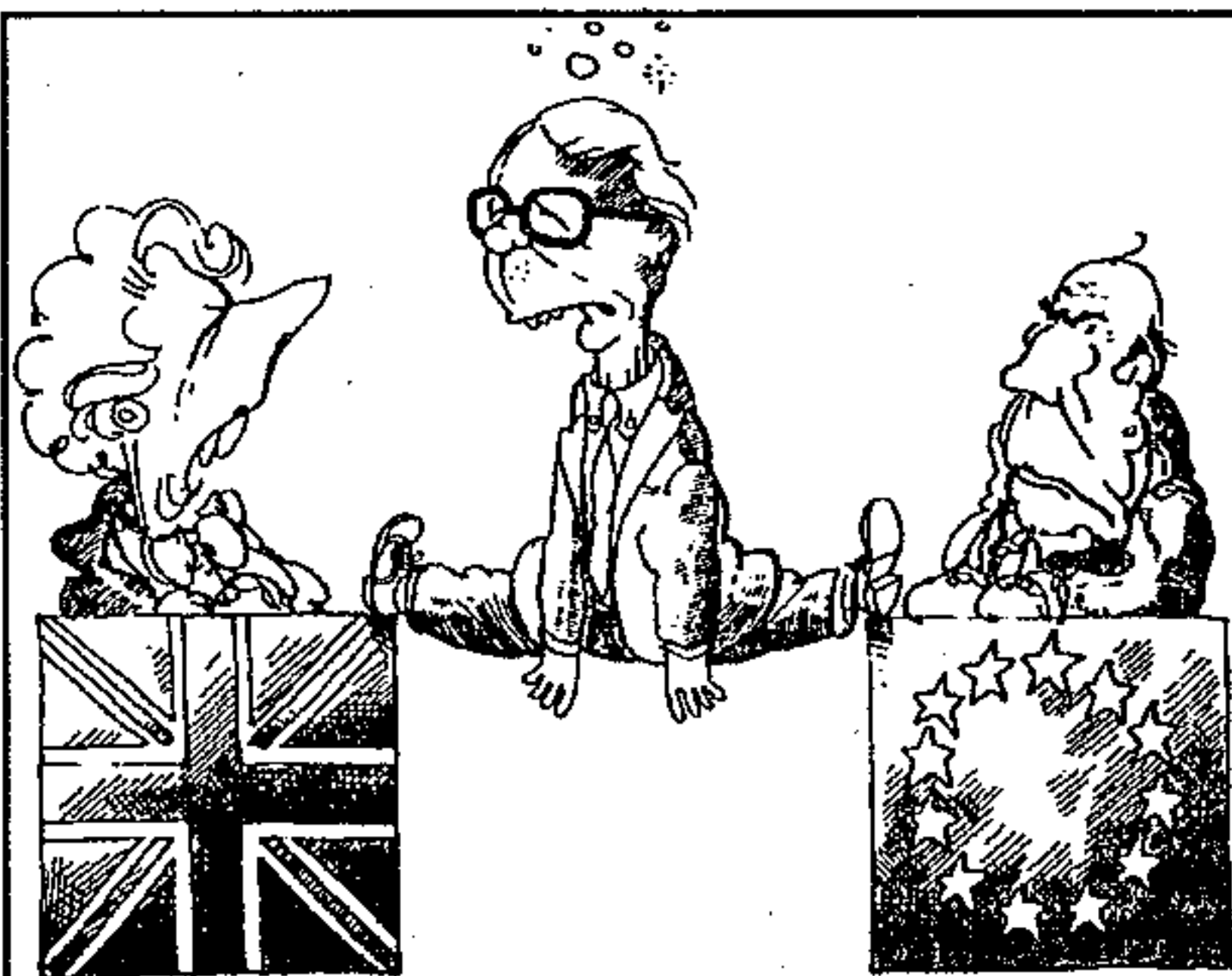
**EDITORIAL**

explanations, public opinion needs buoying up if it is to be rallied behind the cause of Europe. Indeed,

do we believe that the prospect of the prosperity promised for the year 2000 thanks to the pursuit of a "step-by-step" policy can satisfy the ever-growing battalions of those buffeted by the crisis? In private conversations, EC Commissioner Jacques Delors denounces as dangerous for the cause of Europe the fact that the expectations of the moment fall far short of the promises of the future.

In the East, the situation is bleak. The American economy is not safe from a downturn. Europe more than ever needs initiatives for getting back on the road to growth using its own resources. Birmingham did not see that sluggishness give way to a really creative boldness. Europe today lacks leadership.

(October 18/19)



DRAWING BY PLANTU

# Major fighting to prevent rebellion

B/DAM 29/10/92

(SBA)

LONDON — British Prime Minister John Major is fighting to fend off a revolt in his ruling Conservative Party against the Maastricht treaty on which he has staked his political life.

Major, struggling to restore his battered authority, parried his critics in parliament with a firm defence of the treaty on closer European union.

He said it would be folly for Britain to throw away the agreement and with it the chance to shape events in the EC.

Later, he met a group of about 20 rank and file Conservative MPs to canvass support for the treaty in a crucial debate, scheduled for next week, which is being widely billed as a showdown with his party's opponents of the EC.

The Conservatives have been in ferment since Major's aides hinted last week that the prime minister might call a snap general election if parliament refused to ratify Maastricht — a high-risk gamble to quash any rebellion.

Although some reports on Tuesday night suggested Major was backing off on the election threat after being called a bully, MPs who had taken part in the late night discussion would not confirm this.

Major's office said he was confident of winning the vote on Maastricht in parliament next Wednesday. He takes his case on Thursday to an influential grouping of Con-

servatives, the 1922 Committee, which was instrumental in forcing government concessions this month on coal mine closures.

But the election threat, now apparently lapsed, backfired because the party is riddled with self doubt and cannot take Major's threat seriously, as the government would probably lose at the polls now after lurching from crisis to crisis.

In the six months since a narrow victory at the last election, the government has been rocked by a withdrawal from Europe's currency grid, a partial climbdown over a sweeping plan to close the bulk of the country's mining industry and the continuing toll of the longest recession since the 1930s.

Employers testified on Tuesday to the severity of the recession, reporting sharp falls in output and business confidence in the three months ending October.

The Confederation of British Industry survey made grim reading for the government, predicting companies would shed 25 000 jobs a month over the next three months.

Major has pledged to press on with the ratification process in parliament before the EC's December 11 summit in Edinburgh, Scotland. He said last week: "People should accept that I say what I mean on the subject of European policies. If people don't trust me they should find someone they do trust." — Sapa-Reuter.

# Italy, Spain endorse Maastricht treaty

ROME — Italy yesterday ratified the Maastricht treaty on European union with an overwhelming vote of support by its lower chamber of parliament, while Spanish legislators approved the treaty almost unanimously in Madrid.

The decision by the Italian lower house was a first step towards expected ratification by a joint session of congress on November 25.

The vote was 314 for, eight abstentions and three against. The Spanish house of deputies voted 403 in favour, 46 opposed, with 18 abstentions.

The Italian lower house approved the treaty after an address in which Foreign Minister Emilio Colombo

said the accord, "despite its defects, is a considerable step forward towards our ideal of European unity".

The senate approved the treaty on September 17. Approval by both houses was a certainty.

Italy's approval of Maastricht comes when Prime Minister Giuliano Amato is pushing a package of unpopular spending cuts to stem the growth of a huge government deficit.

Spanish premier Felipe Gonzalez said the Madrid vote was a very satisfactory result with "an extremely high political and social value".

The ruling Socialists, the opposition centre-right Popular Party and the regional parties all voted in

favour, and the left-wing Izquierda Unida coalition abstained.

Meanwhile British Prime Minister John Major and his cabinet were fine-tuning a Maastricht treaty ratification Bill in London yesterday, ahead of a crucial vote next week that the opposition says it will use to try to topple the government.

Capitalising on vocal dissent from so-called Euro-rebels in Major's Conservative Party, the Labour leadership on Wednesday night voted to treat the issue of European unity as a vote of confidence in the government.

The government acknowledges that the vote next week will be one of confidence. — Sapa-Reuter-AFP.



RF



# More Transkei border patrols

CT 30/10/92

Political Staff

THE government announced last night that it was to step up patrols on the Natal/Transkei border to prevent the infiltration by uMkhonto weSizwe (MK) members — but police could provide no evidence that MK was in fact doing so.

Police spokesmen said its intelligence wing had "very strong" information that MK members were coming into Natal from Transkei.

But, despite repeated questions at a press conference last night to

the head of the Internal Stability Unit, General Johan Swart, and a spokesman for the Ministry of Law and Order, Captain Craig Kotze, no facts were given to justify claims that MK was in fact infiltrating Natal from Transkei.

Captain Kotze also repeated the claims about intelligence information and said MK members had been arrested in Natal "and they must have come from somewhere."

Defence Minister Mr Gene Louw said in a statement yesterday: "There is indisputable in-

formation that organisations such as MK and Apla are conducting operations in South Africa from Transkeian territory with the tacit approval of the Transkei Defence Force."

The ANC said last night that the offensive was "clearly aimed at undermining all efforts to achieve peace".

It added: "We would have thought that Mr Louw would have expressed concern about the publicly known AWB paramilitary patrols, which are clearly taking the law into their own hands, in the area."

## Leader of EC team arrives

CT 30/10/92  
JOHANNESBURG. — The co-ordinator of the European Community team of observers, Mr Gavin Aarvold, arrived in South Africa yesterday.

"We will be operating in close co-operation with the National Peace Secretariat as well as with the United Nations and observer teams from other international organisations," he said in a statement. — Sapa

# Election date crucial — Patriotic Front

CT 30/10/92

PORT ELIZABETH. — Patriotic Front leaders meeting here yesterday said it was of crucial importance that a date be set for the election of a constituent assembly.

The summit, attended by delegates from 11 organisations including homeland governments, the ANC, SACP and Cosatu, also emphasised that Codesa remained the best forum for multilateral negotiations.

In a statement issued after the one-day meeting, the PF leaders said they agreed there should be no further delays to the resumption of talks.

Earlier, in an opening address, ANC president Mr Nelson Mandela said PF leaders should "resist with all the energy we can muster the notion that we should enter into protracted talks on a new negotiating forum in order to accommodate certain groupings which for reasons of myopia decided not to

board the train when it left the station many months ago".

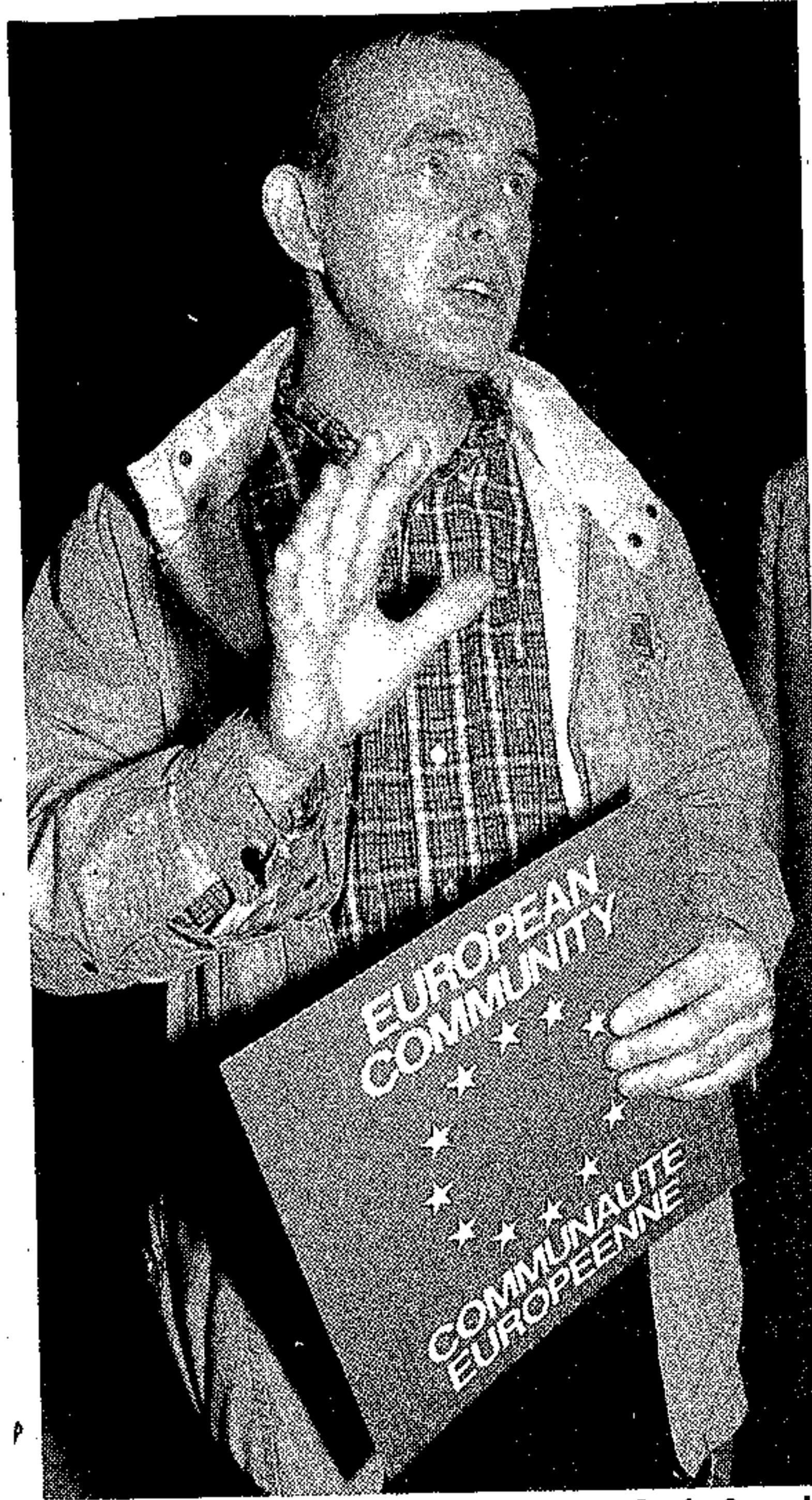
It was agreed the Codesa management committee should pay serious attention to the involvement of other organisations of "civil society" in negotiations.

The leaders affirmed that decisions already taken at Codesa should not be subject to negotiation.

They also said the forum should continue to be chaired by the two judges who had "ably" chaired the last two sessions.

They urged the ANC and the government to speed up their talks on concluding outstanding matters listed in the Record of Understanding, including the critical questions of the creation of a climate of free political activity and the cessation of covert activities by the security forces. — Sapa

**NIGHT SHADE**  
**AY**  
**LOOK**  
**R2995**  
**MOTOR SHOPS**  
**MOTOR ACCESSORIES AND SPARES FROM THE SHOP THAT CARES!**  
 GWA



Co-ordinator of the EC team of observers, Gavin Aarvold, at Jan Smuts Airport yesterday. Picture: BRIAN HENDLER

## EC observer eager to assist

EC observer team co-ordinator Gavin Aarvold arrived in SA yesterday eager to prevent violence and promote peace. (SBA)

Aarvold said at Jan Smuts Airport that the EC team, to eventually number 15, would seek to prevent violence, defuse tension and promote peace by its presence in situations of potential conflict. (S10M)

"We will be operating in close co-operation with the national peace secretariat as well as with the UN and observer teams from other international organisations," he said, adding he was looking forward to contributing to efforts to defuse violence. 30/10/92

He would not take questions. The EC team members include police officers, lawyers and economists. — Sapa.



FM 30/10/92

# Waiting for liftoff

~~USA~~ (56A)

Demand, arrested by debt and demographics, will return



**The reluctance** of Western economies to break decisively out of the debilitating recession, into which they have drifted, is the cause of frustration everywhere and, as unemployment rises and business failures

mount, growing and increasingly personal hardship.

This is a recession quite different in origin and nature from others. To see it through requires unusual reserves of fortitude which can draw at least some sustenance — if not comfort — from an examination of the causes. Therein, too, lies its antidote.

The causes are complicated and need to be synthesised from the boom-and-bust cycles characteristic of market economies, accepted by orthodox economic theory and abhorred by the romance of the collectivists.

Like alchemists, who tried for centuries to turn dross into gold, economists too often dream of controlling the business cycle. In the Sixties, when the US had the longest expansion since the middle of the last century, many believed the business cycle had been brought under control through skilled demand management.

In the Eighties, when that country achieved the second longest period of economic growth, they theorised that the cycle was waning, as sound monetary policy eliminated destabilising inflationary forces.

Now, with the Japanese economy hopefully reaching its lower turning point, output in Britain contracting at a slower rate and other western European economies losing growth momentum, the US's latest brief and shallow recession — July 1990-July 1991 — is ominously threatening to return. Says Rand Merchant Bank economist Rudolf Gouws: "Growth since the lower turning point in

July 1991 has amounted to about 1.5%, unlike the period following the lower turning point in 1982 when growth of 5%-6% occurred during the first 18 months."

There is talk of "a contained depression." Some also fear the business cycle has expired at its lower turning point because of structural changes — political and economic — in the

world's largest countries.

But it is important to remember that this pessimism is based not on fundamental analysis but disappointed expectations. Research published in 1988 by University of Chicago economist Victor Zarnowitz showed recessions were becoming shallower; that, in the 70 years before 1945, contractions lasted for about two-fifths of the average cycle while, after 1945, they averaged only about a fifth of it. Moreover, the previous post-war recoveries had been vigorous.

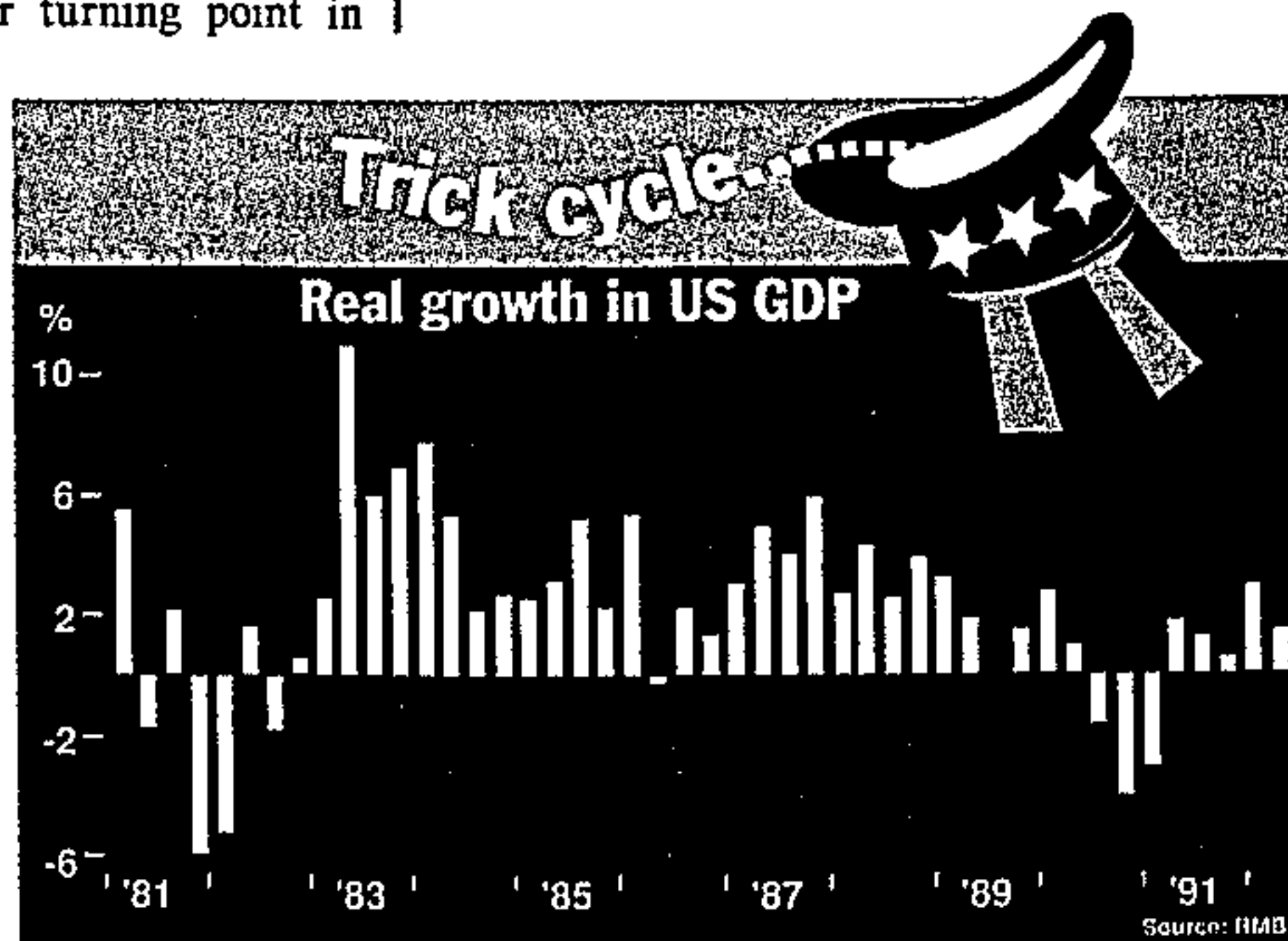
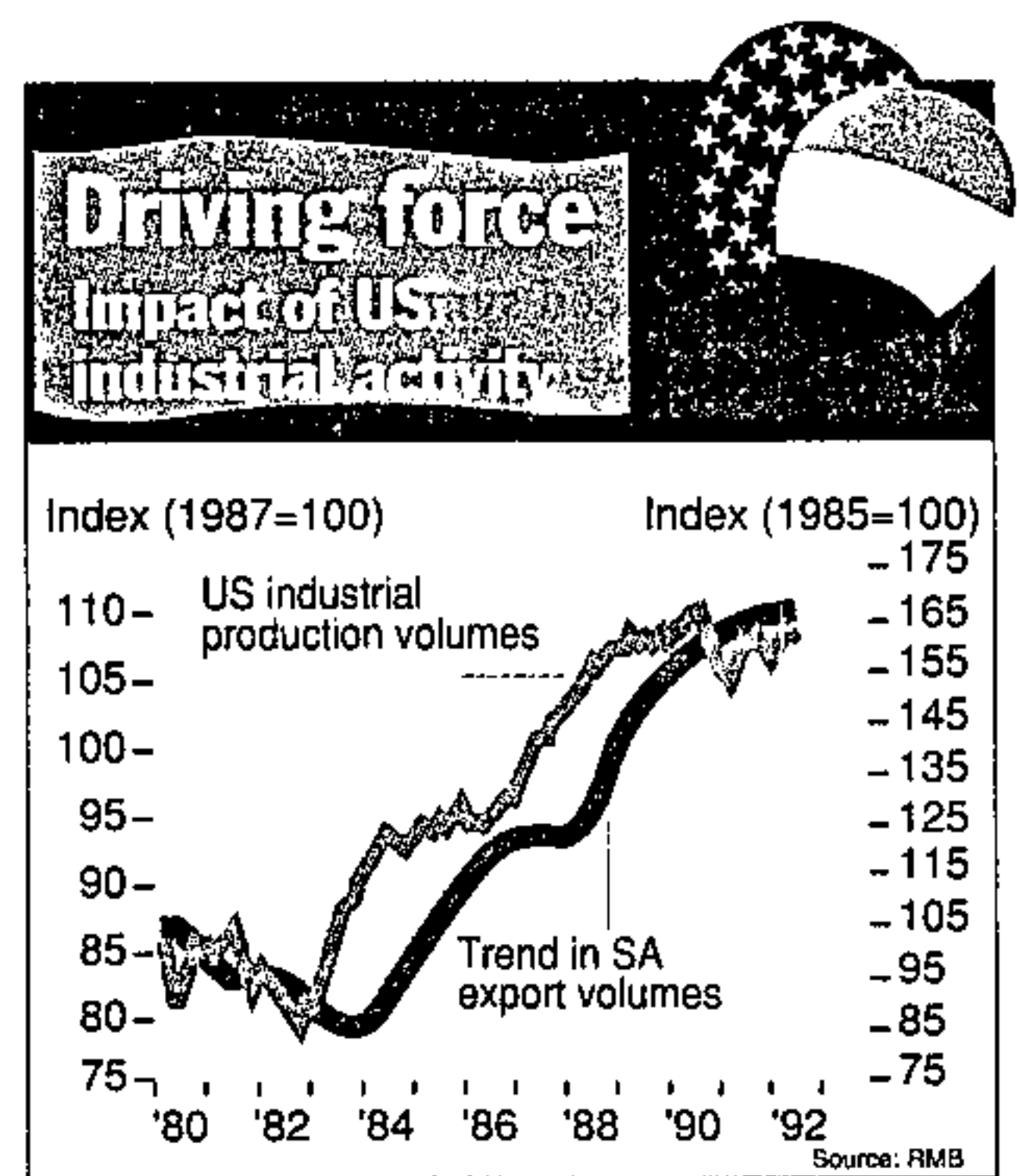
Faced with what is either a faltering recovery or a prolonged recession, voters are preparing to throw President George Bush out of office in the US election next week. In the UK, where a recovery has yet to materialise, PM John Major has been facing rebellion in his own ranks over economic policy decisions.

Perceptions are no trivial matter. They have a profound impact on consumer spending, which is the largest component of total output as measured by GDP. Given the close and growing inter-relationship of the world's economies, the problems of every country has implications of varying degree for others.

So the distortions in the US business cycle are of crucial importance everywhere.

Zarnowitz and Columbia University economist Geoffrey Moore describe three types of change in the cyclical behaviour of market-orientated economies: long-term trends that are irreversible; temporary changes that may or may not continue; and cycles of cycles. Though only the passage of time can accurately distinguish one from the other, it is possible to theorise about a number of important changes. In research published this week, Graham Boyd, economist at JSE stockbrokers Simpson McKie, identifies three long-wave cycles at work in the US, neutralising the current business cycle.

One is the fall in residential property val-



ues; and, a second, closely related, is the need to reduce household debt from the high levels of the Eighties.

The extent of the fall in house prices was recorded in the US magazine *Business Week* in March: "The average sale price of a new home, adjusted for inflation, has fallen by nearly 8% since the end of 1987."

The trend was not confined to the US (see graph). In the UK, according to the *Financial Times*, house prices in some regions have dropped by 25% over the past four years. *The Economist* reports that a recent study by Morgan Grenfell showed 1.5m homes (more than one in 10) are worth less than their mortgages. In Japan, household net worth fell from 8.71% of disposable income in 1989 to 8.54% in 1990 and declined further in 1991 and 1992.

In the US, demographic changes have played an important part in this development. From the late Sixties, through the Seventies and for much of the Eighties, children born in the population bulge of 1947-1957 were reaching adulthood, marrying, having families and buying homes. They kept demand rising.

But the baby-boomers did not perpetuate the population bulge — for many reasons including improved contraception, greater career opportunities for women, and changed perceptions of people's roles in society. Birth rates began to slide in the Sixties and, according to the *Encyclopaedia Britannica*, the US entered the Seventies with the lowest birth rate in its history. "In 1970 the number of births per 1 000 population was 18.2; by 1972 it was 15.6."

Not only was population growth slowing, life styles were changing. Moreover, inflation rates, the ally of every borrower, were



## Bid to restart GATT talks

LONDON — British Prime Minister John Major called US President George Bush on Sunday to discuss the stalled GATT world trade talks, a British official said yesterday. *BDM 3/11/92*

"It's part of our attempts to get a successful GATT deal," the senior government official said. *(S6A)*

He said British representatives "remain in close contact with both US and EC officials on how that is going but there is no word yet".

Britain, holder of the rotating EC presidency, has been working to resolve disputes between the EC and the US over farm subsidies and oilseed production which are holding up conclusion of the six-year-old Uruguay Round of trade talks.

Trade officials have said it was crucial to try to resolve the outstanding disputes before the US presidential election today.

US agriculture secretary Edward Madigan and EC farm commissioner Ray MacSharry met on Sunday night in Chicago and more talks were scheduled yesterday. Both sides have threatened the other with billions of dollars in punitive tariffs.

The British official would not be drawn into speculation about the fate of the GATT talks if Bush lost the election, but he pointed out that even if the incumbent lost, he would remain in office until inauguration day in mid-January. — Sapa-Reuter.

# EC-US farm trade talks struggle to the finish line

BRUSSELS — Six years of talks to inject \$200bn a year into world trade staggered towards the finishing line yesterday as EC and US farm trade negotiators struggled to reach an agreement in one key area.

Behind the EC-US negotiations in Chicago is the threat of a bruising trade war, with the US threatening to slap punitive tariffs on \$1bn worth of imports from the EC, which has duly pledged to retaliate.

After a day of talks on Monday, EC Farm Commissioner Ray MacSharry and US Agriculture Secretary Edward Madigan seemed to have made little headway on a bitter dispute over oilseeds — commodities used to make edible oils and animal feed.

The EC has insisted on the row being included as part of an overall deal under the General Agreement on Tariffs and Trade (GATT) to liberalise world commerce.

EC sources in Brussels said the two men, who have extended their talks into a second day, had barely touched on two other key areas of contention — tonnage limits on EC agricultural exports and a trade-off between tar-

iffs on the imports of grain and the so-called cereal substitutes such as corn gluten.

The EC sources said chances of an accord remained good, especially since the talks had been separated from the US presidential elections.

"I am still optimistic of a deal. The gap is as small as it has ever been," one EC source said, adding that the vote-winning potential of any agreement had become irrelevant on the day of the elections.

An EC official said the fact that the two had agreed to continue talking was a positive sign.

France in particular, which had said repeatedly that a deal before the US elections was impossible because of the way in which the talks had become caught up in the campaign, has now said an agreement should be possible soon after the vote.

"I think once the US elections are over, some kind of agreement will be reached on agriculture as it becomes less important to the US to keep talking about subsidies to their own farmers," French Deputy Foreign Minister Georges Kiejman said.

But the French government, facing elections within six months and anxious not to alienate farmers already angered by reforms to the EC's Common Agricultural Policy, is equally adamant that any deal should not increase pressure on its farming industry.

The picture emerging in Chicago was of painfully slow progress towards a deal, with both sides going over ground that had already been trampled flat in past talks.

"It's the same old thing," MacSharry said. "In the end there will be a text that is politically acceptable."

"We are working on one more paper," said US Agriculture Department spokesman Roger Runningen after a working dinner on Monday between Madigan and MacSharry.

"They (the EC) sent a paper that amounted to a proposal and we looked at it and I think we're going to change a few things and take it back to them," he said.

If the Chicago talks fail, trade sources said, a US announcement of retaliation could be made as early as today. — Sapa-Reuter.

B/D Am 4/11/92

(56A)

(2)

# Vital UK vote on <sup>(51A)</sup> Maastricht

CT 5/11/92

LONDON. — Prime Minister Mr John Major stepped up pressure on anti-Europe rebels ahead of a key parliamentary vote last night, warning that without the Maastricht treaty Britain faced a "fatal cocktail" of political and economic instability.

The result of the vote was not out at the time of going to press.

In a last-ditch bid to secure victory Mr Major told MPs at the start of the seven-hour debate that Britain's national interest lay in playing a central role in Europe.

But the opposition Labour Party says the vote is about confidence in Mr Major's leadership, not Europe, and pledged to vote against the treaty.

Mr Major said failure to ratify the Maastricht treaty would lead to a European Community "fighting day after day, time and time again all the battles that were fought and largely won in the treaty".

"Anyone who believes that that situation of uncertainty would be good for political stability, for business, for growth and for jobs would simply be deluding themselves," he said.

Mr Major's words were mainly directed at "Eurosceptic" members

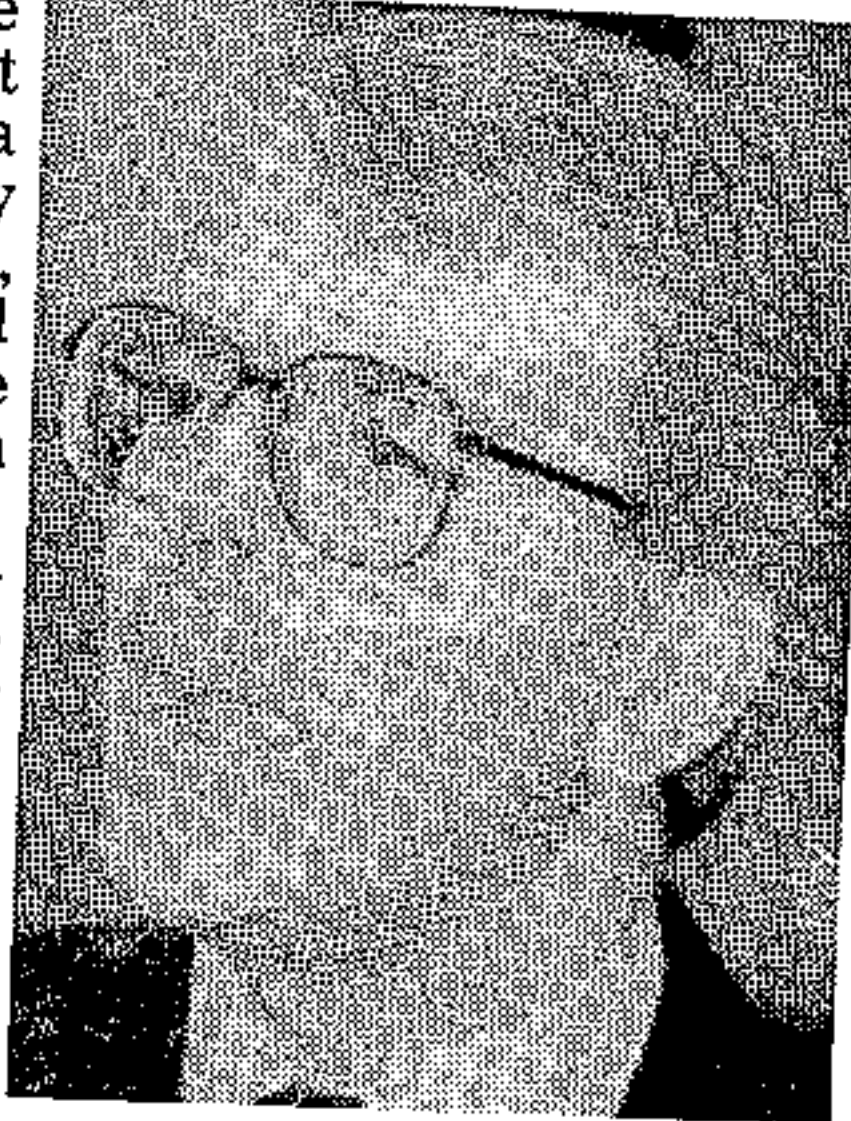
of his own Conservative Party who threatened to vote against the motion supporting the Maastricht treaty and paving the way for eventual ratification.

Mr Major told the Conservative rebels that their fear of a "centralist Europe" would be realised unless Britain remained at the heart of Europe to fight for its policies.

"A centralist Europe is most likely to develop if Britain has no influence in the Community, if Britain is sidelined," he said.

Answering critics who want ratification delayed until Denmark holds a second referendum on the treaty next year, Mr Major said all other EC members would ratify it by the end of the year.

Mr Major was earlier reported to have threatened rebels with a general election if they defeated him over Maastricht. — Sapa-Reuter



**EMBATTLED ...**  
Mr John Major



## GATT refuses to approve US sanctions

GENEVA — The US was yesterday blocked in its attempt to seek GATT approval to impose up to \$1bn worth of sanctions in retaliation against EC oilseed subsidies.

The US has said the EC oilseeds subsidy scheme caused up to \$2bn a year injury to oilseeds exports from the US and nine other exporting nations. (2) (5) (A)

Deputy US trade ambassador Rufus Yerxa threatened the tariffs on EC food imports as he entered a meeting of the GATT council. BIDAY 5/11/92

However, the 105-nation council must make decisions unanimously, so the EC opposition last night was enough to block the US request.

The opposition was backed by Canada

and Argentina, and to a lesser extent by the members of the Association of Southeast Asian Nations, sources said.

Yerxa said the two trading blocs had failed to break an impasse at bilateral farm talks in Chicago earlier this week.

The European Commission in Brussels said it was ready to announce retaliation if Washington imposed sanctions.

The commission's Trade and External Relations Commissioner Frans Andriessen told a news conference: "In my personal view, if the US should enter into sanctions, the commission should try to do what it can to establish counter-sanctions." — Sapa-Reuter-AFP.

● See Page 7

—WORLD—

# US sanctions decision worries GATT chief

GENEVA — GATT chief Arthur Dunkel expressed "grave concern" yesterday about a US decision to unilaterally impose sanctions by December 5 on \$300m worth of EC farm goods in a row over oilseed subsidies.

European Ministers are to meet today in a fresh attempt to avert a world trade war.

However, the GATT director-general said he was pleased to see that both the US and EC had expressed determination to continue negotiations before the sanctions came into effect.

In a statement, Dunkel said the US had told GATT of its intention to impose the sanctions. He said the move was motivated by the EC's failure to implement recommendations made to it by GATT to reform its oilseed subsidies system.

The GATT chief did not explicitly refer to the Uruguay Round of world trade talks, a six-year attempt to liberalise world trade across almost

all sectors under the auspices of GATT.

A senior EC diplomat said on Wednesday US sanctions could effectively kill off the talks.

But Dunkel said he was concerned about the effect that Washington's move — against GATT rules — would have on the multilateral trading system.

British Board of Trade president Michael Heseltine — who will chair an informal meeting of trade ministers at Brocket Hall, Hertfordshire — said the announcement in Washington was a "very regrettable development" that risked starting a spiral of tit-for-tat action with serious consequences for the world economy.

European Ministers are to meet next week in formal council to consider how and whether to hit back at the Americans, whose 200% tariffs on French, German and Italian white wines could effectively triple consumer prices.

Heseltine received details of the

American action just as he was to begin a statement to the House of Commons about the failure to conclude a trade deal under the GATT negotiations.

He insisted that the gap between the two sides — essentially 1-million tons of oilseeds and soya beans — was "very small indeed".

Labour spokesman Robin Cook said it almost beggared belief that a deal could be wrecked by "a dispute over a row of soya beans".

The EC withheld immediate comment yesterday on the US plan.

Meanwhile, EC Agriculture Commissioner Ray MacSharry resigned yesterday as an EC negotiator in GATT talks, a source said.

French Agriculture Minister Jean-Pierre Soisson said yesterday that MacSharry had exceeded his authority in GATT negotiations with the US, and his mandate was unlikely to have been renewed at year's end anyway. — Sapa-AFP-Reuter-AP.

Blom

6/11/92

ES

S6A

Financial Earnings and dividends In the light of the recent acquisition of minority interests in both Glass SA and PG Bison the year ended

# US slaps 200% duties on EC products

WASHINGTON — The US would impose punitive tariffs on EC products, particularly those from France, the government said yesterday. *BIDAM 6/11/92*  
US trade representative Carla Hills said Washington would slap 200% duties on about \$300m worth of EC exports with effect from December 5.  
British Trade and Industry Secretary Michael Heseltine said the US retaliation was "highly regrettable".  
And in Paris, French Agriculture Minister Jean-Pierre Soisson called for the EC to "take counter-retaliation measures".  
The duties announced by Hills were

about double what had been expected, and would affect EC white wine, wheat gluten and rapeseed oil. *(SA) (20)*  
Soisson estimated the US action would affect \$127m worth of French products, and reiterated his desire to reach an agreement with trading partners within the GATT framework.  
Earlier, British Prime Minister John Major said the row over GATT was a "very serious matter" and Britain would do everything in its power to win an agreement.  
— Sapa-AFP-AP.



# Major facing new revolt

56A

Sowden 6/11/92

■ **UNDER STRESS** CP rebels tell of

strong-arm tactics used by colleagues:

**L**ONDON - Prime Minister John Major's government breathed a sigh of relief yesterday after scraping through a key parliamentary debate on European union by just three votes.

But a group of 26 rebels in Major's own Conservative Party voted against the government and warned that the battle over ratification of the European Community's Maastricht treaty was far from over.

Nicholas Winterton, one of the principal dissidents, spoke of "arm-twisting, thumb-screws, persuasion and inducements" inflicted on those who had threatened to rebel.

Winterton warned that "a winter of attrition" now lay ahead.

Major, current president of the European Community, took the biggest gamble of his two-year premiership by forcing a vote in parliament on allowing the ratification process to proceed.

But he survived thanks only to the support

of the opposition Liberal Democrat Party and by exerting pressure on those in his own ranks who fear ceding British sovereignty to a federal Europe.

Germany welcomed the British vote and EC Commission vice-president Sir Leon Brittan said it had strengthened Major's hand in Europe.

"He will have shown he had enormous courage, risking everything to get the (Maastricht) bill on the road," Brittan told BBC television.

Sterling showed little change against the German mark, trading at about 2,43 marks early on Thursday.

Shares opened lower in London with the *Financial Times* Stock Exchange index of 100 leading shares down 13,9 points at 2,691.7.

"The government still has a lot of political problems ahead of it in the coming months," said Ruth Lea of Mitsubishi Bank in London. - *Sapa-Reuter.*

# US and EC 'ready to talk about trade'

LONDON — US and EC trade ministers say they will get back to the negotiating table to try to avert a disastrous trans-Atlantic trade war, but neither side is giving any hint of compromise.

EC trade ministers ended an informal two-day meeting at Brompton Hall, near London, on Saturday, voicing optimism that trade talks with the US would reopen soon.

In Washington, Trade Representative Carla Hills said the US, also, was ready to talk.

The talks collapsed last week and threatened to tip the world economy further into recession.

But France, which has been accused of wrecking the talks through intransigence over farm subsidies, berated the US for being heavy-handed in announcing punitive duties on European goods. *B/DAY 9/11/92*

EC external affairs commissioner Frans Andriessen expressed optimism over renewed talks, but gave no hint of any change in the EC's position on the subsidies dispute.

"I think the difference in views, although not insubstantial, could be bridged," Andriessen said after the Brompton Hall meeting.

"I think our directive is sufficiently large that we can make an agreement."

US Agriculture Secretary Edward Madigan was less sanguine.

"I must have an honourable deal, a responsible deal, and a deal that is going to be perceived as being fair to the entire world, and we are not anywhere near that," Madigan said.

EC-US talks collapsed in Chicago last Tues-

day after the sides failed to settle a row over subsidised oilseed production.

Washington said it would impose 200% duties on \$300m of EC white wines and farm goods in one month's time.

EC trade ministers did not draw up a retaliatory list of duties. They hoped an agreement could be reached before Washington's sanctions took effect.

If new talks fail, a summit should take place between US President George Bush, EC Commission President Jacques Delors and British Prime Minister John Major, Andriessen said. Major holds the revolving EC presidency.

But tit-for-tat levies are still firmly on the EC's agenda.

If a trade war breaks out, "we should not go down on our knees, praying to the heavens, but we must reply to a precise threat with a threat of our own", Belgium's Foreign Trade Minister Robert Urbain said.

French Trade Minister Dominique Strauss-Kahn said he would ask the EC today to start compiling a list of US products for retaliation.

The EC ministers had been careful to avoid public criticism of Delors, who has been accused of sabotaging the talks by putting French interests before the EC as a whole.

Delors denied the allegations.

He told reporters as he left London: "It was the fault of the Americans in Chicago. It was impossible to reach an agreement — not my fault." — Sapa-Reuter.

● Comment: Page 14

## EC steps in as peace talks fail

Own Correspondent

DURBAN. — Only five or six of the 27 Local Dispute Resolution Committees, set up to end the violence in Natal, are still working. (27) (56A)

The European Community observer group, which arrived here last week, is to address this problem.

The group will work closely with the National Peace Secretariat. CT 10/11/92



## Storm growing over plutonium shipment

TOKYO — Japan, facing a storm of protest over its decision to ship 1.7-tons of radioactive plutonium from France, said yesterday the vessel would stay 200 nautical miles from other countries on its return journey.

This rules out the most direct sea routes from France to Japan, including passage via the congested Malacca Strait and the Panama and Suez canals.

The Japanese government has refused to say what route the 3 800-ton Akatsuki Maru will take. The quickest would be via the Malacca Strait, one of the world's busiest sea lanes which borders Indonesia, Singapore and Malaysia.

The Akatsuki Maru left the French port of Cherbourg on Saturday. The voyage has aroused growing international resistance, particularly from countries that could lie along the route, including Chile, SA and Indonesia. Yesterday the Filipino navy announced that it would turn back a Japanese plutonium-carrying ship if it entered the country's territorial waters.

The plutonium, which France reprocessed from spent Japanese nuclear fuel, is the largest shipment of its kind. Environmentalists say the tiniest leak could cause huge damage to the environment and endanger lives.

Japan yesterday blamed the Greenpeace environmentalist group for a collision on Sunday between the group's ship Solo, which is tracking the Akatsuki Maru, and an armed Japanese coastguard vessel, the Shikishima, escorting it. Greenpeace said the Japanese coastguard vessel had rammed the Solo. — Sapa-Reuter-AP.

WORLD

# EC ministers seek trade war solutions

BRUSSELS — EC foreign ministers meeting in Brussels urgently debated new efforts yesterday to avoid a trade war with the US, as France lobbied for the help of Germany in fighting back against threatened US trade sanctions.

The ministers indicated their preference for talk instead of retaliation as they arrived to discuss restarting negotiations with Washington over EC subsidies to oilseed farmers that collapsed last Tuesday.

Washington subsequently announced punitive tariffs on EC exports to the US worth an initial \$300m, mainly white wine, which will take effect on December 5 if the oilseeds quarrel is not resolved by then.

Dutch Foreign Minister Hans van den Broek said: "I think we should try to avoid escalation. I think we should lock up the negotiating groups with each other and they should not come out before they have reached agreement."

The British and Danish ministers, Douglas Hurd and Uffe Ellemann-Jensen, said retaliation would be stupid.

Their Luxembourg counterpart, Jacques Poos, said there would be some pressure for retaliation, but added: "I prefer negotiations."

French Industry and Foreign Trade Minister Dominique Strauss-Kahn said in a French radio interview yesterday Germany's attitude would be decisive in determining whether the EC would support France's call for retaliation.

The EC foreign ministers met amid intense

diplomatic efforts to restart a US-EC dialogue and avert a trade war that could result from EC retaliation.

A similar appeal came in a joint statement on Friday from British Prime Minister John Major, current president of the EC, and EC executive European Commission chairman Jacques Delors.

And on Saturday Germany called for a summit meeting between Major, Delors and US President George Bush if there were no real prospects for a breakthrough by December 5, the trigger date for the US sanctions.

But in a newspaper interview on Sunday, Delors called for counter-sanctions against the US. "I am in favour of sanctions to emphasise that we are on a firm line," he said. Delors was accused last week of blocking accord in the oilseeds dispute and of favouring French rather than EC interests. He denied the allegation.

France's signals that it is not inclined to buckle under to US pressure has alarmed such countries as Britain, Germany and the Netherlands. But France, which has most to lose from subsidy reforms, claims to have the support of Spain, Ireland and Belgium in calling for retaliation against the US sanctions.

EC agriculture commissioner Ray MacSharry told the Financial Times newspaper yesterday the US had ceded much ground in GATT negotiations and the EC was prepared to negotiate a solution to the oilseed dispute separately from overall figures for arable crops. — Sapa-AFP.

## ATS INVESTMENTS LIMITED

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# GATT chief on political mission to save trade talks

B/DAM 11/11/92 (S6A)

GENEVA — GATT director-general Arthur Dunkel said yesterday it was not up to him to resolve the oilseed dispute between the US and the EC.

He said he would travel to Washington and to Brussels on a political mission to bring the US and the EC back to multilateral talks in Geneva.

At a news conference, he said this involved appealing to the US and the EC to come back to the multilateral negotiating table in Geneva rather than attempt to resolve their differences bilaterally in a way that threatened the world trading system.

Dunkel said he would point out to US and EC officials that their dispute over agricultural subsidies "puts in danger" not only the Uruguay Round of trade liberalisation negotiations but also the world trading system under GATT.

Dunkel, as chairman of the trade negotiations committee of the Uruguay Round, was given a mandate this week to encourage the US and EC to return to the negotiations.

The committee oversees day-to-day negotiations in the trade round and all 108 countries taking part in the Uruguay Round are represented. Many of these expressed their frustration yesterday at seeing prospects for the trade round being endangered

by a spat between the US and the EC on oilseed subsidies.

The US announced last Thursday it would impose punitive duties on \$300bn of EC exports to recover, in part, the damage being done to its oilseed exporters by EC subsidies to its producers. It said the duties would apply from December 5, giving a time window during which the two sides could reach a settlement before the move triggered a trade war if the EC retaliated.

While Dunkel said it was up to all GATT members to judge the oilseed dispute between the US and the EC, he pointed out that two GATT panels had ruled in favour of the US and that the decision-making GATT council had passed these reports.

He saw as a good sign the omission of a hit-list of US products from a meeting of EC foreign ministers on Monday. Such a hit-list would have been seen as preparation for a trade war by Brussels.

Meanwhile, German Chancellor Helmut Kohl and British Prime Minister John Major are due to meet in Chipping Norton, England, today. On the agenda are topics ranging from the oilseed subsidies to European unity and Yugoslavia.

GATT would be a prime topic of the talks, said British sources.

German sources said Kohl was

anxious to hear Major's explanation for Britain's decision to postpone ratification of the Maastricht treaty on European union until after a second Danish referendum next year.

Denmark's demands for amendment and clarification of the treaty prior to its second vote are of prime interest to Kohl and Major, both of whose parliaments have yet to ratify Maastricht.

In German eyes, Major — as EC president until the end of the year — has failed to uphold a pledge repeated at several top EC meetings that countries would do everything to ratify the treaty by January 1.

Major's move means ratification could be as late as next October if the timetable suggested by most Danish politicians holds true.

Kohl will be accompanied by all his senior ministers, reflecting the weighty issues that have troubled Anglo-German relations this year.

Economy Minister Juergen Moellemann will hold talks with British trade officials which will be monitored closely for signs of joint pressure on France to avert a trade war.

Moellemann is a member of the Liberals, a small but powerful centre party that has made no secret of its frustration at France's blockade of an agreement on oilseed subsidies. — AP-DJ, Sapa-AP.



# EC to resume talks 'as soon as possible'

*Bloom 12/11/92*

*(56)*

BRUSSELS — The EC said yesterday it would send its negotiators back to the bargaining table with US officials as soon as possible, in an effort to avert a damaging trade war.

Britain, Germany and others have been lobbying for a compromise on US demands for more cuts in the community's farm subsidies, specifically to oilseed producers, threatening to isolate France as the only major opponent of concessions.

There was no hint of a new EC bargaining position, but the Europeans do not want to be blamed for touching off a trade war that would hurt their ailing economies.

German Chancellor Helmut Kohl and British Prime Minister John Major met in Chipping Norton, England, yesterday to co-ordinate efforts to ratify the Maastricht treaty and iron out problems threatening the trade war.

The two leaders began their one-day summit with good news: Ray MacSharry, the EC's chief GATT negotiator, who quit in a row with European Commission chairman Jacques Delors last week, had returned to the talks.

The US has said it will impose punitive import duties on \$300m in European goods, primarily French white wines, if the dispute is not resolved by December 5, while France has been trying to get the EC to retaliate.

EC spokesman Bruno Dethomas said the community's two top negotiators might travel to Washington early next week to resume talks. Another spokesman, Nico

Wegter, said the talks could begin by the end of this week.

The EC announcement came a few hours after MacSharry agreed to resume his bargaining duties.

Delors, a French socialist, was accused of manoeuvring behind the scenes to try to prevent more concessions to the US.

French leaders are worried about France's strong farm lobby, with parliamentary elections scheduled for March. And Delors is reported to have his sights set on the French presidency.

A senior EC official said trading bloc experts had prepared a list of retaliatory sanctions that could be imposed on the US if it went through with its threat.

The EC official, demanding anonymity, said the community's hit list covered soybeans and corn gluten. "They are very sensitive products (for the US)," he said.

In England, Major was also under pressure from Kohl to spell out exactly when Britain intended to ratify the Maastricht treaty on European unity.

Having first promised to push the treaty through the House of Commons by year's end, Major last week put off action until Denmark had held its second referendum.

The Kohl-Major conversation on Maastricht took on added urgency with comments by Delors on Monday that if the treaty were undermined "we would need two, three or four years to get a result that would probably have less dynamism and attraction". — Sapa-AP-AFP.



## SA wants EC trade deal soon

BRUSSELS. — South Africa will propose a cooperation agreement to the European Community within seven months, South Africa's new ambassador to the EC, Mr Neil van Heerden, said yesterday.

About half South Africa's trade is done directly with EC states.

Mr Van Heerden said South Africa should forge a formal agreement with the EC, which has dropped all sanctions except arms sales.

"I would like to see us have our cake and eat it," he said. — Sapa-Reuter

(56A) CT 13/11/92

WORLD

# Avoid 'war' with US, EC is urged

B/DAM 11/11/92 (S6A) 13/11/92

BRUSSELS — The official overseeing world trade talks urged the EC yesterday to avoid a trans-Atlantic trade war by agreeing quickly to farm-subsidy cuts.

EC Commission spokesman Nico Wegter said Arthur Dunkel "appealed to Brussels ... to make a move in the negotiations" and pave the way for an agreement in broader talks to liberalise world trade.

Dunkel, secretary-general of the General Agreement on Tariffs and Trade (GATT), met Ray MacSharry and Frans Andriessen, the EC's agriculture and external relations commissioners. He did not comment to reporters afterwards.

On Monday Dunkel is to meet officials of the US government, which plans to impose punitive duties on European imports on December 5.

The EC-US dispute — largely a battle between France and the US over subsidies to farmers — is holding up long-stalled talks among the 108 GATT nations to liberalise world trade in a range of areas, including agriculture. A successful revolution could stir the world economy from its long downturn and add as much as \$100bn to its output.

On Wednesday, officials said EC negotiators planned to meet their US counterparts within a week.

The announcement signalled that the 12-nation bloc had — at least temporarily — bridged differences over dealing with US demands for further cuts in subsidies which are paid to EC farmers.

Britain, Germany and others have urged compromise, while France has pressed for retaliation.

The Bush administration has given the EC until December 5 to resolve the dispute or face import taxes on \$300m worth of European products, mostly French white wines. Washington and other nations argue that the subsidies keep European farm prices unfairly low in world markets.

Community leaders say they will respond with punitive duties on a similar amount of US goods — which could trigger a tariff war that would cut sales of goods from both sides and affect thousands of jobs.

Farm lobbies are strong in most EC nations, particularly in France. But there are fears, especially in Germany and Britain, that a transatlantic trade war will slow down an already-ailing world economy.

"What the world economic situation requires at the moment is calm discussion and not sabre-rattling," said British Prime Minister John Major, whose country holds the EC's rotating presidency. — Sapa-AP.



Former East German leader Erich Honecker in the dock at the beginning of his trial in Berlin yesterday. Picture: AP

## Carey acts to heal rift

LONDON — Archbishop of Canterbury George

## UN sold

TYRE — Pro-Iranian guerrilla UN peacekeeper and wounded in south Lebanon yesterday at

NEC substitutes ...



13/11/92

(S6A)

France is the prime target with duties of 200% on about \$350m worth of white wine, brandy and cheese exports to the US — which last year bought \$4bn worth of EC agricultural products. Conspicuously, British goods were excluded from the hit list as were the Danish and Irish. All three have tried to accommodate the US in the wider interest of finalising the Uruguay Round.

The damage done to US oilseed exporters is real. Seven years ago they sold 2Mt/year of sunflower seed to Europe. That market has vanished.

Fertilised by heavy subsidies, EC output — mainly rapeseed — has soared. Last year it topped 13Mt, up by almost 100% in five years, and the Europeans are undercutting the US on world markets.

America wants the EC crop to be slashed to 7Mt-8Mt/year. The EC refused to go lower than 9.5Mt and that to be achieved through reduced planting of oilseed rather than an output ceiling. This is distrusted. The US argues that higher productivity can emasculate such a deal.

The US asked Gatt to sanction its punishment but, unsurprisingly in view of the EC's position, the governing council was unable to reach the necessary consensus. Now there is a 30-day cooling off countdown before implementation can take place.

Transatlantic trade war drums have been heard intermittently during the past three decades, over steel, pasta, corn gluten and so on. But the latest outburst, tied to the success or failure of the Uruguay Round and coming as the world struggles to emerge from recession, is by far the most frightening.

The EC Foreign Ministers were divided this week on whether to retaliate against the US — a provisional list of exports included 6.5Mt of soyabeans. But an alliance (unusually) of Britain and Germany, supported by five others, managed to postpone French demands for an immediate strike back at the Americans.

Only Spain, Belgium, Portugal and Greece backed the French case and the instruction to Delors was that the commission must patch up its internal differences and resume negotiations with the US forthwith. Between the lines of the terse communiqué was a sharp reminder to Delors that he is a European so long as he is president of the commission, whatever political future he envisages for himself in France.

As the FM went to press, observers in Brussels were forecasting an abrasive confrontation between Delors and MacSharry with much talk of "the knives are out" for the Frenchman known as Mr Europe and possible resignations within the commission.

At least on the Gatt front the Foreign Ministers have decided, in Winston Churchill's words, that "jaw, jaw is better than war, war." So the talking goes on hopefully helped by the intervention of Arthur Dunkel, the avuncular neutral Swiss director-general of Gatt who was heading for Brussels and thence Washington this week to try to get the Uruguay Round back on track. ■

TRADE WAR FM 13/11/92

**Or jaw, jaw?**

(S6A)

**UK Foreign Secretary Douglas Hurd** was confident this week that the world had learnt from history. Going into a meeting of EC Foreign Ministers he said: "The idea that the EC and the US are going to blunder into a trade war is inconceivable."

Up to then the European press had enjoyed raising the ghosts of the Smoot-Hawley tariff in the US and the protectionist war of the Thirties, which saw the global value of international trade collapse by more than 60%. Nobody, however, is seriously expecting a repeat of such lunacy in 1992, in spite of the bellicose noises emanating from France and the US, after yet another failure to break the deadlock over EC farm subsidies which has stymied the Uruguay Round of Gatt.

The blame was laid firmly at the door of the French and on EC president Jacques Delors and his ambitions to succeed President Francois Mitterrand in the Elysée Palace. EC Agriculture Commissioner Ray MacSharry asked to be relieved as the European negotiator, claiming sabotage by Delors when agreement with the US had been a hair's-breadth away.

The breakdown came in Chicago on the day Bill Clinton — whose free trade credentials have yet to be established — won the race for the White House. Even the presence of UK Agriculture Minister John Gummer, the senior EC man and avowed enemy of subsidies, could not save the talks with US Agriculture Secretary Ed Madigan over the vexed issue of oilseed production.

Washington, whose case against EC oilseed subsidies has twice been backed by Gatt dispute panels, immediately threatened reprisals: punitive duties on US\$1bn worth of EC exports to the US, the value of trade lost by American growers of rapeseed, sunflower seed and soyabeans.



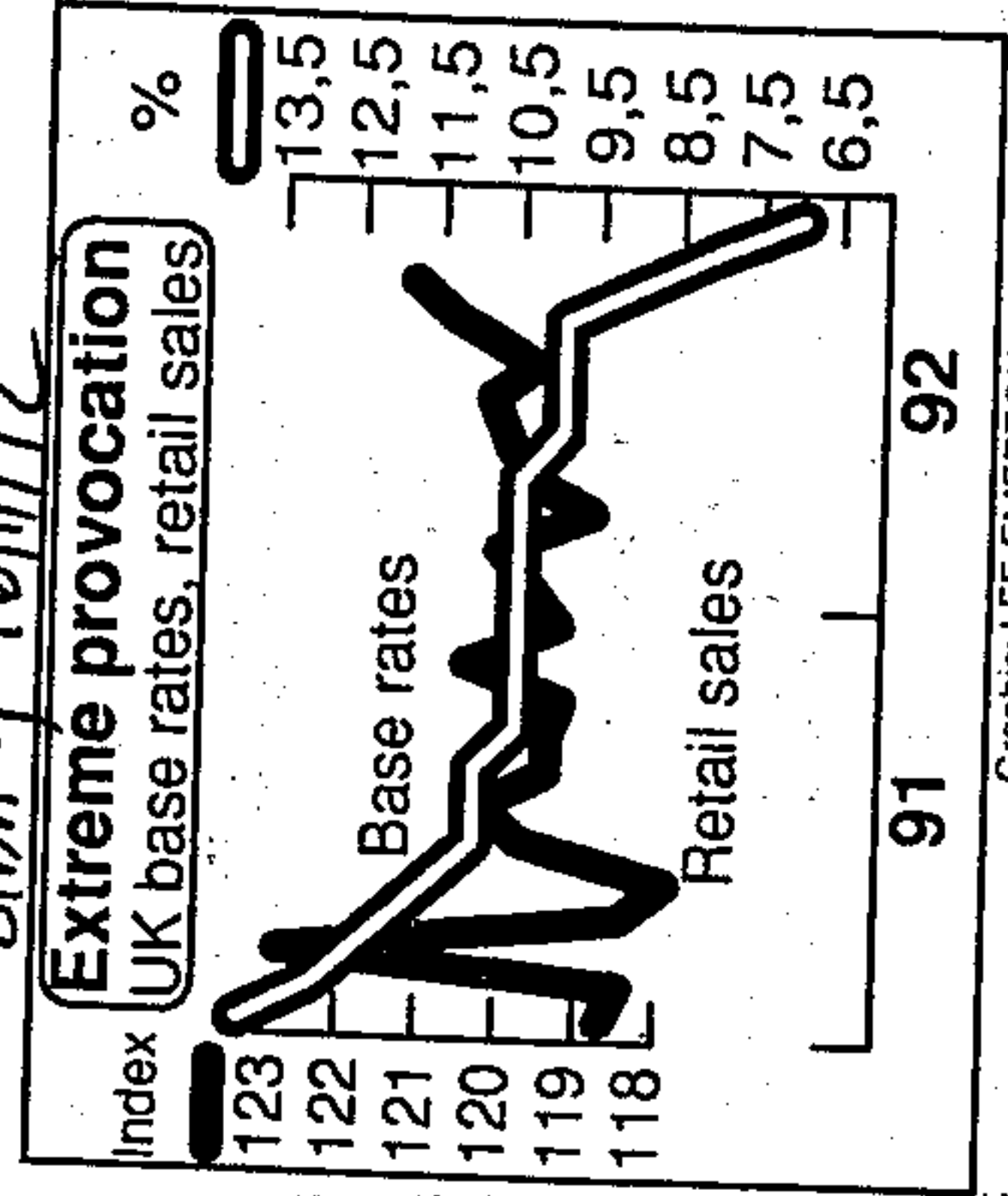
# Brighter outlook for exports to UK

RECOVERY prospects in a key SA export market will be highlighted this week at almost the same time as the latest SA trade figures probably emphasise the need for a better export performance.

The October trade balance is scheduled for publication by the end of the week, and any extended improvement to September's modest R965.2m surplus is likely to depend on activity in principal export markets such as the UK.

Coincidentally, UK retail sales for October are also scheduled for release this week, offering a snapshot of marketing conditions in one of SA's strongest traditional markets. The bad news up to now has been that confidence and spending levels of the doughty British consumer have been ravaged by a succession of domestic traumas, to the point where SA exports could hardly look to the UK market as a ready source of extra demand for SA's increasingly important non-mineral export sector.

But events at the end of last week have offered new hope that the UK economy may finally have been goaded into some form of consumer-led recovery. When Chancellor of the Exchequer Norman Lamont delivered his Autumn



Graphic: LEE EMERTON Source: I-NET

end, could finally provoke a sustained response from consumers worried about debt service costs and short-term political uncertainty.

SA exports need to return to levels well above the R6bn posted in September, and UK retail sales need a sequence of positive outcomes building on September's 0.2% rise, for the respective economies to strengthen uniformly. The new low in UK interest rates will have come too late to affect this week's figures, but subsequent releases of each could be recognisably interconnected.

Elsewhere, data will this week again measure the strength of the US real economy in the final weeks of the Bush administration.

October's US industrial production data are due out today and follow a dismal sequence of two successive monthly falls and three negative figures out of the past four, culminating in a 0.2% fall in September. Steadier US employment and an uptick in factory or-

ers last month give reason for hope that the losing streak might have been ended in a positive October outturn.

The US trade balance for September, published on Wednesday, gives no such cause for hope. It was a month of gloom and depression in Europe as the exchange rate mechanism unravelling, eroding the continent's role as a prime US export market. Meaning while, the strength of exports to the US was helping to boost Japan's trade surplus to a new record in 1992. The combination of dull exports to Europe and higher imports from Japan probably means a further widening in the \$9bn August US trade deficit.

UK money supply data for October, out on Thursday, will have to be viewed in a new light after last week's Autumn Statement since Lamont specified a new monetary target of 4%-8% for broad-money M4 as well as the existing 0%-4% target for the cash only M0.

## TRAVELLER'S CHECK

# Proposals 'could ruin EC farmers'

*B/DAY 17/11/92*  
*(S6A)*  
BRUSSELS — EC proposals to avert a trade war with the US could ruin Europe's farmers by demanding huge new sacrifices on top of those they have already made under the common agricultural policy reforms, says a leaked document prepared by French officials in Brussels.

Own Correspondent

The report claims that demands made by the Americans for a 24% cut in subsidised farm exports would result in a staggering 40% of all European arable land being set aside, resulting in huge compensation payments to farmers or a massive operation to buy up surplus stocks. Some sources believe that the cost could bankrupt the common agriculture policy — the linchpin of the EC as well as many British farmers.

Even the EC's offer of a 22% cut would result in 25% to 30% of arable land being set aside, far in excess of the 15% agreed after negotiations on the common agriculture policy reforms.

The report also explodes the EC's negotiating position on oilseeds — a key barrier to a GATT deal.

It clearly states: "The basis of discussions on the volume of production of oilseeds are in principle incompatible with the reform of common agriculture policy."

In what is likely to worsen already strained relations between London and Paris on the GATT issue, the document points a finger at the British government

and Prime Minister John Major. It claims EC commissioner Ray MacSharry's negotiating position in Chicago was steered heavily by the prime minister, through Agriculture Minister John Gummer.

It says: "Major, kept informed by Gummer, gave him instructions to ask MacSharry to propose a 9.5-million ton ceiling (on oil seed production). MacSharry then proposed this to the Americans who accepted it on condition that MacSharry agreed to defend it before the council of ministers in Europe. He refused, rightly because he expected a setback."

The report says the 9.5-million ton compromise suggested by the prime minister is way outside common agriculture policy reforms. "Production would not descend below 11-million tons without more than 15% permanent set aside. We don't see why the community should negotiate on a production volume of oilseeds contrary to its interests, incompatible with common agriculture policy, leading to production quotas and insupportable set-aside rates."

One source close to the talks said the report's figures were "probably accurate", but that their release now was "deliberately designed by the French to scupper the talks because they don't want a total GATT settlement". — Daily Telegraph.



# European union has many parallels with US

Blay 19/11/92

56A

"It is remarkably brief and simple," a senior EC official told me. He was talking about the 10th amendment to the US constitution, one of the reference sources consulted by the European Commission as it tries to frame a workable doctrine of subsidiarity. "Perhaps," mused the official, "life was simpler then too." Perhaps, but no one should think that the US had an easier time agreeing to its constitution than Europe seems to be having with the Maastricht treaty.

The similarities between 1992 and 1789 are striking: individual states are loosely bound together but recognise they must forge a stronger union, especially for commerce and security, representatives of the 12 states (Rhode Island did not send a delegate to Philadelphia in 1787) meet and sign a historic document which, if ratified, will create a new union; under this union each state remains sovereign except for those specific powers given to the union, and in those instances the union's authority is supreme; the new document requires ratification by the states; a raging debate ensues where

a central issue, sometimes clearly stated but as often not, is local control versus central authority. The US experience seems to be relevant in many ways. We, too, found the process of creating a union difficult and painful. The Constitutional Convention worked from February to May 1789 to produce a document that was argued over and modified during that hot summer. In September the constitution was sent to the 13 states, only nine of which were required to ratify it. Eight months and three weeks passed before the ninth state, New Hampshire, ratified, and eventually the other four came along. The smallest, Rhode Island, displaying the spirit of today's Denmark, was last to approve.

During those tense months, the outcome was far from certain. And even then, 10 new amendments — known collectively as the Bill of Rights and intended to clarify and establish the right of individuals vis-a-vis the state — were adopted two years later. A charter with 10 new amendments may seem soft compared to those of the original 13. The EC has applications for membership from Finland, Sweden, Austria and others, and it may quickly grow from 12 to 16, with more later. The most important parallel with today's Europe is that Americans who favoured union had some very

## RAY CALAMARO

create for a foundation, but there have been only 16 more amendments in the two centuries that followed. Like the EC in 1992, the US in 1789 was divided into large, powerful states and smaller ones which feared domination. In 1789 it was four large and nine small; in 1992 (the EC) it is five large and seven small. The US constitution is filled with devices sought by smaller states to provide protection from larger ones. Likewise, the question of big-versus-small states has arisen at important moments during the debate on Maastricht. The young US faced immediate growth, as the EC does now. Vermont was the first of the 37 new states to join after the original 13.

powerful opponents within the 13 states. Alexander Hamilton knew that if he lost one of the big four, the constitution could fail to serve its purpose of unifying the young nation. New York (with the then capital of the US, New York City) was uncertain at best. The governor of New York, whose name happened to be Clinton, was a powerful and wily opponent. As an American who imported his US-made car to Brussels, eats his salad first and prefers dry martinis to dry Sancerre, I have been accused of excessive patriotism. But though I am as proud as a Little League father of my country's birth in 1776 under the Articles of Confederation and "rebirth" in 1789 under our constitution, I must admit that what Europe is now doing is perhaps, given the centuries of history with which Europe must contend, even more impressive. There are many other comparisons that might be drawn, and history can be retold to prove almost anything. The point, however, is that the hardest work is not in drafting a

constitution but in getting it approved. No American knew if the constitution would be ratified, and many doubted it. Indeed, one retrospective measure of greatness among our founding fathers is the skill they showed in arguing for ratification and winning over those who threatened to oppose. This is why the great American historian Clinton Rossiter called the Federalist Papers — a series of essays published in 1787 and 1788 by Alexander Hamilton, James Madison and John Jay, which forcefully advocated the case for ratification and drove much of the debate — "the most important work in political science that has ever been written, or is likely ever to be written, in the US".

History suggests the game in Europe, far from being over, may just have begun. Those who ask where are the heroes who will unify Europe should wait a while; their question may soon be answered.  The author was US deputy assistant attorney-general for legislative affairs, 1977-79.



# France attacks proposed US, EC trade agreement

PARIS — France yesterday denounced a potential accord on agricultural trade likely to be concluded by the EC and the US.

A government statement issued after a crisis inner cabinet meeting said the conditions for a global and balanced accord did not exist.

EC negotiators were due to meet their US counterparts in Washington yesterday with the aim of achieving a breakthrough in a dispute over oilseeds and EC farm subsidies.

A deal there could lead in turn to progress in the six-year-old GATT negotiations to liberalise world trade.

The cabinet statement said France would oppose any deal that went beyond a reform of the EC's common agricultural policy adopted last May.

A detailed document circulated by France last weekend said an agreement which EC Agriculture Commissioner Ray McSharry was preparing to conclude would mean taking far more farm land out of production than the community's reform plan had envisaged.

Seeking a political consensus for its stance four months before a crucial general election, the Socialist government said it would brief par-

liament on the GATT talks "and recommend the adoption of a declaration on the whole negotiation".

"The inner cabinet recalls that France has always wanted a global and balanced agreement beneficial to the world economy. It notes that the conditions for this do not currently exist," the statement said.

It fell short of saying whether France would invoke its right of veto within the community to block a deal or demand a complete renegotiation of agricultural policy among the 12 EC states.

French commentators said the government faced the unenviable choice between a peasants' revolt if it accepted a deal and a crisis in the community that could endanger the Maastricht treaty on EC union if it rejected an accord.

In Washington, MacSharry and EC Trade Commissioner Frans Andriessen were due to meet US Trade Representative Carla Hills and Agriculture Secretary Edward Madigan within hours of jetting in from Brussels yesterday.

"The commission, the council (of EC ministers) and the (European) parliament hope that their efforts

will be crowned with success," EC Commission President Jacques Delors told the European Parliament in Strasbourg.

In London, British Agriculture Minister John Gummer told BBC television that the chances of a deal were "very good indeed".

"We made enormous changes in the (EC) common agricultural policy reform and that is the absolutely clear basis for an agreement with the US. It's there — very close," he said.

"There wasn't any rallying to those who wanted to abort the talks and that means that he (MacSharry) goes there with every chance of getting an agreement," he added.

Andriessen told French radio that a deal was near but that there was still work to do and it would not be a sell-out.

"I hope that it (an accord) is imminent but I don't want it at all costs," he said. "It is clear that unless both sides do something, there will be no accord."

There was no question of the EC granting concessions that would require more costly reforms than those already adopted as part of the overhauled common agricultural policy, Andriessen said. — Sapa-Reuter.

# France alone cannot win ~~(S)~~ (SGA) Mitterrand

BIDAY 20 11 92

PARIS — President Francois Mitterrand had told the cabinet that France alone could not win a dispute with the US over farm exports which is holding up GATT world trade talks, Farm Minister Jean-Pierre Soisson said yesterday.

Asked on French radio whether Mitterrand had shown anger at Wednesday's cabinet meeting over the delay in concluding the talks, Soisson said: "Not anger. He explained that France alone cannot win but he also explained that Europe couldn't bow down to America."

Soisson repeated that France would fight any deal on farm trade that was inconsistent with the reform of the EC's common agricultural policy agreed in May.

Soisson charged the US, the world's leading farm exporter, with imperialism for focusing on agricultural issues to the exclusion of other aspects of the trade talks.

The talks, now in their seventh year, could add some \$200bn a year to world trade within a decade by lowering the barriers to exports of goods and services.

Washington has given an ultimatum that if EC subsidies on oilseeds are not reduced by December 5, the US will impose 200% duties on \$300m worth of EC exports, chiefly on white wines from France, which is seen as Europe's chief subsidiser.

"The Americans have made no progress on industrial patents, on services, on banking, on industry. It's just a question of farming and I think that is the sign of a profound imbalance and, let it be said, a certain form of American imperialism," Soisson said.

If EC negotiators now in Washington reached a deal on the basis currently proposed, it would be counter to the interests of French agriculture and Europe in general, he said.

Soisson said Washington's share of world farm exports had been shrinking and it was determined to stop the rot by undermining the community's common agricultural policy.

The French government yesterday condemned the burning of a US flag before the US embassy on Wednesday by angry farmers.

"Before such a spectacle, everyone should have felt within himself that no preoccupation, no matter how serious, would justify such an act," foreign ministry spokesman Maurice Gourdault-Montagne said in a news briefing.

Philippe Seguin, a leading member of the conservative rally for the Republic party that many farmers vote for, also condemned the flagburning. "The star-spangled banner is the flag of a great friend," Seguin said. "It has too often been one of the symbols of our liberty to allow such behavior to be justified."

Ernest Cartigny, leader of a pro-European group in the French Senate, felt compelled to give a personal apology. "I think of these thousands of young soldiers killed on our soil. I bow down before these heroes of freedom, and I salute our great ally and present the apologies of a French parliamentarian."

In recent days, Paris has suggested it might not veto a trade agreement, if it came down to that. Mitterrand's call for parliament to meet on the topic was interpreted as an initial step to brace the nation for defeat. — Sapa-Reuter-AP.



# JOB MARKET

# EC and UN grants give work to 6 000

STimes (Buss) 22/11/92

By TERRY BETTY

THE European Community has granted R2,3-million, which together with the United Nations' R1-million donation will provide employment for at least 6 000 returning exiles.

The R1-million UN grant has since July financed 204 projects. The two grants will fund about 600 loans, each of which is expected to employ 10 people.

The loan was channelled through the National Co-ordination Committee for Repatriation (NCCR), which has contracted the assistance of the Small Business Development Corporation (SBDC).

The SBDC's experience, infrastructure and countrywide network has helped to get the projects off the ground.

NCCR head of development Archie Abrahams says: "Only people the UN classifies as returning exiles qualify for loans."

The average value of each loan is



ARCHIE ABRAHAM: Said-help the best R6 000, which is repaid over 15 months at 18% interest.

Mr Abrahams says there are plans to extend the repayment time to two years.

He says the NCCR has also financed capital-intensive projects costing R15 000 to R30 000 "because we would like to stimulate middle-

level enterprise. There are enough informal spaza shops."

Mr Abrahams says the entire loan has to be repaid. People should be responsible for their own lives and not depend on charity.

"The repayments will go into a revolving fund that will help the successful enterprises expand later on."

About 75% of enterprises met all their repayments in the first three months, and Mr Abrahams will consider the project a success if bad debts remain at that level.

## Houses

The SBDC and NCCR screen all applications for loans and make suggestions for ideas to be improved or redirected into more profitable markets.

Mr Abrahams says that only loans that will benefit the community are granted. They are not merely for an individual's benefit.

For example, a returned exile secured a R1,5-million contract in Batshabelo, Bloemfontein, to build 400 brick houses and outdoor toilets.

Mr Abrahams says this contract will benefit the entire community. The venture provides 80 jobs and is expected to expand.

Although not every project is as ambitious as the Batshabelo one, Mr Abrahams says the NCCR gives preference to loans that will eventually employ at least 10 people.

The NCCR has project offices around the country to monitor development. However, Mr Abrahams says this is insufficient to give adequate after-care to the projects.

"It would be sad if projects had to fail merely because the people lacked a little more advice."

Mr Abrahams hopes the business community will become involved and either provide office space or give practical advice. Many of the self-employed people have little business acumen.

## Limited

"We would like to have a mentor system whereby successful businessmen pop in twice a month to see how things are going, offer advice and generally help to educate people."

SBDC managing director Ben Vosloo says: "The limited number of entrepreneurs setting up businesses is a major factor inhibiting economic growth in SA."

He hopes the NCCR initiative will help fill the gap.

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# Europe's big bang

**K** EYNSIAN-style reflation pervades the stagnant economic air of the main industrial nations — with the exception of Germany which has already paid too much for re-unification and is reining in.

Japan started that ball rolling with its \$86-billion package of State spending on infrastructure in August. Britain has announced a go-for-growth strategy on a much more modest scale — £3-billion worth of measures to build capital projects, to relieve the distressed housing market and to make new cars cheaper to buy. This was topped up with a cut to 7% in base lending rate.

President-elect of the United States Bill Clinton intends something similar, although American short-term interest rates at 3% cannot go much lower. The world will have to wait until late January to see how he intends to square off a fiscal stimulus of \$80-billion with the stated objective of halving the \$350-billion Federal deficit over four years.

Now the recently much abused Jacques Delors, president of the European Commission, plans a pan-continental "big bang" in spending on high-speed rail-

Japan started it. Now Europe, to be followed by America, plans a huge spending spree to eradicate economic and political gloom.

## JOHN CAVILL IN LONDON



ways, road networks and communications.

It is being prepared for presentation at next month's European Community (EC) summit in Edinburgh, the last before the remaining barriers on the flow of trade, capital and labour come down to create the world's biggest single market of 12 member nations with 340-million people.

How many billions will be involved has yet to be disclosed, but EC sources in Brussels use the word "huge" to describe the scale and scope.

**T**HE aims are three-fold, according to Mr Delors, who came under fire for allegedly sabotaging progress to a deal with the US that would unblock the Uruguay Round of negotiations which will free world trade because he wants to ensure that French farmers vote for him when he runs for president at the end of Francois Mitterrand's reign.

There has been a frantic burst of diplomacy to try to avert the outbreak of a major trade war which the failure of the US-EC negotiations threatened.

"Mr Europe" has also been accused of pushing the drive to European unity, embodied in the Maastricht Treaty, so far that, if any-

thing, he has induced the risk of its disintegration as economic strains fan nationalism.

In an interview with the Washington Post this week Mr Delors took a philosophical attitude to his status as the EC's scapegoat-in-chief even though he believed the criticism was palpably unfair.

"The Community always gets into trouble during times of economic stress. Just think back to the 1973 oil crisis when the members went their separate ways.

"But this time, recession has coincided with the revival of nationalism, and this malady has proved very contagious," he said.

Denmark's rejection of the Maastricht Treaty, albeit by a tiny margin, the opposition of Britain's rightwing MPs and the dissent in Germany, wrestling with the worst eruption of xenophobia since the 1930s, are all ample proof.

The EC's pan-European "big bang" will be an attempt to help change the political and economic mood which turned even gloomier with last week's forecast of zero growth in Germany next year from the "five wise men" who advise the government of Chancellor Helmut Kohl.

It also aims to bring the transitional economies of the east — Poland, Czecho-

slovakia, Hungary and beyond — closer to the single market in the west.

"We need a change of spirit. A stimulus package is necessary to give new momentum to the economy and the European idea," said Mr Delors.

"We are in crisis now, but I prefer crisis to stagnation."

The idea of a grand scheme to kick Europe out of its current mindset of doubt and pessimism will have powerful attractions to the dozen leaders who gather in Edinburgh.

**I**T will also provide a positive finishing fanfare for British Prime Minister John Major whose six-month term as Community President has been unhappily tarnished by the currency crisis and his battle to retain his European credibility — it is still in doubt.

Getting the money will be harder. Germany, Britain and, worst of all, Italy are struggling with central government deficits. But the commission is confident that the benefits will overcome reluctance to fork up contributions to schemes which will boost trade — with improved links to the east having especial appeal to Germany.

The cumulative effect of concerted international reflation — under the multiplier formula a \$100 of public spending on capital projects which provides employment can lead to \$200 expansion of national income as the new jobs generate consumption — should be good news for everybody if it leads to greater production and not higher prices.

No economy needs it more than South Africa whose exposure to the international situation is among the greatest in the world. One can only imagine what would have happened to foreign and domestic investment if SA's political rehabilitation in the world had happened in 1982.

# France jibs at historic deal

STimes 22/11/92

56A

EUROPE and the US have opened the way to a global free-trade pact and dared the French government to vote against a historic deal on farm subsidies.

Minutes after a triumphant Mr Ray MacSharry, chief European Community farm negotiator, announced an accord with the US on Friday, after six years of wrangling, the French government said it could not accept it because of cuts it would mean in the incomes of France's one million farmers.

And angry farmers' unions called for mass protests in the streets of Paris on Wednesday, when the French parliament meets to discuss the deal.

The largest rural union, FNSEA, called for immediate and nationwide protests.

In Washington Mrs Carla Hills, the US trade representative, announced that the Bush administration would withdraw the \$300-million (about R900-million) punitive sanctions to be imposed on EC exports on December 5, removing the imminent prospect of a trade war.

## Crisis

The deal now in sight was hailed by the British Prime Minister, Mr John Major, as the "the single most important trade deal the world has ever seen".

If France can be brought round, the 108-nation General Agreement on Tariffs and Trade deal will be seized upon as the engine to restart the world's faltering economy.

But diplomats said that, if France halted the agreement by invoking its little-used right of veto in matters of supreme national importance, the EC would be plunged into a crisis far eclipsing that surrounding the Maastricht Treaty.

Mr Jean-Pierre Soisson, French agriculture minister, said: "The conditions set by the French government have not been met. I cannot accept this agreement."

If the French parliament throws out the delicate

## From Boris Johnson in Brussels

compromise on Wednesday, President Mitterrand will have no choice but to oppose the agreement.

That would plunge Mr Major, whose presidency of the EC is already under fire, into an extraordinary diplomatic maelstrom.

With global free trade at stake, he would have no choice but to try to isolate the French and somehow force them into submission. Some diplomats were cast down by France's unrelenting stance.

"This will be more than a peasants' uprising," said Mr Christian Jacob, presi-

dent of the French Young Farmers' Association. "In the next three days we want all our members to show their anger outside every government building, every office, across the country.

"This will have dramatic consequences for all farmers. It is a bad accord. It must be smashed."

Mr Constantin Heere-man, president of the EC Young Farmers' Union, said the deal would "cut millions of jobs in EC agriculture and its ancillary sectors".

But other diplomats speculated that France had no choice now but to attack the agreement after its outspokenness in recent

weeks. If France exercised a veto over Gatt, there would be immediate uproar in Britain, which scrupulously avoided such an option in the Maastricht talks.

But a confrontation with the French is expected to come at the meeting of the 12 EC foreign ministers on December 7, if not before.

The EC has agreed to cut the volume of subsidised exports by 21 percent across the board. Brussels originally wanted to "aggregate" this figure so some products could be cut more than others but, in the end, gave way.

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# EC realigns grid currencies again

56A CT 23/11/92

BRUSSELS. — The European Community yesterday went ahead with the third realignment of its Exchange Rate Mechanism in just two months to try and calm turbulent money markets, devaluing the peseta and the escudo by 6%.

But to have any hopes that the attempt will be successful, Community finance ministers meeting today will need to turn their attention to measures promoting economic growth in the 12-nation bloc.

After more than 10 hours of talks in an emergency session lasting through the night into yesterday, Community monetary officials announced that the Spanish and Portuguese currencies would be devalued by 6% within the EC's currency grid.

But the final communique from the monetary committee meeting made no mention of either the Irish punt or the Danish crown, both of which had been under pressure since Sweden cut its crown loose from the ERM on Friday, sparking off a new round of money market mayhem with uncanny echoes of the last ERM crisis in September.

It also made no mention of record high German interest rates, regarded by many as generating much of the tension within the grid.

The longer-lived September crisis, triggered by Finland's decision to sever its currency's ties with the ERM, saw the peseta devalued by 5% and the British pound and Italian lira both forced to quit the system of semi-fixed exchange rates.

Although problems with the ratification of the Maastricht treaty with its aims of economic harmony and an eventual single currency have rattled money markets and helped fuel the two crises, the precarious state of national economies has been a key element in the speculative attacks.

Britain is labouring under a record public debt, Germany's deficit is rising steadily despite high interest rates designed to curb inflation after unification, and the Italian government is fighting to get parliament to run a scythe through the 1993 budget.

The European Commission is working on a radical growth package which includes plans for a

major new two billion European currency unit (\$2.5bn) European Investment Fund to guarantee loans to road, rail and communication networks.

Economic Affairs Commissioner Henning Christophersen said last week that the Community desperately needed a coordinated action plan combining national and supra-national measures within the bloc which would parallel similar recovery programmes in the United States and Japan.

Christophersen stressed he was not asking member states to cough up new cash, but to divert current into capital spending which would create jobs and generate a ripple effect through the economies.

Yesterday's monetary committee meeting stressed the importance of the convergence programmes being followed by all EC states, giving no indications of any doubt about the Maastricht ratification process.

There was likewise no suggestion that the tough economic convergence criteria should be relaxed despite the recession. — Sapa-Reuter



## It to refugees by Serbians

starve it into surrender. In the Bosnian capital Sarajevo, there was sniper and machine gun fire in the old town throughout the night, and shelling of Muslim suburbs.

Bosnian radio reported a severe infantry attack on Saturday near the village of Turbe, 5km from Travnik, where the defenders are making their major stand.

Bosnian President Alija Izetbegovic told the UN Security Council the Serbians might be deploying ground-to-ground missiles in the area.

Travnik, an ancient town surrounded by mountains, has been overrun by refugees, many of them starving and freezing outside for lack of accommodation.

The head of the International Committee of the Red Cross office in Split, Croatia, said: "Should there be a change in the front line (in the Travnik region) we'll have another refugee shock to absorb."

The capture of Travnik would open the road to Sarajevo, which has been under Serbian siege for seven months. — Sapa-Reuter.

## US deficit may grow

LITTLE ROCK — US President-elect Bill Clinton had not ruled out a short-term increase in the federal deficit if needed to revive the economy in January, a senior aide said at the weekend.

"The details have not been worked out," Clinton's communications director George Stephanopoulos said. Questioned on whether Clinton would be willing to drive up the deficit in the short run in order to get the economy moving, Stephanopoulos said: "I haven't ruled it out."

On the stimulus package, Stephanopoulos said that Clinton had not settled on any specifics and had asked advisers for a list of policy options by mid-December, about the time he holds his economic "retreat" for academics and business and labour representatives.

Clinton has indicated that if the economy is showing little growth by January, he will probably try to push through an immediate jobs package which will speed up the availability of federal dollars for road and bridge projects and give tax breaks for business investment. — AP-DJ.

## Agreement between coffee groups likely

ABIDJAN — African coffee producers are ready to compromise with consumer countries on export controls in a new world coffee pact, producer sources say.

The 25-member Inter-African Coffee Organisation voted last week to recommend that producers take the main responsibility for stopping illegal exports when talks between producers and consumers resumed in London this week.

"It's a compromise with the consumers," said Ivory Coast Commodities Minister Guy Alain Gauze after a four-day meeting in Abidjan.

The African producers met before the International Coffee Organisation gathers in London this week for the latest round of

talks aimed at clinching a new agreement to boost low world coffee prices after price-supporting mechanisms in the previous pact broke down in 1989.

Until now, producers have pushed for the burden of policing export controls to be shared, saying consumer countries should be ready to turn away illegal shipments. Consumers said producers had to block illegal exports at their own ports.

Delegates agreed that consumers should have the right to use any coffee, legally or illegally shipped, once it arrived. The consumers' role would be to document all imports and report shipments exceeding any country's quota. — Sapa-Reuter.

## Farm subsidy deal not acceptable France

PARIS — The agricultural accord struck between the US and the EC on Friday was "unacceptable", French premier Pierre Berégovoy said at the weekend.

Berégovoy stopped short of saying France would exercise its veto to torpedo the accord. "We have before us difficult negotiations," he said in a statement released by the prime minister's office.

Berégovoy's comments echoed those of agriculture minister Jean-Pierre Soisson, who also called the accord unacceptable. But Soisson said a "definitive position" would not be taken until Parliament and the EC had been consulted.

Farm groups also rejected the agreement, calling for immediate demonstrations. Some urged France to use its veto power to scuttle the accord.

Farmers in Dijon set fire to bales of straw and tyres and tried to attack a MacDonald's hamburger outlet — as a symbol of US commercial interests — in protest against the trade deal.

France is asking the EC to verify the compatibility of the accord with the Common Agricultural Policy. The EC is to meet on Wednesday, the same day the French National Assembly is to open debate on the state of GATT negotiations.

Soisson said government would then seek a meeting of the EC's council of ministers "at which the foreign and agricultural ministers (of the EC) would set the definitive position of France and the EC".

Hours before EC and US negotiators

## Angola may shun Unita with new parliament

LUANDA — Angolan political parties, including the ruling MPLA, have decided to form a new parliament with or without Unita, which they have urged to end military moves threatening to plunge the country into renewed civil war.

A congress of a dozen parties attended by President Jose Eduardo dos Santos and the MPLA agreed on Saturday to call parliament on Friday this week at the latest, after which a new government would be formed, Information Minister Rui de Carvalho said.

A final communiqué called on Unita to refrain from force and respect May 1991 peace accords which ended 16 years of war.

It also said Unita chief Jonas Savimbi should accept the results of a September 29-30 election which his organisation said was rigged.

Carvalho told reporters that Unita failed to show up at the meeting in a Luanda congress hall and had only itself to blame for ignoring the government's invitation.

"Unita isolated its own self," he said. Savimbi had expressed concern over safety following the capture or deaths of leading officials in battles in Luanda three weeks ago. He had also sought safety guarantees for officials travelling to the capital from the group's central headquarters of Huambo.

Diplomats said the government had made little effort to include Unita at the congress, although the real test would be whether the group would take its seats at parliament.

A high-level government delegation, probably to be headed by Armed Forces commander General Antonio Franca "Ndalu", planned to visit Savimbi in Huambo next week to try to open a dialogue.

In the first promising move in weeks of political impasse, Savimbi said earlier this week he would accept the legislative results, although he still considered them fraudulent, and face a second round. But he declined to say whether he would respect the peace accords. — Sapa-Reuter.

## DEEDS OF SURETYSHIP ARE THEY VALID?

Seven judgments recently handed down in the Supreme Court have commented on the validity of deeds of suretyship. Specific reference is made to specific clauses of deeds of suretyship.

All seven appear in the December issue of Commercial Law Digest. Price R60 + VAT, Tel 011-3375380/3154134, Fax 3154550.

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EXCITIVE





# EC ministers meet to chart economic course

(56A) B/DAM 24/11/92

BRUSSELS — EC finance ministers met yesterday to debate how to put their countries back on the track of economic growth and discuss the turmoil that prompted a weekend devaluation of two EC currencies.

Economic troubles, problems over world trade and the landmark Maastricht treaty on EC union have combined to plunge the 12-nation community into one of the worst crises in its history.

"We will ... be turning our minds to growth and the prospects for the European economy, which have been growing a little bit more worrying recently," British Chancellor of the Exchequer Norman Lamont told reporters before the meeting started.

Britain currently holds the community presidency. The next summit of EC leaders in December is expected to discuss ways to promote economic growth.

EC Economic Affairs Commissioner Henning Christophersen said the ministers would discuss plans for what he called "a co-ordinated

growth package". High German interest rates, regarded by many as generating much of the currency tension, have also been blamed for choking growth in Europe.

Germany, the EC's economic powerhouse, is struggling to pay the costs of unification and the community's problems are closely linked to recurrent turmoil on currency markets.

The European Commission is working on a radical growth package which includes plans for a new two-billion Ecu (\$2.5bn) European Investment Fund to guarantee loans to build road, rail and communication networks.

Last week Christophersen said the EC desperately needed a co-ordinated action plan similar to recovery programmes in the US and Japan.

But yesterday he said he saw no need for a further realignment of the currency grid of the European monetary system following the weekend devaluation of the Portuguese escudo and Spain's peseta by 6%.

The weekend changes were the third realignment of the system in

less than three months.

Meanwhile, GATT said in Geneva that senior negotiators would meet on Thursday to relaunch the crucial talks to liberalise world trade.

The resumption of the talks follows last Friday's deal between the US and EC on reducing farm subsidies.

France, however, cornered in the battle for agricultural subsidies and facing unrest from its farmers, threatened to veto the EC-US GATT accord — but only as a last resort if it failed to sway its European partners.

Prime Minister Pierre Berégovoy said France would veto the deal if need be, while Foreign Minister Roland Dumas acknowledged that being forced to do so would be "an admission of defeat".

Various farmers' unions planned nationwide action this week to protest against the accord amid pleas from Berégovoy for moderation.

About 300 farmers invaded a Coca Cola plant in Grigny, south of Paris, occupied it for four hours and halted production, then burned tyres before dispersing. — Sapa-Reuter-AP-AFP.



**F**REE TRADE, one of the greatest blessings which a government can confer on a people, is in almost every country unpopular, wrote Thomas Babington Macaulay in 1824.

The US and EC negotiators who on Friday settled a long-standing dispute over EC subsidies to oilseed farmers, and made a potentially historic breakthrough on their two-year dispute over reform of Europe's farm subsidies regime, may find comfort in Macaulay's words as they read of French farmers rampaging across their countryside in defence of subsidies that have distorted the agriculture sector for decades.

Friday's compromises, which defused an imminent and possibly ruinous trade war, have also paved the way for resumption of long-stalled multinational negotiations aimed at ambitious and unprecedented reform of international trade.

This so-called Uruguay Round aims for the first time not just to liberalise farm trade; it would reform the quota-blighted trade in textiles and garments; open markets up to trade in services; impose rules protecting patents and copyright; cut tariffs across the world by at least 30%; and strengthen rules for settling international trade disputes. But Friday's breakthrough does not mean the rest will be plain sailing.

**T**he first and most severe problem facing trade negotiators is one of time. The Uruguay Round, launched in the coastal resort of Punta del Este six years ago, should have been completed two years ago. Deadlock on reform of farm trade has blocked progress in all of the other areas since the end of 1990. But the package must be complete before March 1, when the US administration's "fast track" authority expires. Negotiators know they must have the package complete by March 1 or face the danger of it being torn apart by the US Congress.

Settling the many outstanding Uruguay Round issues "will be a day and night exercise", says GATT director-general Arthur Dunkel. "The first decision we have to make is the decision to conclude the round," says Dunkel. "If we have this

# US deadline is one of many obstacles to global trade pact

DOM 25/11/92

DAVID DODWELL



decision, then one way or another, we can be sure the work will be done." A focal point for final agreement is Dunkel's "final act", a 3cm-thick draft settlement which he published last December in a bid to forge a breakthrough. Much of the detail of an agreement is already documented in the "final act", and Dunkel will be fighting hard to ensure speedy progress by limiting changes to the minimum possible.

The first task of negotiators gathered back in Geneva will be to win wide international backing for the US-EC farm trade deal. Particularly important here will be the Cairns Group of farm exporting nations, which includes countries such as Australia, Canada, Argentina and New Zealand. It was the walkout led by Argentina in Brussels two years ago over the inadequacy of Europe's proposals for reform of farm trade which almost scuppered the round. These countries have made it clear that they will not open their markets in areas such as services unless farm trade reforms are adequate.

The US, with the backing of other farm exporters, was initially pressing for the elimination of the EC's farm subsidy regime. This was probably never the real US objective, but it raised expectations. GATT officials are optimistic that the more modest cuts agreed on Friday, which range from a 36% cut in the value of

subsidised farm exports over six years to a 21% cut in volume, will be enough.

The reforms are unlikely to provide significant new export opportunities into Europe, but will be valuable if world food prices rise following a decline in the volume of EC food surpluses dumped onto world markets.

**T**he next task in Geneva will be to urge countries to open their markets to trade in services. A number of areas remain fiercely controversial:  Financial services — which embrace banking, securities, and insurance — are especially important to countries such as the US, France, the UK and Germany. In Brussels a month ago, US and EC trade negotiators agreed a common position, and plan joint action to cudgel compromise from key countries including Japan, Korea, Singapore, Indonesia, Malaysia, the Philippines and Thailand — all of whom have made "woefully inadequate" offers so far, according to US officials;  Telecommunications: the world's 12 main telecoms markets — including the US, the EC, Japan, Canada and Australia — are understood to be close to agreeing to two-year "ex-

tended negotiation" leading to rules for opening telecommunications to international competition;

Audiovisual services — the international marketing of films, videos and television programmes — is particularly important to the US, and particularly contentious in Europe. Films and TV programmes were the US's second most important export to the EC last year. The EC's \$30bn market in these services accounts for almost a third of total world trade, and would be even more lucrative if liberalised. At present, France insists that 60% of prime-time TV programming should be of EC origin. Other member states want between 40% and 50%;

Maritime services have attracted a great deal of controversy, but it is uncertain whether reform of "cabotage" arrangements — allowing foreign ships to carry cargo between two ports inside any one country — will be possible. Some liberalisation of international shipping will be pressed for, along with action against "closed" shipping conferences which allow shippers plying a route to block new entrants; and  Government procurement contracts have long been closed to international competition, and again have been an important target for US trade negotiators. Reforms will be resisted by powerful domestic industrial lobbies, particularly in the con-

struction sector. Even the US could face local controversy, where the "Buy America" Act, under which state and local authorities must buy US-made products where available, is widely used to ensure government contracts go to local companies.

The third task in Geneva — and perhaps the most time-consuming — will be to negotiate tariff cuts across a wide spectrum of industrial and non-industrial goods, and to press governments to replace non-tariff barriers to trade (such as quotas) with simple tariffs. These negotiations are particularly cumbersome because they have to be negotiated bilaterally between all 108 countries involved in the Uruguay Round.

The aim is to obtain average tariff cuts of at least 30%, but difficult issues have yet to be resolved:

Zero-for-zero versus tariff peaks: the US is pressing for the EC to eliminate entirely its tariffs on a number of goods — particularly in the chemicals and pharmaceuticals areas. The EC has been unwilling to agree unless the US agrees to attack some of its high tariffs on products such as glassware and ceramics; and  Rice imports for Japan and South Korea: up to now, Japan and South Korea have kept their local rice markets firmly closed, bowing to pressure from vocal farm lobbies which are potentially more violent even than French farmers. Following US-EC agreement to liberalise farm trade, these countries will come under pressure first to open at least 3% of their markets, and then slowly to cut tariffs — which may initially be set as high as 700%.

**B**ananas have become a controversial issue for Europe, where preferential import quota regimes targeted at former French and British colonies have attracted criticism inside the GATT. Banana trade may appear to be an arcane area for controversy, but its symbolic importance is likely to be great if Japan or Korea could use it to prevent concessions on rice trade. If the only way to force Japan and Korea to open up their rice markets is to accept tariffs in banana trade, the EC may have no choice but to compromise. — Financial Times.



# Cut rates for EC's sake, Lamont tells Germany

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LONDON — British Chancellor of the Exchequer Norman Lamont said yesterday that Germany had underestimated the recession, and made a fresh call for lower German interest rates to stimulate growth in the EC.

EC finance ministers agreed at a meeting chaired by Lamont on Monday to flesh out plans to spur growth by investing more on projects such as roads, railways and communication networks.

Lamont said on BBC radio that he would seek discussion at the Edinburgh summit of EC leaders in December of a package to stimulate growth in the EC, but said this should concentrate on a re-allocation of existing money.

He believed lower German interest rates were vital for economic recovery within the 12-nation bloc.

"I had been earlier this year saying this to the Germans and others and trying to persuade them to cut interest rates.

"That, I believe, would be the most important thing that could be done,"

said the chancellor.

"It is for the Germans to make their own decisions, but I think frankly that the Germans and a number of other countries have underestimated the impact of recession, underestimated the slowdown that has been happening in Germany, and I think now other countries are beginning to get quite worried.

"There is increasing anxiety about growing recession in Europe, growth slowing down in all countries and the feeling that this is something that the community ... must discuss," he said.

He dismissed reports in the British Press that the EC would spend very heavily to try to spur recovery.

"What we were talking about was to a considerable extent probably a re-allocation of existing money ... using institutions like the European Investment Bank in conjunction with the private sector," said Lamont, in a telephone interview from Brussels.

"I want to make it clear, seeing there was so much talk in this morning's papers about £40bn to £50bn, that no figures of any kind were dis-

cussed at any time yesterday," he said.

Asked if this meant no new spending, Lamont said: "I don't know whether there will be no new spending but I think the sorts of figures that were mentioned in this morning's paper ... were not the sorts of figures that most people had in mind yesterday."

On commentators' observations about similarities between the European plan and Lamont's own strategy for Britain and the prospect of a "dash-for-growth" using capital spending, the chancellor said: "I don't think this is a question of a dash for growth or kick-starting the European economy.

"It is trying to recognise the concerns about a slowdown."

Of the row over Britain's EC budget rebate, he said: "We have always made it clear that as far as we are concerned, this is a key objective in our negotiations to see that there is no serious, significant adverse change in our abatement.

"That would not be easy for us to accept." — Sapa-Reuter.

BIDBY 25/11/92.

## French farmers to go on attack

PARIS — French farmers, furious with the EC-US farm trade deal, promised yesterday to step up their protests as France prepared for a parliamentary debate on the accord it strongly opposes. (S6/4)

The country's two main farmers unions, the FNSEA and the CNJA, said they were planning a European protest on December 1 in Strasbourg, home to the Council of Europe and the European parliament.

Farmers in several EC countries agree with their French colleagues that the accords benefit the US and will hurt the European agricultural sector, but disagree with their sometimes violent methods of protest.

Another French union, the hardline Rural Co-ordination, warned in a letter to President Francois Mitterrand it would attack "all trucks" carrying farm produce from "the US, Ireland, Britain and the Netherlands."

Rural Co-ordination said in its letter: "Attack being the best form of defence, we will succeed in making some countries understand our problem only if we make them a part of it." — Sapa-AFP.



EC industry council president Michael Heseltine, left, talks to EC competition policy commissioner Sir Leon Brittan yesterday.

Picture: AP

WOI



# Germany's problems still rocking Euroboat

SEAT

B/DAY 25/11/92

CONCERTINAED into yesterday's trading on the foreign exchanges was a data release which spells nothing but more trouble for the teetering European exchange rate mechanism (ERM).

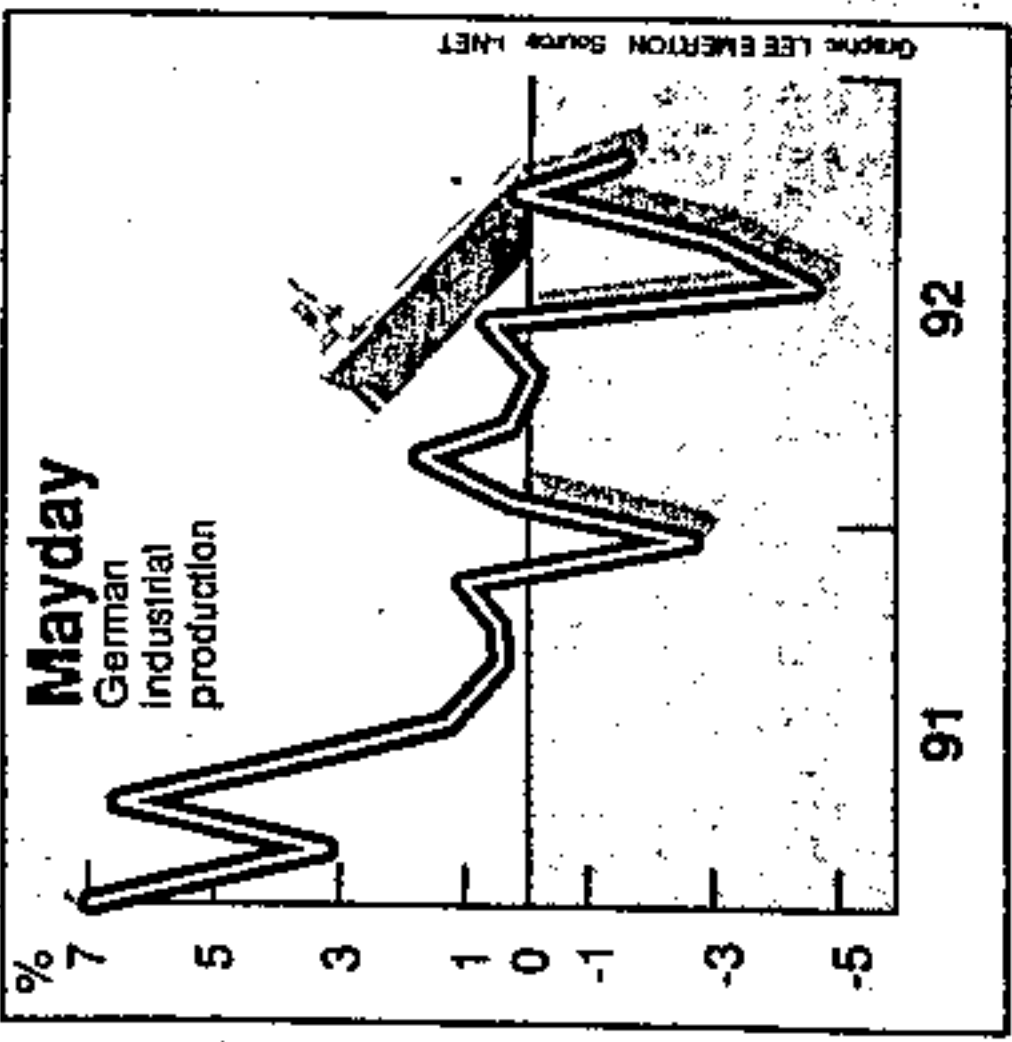
But the steepening tilt in market sentiment away from the tortured wranglings of European monetary union and in favour of the dollar comes at a convenient time for SA's export earnings prospects and for its battle against inflation.

It is the problems and contradictions in the unified German economy which are still rocking the Euroboat. The economy is heading for stagnation in the next few months and, quite probably, for recession during 1993. Its vital signs on output and consumption activity have been growing progressively weaker and are close to becoming moribund.

The first chart highlights just one of the more notable distress flares that the German economy has been firing for some months now. Industrial production is a handsomely representative macroeconomic flagship which accommodates elements of output, demand, orders, exports, employment and confidence. As the chart shows, this vessel is on the point of going down with all hands.

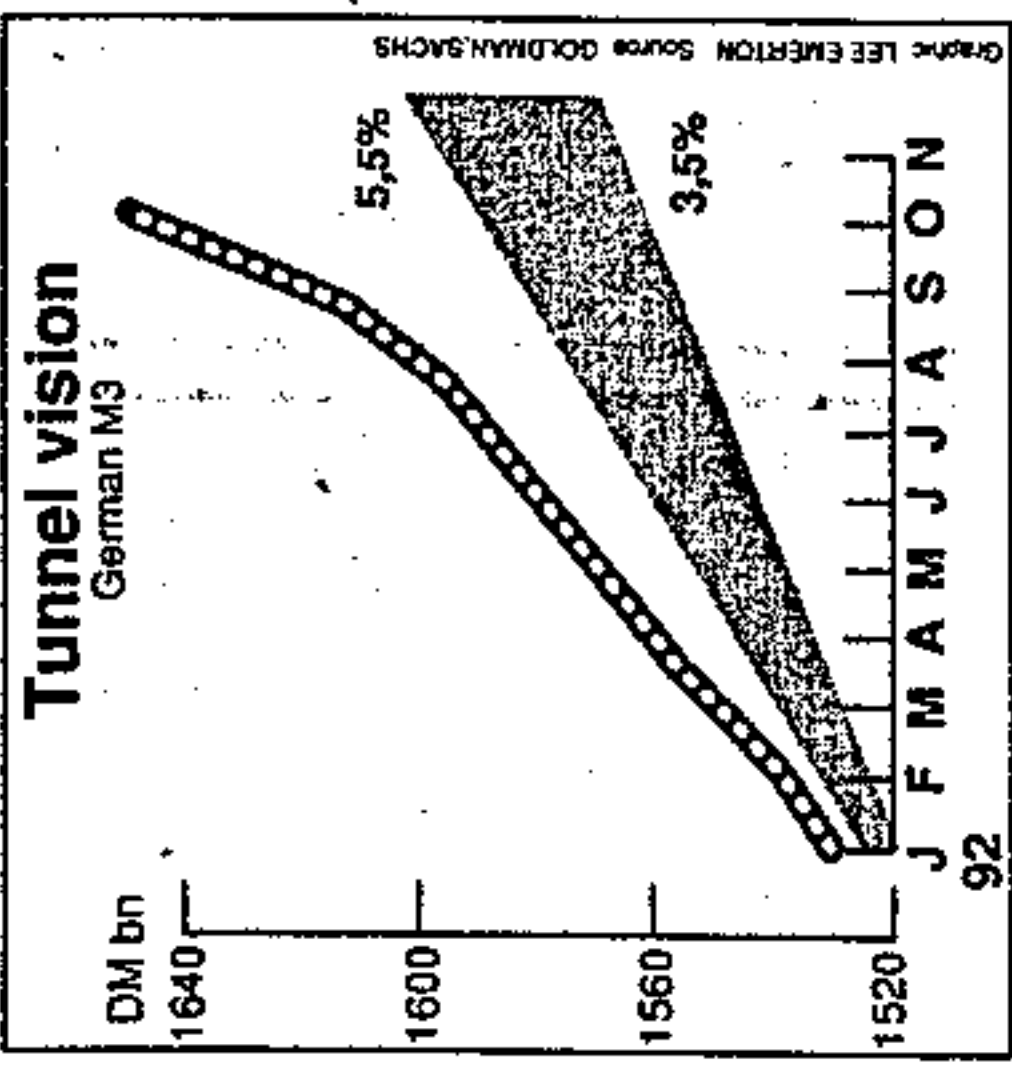
German government forecasts at mid-year projected GDP growth of 2.5% next year. Early last month that was revised to 1.5%. Then the government's own panel of economic advisers said 1993 growth would be zero. Government reaction when faced by the trend outlined in the chart would normally be to check whether restrictive zeal was helping to suppress economic activity.

Germany's real interest rate above 4% is a less than ideal prescription for stimulating growth so, it could be reasoned, nominal rates could be trimmed to promote invest-



carefully established targets are being so flagrantly transgressed.

When the Bundesbank council meets tomorrow for its regular look at interest rates, the direct call by the British chancellor for lower German rates will still be reverberating in the central bank's corridors. Last time the British tried to steamroller the Bundesbank into a rate cut the crusty reaction in Frankfurt rebounded on sterling and pitched the currency out of the ERM. This time only the worrying state of the German economy looks likely to persuade the Bundesbank to relent.



By early next year, however, with a revision of the ERM probably imminent and the German economy stalled and stagnant, the Bundesbank should have more room to manoeuvre. Once January's one-point increase in German VAT has prompted a small rise in the inflation rate (currently 3.7%), and once a new money supply target has been installed, the bank will probably feel more comfortable in easing rates. Set against a US economy expected to grow 2.5% next year, lower Deutschmark yields should then favour the dollar and underpin a dollar rally against a faltering bloc of European currencies and against a weaker yen as rates also ease in the slowing Japanese economy.

Strength in the currency which prices most of SA's exports means a domestic stimulus from higher rand earnings. Meanwhile, offsetting weakness in the European currencies in which much of SA's import bill is denominated means suppression of imported inflation as SA strives for sustained single-digit inflation.

Something has to give. Whether it is the ERM, or the Bundesbank — or both — the spin-off for SA should be favourable.

## LETTERS

# Kohl urges Mitterrand to support trade accord

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BONN — Chancellor Helmut Kohl of Germany yesterday discreetly urged his old friend French President Francois Mitterrand to join the rest of the EC by supporting the GATT accord with the US. *BIDAY 26/11/92*

But as French farmers staged new muscular protests against the agreement, the French government flaunted the threat of a veto, declaring it would block any deal contrary to the country's "basic interests".

In a "state of the nation" address to the Bundestag that featured his first pronouncement on the GATT crisis, Kohl left no doubt that he backed the agreement arduously negotiated last Friday by the EC's executive commission and the US government.

The accord, which will cut subsidised EC output of grain and oilseeds, could seal the Uruguay Round of talks in the GATT, freeing as much as \$200bn a year in world commerce.

The agreement is "highly important for the Third World and for us as an industrialised country," Kohl said. Mindful of any impression that he

was at all leaning on France, Kohl hedged his appeal by saying he was sensitive to the problems of France's rural community.

Kohl and Mitterrand have performed a two-man power act in the EC for 10 years, their roles including the crafting of the 1993 single market and the Maastricht treaty. But Germany began to split from France on GATT last month, as the final phase of negotiations unfolded and the US invoked the threat of a trade war.

Kohl and Mitterrand will get their chance to air the dispute when they meet in Bonn on December 3 and 4, for the 60th round of Franco-German consultations.

In France yesterday, Prime Minister Pierre Berezgoy called for the earliest possible meeting of EC foreign and farming ministers.

"On that occasion, the government will confirm the fact that it will veto any planned agreement that is contrary to France's basic interests," he told parliament. — Sapa-AFP.

**RIEF**

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# French ready for showdown

SLA

Slm 26/11/92

PARIS — The French government won parliamentary backing early today for its opposition to an EC-US farm trade deal, setting the stage for a showdown between France and its European Community partners.

A motion calling for an immediate meeting of EC foreign and agriculture ministers to reconsider the deal was approved by 301 votes to 251 in a late-night session in the National Assembly.

Prime Minister Pierre Berezgoy failed to rally the centre-right opposition behind him — it had demanded tougher action including an immediate veto — and failed to stop farmers rampaging through Paris.

The farmers dumped vegetables and cereal substitutes, uprooted flagpoles, and hurled firecrackers at CRS riot police and paramilitary gendarmes in their protest near the National Assembly where the GATT trade deal was debated.

The police replied with teargas and baton charges.

"They've lied to us for the last six months," said one grain farmer from the Eure et Loire district. "Next time we'll come with our tractors. We've got nothing to lose."

Farm union leaders said they were satisfied with the government's firm stand.

Police said 27 CRS members and 14 gendarmes were hurt, two of them seriously. There were no casualty figures for the farmers.

There were scattered protests around the country, with farmers picketing

branches of the US hamburger chain McDonald's, and burning British and American flags.

France is the only EC country to show serious opposition to the trade deal agreed last week, which would cut exports of subsidised EC farm goods and reduce the cultivation of oilseeds.

France is selective. It has welcomed the oilseeds deal.

The socialist government has the unenviable task of balancing its pro-European instincts on the one hand and meeting the demands of its dwindling but powerful agricultural population on the other.

Giving in too easily to the trade deal, a vital component of world trade talks under the General Agreement on Tariffs and Trade (GATT), could lead to a rural revolt and a drubbing in next March's parliamentary elections.

Rejecting it outright, however, could not only scupper a GATT agreement on further freeing global trade, but also start a trade war with the United States.

Berezgoy told parliament he would only consider a veto once there was a formal document to consider. In practice, this is a ploy to buy time since EC experts say no formal document is likely to surface for several months.

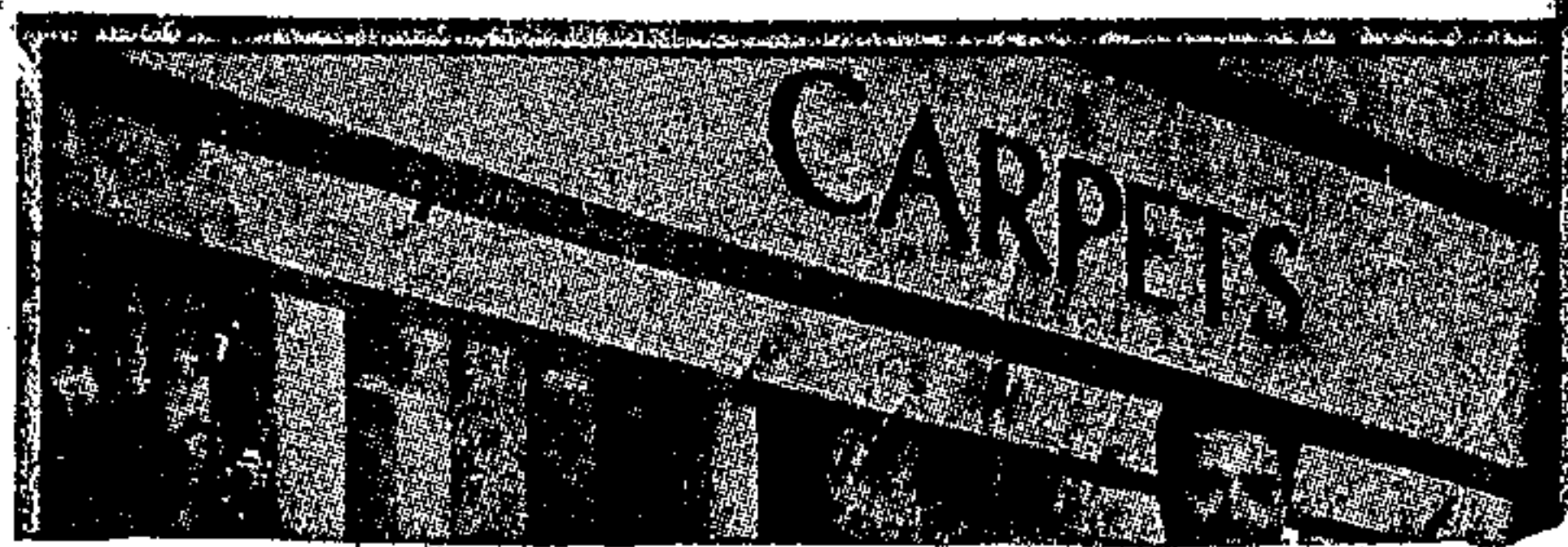
His speech, and the text on which deputies voted, was tough but left the government room to negotiate its way out of trouble at EC level. — Sapa-Reuter.

● US the trade war winner  
— Page 28

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FM 27/11/92

GATT

(56A)

## Saved by the bell

**High praise** flowed from UK premier John Major and President George Bush for the negotiators of the compromise reached by the US and EC in Washington last weekend. A trade war (*Economy* November 13) was averted and, more crucially, the deal removed the obstacle which for two years blocked the Gatt Uruguay Round.

That, however, was not the way France and its militant farmers saw it. French farmers took to the streets, burning US flags, attacking McDonald hamburger outlets and throwing (full) cans of Coca-Cola at the American embassy.

PM Pierre Beregovoy admitted that, if all else failed, he may use France's veto to block the agreement on cutting oilseed production and subsidised EC farm exports. Major, whose six-month presidency of the EC limps to a close next month, seemed undaunted. A qualified majority of the 12 EC members was all that was needed and the welcome given to the deal by Germany, Spain, Holland and the UK suggests France will find it hard to stand alone — even if it does mean the socialists will lose the general election next year.

The agreement will not please farmers on either side of the Atlantic. The EC will take 10% of land under oilseeds out of production permanently; subsidised farm exports will be cut by 21% by volume and 36% by value over six years while internal price supports must be reduced by 20%.

### Hit farmers

It will hit EC farmers who have been receiving three times the price for soyabeans paid to those in the US who have lost US\$2bn in trade and seen their oilseed hectare fall by 25% to 23m ha. However the new EC oilseed area of 5.1m ha produced nearly 10 Mt this year and 11 Mt in 1991 — well above the limit of 8 Mt wanted by the US farm lobby.

Nonetheless, there is confidence that settlement of the oilseed dispute — which was not part of the Uruguay Round but stems from two Gatt rulings against the EC — clears the way for a final heave to bring in the widest reform yet of international trade.

Gatt negotiators are moving into what its director-general Arthur Dunkel called "day and night exercises" to settle outstanding issues in the Uruguay Round with its aim of opening up trade and reducing tariffs by at least 30% across the board. The promised reward is a \$200bn annual boost to the global economy within 10 years.

It is a tight schedule and complicated by US president-elect Bill Clinton who takes office on January 20 and who has yet to show his free trade colours. The authority which empowers the US Administration to agree to a package with the other 107 Gatt members runs out on March 1 and nobody is sure what a Democrat-dominated Congress will do. ■



# GATT talks on global trade start

B/D/My 27/11/92.

(S6A)

GENEVA — After nearly a year of deadlock over farm subsidies, and with France resisting moves towards a compromise, senior negotiators from 108 nations gathered yesterday to renew the most ambitious effort ever to expand global trade.

The man chairing the talks, Arthur Dunkel of Switzerland, proposed that they be completed by December 31 — a highly ambitious deadline.

Delegates were expected to approve the deadline, which is also the deadline set by heads of the world's seven leading industrial nations.

Technical — but vitally important — talks on cutting customs duties and opening markets to foreign suppliers of services will have to continue through February, Dunkel said in a speech to the meeting.

The talks, under the auspices of the General Agreement on Tariffs and Trade (GATT), are meant to cut overall import tariffs by 30% and for the first time reduce barriers in protected areas like agriculture and textiles.

Negotiators are also working on a completely new set of rules to liberalise trade in the growing sector of services such as banking, insurance and tourism.

Experts estimate that a successful accord will inject an extra \$200bn into the global economy by the year 2002 and help ease global recession.

A ministerial meeting meant to

reach an accord collapsed in disarray two years ago because of the EC's refusal to cut farm subsidies by the amount demanded by the US and other countries.

After threats of multimillion-dollar trade retaliation, Washington and Brussels finally agreed last week to settle their differences, clearing the way for the resumption of talks.

The US-EC deal provides for 20% cuts in domestic farm supports, 21% in the volume of subsidised exports on world markets and cuts of 36% in spending on export subsidy programmes.

GATT negotiators will now discuss whether these levels of cuts are acceptable to all nations in the talks.

One major obstacle to an accord is the French threat to use its veto to block EC approval of the deal already reached with the US.

Faced with increasingly violent riots by French farmers, French legislators voted late on Wednesday to oppose the farm trade pact.

And yesterday farmers fought police in Dijon after clashes injured dozens in Paris, where parliamentarians backed the government's threat to veto a US-European farm accord to cut subsidies.

But farmers demanded a tougher stand and the conservative opposition, voting against the government in the National Assembly, said it had not gone far enough. — Sapa-AP.

# France faces worst EC crisis

By Paul Webster, Paris, November 24

*Guardian in Paris*  
 ON THE authority of François Mitterrand, who has seen everything from De Gaulle's empty chair to Thatcher's money-back demands, France is facing its most difficult EC crisis since the coal and steel community was set up 41 years ago.

All at once, the country is confronted by a combination of a Fourth Republic shaky government, a farming version of 1968, an updated variant of France's EC 1966 Luxembourg compromise or veto and a commercial remake of the anti-Americanism that led to the Nato pull-out in 1966.

The president warned the French cabinet last week there was no ready solution and by tomorrow, after a new ministerial discussion and a parliamentary debate, it could be a question of which will fall faster — the socialist government or Mr Mitterrand's 12-year devotion to European political unity.

Nothing has been said or done to lessen domestic tension since the US-EC Gatt weekend compromise. Prime Minister Pierre Bérégovoy has called for a parliamentary confidence motion tomorrow while the opposition are demanding the promise of a veto to repudiate a "farming Munich".

In May, when the right allied with the Communist Party to censure government acceptance of earlier CAP reforms that should have made Gatt a formality, Mr Bérégovoy came within three votes of being ousted. Only a fierce commitment to obstruct Gatt further and a rejection of European solidarity will save the government this time.

An even more dangerous threat will come from outside the debating chamber. Every farmers' union has ordered their supporters to surround the national assembly in a pincer movement that could make earlier protests against CAP reforms look benign. Twelve months ago, demonstrations got so bad that Edith Cresson, then premier, told her ministers not to leave Paris because their lives were in danger.

Attacks on a few more McDonald's hamburger bars and another assault on French selfishness by the British press should be enough to throw the last few sticks on the bonfire of French pride and national interest already well ablaze.

Brought down to its essentials,

the argument is a collision between principles and expediency, a more threatening version of the dilemma John Major faced with the Commons vote on Maastricht. The biggest difference is that Mr Mitterrand has no opportunity for delaying tactics because a general election will take place in March. The anger of a million farmers and all the sympathy voters that they attract would be enough to turn an expected socialist defeat into a thorough-going rout, menacing the president's own future.

The opposition has already made out a strong case that the

suggested no way of getting out of a political maze except to encourage the cry of No Surrender.

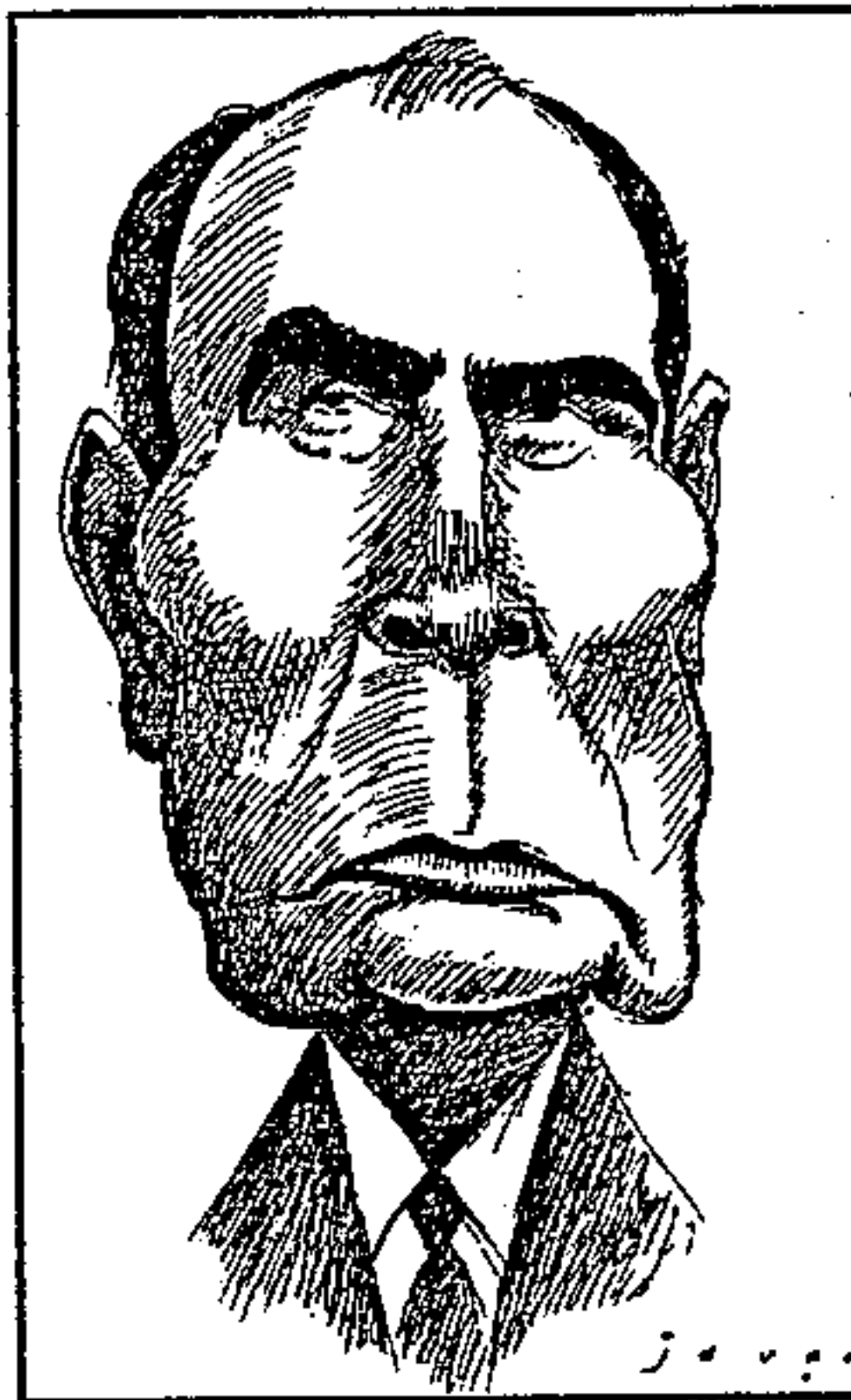
Mr Mitterrand, his prime minister, and the agricultural minister, Jean-Pierre Soisson, all contributed to creating a last-stand atmosphere after forecasting that the Gatt agreement would be no good even before it was decided. Britain was implicitly made out to be a secret ally of American commercial imperialism. Now, even without knowing what is in the EC analysis which will be discussed in Brussels tomorrow, Mr Bérégovoy has announced that the agreement will never be approved by France because the deal goes beyond the original EC negotiating platform approved by Paris.

No one has bothered to suggest that the US made some interesting concessions, not least over the supposed sticking issue of oil seed production. French farmers will be able to re-use land set aside in the CAP reform if they grow rape or sunflower for industrial fuel rather than feed. The explosive issue of US reprisal duties over white wine has also been buried.

After his exhausting campaign in favour of the July Maastricht referendum, Mr Mitterrand seems ready to throw the advantage away in a pale imitation of De Gaulle's defence of the CAP in 1965 and 1966. It is a huge personal risk as he no longer controls the government where the cabinet is divided between two of his oldest and most loyal allies, the belligerent Mr Bérégovoy and the conciliatory foreign minister, Roland Dumas, who has described confrontation tactics on Gatt as "suicidal".

With a million French farmers up in arms at a time when the opposition believes it has a battered government on the run, the placatory voice of the EC commission president, Jacques Delors, has been inaudible over the tumult. As far as he is concerned, the French government has got its sums wrong.

Most EC commissioners would go further and support the statement by one of the EC Gatt negotiators, Frans Andriessen, who said: "We have stayed within the limits of the reformed CAP and we will prove it." Maybe so, but cheerful noises from Brussels are making about as much of a splash in Paris as a bucket of water on a blazing McDo's.



*François Mitterrand - future in doubt*

French government bungled the Gatt talks, with much of the disarray traceable to Mr Mitterrand's appointment of Mrs Cresson as prime minister last year. One of her first tasks was to smooth the path to CAP and Gatt changes, but cabinet divisions over her unpopular 10 months in office, before she was dismissed in March, were at their height when the last CAP reforms were negotiated.

Pierre Mehaignerie, chairman of the social-democratic centre, the CDS, whose support might be needed to save Mr Bérégovoy's government, said the unacceptable agreement had its origins in the profound amateurism of French negotiators. This is more or less the opinion of the entire French press, from the ultra-right to the Communist Party, but they have



# Norway votes to join the EC

THE Norwegian parliament has voted 105 to 55 in favour of the minority Labour government's decision to apply for membership in the European Community. For the ruling party, the decision was reached laboriously, for although the leadership favours EC membership, its 130,000-odd members are divided on the issue.

*Guardian*  
*in W/Wend*  
*2/11-3/12/92*  
By Alain Debove

OSLO — What the Norwegian Labour Party (DNA) particularly did not want was a rerun of the trauma of the 1972 referendum on the same question. At the time it campaigned for a "yes" vote and this practically split the country's largest party right down the middle and led to prime minister Trygve Bratteli's resignation and a disastrous parliamentary election in its wake. Today, 20 years later, Labour has taken its precautions.

This time, all the local organisations were consulted, study circles were formed, and the party took

its decision at its November 8 national conference: 182 delegates voted in favour of and 106 against joining the EC. But the opposition is still fairly strong and could muster its followers again for the referendum which will take place either in 1994 or 1995.

The DNA, the Conservative Party, the populist right, and a few Christian People's Party members add up to a clear majority in parliament in favour of joining the EC. It had already manifested itself in the debate on the European Economic Area (EEA) which was ratified on

October 16 by three-quarters of the Storting's members.

All the same, outside the Storting, opinions are very different. Recent polls show that roughly 55 per cent of Norwegians are opposed to entering the EC, 35 per cent are in favour, and 10 per cent have no opinion. As in Finland and Sweden, both also candidates for EC membership, those opposed to joining the Community have had their hands strengthened by their Danish neighbours' rejection of the Maastricht treaty and the very close call in the French referendum.

What the Norwegians dread most, of course, is losing some of their sovereignty and being saddled with a social and economic model which is variously described as "capitalist", "centralist", and "bureaucratic". Above all, they fear that joining the EC might prevent them from pursuing their ambitious and costly regional programmes, which have so far

helped to keep the people down on the farms, thereby preventing a large-scale exodus from the countryside and a loss of populations from the vast northern regions. All the Norwegians are deeply committed to these programmes.

Prime Minister Gro Harlem Brundtland thinks the negotiations with Brussels will be long and hard. She is due in London next week where she will formally file an application for membership with the British chairmanship of the Council of Ministers. Oslo wants the Twelve to take into consideration Norway's problems of Arctic and subarctic agriculture, as well as the problems connected with oil and fishing, for in these northern regions, and particularly along the coast, people are not very happy about the prospect of Spanish and Portuguese factory trawlers moving into their waters.

(November 21)

# MPs query 'blank cheque' to Queen

MR PETER BROOKE, the Heritage Secretary, confirmed in the House of Commons on Monday that the Government would foot the whole bill for restoring Windsor Castle, "this most precious and well-loved part of our national heritage."

Mr Brooke said the cost of repairing damage had been estimated at more than £60 million and would be met by the Government, but, when pressed, did not rule out the Queen's making a contribution.

He immediately came under fire from Labour MPs for his open-ended commitment. Tam Dalyell, MP for Linlithgow and owner of a stately home, questioned Mr Brooke on how he could commit himself to such a project, which could involve "rebuilding each Norman brick," without even a surveyor's report.

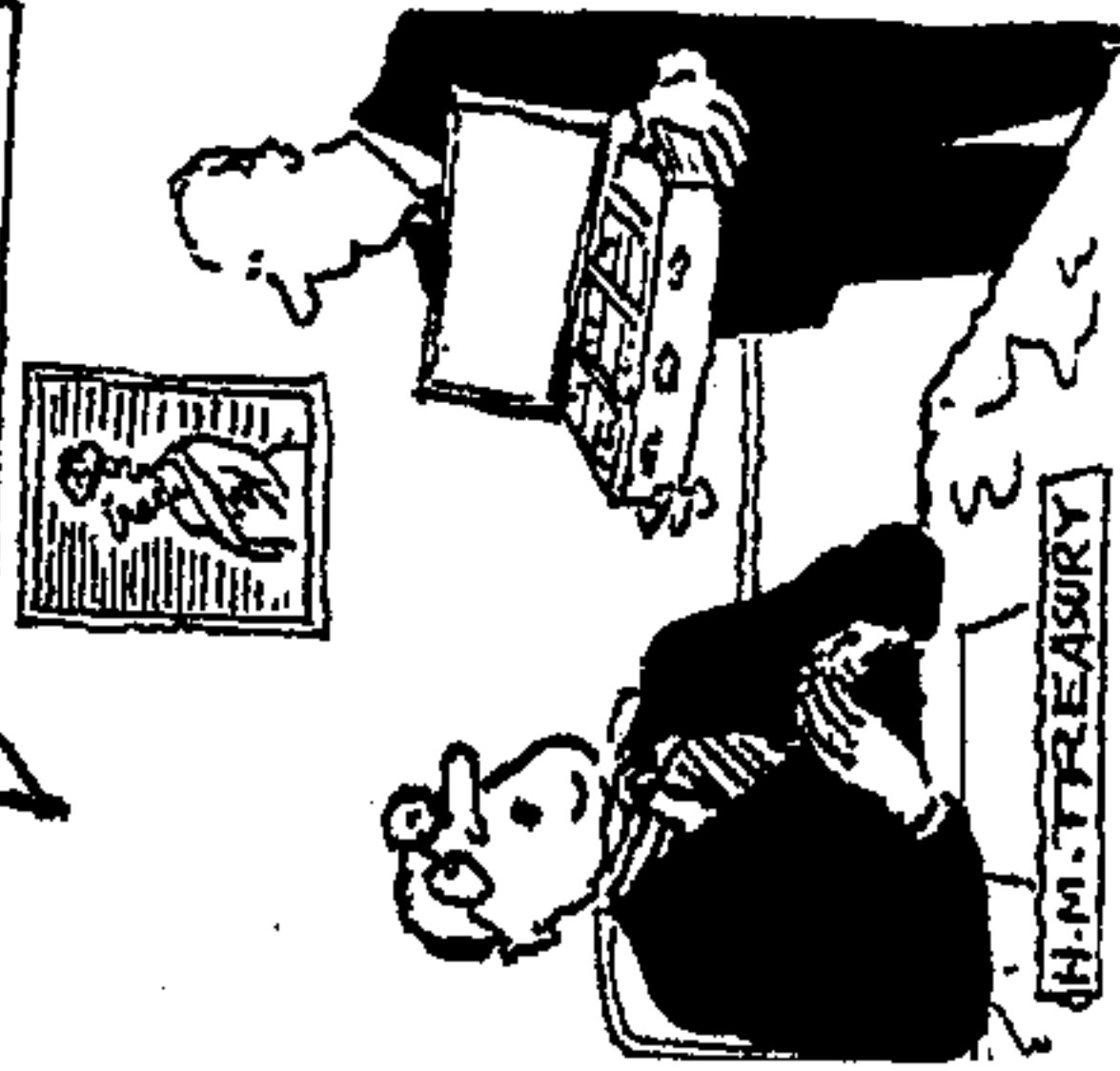
Bill Michie, Labour MP for Sheffield Heeley, also attacked Mr Brooke for finding the money immediately to restore Windsor while statements were being made that local government spending was to be capped, houses were to be repossessed, and people were "sleeping in cardboard city."

Earlier Mr Brooke, having praised the fire services and volunteers, said: "I am sure the House will wish to join me in saying to Her Majesty that we share with her the sadness of the devastation of what is, at one and the same

**By David Hencke**

time, her home, a major state building, and a unique asset and attraction of our national heritage." He said only one picture, one sidebar, and an antique cabinet

WE'LL FORM A HUMAN CHAIN TO HAND OVER THE MONEY.



CARTOON BY AUSTIN

the £1.7 billion crown estate, still owned by the monarch but whose proceeds go to the state.

The truth is that no one can reliably estimate the public and private wealth of the monarch — and hence her ability, or not, to foot the bill for the Windsor Castle restoration — because so much secrecy surrounds her accounts. Even her income from the state is scattered across the accounts of five ministries and one government agency.

The Civil List settlement presented to Parliament in 1990 by the royal trustees — Margaret Thatcher, John Major, and Shane

Blewitt, Keeper of the Privy Purse — ensured her an income of £79 million between 1991 and 2000. This sum guarantees her a 7.5 per cent inflation-proof deal for the

THE WEEK IN BRITAIN

# Major looking for an EC way out

Guardian (in what I 27/11-3/12/92)

By James Lewis

AMID DEEPENING economic gloom at home, the Prime Minister, John Major, went on a tour of European capitals this week with proposals to "hasten recovery and sustain growth" in the Community. It seemed very much like an admission that, since the Westminster Government has no further ideas about how to halt the decline, the EC might as well have a go.

Downing Street was quick to explain that Mr Major's plans were not as grandiose as those of the European Commission president, Jacques Delors, who wants to stimulate growth by spending £40 billion on infrastructure projects, such as roads and railways. The two men are, however, obviously thinking alike, and the state of the economy is now expected to feature prominently on the agenda for next month's EC Summit in Edinburgh.

But already problems are building up for Britain for the Summit. Its EC partners are demanding a huge increase in London's contribution to the Community budget to help pay for provisions agreed in the Maastricht Treaty. Pressure to increase Britain's budget contribution could increase tensions in the already weakened and divided community.

In another blow to EC attempts to restore unity, the German government set its face against plans for a concerted economic recovery strategy. The Chancellor, Norman Lamont, and most other EC finance ministers, meeting in Brussels, supported plans for the commission to propose a detailed recovery plan, based on a big increase in EC borrowing for investment and in-

valuation is not expected to make itself felt until next year.

Following a Government decision to limit pay rises in the public sector to 1.5 per cent, Mr Major called for similar restraint in private sector pay but met with a cool response from industry. The chairman of British Airways, Lord King, whose pay package rose last year by 64 per cent to £669,000, said: "I think we should be very careful about going back to the awful Heath days because, if you have a pay freeze, then comes a pay thaw."

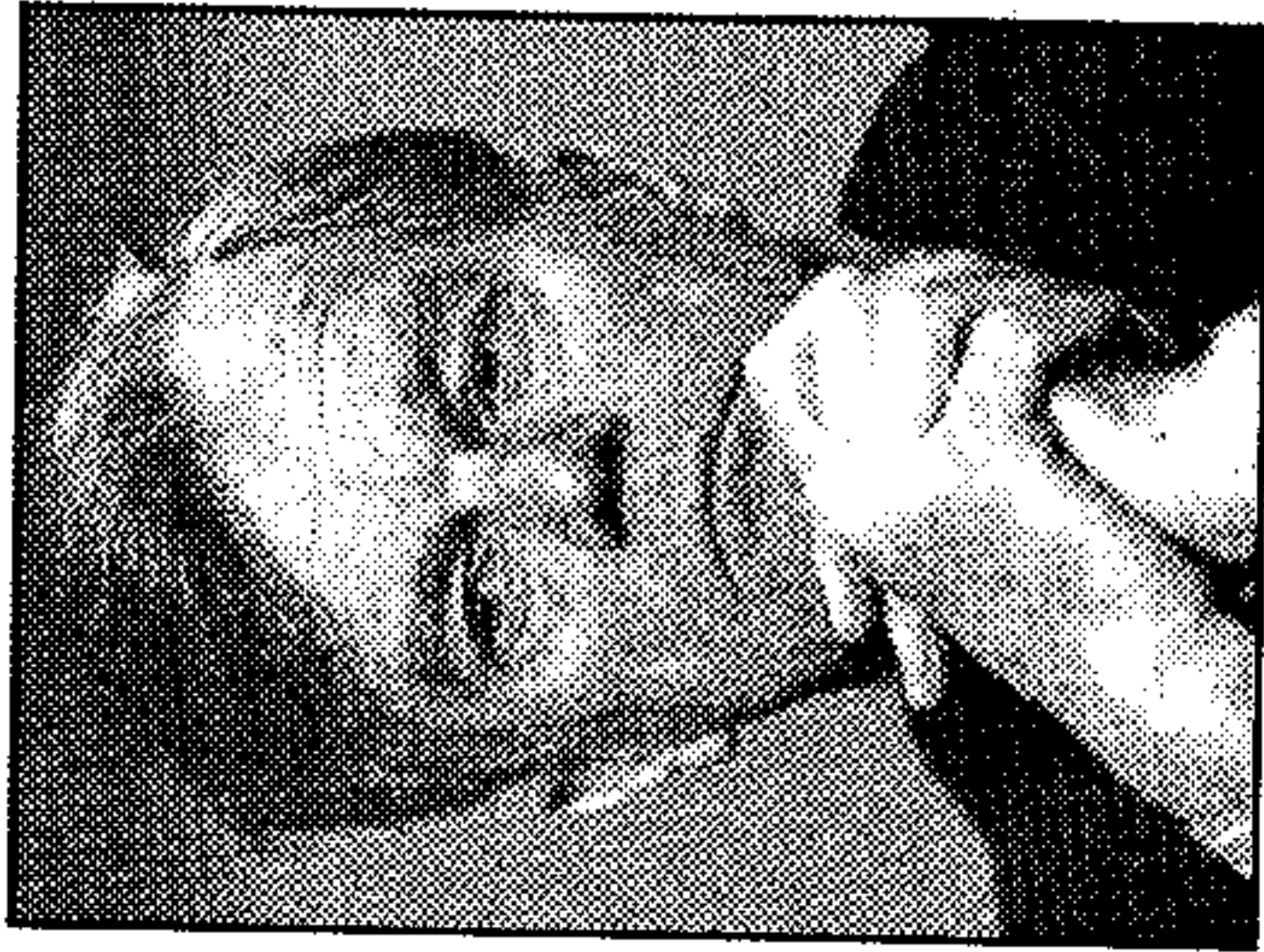
The high street banks, which came under severe criticism earlier this year for their heavy charges and their cavalier treatment of business customers, are now being accused of not passing on the full benefits of cuts in interest rates to their customers. Mr Lamont, who asked the Bank of England to carry out an inquiry, also criticised building societies for their slowness in reducing mortgage rates.

The base lending rate has fallen by eight percentage points since October, 1990. A survey by the Federation of Small Businesses, however, found that most banks were still charging 14 per cent — twice the current base rate — on authorised loans to business customers. More than 90 per cent of respondents felt banks were trying to recoup bad loans by overcharging small firms.

The former Bishop of London, Dr Graham Leonard, who was the third most senior bishop until he retired last year, said he intended to become a Roman Catholic and to seek special links with Rome for a breakaway church. This was in reaction to the Church of England's

Both banks blamed the recession for the cutbacks. British Rail's problems are deeper. It urgently needs well over £400 million to renew track and signalling throughout the network and to reduce the backlog of maintenance work, but its spending plans for the next three years have been severely curtailed by the Government. Faced with a drop of a further £400 in passenger and freight revenue this year, it says it will cut services rather than put travellers at risk.

Government plans for privatising BR, which were to have been published before the end of this year, have now been delayed. Very little interest has been shown by prospective purchasers and, if the network is deteriorating as badly as it seems to be, the Government will eventually have to provide subsidies in order to attract private operators.



Alan Clark: reactions?



appeared to have been lost.

"Scaffolding is being erected to stabilise the structure, and temporary roofing will be provided. Surveys will then be carried out to identify what action is needed to restore the buildings and a full report completed within a month.

"Meanwhile the rubble will be carefully sifted by experts from English Heritage and elsewhere, working in close co-operation with the Royal Household to provide essential information for authentic restoration work. It will then be possible to estimate the scale and cost."

Resources would be provided "to restore this most precious and well-loved part of our national heritage. Windsor Castle is a world-famous symbol of this country. I believe it is our duty to ensure that the damage is repaired as soon as possible."

Ann Clwyd, shadow heritage secretary, demanded assurances that all safety measures had been followed.

She questioned why the Queen had not been asked to contribute to the restoration. While there was personal sympathy for the monarch, the public had shown disquiet that the taxpayer was to foot the bill.

The Queen's personal fortune could be as little as £100 million or as much as £6.5 billion, depending on figures published by recent surveys.

Business Age estimated that the Queen was only the tenth richest woman in Britain, her £100 million eclipsed by the £290 million of Christine Goulandris, heiress, racehorse owner, and wife of Tony O'Reilly, the Heinz food millionaire. The figure is derived from the sum the Queen could reasonably take with her if she abdicated the throne.

The Sunday Times estimated her wealth at £6.5 billion, but that includes such expensive baubles as

decade and an assurance that no new accounts of how she spends the money will be published until 2000.

Another £46 million a year comes from government departments. The Department of National Heritage funds Windsor Castle and Buckingham Palace; the Ministry of Transport pays for the royal train; the Ministry of Defence funds the royal yacht Britannia; the Foreign Office contributes to royal visits abroad, and the Central Office of Information pays for a large part of her press coverage.

The one area of private income released publicly is that received from the Duchy of Lancaster estates, which has risen from £815,000 in 1980 to £3.1 million in 1991. The rest is conjecture.

Her share portfolio is estimated by Phillip Hall, author of *Royal Fortune*, to be worth about £341 million — a sum arrived at by taking the known value of her portfolio in 1971 — £20 million — and updating it to modern prices. Buckingham Palace points out that she has frequently dipped into this small fortune to buy expensive presents and set up trusts for her children and grandchildren.

The Economist estimated recently that she could receive £5 million a year in dividends, while the Daily Mail thought it could be as high as £19 million.

She does own a number of castles and estates, notably Balmoral, Sandringham, stables at West Isley, Berkshire, Gatcombe Park, and Sunninghill Park, together worth at least £100 million to £150 million. Her private collection of paintings, including works by Rubens, Rembrandt, and Leonardo, is thought to be worth £400 million and she also has a highly valuable stamp collection. Her racehorses are thought to be worth £3 million and her vintage car collection some £300,000.

THE ECONOMY

The meeting was told that the depressed EC economy needed a kick-start of at least £60 billion, and that the Community should provide about 10 per cent of this by borrowing on the capital markets, but the German state secretary for finance, Horst Kohler, "made it clear that there was no enthusiasm in Germany for Keynesian experiments on a European level," according to a German spokesman.

Meanwhile on Britain's employment front there was more gloom as major employers announced plans to shed 13,000 jobs. British Rail, which has seen its revenue plunge because of the recession, is to get rid of 5,000 workers, and may have to double that number if the Government goes ahead with its plans to close coal mines.

The Royal Bank of Scotland is to shed 3,500 staff over the next five years, and Barclays Bank will close 150 branches each year for the next four years, with the loss of 3,000 jobs on top of the 15,000 redundancies it has already announced.

## Note to South African readers

The Southern African edition of *The Guardian Weekly* carries from time to time advertising placed by overseas-based financial institutions.

These advertisements appear in all international editions of *The Guardian Weekly*. Readers in the Rand Monetary Area are reminded that off-shore investments are subject to approval by the Exchange Control of the South African Reserve Bank.

Most forecasters now expect the

number unemployed, currently 2.86 million, to top three million early next year. The number of long-term unemployed — those who have been claiming benefit for a year or more — has doubled since the dole queues started to lengthen in 1990, and now stands at 956,000, the highest for four and a half years. However, amid all the gloom, there was one bright spot. The European Fighter Aircraft was reprinted last week, saving up to 40,000 jobs in the UK aerospace industry, after defence chiefs from Germany, Spain, Britain, and Italy reached a compromise over the £20 billion project.

The Spanish defence minister Julian Garcia Vargas told reporters in Rome that the EFA would be delayed by two years and the costs cut by 30 per cent. Spain expected to order 80. Germany had threatened to pull out because of the cost.

The cost of mounting unemployment is largely responsible for the Government's budget deficit, which has reached a cumulative £20.2 billion for the first seven months of the current financial year compared with £3 billion for the comparable period of last year. The Chancellor admitted last week that the high level of Treasury borrowing was a "worrying feature" of the present situation, and he refused to rule out the possibility of tax increases in his next budget. In the meantime, he proposes to sell off the Government's remaining stake in British Telecom, which could raise a useful £5 billion.

Britain's trade gap widened last month by £170 million, as the first effects of devaluation sent the value of imports to a 30-month high. A 3.5 per cent increase in exports, to £9.06 billion, was cancelled out by a jump of nearly 5 per cent in imports to £10.22 billion. Any improvement in competitiveness and export volume arising from de-

cision the previous week to ordain women as priests.

As many as 3,000 (out of 10,000) Anglican priests, who call themselves the Cost of Conscience, are said to be unhappy about the decision and considering whether they will have to consider splitting away from the Church. Some may opt to leave the priesthood: the new legislation entitles a priest who quits because of the ordination of women to financial compensation of £10,000 a year for at least three years.

The Crown Prosecution Service asked the police to examine "inconsistencies" between two explanations given by Alan Clark, the former trade minister, for the granting of export licences which led to the Saddamgate scandal. It was his evidence under cross-examination which led to the collapse of the prosecution against Matrix Churchill, a machine-tool manufacturer, for allegedly breaching the embargo on the sale of defence-related equipment to Iraq. It was also a statement of his, made before the trial, which led Customs and Excise to believe it had a case against the company. The police will be required to decide whether Mr Clark's "inconsistencies" constitute a breach of the law.

Customs officers made Britain's largest cocaine seizure when they intercepted drugs shortly after they were unloaded from a Panamanian-registered ship in the Thames estuary. The cocaine weighed just over a tonne and had a street value of £160 million. Six men were arrested. The seizure brings the amount of cocaine intercepted this year to about 2.7 tonnes — last year 1.061 tonnes worth £138 million was seized.

A custom spokesman said: "The amount of cocaine being seized is constantly spiralling. We are delighted to have been able to stop this latest amount reaching the streets."



# Absa warns brokers and staff members

SITimes (Buss) 29/11/92

ABSA has warned its financial advisers not to sell unapproved products such as Supreme Bond.

The warning comes from Absa marketing head Gert Dry.

A statement says: "Our financial consultants and brokers are encouraged to market a cross-section of approved group products. If anyone moves outside of the guidelines, they will be viewed in a very serious light and the necessary disciplinary steps will be taken."

A spokesman says the bank will not tolerate group financial advisers or brokers who sell non-approved products, for which they receive a separate commission.

These commissions are effectively private deals for which any financial institution with its own investment products is on a hiding to nothing.

## Call

"The sale of outside products is doubly damaging to our banking group. Firstly, because our own products are not sold and secondly because many of our clients believe they are being sold products guaranteed by the Absa umbrella," says the spokesman.

The bank has reacted to a few cases where customers have allegedly been put into investments such as Supreme Bond and Masterbond and now stand to lose their cash. For many elderly investors, these funds are their life savings.

One example is that of 69-year-old Barbara du Toit, who lives on her own in Johannesburg.

She received an unsolicited call from a financial adviser at Allied United where she kept all her retirement money in a savings account and on fixed deposit account. She was asked to go to a branch.

Mrs du Toit was apparently advised she had too much money in her savings account and could get a much greater return if she moved it to Supreme bond.

She placed her savings of R60 000 in Supreme Bond in the belief that her investment had the backing of the Allied. She was "very shocked" when told this week she might lose all her savings.

TERRY BETTY reports that several companies are interested in buying the three

By JEREMY WOODS

listed subsidiaries of the provisionally liquidated Supreme holding companies.

A source says a decision on the sale will be taken only after the value of the underlying assets has been assessed.

Coopers Theron Du Toit is studying the net worth and viability of the subsidiaries.

The subsidiaries are Supreme Industrial Holdings, Supreme Manufacturing Holdings and Protea Furnishers.

Even if the companies are sold as going concerns, it is uncertain what will happen to the debenture holders' money. It will depend on whether the liquidators are obliged to hold the companies to their securities.

A financial analyst says it is unlikely anybody will buy the companies if the debentures remain secured. Debenture holders would then be able to call in their debt at any time.

He says the buyers would be in a strong bargaining position to have the securities over the debentures removed to keep working capital in the business.

Other options for the liquidators include liquidating the listed subsidiaries to raise cash to pay debenture holders. It could also be possible to convert the debentures into equity.

## Warning

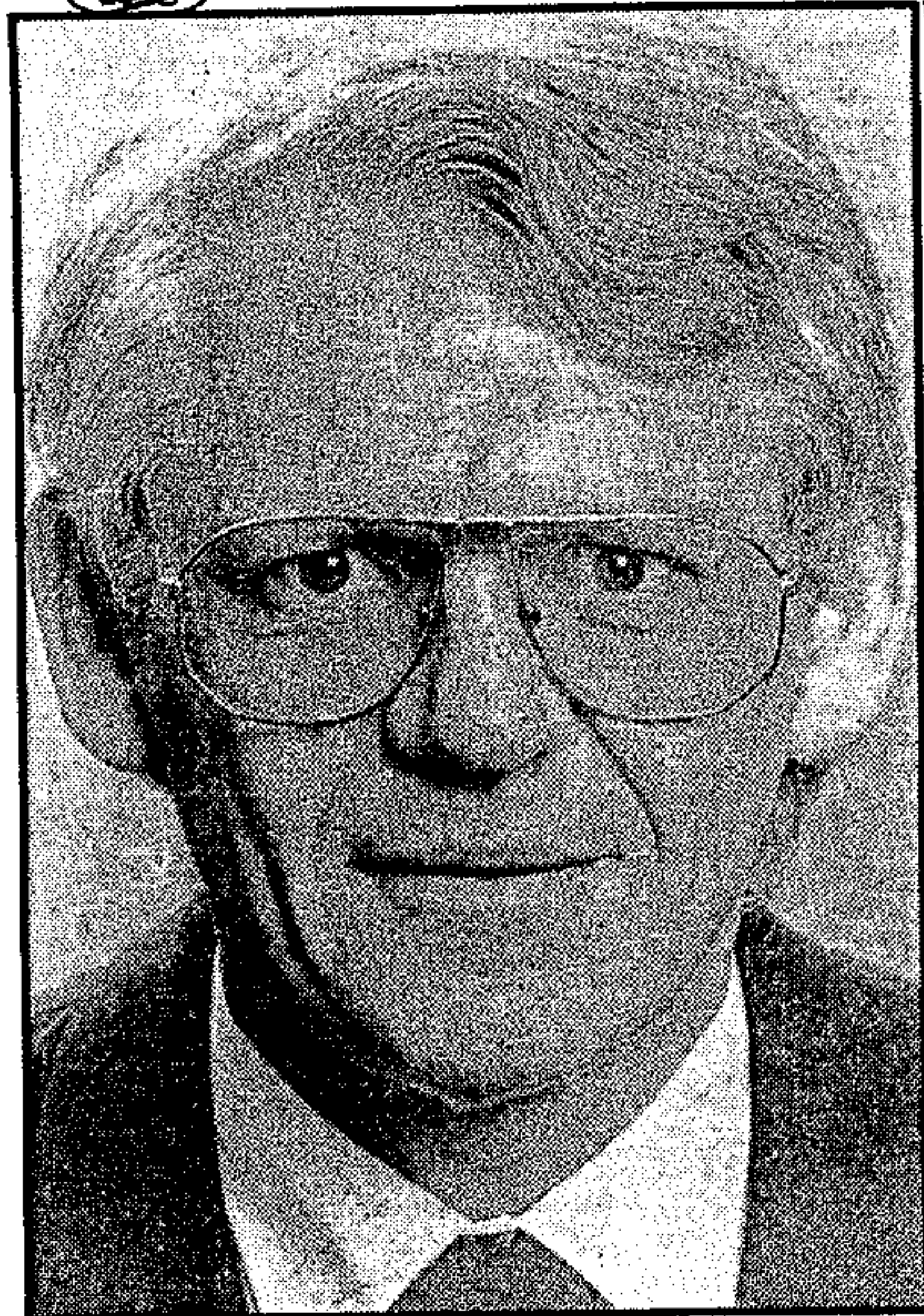
Either way, it seems the debenture holders will have to be patient while waiting for their money.

In the time being the provisional liquidators are allowing the companies to continue trading. They say the subsidiaries are viable and will continue to trade profitably over Christmas.

The Harmful Business Practices Committee has warned the public. It says the onus is on investors to investigate a company before they place their money with it.

It says many people are unaware that neither the Government nor regulatory bodies guarantee repayment of capital investment or the yield on an investment.

It warns people to look into the financial history of the company and ascertain the possible vested interests of the agent promoting the sale.



GERT DRY: Stick to the group's products

## R150m for water and sanitation

SITimes (Buss) 29/11/92

THE European Community, the Independent Development Trust and the Development Bank have combined in a R150-million water and sanitation project for marginalised communities.

The goal of the three-year programme is to ensure that the poorest of SA's communities have adequate water and sanitation facilities.

The EC and IDT will put up R48,5-million each, the Development Bank making R3-million in operational support and a R48,5-million loan available.

The programme, which is to be independently operated, was signed on Friday and will begin as soon as support staff members are in place.

It will be known as the Water and Sanitation Programme and be run by a board which will include representatives of the targeted communities.

"We hope that the pro-

By KEVIN DAVIE

gramme will play a role not only in meeting the needs for water, sanitation and primary health care but that it will bring South Africans together," says IDT chairman Jan Steyn.

"Development can and does perform that function."

The programme intends to ensure that historical imbalances are dealt with, mobilising resources for marginalised communities, increasing the capacity of development implementors and enhancing the co-operation of developmental institutions.

The allocated resources will not completely reduce the vulnerability of deprived communities, but are an important step in alleviating the cycle of poverty, the parties say in a statement.



# France 'not legally entitled to veto pact'

Blomby 30/11/92.  
BRUSSELS — EC constitutional experts say the "Luxembourg compromise," an obscure 27-year-old agreement, does not give France a legal right to derail single-handedly the trade pact negotiated by the US and the EC.

Instead, they say, the Luxembourg accord can be cited by France only in hopes of politically persuading other EC countries not to overrule it on a matter of vital national interest.

Under the EC treaty, trade agreements negotiated by the EC commission are approved by the council of ministers by weighted majority voting.

France would need the support of at least two other EC countries, depending on their size, to formally block a world trade pact in the council. A French "no" vote, standing alone, would not suffice.

"Although it's never been tested in the EC court of justice, there is no lawyer I know of who believes there is any legal validity in the Luxembourg compromise," says Stanley Crossick, a lawyer who directs the Belmont European policy center in Brussels.

"There's no way you can change the voting procedure of the treaty of Rome on the basis of the Luxembourg compromise, so it is purely political."

The accord says that in the case of decisions which may be taken by a majority vote, if important interests of one or more partners are at stake, the council will try to reach solutions which can be adopted by

all members, while respecting their mutual interests and those of the community.

"France said discussions must continue until there is absolute unanimity, while the other five countries said we must then proceed by majority voting," says lawyer Michel Waelbroeck, who teaches EC law at the Free University of Brussels. "Even then they realised it was an agreement to disagree."

There seems to be general agreement that the Luxembourg compromise applies only to formal EC votes under the weighted majority procedure, so France's threatened "veto" need not be exercised now.

An agreement on farm subsidies reached earlier this month between the EC and the US, officials say, was not a "formal" pact requiring a vote by community ministers at this time.

A final agreement under the Uruguay Round of GATT, still under negotiation, would be such a document.

The Luxembourg Compromise was discussed in the French parliament six months ago during debate on legislation to amend the nation's constitution in order to allow ratification of the Maastricht treaty.

At that time, leading figures in both the socialist government and the conservative opposition dismissed the compromise as obsolete. But how times have changed.

"If a French minister was to suggest now that there was no such thing as a vital Luxembourg compromise they would be crucified," said an EC commission official who hails from France. — AP-DJ.

## EC body seeks research cash

BRUSSELS — A panel backed by the EC Commission is proposing a 3.5-billion ecu program of super-computer research to compete with US and Japanese efforts.

The panel's report was formally unveiled late last week at the EC's annual conference on its Esprit research program.

It will give fresh political impetus to the struggle by the European computer and scientific world for more government-backed research.

EC director-general and commission technocrat Michel Carpentier said "it is a good report — a basis for further discussion".

The EC Commission has already targeted super-computers for extra funding in its next five-year plan for research subsidies starting in 1994, but the details have yet to be worked out. The report by the panel, led by Nobel physics laureate Carlo Rubbia, might supply extra political ammunition in the budget battle. — AP-DJ.



# EC moves to curb immigrants

(S6A)  
STAR 30/11/92

LONDON — Facing a flood of refugees from eastern Europe and anti-foreigner riots in Germany, immigration Ministers from the European Community meet in London today to discuss curbs on asylum seekers and a common immigration policy.

At a time when it had planned to drop all internal border controls, the Community is grappling with its biggest refugee problem since World War 2.

"We have to have a sensible, liberal system that controls the numbers coming here to those that can sensibly be absorbed by our economy and by our public services," British Home Secretary Kenneth Clarke told BBC Radio.

That meant "we have to turn away very many more people than wish to come to the continent of Europe".

Germany's liberal asylum policies, he said, had spelled "major disaster" for its economy and allowed "appallingly nasty" right-wing groups to flourish.

British officials said they also hope the meeting will settle disagreements over whether to allow EC residents to travel freely among the 12 nations after the community becomes a single market on January 1.

Europe faces a flood of refugees attempting to leave war-torn Bosnia-Herzegovina and other economically pressed nations in the former communist bloc. Attacks on asylum-seekers and German foreign residents are growing. — Sapa-AP.

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# New threat to world trade as US imposes steel tariffs

B/DAY 2/12/92

WASHINGTON — The US cited 12 nations on Monday for subsidising steel exports, and imposed temporary duties as high as 59% on the goods.

Responding to complaints by US steelmakers that subsidised imports were hurting their ability to compete, the commerce department ruled against France, Germany, Brazil, South Korea, Mexico, Sweden, Britain, Belgium, Spain, Italy, Austria and New Zealand.

It imposed duties on imports ranging from less than 1% to nearly 59%, depending on the country and the kind of steel involved.

Six of the cited nations are members of the EC raising the spectre of renewed trading tensions.

The move comes less than two weeks after US Trade Representative Carla Hills lifted a threat to impose 200% tariffs on \$300m worth of EC luxury goods in an unrelated farm trade dispute. Hills lifted the threat after reaching an accord on agricultural subsidies that could pave the way for a conclusion of the Uruguay Round of world trade talks.

Despite the breadth of Monday's ruling, the department's list did not include the largest exporters of steel to the US — Japan and Canada.

Both countries, however, are still included in a related industry complaint that 19 nations are "dumping" steel in the US at less than fair prices.

The department is due to issue a finding on that complaint by January 26. The US International Trade Commission will later rule whether imports are hurting the US industry. If it does find injury, the duties set on Monday would be made permanent.

US steelmakers praised the department's action. In a joint statement, they said the action "confirms that foreign government subsidies on a massive scale are adversely affecting the fair trade of steel in the US market".

"Foreign producers will no doubt cry 'harassment'," they added, "but no one who believes in the established rules of free trade can possibly defend the market distortions which are documented in this ruling."

## Shock

(S6A)

Analysts said it would help the industry push through a planned price increase from \$10 to \$20 a ton in the short run. In the long run, they said, it would help the US industry regain a bigger share of the domestic market.

In Brussels the European Commission yesterday expressed shock at the commerce department's announcement, saying the duties lacked any justification.

However, EC spokesman Nico Wegter, said the dispute should not threaten the Uruguay Round. He also said the EC did not envisage any countermeasures at this time.

The new trade conflict comes as depressed demand and new sources of supply from the former Soviet bloc have pushed many European steelmakers into the red. The EC last week moved to shore up its own steel market by imposing antidumping duties on steel tubes from Poland, Hungary and Czechoslovakia and promising to speed up probes of dumping allegations for other eastern European steel products.

The EC said the commerce department had taken "extreme positions" in its decision, including counting as subsidies funds granted to lay off steelworkers and loans from the Luxembourg-based European Investment Bank.

"It is clear that the US measures have once more emphasised the political nature of the steel conflict between the EC and the US," the Commission said.

The Commission also said US claims that EC exports had hurt US steelmakers were unjustified because the exports did not exceed voluntary limits previously negotiated with the US.

The 10-year-old voluntary accord limiting EC exports to the US expired in March. US officials walked out of talks aimed at extending the accord and US companies lodged antidumping complaints a few weeks later.

Wegter said the community would like to reopen the talks as soon as possible. — Sapa-Reuter, AP-D j.

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# European farmers on the march clash with police

STRASBOURG — Several dozen farmers protesting against an EC-US trade deal clashed with police yesterday when they tried to reach the European parliament building in Strasbourg.

Witnesses saw farmers ripping up paving stones and hurling objects at riot police who responded with volleys of tear gas.

Local officials said between 100 and 150 mostly French farmers had tried to break away from the march to reach the parliament but quickly gave up.

Organisers have urged the farmers, who came to Strasbourg from all over Europe and beyond, to remain peaceful. French Prime Minister Pierre Berezgouy warned at the weekend that any violence would do untold damage to the farmers' cause.

Local officials put the number of demonstrators at 40 000 by mid-morning. Up to 70 000 are expected to show up for the day-long demonstration.

In Tokyo, meanwhile, Japanese Prime Minister Kiichi Miyazawa told parliament yesterday Japan wanted a successful conclusion to GATT talks and sought a compromise.

The US-EC deal two weeks ago made Japan's refusal to open its rice market a priority for the long delayed Uruguay Round talks under GATT.

Asked if Japan would continue to oppose

GATT's plan over rice imports, Miyazawa said: "The spirit of the Uruguay Round talks is for each country to make a compromise. Our country has a policy to lead the Uruguay Round talks to a successful conclusion through compromise."

Miyazawa said Japan still wanted the GATT farm plan to be modified.

The plan asks importers of farm products to turn all non-tariff farm trade barriers into tariffs, ending Japan's 47-year ban on rice imports.

Farm analysts interpreted Miyazawa's comment to mean that Japan was prepared to end the ban if that was necessary for a successful conclusion of the talks.

Japan bans virtually all rice imports under its Food Control Law.

Agriculture Minister Masami Tanabu denied that the government had decided to end the import ban and was seeking high tariffs on rice imports and a long moratorium before importing began.

Informal meetings started in Geneva on Friday after GATT director-general Arthur Dunkel announced last Thursday that negotiators from 108 countries had agreed to try to reach a successful political conclusion of the round by the year-end.

But no fixed schedule for further negotiations has been decided. — Sapa-Reuter.

**Bail extended**

# EC might retaliate in US <sup>(56A)</sup> STAR steel row

3/12/92.  
BRUSSELS — Expressing shock at US measures against steel from the European Community, a spokesman here said the community would examine adequate counter-measures.

The commission of the EC had not yet decided whether to apply counter-measures but was going to examine an adequate response, the spokesman said, warning that there could be secondary effects of the US sanction.

He was commenting on a decision by the United States temporarily to increase by one to 90 percent customs duties on flat-rolled steel exported to the United States by 12 countries, of which six are members of the EC. The increases range up to 60 percent for some European companies.

The six EC countries affected by the decision, announced late on Monday, are Belgium, France, Germany, Italy, Spain and Britain. The other six countries are New Zealand, Austria, Sweden, Mexico, Brazil and South Korea.

The amount of EC steel affected totalled two million tons worth nearly \$1 billion in 1991.

The commission said that the US move underlined the political nature of the steel conflict between the two sides.

The commission held that EC exporters could not have caused injury to the US steel industry because they did not even export the quantities to which they were entitled under 10-year voluntary restraint arrangements which expired in March.  
— Sapa-AFP.



# ERM 'incentive to speculators'

FRANKFURT — Fresh uncertainty has been cast over the future of the European exchange rate mechanism after Helmut Schlesinger, president of the Bundesbank, said one of the system's key mechanisms was a powerful incentive for speculation.

In a development likely to put further strains on some of the ERM's weaker currencies, Schlesinger repeated that the conditions for the Bundesbank to cut interest rates in the near future had still not been met.

Schlesinger's comments came at the end of a tense day on currency markets in which the D-mark gained ground on the dollar and the Bank of France was forced to intervene heavily to support the French franc

against the German currency.

Schlesinger, who has always put combating inflation in Germany ahead of support for the ERM, denounced the way in which central banks are obliged to intervene to support weak currencies in the European Monetary System as ineffective and a powerful instrument for enriching speculators.

Citing the case of a speculator who made \$950 million during the recent sterling crisis, he said: "Unlimited obligatory interventions make no contribution to the stability of the system. On the contrary they are a powerful incentive for speculation."

In an unusually outspoken address to university economists in Cologne, Schlesinger said

STAN 3/12/92

(56A)

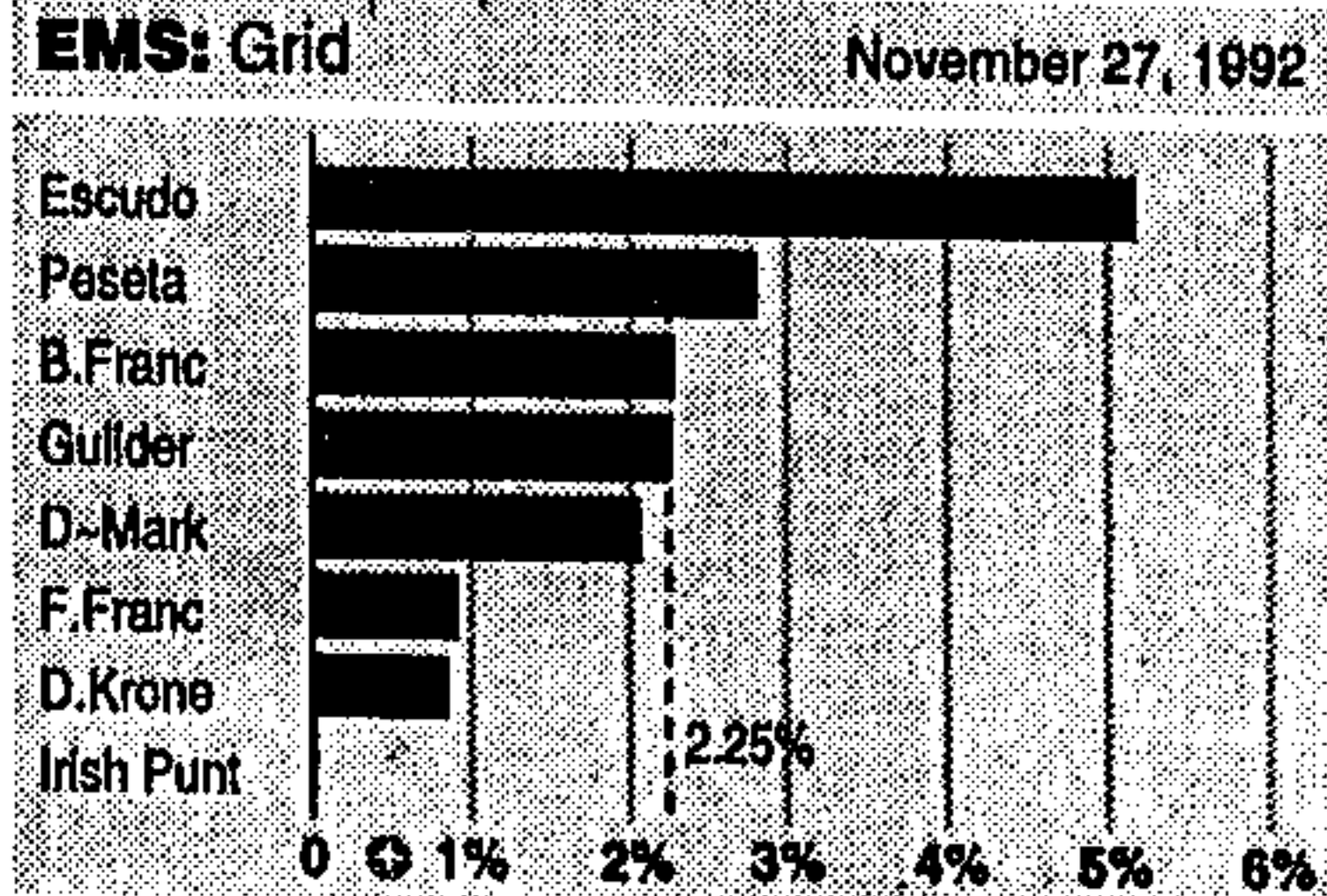


Chart shows the member currencies of the European exchange rate mechanism measured against the weakest in the EMS's narrow 2.25 percent fluctuation band (the Irish punt).

there was no need for a fundamental reform of the EMS, but details should be reconsidered with the aim of hardening the system.

Central banks had suffered heavy losses. This

was not only expensive for the taxpayer, but in the final analysis purposeless.

He also appealed for central banks still under government control to be given their independence

in the interests of exchange rate stability.

In some countries exchange rate policy was bound up too much with political prestige, he said. While he could appreciate the political problems, independence for central banks could help stabilise the expectations of financial markets.

In response to repeated appeals from mainly non-German political leaders for easier interest rates, Schlesinger claimed that putting moral pressure on a country which had a strong currency, but which lacked the conditions necessary to allow it to soften its policies, reinforced doubts about monetary union. — Financial Times.

# US has lost corner on grain market

BIDM 4/12/92  
GALVESTON — US agriculture, recently recovered from its mid-'80s debt debacle, finds itself facing a longer-term crisis: loss of market share in the global grain trade.

Overseas customers whom US farmers counted upon to buy one-third of major crops now grow much more of their own. Some grow so much that they are exporting to old buyers of US crops.

Nowhere is this more apparent than in Galveston. For years golden dust hung in the air as trains from the southern plains disgorged wheat into a towering grain terminal on the waterfront. Huge conveyor belts poured grain into ocean freighters bound for India, China and Brazil.

Today, pigeons roost in the silos and weeds grow in the pavement. The terminal has not loaded a ship since July. About half the nation's ship-loading grain terminals are closed for sale. Says Brent A Turner, manager of port operations: "The world doesn't depend as much on us for food anymore."

Last year, the world grew roughly 1.7-billion tons of rice, wheat, corn and other grains, 260-million tons more than in 1981, a feat akin to creating another Midwest farm belt. During that decade, US grain export volume dropped 24%. US share of the world market for export corn slipped to 66% from 77% and for wheat to 32% from 44%.

That has helped drag down the US share of total agricultural trade, which includes meats, fruits and vegetables. A decade ago, the US farm sector held 28% of the world's major commodity trade, far more than any other country. The share fell to 21% by 1990.

The farm sector's declining export power is a darkening cloud over the US economy. Agriculture is one of a handful of major industries generating a trade sur-

plus, an estimated \$18-bn for fiscal 1992. Among major industries, it ranked fifth last year by export value.

Technological innovation and farm trade liberalisation might help spur exports, but essentially the balance of global grain-market power is shifting away from the US. Competition is growing and markets are changing.

Like the US, many governments subsidise production and exports, stimulating overproduction and surpluses that governments then pay exporters to sell abroad for less than market prices.

Negotiators for the US and the EC working under the general agreement on tariffs and trade have compromised on how to trim them. But free trade in commodities is not going to happen soon.

The spread of modern farming technology, high-yielding varieties, potent fertilisers and pesticides has turned reliable old customers like Mexico and India, into more self-sufficient producers. To be sure, the US farm sector is still the world's largest, producing one-fifth of the globe's biggest crops.

But indications are that last year the US lost the ranking it held since Second World War as the globe's top agricultural exporter when these exports are measured by their value instead of volume.

Figures are not available yet, but are likely to award the title of No 1 to the EC trading bloc.

In the '70s, the EC imported \$1bn of grain and soybeans a year. Now it exports that much to many old US customers. The EC might not keep the top ranking long, but it has become a permanent rival.

"The US is not the dominant food power anymore," says Dwayne Andreas, CE of Archer-Daniels-Midland and the best-known spokesman for US agriculture, "and we might never get those markets back".

— AP-DJ.



# Rushing GATT Deal Is No Service To America

By Robert Kutner

Guaranteed in 12/1 week 4/1/2 - 10/12/192

EVERYONE can be relieved that a trade war with the European Community has seemingly been averted. But before the incoming Clinton administration breaks out the (low tariff) champagne, they should take a skeptical look at the broader trade deal now being hurried to completion by the lame-duck Bush administration.

The tiff over EC farm subsidies has been one of several obstacles to wrapping up the long-stalled Uruguay Round of global negotiations under the General Agreement on Tariffs and Trade (GATT). American negotiators hope to crash through the remaining details of the GATT round by Christmas.

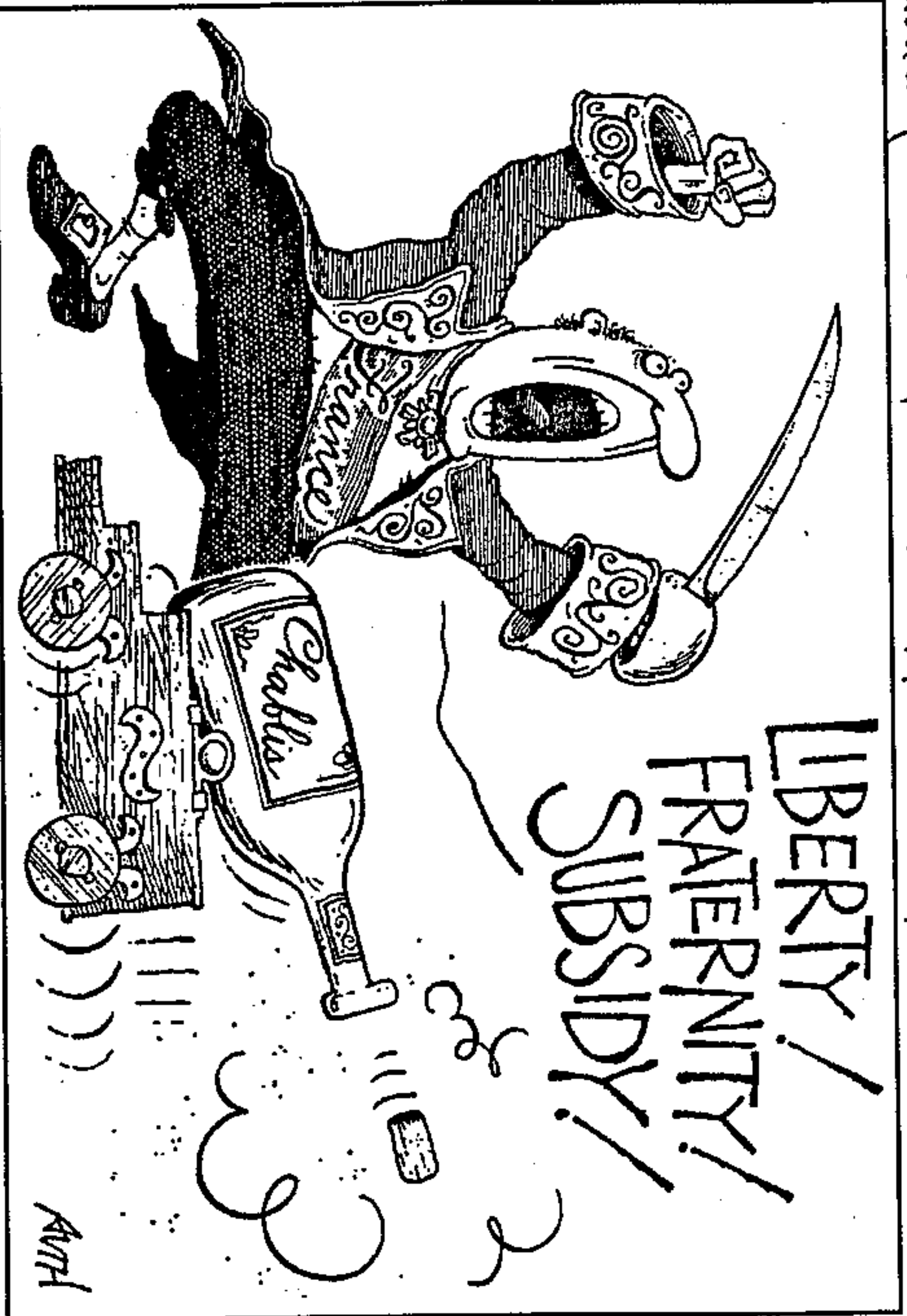
There are two reasons for this haste, one political, the other legal. Politically, President Bush and his trade negotiator, Carla Hills, would love to bring home this one final foreign-policy trophy before they leave office. Legally, negotiating authority on trade is delegated to the president by Congress, and in this case it expires next March.

If a deal is not struck by the outgoing administration, Clinton and his new team would need months to study all the details. They would almost surely have to ask Congress for new negotiating authority, which would further delay completion of the round. But that may not be such a bad idea.

For one thing, the worst possible negotiating position occurs when you are in a great hurry, and the other side is not. Every other party to the GATT is aware that the Bush administration has been hell-bent to make a deal.

The Uruguay Round was the Reagan administration's idea. It took his administration from 1982 to 1986 to persuade other nations even to launch the round, since the agenda was mainly ours and not theirs.

Since inception of the round in 1986, the United States has had to make one concession after another to coax support from nations less eager to pursue trade liberalization. By now, all the easy concessions have



been made — but Bush administration negotiators will have to find still more, in order to rush the round to completion.

The United States-Europe farm deal provides a preview of what such diplomatic logic requires. Two GATT legal panels had ruled that the Europeans were improperly subsidizing "oilseeds" — soybeans and other crops used to make food oils. These subsidies prompted the recent American threat of retaliatory tariffs on wine. Europe insisted on keeping some subsidies, so as a compromise the United States proposed overall limits on European oilseed production.

The Europeans countered by offering limits not on output, but on land devoted to oilseeds. But this means that as farmers become more productive, actual subsidized production will

go right on increasing. In the end, in order to get a deal the United States accepted the European approach.

It is impossible to see how the larger Uruguay Round of the GATT can be concluded without an array of similar U.S. concessions on a broad range of issues far more consequential than oilseeds.

For example, the Uruguay package would give other countries easier access to U.S. markets in exchange for a variety of market-opening measures. A crucial one for American interests is "services" — a broad category that embraces everything from banking to insurance to travel agencies to data processing. These are industries where the United States is very competitive, but our access to foreign markets is widely blocked.

The deal on services has not advanced beyond agreement to a broad framework for negotiation. All the difficult details have yet to be resolved.

There are similar problems in the provisions regarding permissible subsidies. Most industrial nations subsidize their industries far more than we do. The present draft agreement has a huge loophole allowing a variety of industrial subsidies for purposes of "regional development." But an aircraft subsidy is an aircraft subsidy, whether or not it is used to benefit a particular region.

Europe restricts imports of American movies. Japan and Korea block imports of American rice. But far from making concessions, our trading partners are demanding still more U.S. concessions as the price of a deal to complete the Uruguay Round by January.

One of the few ways American producers can fight improper foreign price manipulation is by "anti-dumping" laws that impose retaliatory tariffs; a provision of U.S. trade law known as Section 301 also gives the president other countervailing leverage against foreign trade abuses. But other nations are pressing U.S. negotiators to weaken anti-dumping and Section 301 as part of a deal.

Sen. Lloyd Bentsen of Texas, a senior Democrat, recently said he hopes the Bush administration will wrap up the GATT round before Clinton takes office. But this would be no favor to Clinton.

Whatever Bush and Hills negotiate, Clinton will have to sell Congress. Clinton and the country will also have to live with it. We've waited this long, why not get it right?

Clinton, in his first foreign policy pronouncement, properly said that the United States has only one president at a time. But he will soon be that president. He would be wise to request a briefing on the GATT round, and to let the Bush negotiators know what he thinks of their hasty handiwork.

# US lifts threat of massive sanctions on EC goods

57112 7/14/92

(56A)

(377)

BRUSSELS — The European Community and the US have signed documents setting down in writing for the first time their crucial agreement on oilseeds and farm trade, a US diplomat said at the weekend.

Washington was now poised to formally remove the threat of massive sanctions on EC food and drink exports which had been due to come into effect on Saturday if no agreement was reached, the diplomat added.

"Sanctions will be lift-

ed but they haven't been yet," he said. "What we do will be to make sure that the suspension of concessions does not go into effect."

The European Commission, the EC's executive which negotiates in international trade matters on behalf of the 12-nation bloc, said earlier that Washington had already lifted the sanctions threat.

The diplomat said that after two days of talks in Brussels between chief US technical farm negotiator Joe O'Mara and

his EC counterpart Guy Legras, two documents had been signed on Friday morning.

The nature of the two papers was unclear but they were likely to be described as memos of understanding or letters.

"We're not talking about contracts here," the diplomat said.

The two documents embody the political agreement reached by top EC and US negotiators on November 20 in telephone conversations after two days of face-to-face meetings in Washington.— Sapa-Reuter.



## France may use its veto

*Blom 8/12/92*  
BRUSSELS — France formally notified the other 11 EC states yesterday that it might veto a key farm trade deal with Washington which defused the threat of a trans-Atlantic trade war and paved the way for a global free trade accord.

At least five EC members backed France, officials said. *(SFA)*

Several delegations in a meeting of EC foreign and agriculture ministers said they did not accept the conclusions of a report by the EC commission contending that the farm trade pact reached with the US last month was compatible with the EC's own farm reform.

France's statement implied that the French government would use its right of veto to block any trade accord that included the farm subsidy deal.

But British European Affairs Minister Tristan Garel-Jones told reporters a crisis was unlikely because there was no legal matter to decide on either at Monday's ministerial talks or at the EC's Edinburgh summit on Friday and Saturday. — Sapa-Reuter, AP-DJ.

# Balladur's pragmatic view of SA's potential

B/DAY 8/12/92 (SA) (25)

PRAGMATISM, particularly economic pragmatism, is a strong thread in the fabric of French politics and international relations. So, while concern over SA's turmoil forms part of Edouard Balladur's assessment of our country, his pragmatic approach is to focus on the SA which will emerge after a period of interim government.

Left unsaid, but clearly implied, is that SA can count on considerable support from the EC, provided it gets its own house in order. And that implies avoiding the ramshackle politics and economics which collapsed so spectacularly in the Soviet Union. If we are to benefit from access to the EC's trade and financial markets, our political and economic choices will be crucial. And Balladur, the committed free marketeer, has no doubts about what that means.

Certainly, SA's economy is too concentrated, Balladur believes. But while he would support policies which lead to less concentration, the pragmatist warns that we must not risk collapsing firms and businesses which form the pillars of our economy. Nor dare we adopt policies which weaken our major industrial groups to the extent that they can no

Edouard Balladur, who today wraps up a low-key visit to SA, was France's economics, finance and privatisation minister in Jacques Chirac's last government. **JIM JONES** reports on a meeting with a man who is not only one of France's most respected economists but is widely tipped to be its next prime minister if the socialist government is voted out of power in March.

longer play a proper part in our economic development, he adds.

Balladur's opinion should not be dismissed lightly. After all, he was a key player in France's privatisation programme which put overwhelmingly powerful state enterprises into private hands.

Again unsaid, but clearly believed as a matter of fact: there is no need for outsiders to make concessions if our values differ from theirs. They owe us nothing and will turn from us if we make benighted economic or political choices.

EC politics are characterised by the maturity of respect for individual rights and a market economy. Balladur sums up our position tactfully and diplomatically: SA's political life has still to attain that degree of maturity. Attaining it will call for

one obvious solution, but Balladur raises a quizzical eyebrow when asked if SA should consider becoming a Lomé Convention signatory. That depends on SA's government requesting that the country be classified as developing rather than developed. Is that how we would want to see ourselves?

The Lomé Convention facilitates EC access to the food and raw materials from developing countries which were once European nations' colonies. Do we need that? Balladur wonders. Our trade with the EC depends too heavily on unprocessed or semi-processed materials. Balladur dismisses as simplistic the concept of fortress Europe. The EC, he believes, is the most open of the major world markets, and he cites the examples of Australia and New Zealand, both successfully trading with the EC.

SA should have no illusions about the possibilities for increasing its trade with the EC. But our interests might best be served by adding export value by further processing. And like Australia and New Zealand, our relationship with the EC can probably be best developed by direct association rather than indirectly under the terms of Lomé.

But this, in its turn, calls for greater economic openness — the openness which will attract the foreign capital and skills needed to augment our own. Investments go where returns are best and most secure. France, in particular, has been decentralising its industry for years — initially to its own less-developed regions, then to neighbours such as Spain and Portugal and eventually to countries such as Malaysia. Industrialists go where labour and other costs are most favourable.

Attracting investment also calls for a concerted investment effort by South Africans themselves. Local investment spending is understandably feeble at present because business confidence is low. But foreigners are unimpressed by South Africans' apparent reluctance to invest heavily in their own country's future. Nor can we count on investments remaining here even though sanctions are history. We have to ensure that investment conditions remain attractive.

Balladur the politician might see a comparatively short political transition for SA. But Balladur the economist who challenges orthodoxy expects a far longer and possibly more difficult economic transition.

## LETTERS

The team is managed by David Williams





STAR 9/12/92

56A

# EC holds fragile unity

BRUSSELS — With 48 hours left until a make-or-break summit begins in Edinburgh, the European Community is scrambling to solve problems that could relegate some EC states to the slow lane on the road to political and monetary union.

France, Spain and Belgium have openly threatened that most of the bloc would leave Denmark and Britain behind unless the two ratify the Maastricht treaty by a set date.

— "We made progress, not

enough," British Foreign Secretary Douglas Hurd said after haggling yesterday over complex texts aimed at swaying Danish voters.

The problem of overcoming Denmark's "no" to the treaty is crucial to putting EC plans back on track.

Two days of pre-summit work by the 11 Foreign Ministers have so far failed to piece together the Danish puzzle or other jigsaws such as an EC budget to the end of the century.

— Sapa-Reuter.

# No 'middle way' possible for Europe

STAR

10/12/72

BRUSSELS — A gloomy Jacques Delors spoke yesterday of the dangers of a "smouldering crisis" in European politics.

Arguing that there was "no middle way between survival and decline", he warned that if the 12 EC member states could not forge ahead together, some would then want to move ahead at their own pace.

"As a militant European, I hope the construction of Europe will continue with those that are prepared to share ambitions, and maintain a balance of rights and duties ... enabling the EC to play its historic role," said Delors.

The EC, he added, had spent years emerging from "Euro-sclerosis", and if it did not seize the moment it risked sinking back to that state or "existing in a form that will ensure its marginalisation in the history of the next 10 to 20 years".

— The Independent News Service.

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## Take broad view, EC told

EDINBURGH — European Commission President Jacques Delors appealed yesterday for EC leaders to rise above their differences and arguments in the interests of long-term unity. *BIDAM 11/12/92*

"In a general climate of doom and gloom, clear thinking is vital," Delors said on the eve of a two-day EC summit in the Scottish capital. *(56A)*

He said the EC was and should become much more than a free-trade zone and leaders had to consider the long-term future of Europe.

The Edinburgh summit will wrestle with Danish objections to the Maastricht treaty and future financing of the 12-nation bloc. — Sapa-Reuter.

STm 11/12/92 (56A)

# EC leaders in race to find unity

EDINBURGH — European Community leaders faced a race against time at a summit starting today, knowing they could pitch the Community into crisis unless they settled rows over the EC budget and Danish doubts about European union.

The leaders had under two days in which to clinch deals which eluded EC governments during weeks of hectic preparation for the climax of Britain's six-month EC presidency.

As they gathered at Holyrood House, they had ringing in their ears dire warnings about the cost of failure.

European Commission president Jacques Delors, pressing his vision of closer European union, said Europe must choose between survival and decline.

EC Ministers described the Community as being perched on a razor's edge, and said the summit was the last chance to resolve the problem of Danish opposition to the Maastricht treaty on political and monetary union. — Sapa-Reuter.

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EUROPEAN ECONOMIC AREA  
FM 11/12/92  
Coming out in a rash (S6A)

**Euro-allergy** has spread to Switzerland, causing a further outbreak of gloom and dismay about the future of the continent. In a referendum on Sunday, Swiss voters ignored the pleas and exhortations of their government, bankers and industrialists, and rejected joining the European Economic Area (EEA), the precursor to membership of the EC.

Swiss referendums normally get only 40%-50% of voters to the polling booths. This one drew 79% and the outcome went against the trend of opinion surveys.

"No" votes swung the day with 50.3% of the ballot against 49.7% — a difference of just 23 105 votes in 3.5m cast. But it split the country: six French-speaking cantons and one German-speaking canton voted in favour, to be swamped by opposition in the other 16, mainly German plus the Italian-speaking canton.

The plan for the EEA was to bring the seven European Free Trade Area (Efta) economies into a common trading bloc with the EC to broaden the single market, which opens next month, embracing much of western Europe. It was the first step towards enlarging the EC to include Norway, Sweden, Finland, Austria, Switzerland, Iceland and Lichtenstein.

While the referendum was not about EC membership, the result is being seen as an effective veto on any attempt to join.

The Nordic countries greeted it with regret but said they would press ahead with the EEA — probably now delayed until mid-1993. The EC seemed less upset though external affairs commissioner Frans An-

CVTward

ECONOMY & FINANCE

FM 11/12/92

(S6A)

driessen said: "The Swiss have chosen isolation."

The deepest gloom came in Switzerland where the economic consequences combined with the ethnic divisions which the referendum exposed. One member of the Federal Council called it a black day for Switzerland.

Voters, it emerged, were chiefly swayed by worries that the free movement of people, which would come with EEA membership, would lead to a flood of migrants to add to the unemployment rate — only 3% now but rising. Trade Unions Federation head Walter Renschler said: "Fear won. Fear for jobs, fear for wages."

Immediate reaction from business was that it would mean loss of growth and em-

ployment. About 65% of Swiss exports go to EC and Efta markets and these will no longer have automatic access — they will face delays as goods will need to be examined for compliance with EC standards.

The biggest exporter, the Swiss Machinery Manufacturers' Association, warned it would lead to emigration by companies. "Growth technologies will be built up outside Switzerland by Swiss companies ... because they will otherwise be shut out of the largest single market in the world," said a spokesman.

Two companies, drugs giant Roche (with a US\$92m project in the offing) and Sulzer Brothers (planning a \$43m artificial hips and knees plant), said they may switch the loca-

tions into the EC.

Economists are now forecasting a fall of 0.5% in Swiss GDP and unemployment rising to 4.8% next year.

Surprisingly, financial markets reacted calmly. In Zurich equities gained 1% and the franc lifted. The blue chip multinationals, such as Nestlé and Roche, are largely protected because only 1%-2% of their global sales are in Switzerland.

The rejection, however, raises two problems for the EC, as its leaders gather for the Edinburgh summit with as yet no clear idea whether the Maastricht treaty for greater European unity will survive in any recognisable form.

Most immediate is the \$2.5bn contribu-

FM 11/12/92

(S6A)

tion which the Efta group was to make to the "cohesion fund," for developing the four poorest members of the EC, as an entry fee to the single market. Switzerland's share was 28% and the gap will have to be filled — putting strains on the other Efta countries or the already contentious EC budget.

It will also add to the clamour for a referendum on Maastricht in Britain and the difficulties Denmark faces when it puts a sanitised version of the treaty to the test of a second popular vote — following the first rejection. Opinion polls in Norway, Sweden and Finland suggest that any referendums there on joining the EC would produce a majority "No".

The Swiss could change their minds, as in

1971 when they voted to give women the vote after several polls had turned down the proposal. But it may take a few years of living with the consequences of Sunday and a lot more persuasion.

Meanwhile, the ideal of widening the EC market, so dear to UK PM John Major's heart, has suffered a distinct bruising. ■

# EC ministers placate France on farm deal

Guardian/W in W/Mant  
11/12-17/12/92. By Julie Wolf

(S6A) (28)

EUROPEAN Community ministers have headed off French attempts to block the Gatt world trade talks, but only by making concessions to Paris that could cast a shadow over efforts to reach agreement on Gatt in Geneva.

At a meeting which saw growing support for France's opposition to the EC-United States farm trade deal, foreign and agriculture ministers issued a statement aimed at pacifying France while leaving the door open for a Gatt deal.

The ministers refused to back a French demand that there be no further negotiations on agriculture in Geneva until "substantial progress" had been made in other areas covered by Gatt. Frans Andriessen, the EC's external relations commissioner, said this condition would have "brought the talks in Geneva to a halt".

Nevertheless, the ministers estab-

lished a much clearer link between progress in farm trade talks and in other areas than had existed previously.

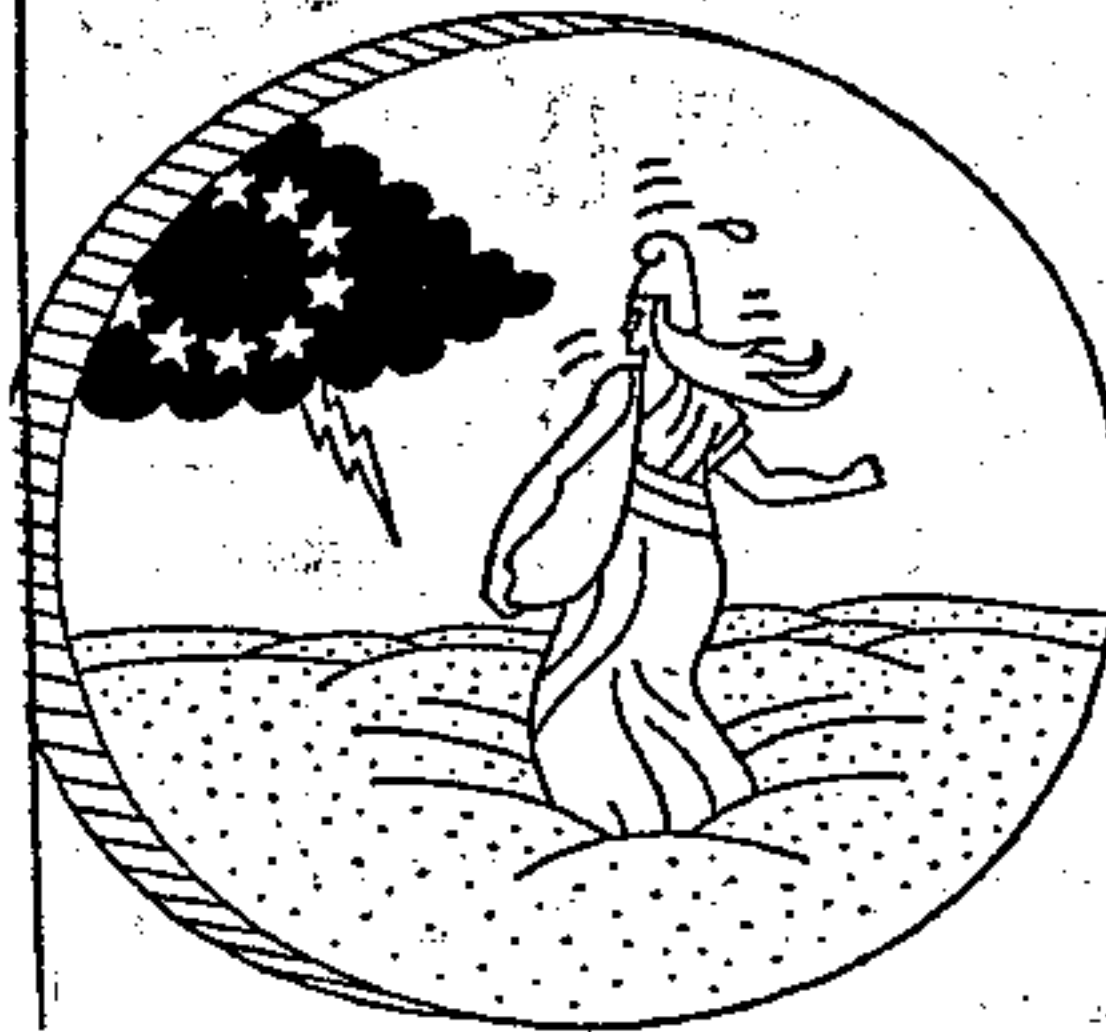
They also agreed that EC ministers had yet to determine whether the EC-US pact reached in Washington last month imposes greater burdens on European farmers than the reform of the Common Agricultural Policy agreed by the EC earlier this year. EC diplomats said a row over Gatt at the Edinburgh summit was now unlikely. "It should take the awkwardness out of [Gatt]," a British official said.

Nor would France be driven to use its threatened veto against a Gatt deal until well into the New Year. EC diplomats said the beleaguered French government's tactics have been to stall for time while sounding tough enough to satisfy the country's powerful farm lobby.

Yet the increased support for the French position is likely to signal further bickering within the Community over the implications of the farm trade deal.

According to diplomats, Belgium, Denmark, Ireland, Portugal, and Spain all expressed strong doubts over the agreement, demanding further proof from the European Commission that it did not go much further than CAP reform.

The European commissioner for agriculture, Ray MacSharry, maintained his view that concessions to the US could be met without further CAP reform. For the first time, however, Commission officials hinted that the accord with the US might have to be altered.



Drawing by Serguei for  
Le Monde



# A mess mostly not of our making

*Guardian* [w/lin] 11/12-17/12/92  
IN THE public eye, the Major Government is all but finished. Its unpopularity exceeds that of any predecessor, and only just keeps its rating above that of the near defunct Mitterrand. Mr Major himself is enveloped in ridicule for his weakness, and contempt for his manifold failure to get anything right. Yet he survives, and the business of governing carries on. He goes to Edinburgh as the epicentral figure in the current phase of European deal-making. The contrast is instructive.

Behind the public scene, which our touchy leader treads with his nerve-ends on his sleeve, is the world inside the portals of government, where Norman Lamont stopped reading the newspapers for a month because he couldn't stand what he saw. Fortified by the knowledge that the Government probably can't fall, its members make a virtue of their low esteem. If insensitivity is essential to survival, they don't have to work very hard to cultivate it. So low have they sunk that they experience a kind of indifference, verging on heroism, as they go about their work. To them it falls to do what government must do. Inside the bunker, righteous necessity replaces any trace of triumphalism as the psychic mode. I think this will be the pattern of politics for several years.

Europe is the territory where it is most fully on display. Approaching Edinburgh, Major finds himself not only enfeebled at home but heavily attacked in the field. The head of the Bundestag's European Committee calls the British presidency of the EC "a complete disaster for Europe". The French trade minister classifies it as "the most calamitous I have seen". Yet what the British performance more truly reflects is the worsening difficulty all leaders in Europe are likely to find when their turn comes. In Eu-

rope, even more plainly than at home, tortuous compromise and minimal progress are the hallmarks of an age devoid of heroic possibilities.

The British presidency hasn't been a disaster. It happens to have coincided with a combination of events that recently persuaded Jacques Delors to call the present situation "the most dangerous European crisis in 20 years". This is more a failure of the collective than an indictment of British scepticism, still less British incompetence, in addressing it.

For one large area the British can certainly be blamed. This is the chairmanship of the finance ministers' council to which Mr Lamont

**By Hugo Young**

has brought a lethal combination of stubborn method and short-sighted attitude, enraging his partners without securing discernible advantage. Agenda-manipulation and negative posturing reached a climax at Bath, when the opportunity was lost — partly owing to British misjudgment to secure the realignment of the ERM.

But the salient elements of the crisis are not otherwise British. It is in no way due to Britain, rather the reverse, that the Danes face a second referendum which their ministers are not sure of winning. The British understand better than the Greeks, the Belgians, or even the Germans what the Danes think they want, and the Foreign Office has worked to help them. Nor is the argument over future EC funding, which falls to Edinburgh to try and resolve, a question the Brits have solely provoked or show singular inability to answer.

The crisis at the heart of Europe, in fact, finds Britain as one player among many, and no longer the plausible culprit. It may enrage some partners that London will

take so long to ratify Maastricht. British awkwardness is a by-word, and the British abatement on contributions to the EC budget a negotiating target for the donor nations. But far from Britain being the problem, the main elements of the crisis show that the habitual anti-British buzz from Brussels is out of date.

The chief element, **(SLA)** money, is one in which every capital has a stake. In the hard-ball arguments before a new deal, Spain not Britain is threatening to wreck Edinburgh. The next element, at the centre of every future prospect, is Germany. While posing as the arbiters of what happens next, and thinly veiling their threats to Denmark if Danes again vote No, Bonn and Paris face their own bilateral economic crisis, with their currency link under severe strain.

The third element is the Gatt trade agreement, which France, alone among the 12, is threatening to torpedo. Gatt is more important than Maastricht, and is a priority on which Major has rightly expended more global effort than any other EC leader would have been in a position to do. One can scrape together more positive achievements. Putting together the EC with the UN peace-keeping effort in what was Yugoslavia, although it has yet to produce any real results, was the work of the British presidency. If peace does come, it will be only through such a structure.

But perhaps the greatest British success has been the new modesty which London's attitudes have succeeded in implanting into other countries. What has happened in this six months may be negative but it is not ephemeral: most leaders now know that the power of Brussels ought to be diminished. However loud the blustering, Germany knows almost as well as Denmark that greater subsidiarity

*Continued on page 12*

# Mess mostly not of our making

*Guardian JW JW*  
*W/Mail 11/12-17/12/92*  
*Soft*  
Continued from page 6

is the only way to reconcile national and supra-national necessities.

Will Edinburgh succeed? Obviously the British want it to. Conventional politics require a communique that hails the completion of a long agenda. If the Danish delegation cannot be offered enough to make them set a new referendum, without the other members objecting, the summit will be rightly judged a failure. Gatt, as well as the new funding formula, may ultimately be postponed for a variety of pragmatic reasons. The enlargement process could well stagger forward even before Maastricht is in place. We may be sure that the partners will declare different verdicts on Britain's handling of the outcome.

The truth, however, is more salutary, and it is that any success in Europe is only a prelude to the next potential failure. The more the EC widens and deepens the roomer are its prospects for further advance and the less susceptible is it to the politics of triumph. Triumph is simply not available. Brussels is the place where, in bad times and good, the business of governing is carried on, without great success. It is where we now learn to have permanently low expectations of political leaders.

The European project has changed its nature. It used to be the stuff of dreams and jubilation, and in its day that was a fitting model for the age. Now there's no dream in sight. Europe is a theatre of chronic imperfection, reflecting the low regard in which politicians everywhere are held. Few people hope for much. More people than ever seem to actively oppose European union. It is an emblem of the limits not the hope of politics: a condition, however, which its practitioners, working out of their reassuring bunkers, are sometimes able to survive.



# Summit revives EC union plans

B/DAM 14/12/92  
EDINBURGH — EC leaders have set their troubled union back on track with landmark agreements to increase the EC budget and exempt Denmark from the Maastricht treaty.

The two-day Edinburgh summit ended late on Saturday night with a string of accords to advance political, economic and monetary union, boost the sluggish European economy and settle the vexed issue of seats and sites of the European parliament.

The 12 nations also agreed to open entry negotiations from January 1 with Austria, Sweden and Finland, with Norway to follow later.

The success earned British Prime Minister John Major, the summit chairman, rare plaudits from leaders who had bitterly criticised Britain when it crashed out of the European currency grid and postponed its ratification of Maastricht.

The budget accord means a doubling of EC spending by 1999 on the poorest four members — Spain, Greece, Portugal and Ireland.

French President Francois Mitterrand, a frequent critic of Britain, said “the Edinburgh summit corrected the aim and sorted things out” and that the increases were “compatible with budget constraints”.

The budget deal includes a 15.15-billion ecu “cohesion fund” to help the poorer countries to join the European monetary union.

Irish Prime Minister Albert Reynolds called the pact a “good result” and a “reasonable compromise”.

German Chancellor Helmut Kohl acknowledged what officials called a blazing row with Spanish Prime Minister Felipe Gonzalez, who held the summit up for hours to squeeze extra funds for the “poor four”.

Officials said at one stage Gonzalez

stood up from the conference table and headed for the door after spurning a budget offer. He was persuaded to sit down.

Later, however, Gonzalez said he was “very happy”.

Danish Prime Minister Poul Schluter was delighted with the decision under which Denmark would not participate in a single European currency or a common defence. In return, the Danes pledged not to hold up the union movement.

The summit also agreed to make the EC less intrusive into national affairs and more open in its decision-taking — “subsidiarity” and “transparency” in EC jargon.

Major said the summit had agreed on a package of measures that could unleash investment of up to £24bn, revive the EC economy and fight rising unemployment.

In terms of the agreement, Britain's long-standing rebate on its contributions to the EC will be left unchanged until the end of the century.

The summit also ended a dispute dating back to 1965 by agreeing to keep all existing EC institutions in their current sites.

This means the European parliament will remain indefinitely a travelling circus with plenary sessions in Strasbourg, committee meetings and special sessions in Brussels and a secretariat in Luxembourg.

The summit agreed to give Germany an extra 18 members of the assembly following unification. Most other countries received a smaller increase.

And despite the preoccupation with internal problems, the leaders piled pressure on Serbians for the fighting in Bosnia and backed Russian President Boris Yeltsin's reform programme. — Sapa-Reuter, AP-DJ.

# Danes to vote on EC treaty

(56A)

CT 14/12/92

EDINBURGH, Scotland. — European Community leaders, struggling to revive the dream of a united continent, agreed on a complex plan allowing Denmark to call a new referendum on the Maastricht Treaty on European unity.

EC rules require that the Maastricht Treaty be ratified unanimously, and failure to reach an agreement on the issue would have likely proved a fatal blow to the goal of creating a single currency.

The agreement worked out here at the weekend allows Copenhagen to opt out of the major provisions of the treaty such as using a single currency and developing a common defence policy.

● In Copenhagen yesterday, an overwhelming parliamentary majority sanctioned the agreements reached here and a new referendum on the Treaty is expected in April.

Politicians now have to convince a doubting electorate their efforts have not led to an emperor in new clothes. — Own Correspondent, UPI



# EC heads of state want speedy transition in SA

CT14/12/92 Own Correspondent (56A)

EDINBURGH. — The European Community heads of government summit held here this weekend called on South Africa "to proceed soon to a transitional government and fully democratic elections".

The summit's final communique noted "improved prospects" for negotiations and expressed the hope that the presence of EC observers and the provision of development aid will help end "all types of violence and assist a peaceful transition".

# Europe's year of living dangerously on the lip of a volcano

EVERYTHING went wrong for Europe in 1992. The "whole and free" continent promised by the end of the Cold War appeared to be coming rapidly unstuck.

To the east, the former communist bloc was menaced by political instability and economic hardship; to the west, the European Community's plans for union tottered on the brink of collapse; to the south, the Yugoslav war raged out of control.

The political troubles of a Europe no longer kept in balance by nuclear terror were accompanied by a harsh economic recession affecting much of the world.

Ethnic groups clashed, refugees poured across frontiers, currencies saw-sawed, debt queues lengthened.

As 1993 approached, there were signs that politicians were starting to address the problems, though solutions looked a long way off. It also seemed the recession could be bottoming out.

The year had begun on an optimistic note. It was the first in seven decades to be rung in without the Soviet Union, which had collapsed along with the discredited Soviet Communist Party.

In its place, 15 nominally independent, nominally democratic states were thrust blinking into the light of day.

But all, from resource-rich Russia to remote Kyrgyzstan, soon learnt that — as one Ukrainian newspaper put it — "independence is not a ready-battered piece of bread."

In Russia, President Boris Yeltsin, though still the most popular politician, was struggling by the year's end to defend his economic reforms and his government against an onslaught by conservatives who wanted to slow the move to a market economy.

The former Soviet Union's problems echoed those of the east European states, which had scrapped communism two years earlier. They found that industries were harder to privatise than to nationalise and that a cash-strapped West was still-giving aid.

Everywhere, living standards dropped, governments were ridden by factionalism and ethnic problems were never far away.

The Czechs and Slovaks decided, albeit peacefully, to split Czechoslovakia into two countries from January 1 1993.

1992 was a year that began with much promise for Europe, yet it delivered only political turmoil and economic setbacks, writes PATRICK WORSNIP.

But its problems were dwarfed by the carnage in the former Yugoslavia, where clashes in 1991 between Serbs and Croats had already ignited Europe's worst conflict since World War 2.

The war entered a new dimension of violence and horror when it spread to Bosnia-Herzegovina after that republic declared independence in March and was recognised by the EC in April.

Bosnia's minority Serbs, fearing domination by Muslims and Croats, took up arms with the backing of Serbia and the former Yugoslav federal army and laid siege to the capital Sarajevo and other cities. They soon captured two thirds of the re-

public. In early December Yugoslav President Dobrica Cosic estimated that 17 months of fighting had cost 138 000 lives, while the United Nations said it had created over three million refugees.

Worse still was the widely predicted prospect of the clashes spreading southwards and touching off a general Balkan war that could drag in Albania, Bulgaria, Greece and Turkey.

Faced with the failure of UN sanctions against Serbia to halt the fighting and of peace-keeping forces to bring effective relief to civilians, the mood in Europe shifted towards tougher measures that would stop short of full military intervention.

But Yugoslavia and other ethnic trouble spots had cast a harsh light on the weakness of the European institutions that many had hoped would deal with just such crises as these.

Neither the 52-nation Conference on Security and Co-operation in Europe, nor Nato, groping for a new role, nor the EC, which along with the United Nations set up open-ended Yugoslav peace talks in Geneva in September, were able to stop the war.

West European leaders were distracted from Yugoslavia by their struggle to rescue EC plans for economic and political union enshrined in the Maastricht Treaty, signed in February.

Denmark threw the EC into crisis when its people voted in a referendum on June 2 to reject the treaty, which envisaged a single European currency and common foreign policy.

both in France, where just 51 percent backed it in a later referendum, and in Britain, where Prime Minister John Major had to postpone a final parliamentary vote to ratify the treaty until May 1993.

A spin-off from the confusion over Maastricht was a currency crisis, partly due to the strength of the German mark on the back of high interest rates.

The weaker currencies could not keep up. In September, the British pound and the Italian lira pulled out of the EC's exchange rate mechanism, and in November the Spanish peseta and Portuguese escudo were devalued by six percent.

The currency turmoil hit a continent already battling a long recession. EC growth was estimated at a sticky 1.1 percent for the year.

boost annual world commerce by up to \$200 billion (about R600 billion).

Nevertheless, unemployment in the Community crept up towards 10 percent and was expected to pass that figure in 1993. This created social strains across Europe, most dramatically in Germany where unemployment in 1990 had left huge inequities.

There, discontent found its outlet from August onwards in far-right violence against east Europeans and Third World refugees. By December, 17 people had died in some 1 900 attacks.

Although rightist extremism also hit other European countries, the sight of neo-Nazis torching foreigners' hostels and desecrating Jewish cemeteries in Germany sent a shudder of alarm through a world which had not forgotten the 1930s.

Amid a public outcry, the German government pledged to stamp out the violence while also tightening immigration laws. — Sapa-Reuter □





# Millions of unemployed in EC have never had a job

STAR 14/12/92 (Slot)

LONDON — Nearly 40 percent of European Community citizens unemployed for more than one year — about three million people — have never had a job, according to the European Commission.

Most are under 25 and concentrated in the southern EC states.

In Italy, 78 percent of those unemployed for a year or more have never had a job and in Greece the figure is 65 percent.

Those out of work for more than a year account for about half of the EC's 16 million unemployed, compared with only six percent in the US and 18 percent in Japan, according to the London-based Employment Policy Institute.

These outsiders in the European jobs market cease being part of the effective labour supply and cannot act as a constraint

on wage bargainers, argues the EPI in an analysis of European unemployment.

The EC Commission expects EC unemployment, which is just under 10 percent, to rise to 11 percent and to remain there until 1996.

## Netherlands

Only the Netherlands has seen its unemployment rate fall since 1990, from 7.3 percent to six percent.

The Commission projects that the population of working age will rise by between three percent and five percent in the next 10 years and then remain virtually static until 2010.

The EPI expects most new jobs to come in the service sector and a further shift away from unskilled employment. That will intensify the need for vocational qualifications,

it says.

EC member states spend on average 2.25 percent of GDP on the unemployed, of which nearly two-thirds goes on passive assistance such as benefits and one-third on active assistance such as counselling. — Financial Times

● In Australia the unemployment rate has risen to a post-war high of 11.4 percent or almost one million people with economists and officials warning the jobless queues could get longer.

"It's a very disappointing figure, very disappointing," Prime Minister Paul Keating said.

"What I am concerned about is that recovery has ceased," said chief economist at brokerage house McIntosh Ltd John Robertson. "We are in danger of having another recession in the first half of 1993." — Sapa-Reuter

# Ragged edges, but EC's borders open next year

BRUSSELS — It was to be Europe's bright, shining moment.

At the stroke of midnight on December 31, all borders dividing the dozen nations of the EC and some of their neighbours would melt away, allowing people, goods, money and services to flow freely.

Western Europe would become the world's largest market, with a prosperous population of 370-million. Its companies would vie with American and Japanese competitors, and its economies would soar.

But with the deadline almost here, the single market dream has become tarnished, its lustre dimmed by economic troubles, political unease and divisions among the nations.

Still, the border-free area will be a remarkable step forward for Europe.

"There are (still) a few ragged edges," said EC vice-president Sir Leon Brittan.

In seven years, EC nations have nearly finished a schedule set out in a 1985 "white paper". By mid-November, 91% of the paper's 282 measures had been adopted. However, only 78%

of the rules requiring national legislation had been enacted, with Spain and Italy most laggard.

"The virtual completion of the 1985 programme is an astonishing achievement," said Stanley Crossick, a veteran EC watcher in Brussels.

In the new market will be the 338-million consumers of Belgium, Britain, Denmark, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal and Spain.

It also is intended to pull Austria, Finland, Iceland, Liechtenstein, Norway and Sweden into a new European Economic Area.

Many, but not all, frontier barriers will fall on January 1.

Travellers to countries other than Britain, Ireland and Denmark should find fewer border checks, and in some places none. When airports are ready for the new procedure, travellers from outside the market will go through passport controls, but those from within it will not.

Workers will increasingly be able to move to other countries in search of better jobs.

"It's going to have a revolutionary effect on Europe," said John Mogg, deputy director of the single-market programme.

Truckers will be able to haul cargo across Europe without stopping.

Not long ago, for example, a driver needed 34 documents to carry battery-powered shavers from one country to the next, and had to return empty. Now, he will be able to bring back a cargo, but still may be limited in moving goods within a country other than his own.

Many companies will be able to move off their home turf for the first time. Banks will be allowed to open branches in other countries.

Agents have insured fleets of commercial vehicles since November 20, but will not be able to sell personal auto or life policies for several years.

A boon to consumers will be the ability to buy unlimited amounts of wine, electronic goods and other items for personal use without worrying about border restrictions. The minimum VAT will be 15% with some exceptions. — Sapa-AP.



# EC clears Royal takeover of Del Monte

STAR 15/12/92

BRUSSELS — The European Community Commission said yesterday it had cleared the purchase by two South African companies of Del Monte Foods International Ltd of Britain.

It said the joint acquisition by Anglo American and Royal would have only a marginal impact on market shares because

they were in different industries.

Del Monte's main activities are canned fruits, fruit drinks and other food products. Anglo has interests in mining, manufacturing and real estate.

The Royal group is a food-stuffs and chemical company.

The commission said neither

Anglo-American nor Royal had any significant activities in the community that would overlap those of Del Monte Foods.

Under EC rules, the commission has the power to alter or block business link-ups it feels would jeopardise competition in European markets. — Sapa-AP.

# Maastricht: Euro MPs jeer Major

CT 17/12/92

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SLA

STRASBOURG. — British Prime Minister Mr John Major was drowned out by jeering Strasbourg Euro MPs yesterday as he sharply rebuffed attempts to force Britain to accept a June deadline for ratification of the Maastricht treaty.

As commission president Mr Jacques Delors joined the pressure for a maximum six-month grace period for Denmark and Britain, Mr Major told an uproarious Euro parliament that the House of Commons could not be rushed.

MEPs from every shade of the political spectrum railed against Britain and its six-month EC presidency, with only grudging tribute paid to the success of last weekend's Edinburgh summit.

The prime minister had barely mentioned Yugoslavia in his opening remarks when he was engulfed in a wave of catcalls. MEPs blamed Britain's caution for European impotence to halt the conflict.

As the parliament was last night poised to pass a motion demanding a July 1 deadline for ratification of the Maastricht treaty, the leader of the parliament's socialist group, Mr Jean-Pierre Cot, said Mr Major's changeability on Maastricht made him "the Jekyll and Hyde of Europe".

Mr Delors responded to Mr Major's speech with his most explicit warning so far that with or without Maastricht, Europe was about to break up into separate groups, with some achieving economic and political union, and some lagging behind. — Telegraph

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## EC told to broaden view

STRASBOURG — British Prime Minister John Major urged the EC yesterday to look more towards the rest of the world after its weekend summit solved its most pressing internal problems.

"Some problems remain to be solved, but we have solved the main problems confronting the community now," Major told the European Parliament in a report on his country's presidency of the EC, which ends on December 31. **SLA**  
**BIDM 17/12/92**

"At the end of the British presidency I believe the community can look forward, plan confidently. I hope it will also look outward," he said. "In the last couple of years we have risked becoming too introspective."

Among the EC's priorities now were to help stop the civil war in Yugoslavia, secure a world trade-liberalising accord within GATT, begin entry talks with Efta countries and strengthen ties with eastern Europe.

The weekend Edinburgh summit, which provided an unexpectedly successful conclusion to a bumpy British presidency, agreed on a list of exemptions for Denmark from the EC's Maastricht treaty on closer economic and political union, a future financing plan for the community and to open entry talks with rich countries from the Efta bloc next year. — Sapa-Reuter.

# Clinton still undecided on package to boost economy

**BIDM 17/12/92**  
LITTLE ROCK, Arkansas — President-elect Bill Clinton ended his exhaustive two-day economic conference on Tuesday, giving conflicting signals on whether he plans a dramatic increase in deficit spending to jolt the US economy.

After the 20 hours of talks ended, Clinton told a news conference that he found a broad consensus from the more than 300 experts that "substantial increases in public and private investment" were needed to create new jobs and that health care reform was a "national imperative".

But he left unanswered how he would pay for government contributions to the new investment. Throughout the day economists urged him to adopt a stimulus package with anywhere from \$20bn to \$60bn in tax cuts and new spending.

Although Clinton has repeatedly said that the recent uptick in the economy did not mean the recession was over, he refused to be pinned down on whether he would boost spending, and thereby swell the deficit, to create jobs in the short term after he takes office on January 20.

"If you define stimulus as a substantial increase in investment incentives, public and private, the answer to that is yes. If you define stimulus as meaning, 'Am I

going to deliberately increase the deficit in this budget year', the answer is I haven't made up my mind," Clinton said when pressed to say whether he would propose a stimulus package.

By investment, Clinton means spurring private companies into expanding or launching new projects by giving them tax incentives.

Clinton said the conference agreed on the need to persuade banks to make more loans in order to help small businesses. He also gave attention to the need to control "the monster of spiralling health care costs", suggesting this would be an early top priority of his administration.

Asked whether he would support an increase in the petrol tax, Clinton said he was not in favour of a "huge" tax increase under the present system because middle-income families were already paying enough taxes. Clinton's deputy budget director-designate, Alice Rivlin, said earlier in the day that a petrol tax increase should be considered as a way to raise revenues.

Clinton, who was caught by photographers nodding off as the speakers droned on on Tuesday, said he found the conference to be "productive, positive and provocative". — Sapa-Reuter.

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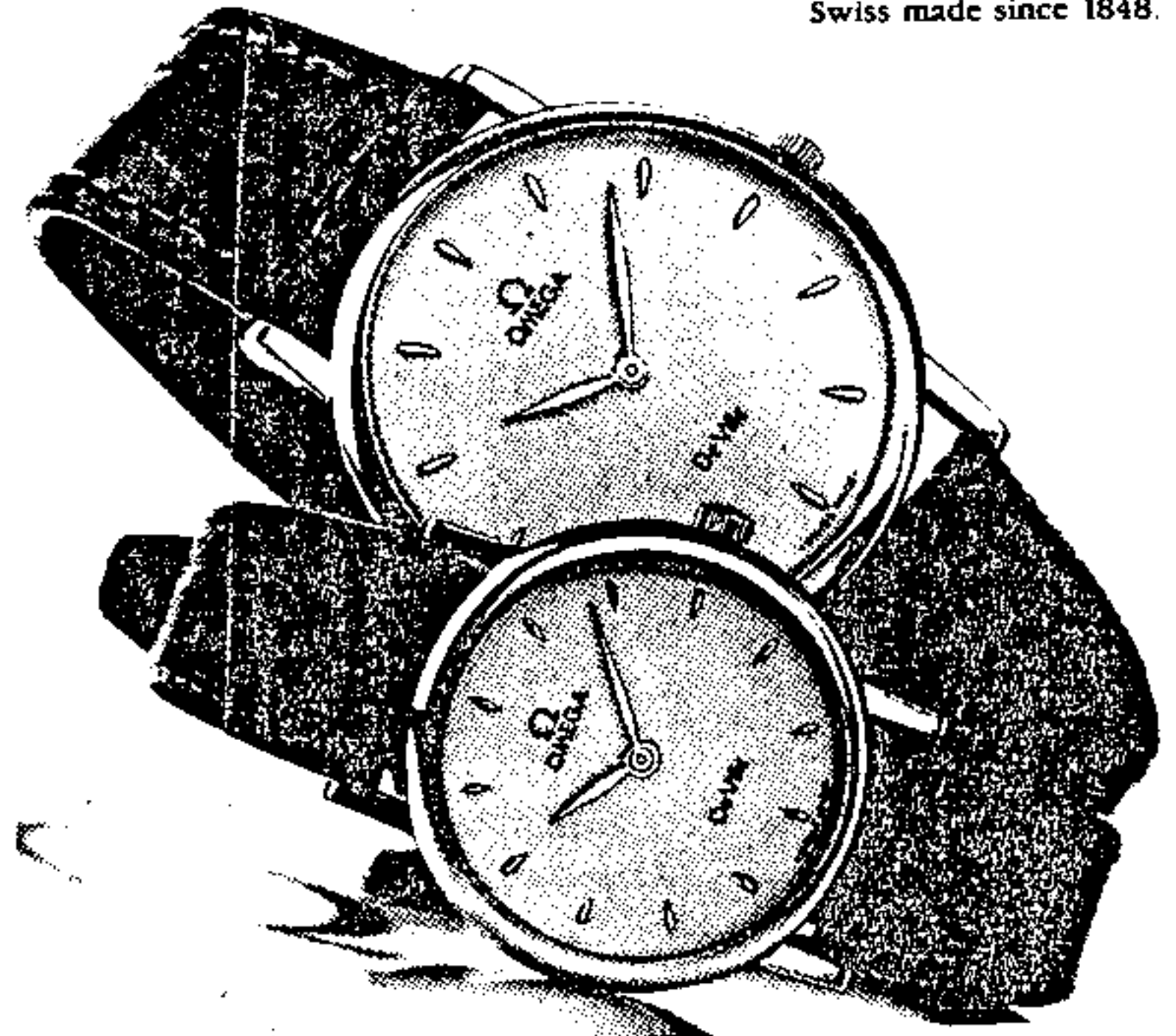
## Russia signs deal on debt

**BIDM 17/12/92**  
MOSCOW — Russia and Germany had reached new agreements on how to repay debts of the former Soviet Union, paving the way for a full rescheduling deal by the Paris Club of creditor nations, German officials said yesterday.

The officials said the agreement with the Paris Club would deal with debt built up before the beginning of 1991.

Debt acquired in 1991 would be dealt with on a case-by-case basis, but Russia would have to make some payments to ensure a flow of credit in the future, they said. — Sapa-Reuter.

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(Registration Number 6004393/06)  
(Formerly Molyslip Limited)  
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### CHANGE OF NAME

At the general meeting of shareholders of Spanjaard held on 14 December 1992, the special resolution to change the company's name from Molyslip Limited to Spanjaard Limited, was approved by the requisite majority of shareholders.

The Johannesburg Stock Exchange has approved the change of name to

# US losing patience with UK's caution

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STAR  
17/12/92

**J**OHAN MAJOR, the British Prime Minister, is expected to come under pressure from President Bush to intensify European Community action on Bosnia when the two meet at Camp David this weekend.

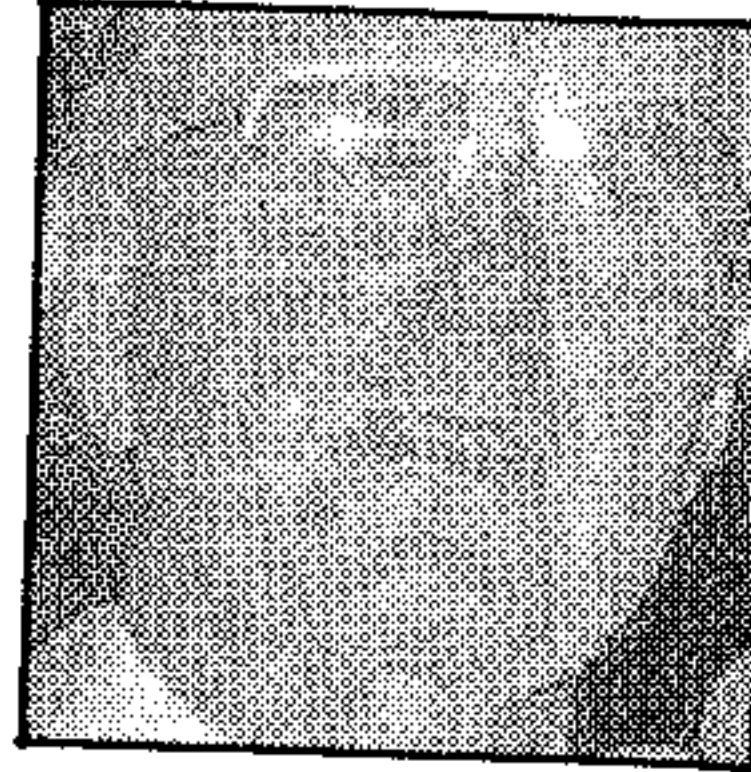
Flagging his own increased concern for the region in the House of Commons this week, the Prime Minister warned: "Macedonia could be a tinder-box for a wider Balkan conflict."

In a statement on the European Community summit in Edinburgh, Major said the EC had unreservedly backed the UN plan to put a battalion of soldiers into Macedonia "to monitor the peace there". The EC had also backed a similar pre-emptive UN operation in Kosovo — although that will require Serbian approval.

But the test of EC determination to hold the line on Bosnia will come on implementation of the UN's no-fly zone, which has repeatedly been breached by the Serbs since it came into force in October.

With Lawrence Eagleburger, the US Secretary of State, sounding out support for a further UN resolution to enforce the zone at a Stockholm meeting of the Conference on Security and Cooperation in Europe

President George Bush (right) is to demand tougher European Community action over Bosnia, reports ANTHONY BEVINS.



(CSCE), Malcolm Rifkind, Britain's Secretary of State for Defence, repeated his warning that action against Serbian aircraft could provoke retaliation against British troops protecting humanitarian aid convoys.

He pointed out that as there were no US troops in Bosnia, the Americans did not face that risk.

In Edinburgh, Major told MPs: "We have called for the Security Council to examine systematically the operation of the no-fly zone. We believe the first step should be for the UN to draw up a report on violations of the zone."

But EC partners were showing signs of impatience with the step-by-step British approach. The Dutch government announced that it was willing to send F-16 fighters to enforce the Bosnian no-fly zone.

Roland Dumas, the French Foreign Minister, said France was asking the UN Security Council

to adopt a new resolution permitting the use of force against all Serbian military flights. (While UN Resolution 786 bans military flights, it contains no mandate for enforcement.)

Rifkind told BBC radio's Today programme that there was no evidence of combat flights having been conducted by the Serbs, and in response to American pressure for action, he said: "The Americans don't have any ground forces in Bosnia, not a single American soldier on the ground."

But Paddy Ashdown, the Liberal Democrat leader, said during a visit to British troops in the UN Protection Force in Bosnia that he was encouraged by the pressure for tougher military action.

Speaking before a convoy in which he was travelling came under mortar attack — no one was hurt — Ashdown said: "I think we really have to start gripping this situation, and grip-

ping it hard, or the consequences in the region and broader would be a disturbance perhaps leading to a Balkan conflict with incalculable consequences for the future."

Meanwhile, with Rifkind maintaining the Government's defensive position, the Prime Minister's office suggested that Yugoslavia was moving up the diplomatic agenda.

Douglas Hurd, British Foreign Secretary, has left for the CSCE talks in Stockholm, where he will meet Eagleburger, before a North Atlantic Council meeting scheduled to be held in Brussels today.

Major flies to Toronto today and is due to meet President Bush on Saturday, and Whitehall sources said there was a growing belief that the EC would have to get more involved in the former Yugoslavia.

But a foretaste of those talks was given by Al Gore, US vice-president elect, who told the BBC that more should be done to enforce the no-fly zone. "President Bush agrees with that," he added.

"The resistance and reluctance that has been coming from our European allies I frankly find hard to understand," Gore said. — The Independent News Service. □



# EC body confirms role in GATT talks

BIPAM 18/12/92

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**BRUSSELS** — In a bid to reassert its authority as trade negotiator for all EC members, the Brussels-based European Commission said yesterday it would continue to negotiate in the Uruguay Round of world trade talks.

"There is no ambiguity in the position taken by the commission and the EC," said commission spokesman Nico Wegter. "We will continue to negotiate."

France dealt a potentially devastating blow to the talks on Wednesday by announcing it would block EC offers to cut import tariffs on farm products. French Foreign Minister Roland Dumas said Paris regarded the proposals submitted by the EC's executive commission as "null and void".

The commission had exceeded its negotiating mandate by striking a deal with the US that would cut EC subsidies to farmers.

Dumas's move and the commission reaction underline the division within the community over the accord with the US. A commission official, seeking to minimise the appearance of disarray, said yesterday that Dumas's remarks were meant for a domestic French audience.

Wegter said yesterday negotiations on agriculture, and the 14 other areas covered by the GATT talks, continued in Geneva. The commission had presented its schedules of farm production for 1993, enabling the agricultural talks to continue.

French officials said on Wednesday the schedules were invalid because they had not yet been approved by farm ministers.

But Wegter said: "There is no formal indication that would prevent us from presenting the schedules."

He added the commission was negotiating "within the limits of the reform of the (EC's) common agricultural policy".

Earlier yesterday, GATT director-general Arthur Dunkel called a meeting of top negotiators for today in the knowledge that there was no chance of meeting the end-of-year deadline for a Uruguay Round conclusion. The meeting had originally been planned for December 23 in the hope that

negotiators would be able to announce broad political agreement on the 108-nation trade accord.

Dunkel had set an end-of-the-year target for overall political agreement, leaving technical details to be sorted out by the end of February. The US administration's special negotiating authority from congress runs out on March 3.

The Uruguay Round talks, launched in 1986, should have ended two years ago but were blocked by an US-EC farm row.

A November 20 deal between the two boosted hopes that an overall accord was finally in sight.

However, optimism has faded rapidly as new hurdles have appeared and there is no chance that an accord will be reached before christmas.

In Paris, French Prime Minister Pierre Berezogovoy and his Finance Minister Michel Sapin said separately yesterday the franc would not be devalued.

Sapin, speaking against a background of renewed pressure against the currency, rising French interest rates and a promise of tough monetary policy by the Bundesbank next year, also said that monetary cooperation with Germany was to be strengthened.

Berezogovoy said that in the light of "new information" about the world economy, such as the "brutal" slowing of activity in Germany as forecast by the OECD, he would draw "conclusions" at the beginning of next year.

"There will be no magic wand," he said. "The European economic situation is not good and that will hold consequences for the French economy."

Berezogovoy told a news conference: "I condemn any logic of devaluation and of the flotation of European currencies."

He said "the government must keep cool" and "you know my determination".

In Frankfurt yesterday the German Bundesbank said in its monthly report it would have to maintain a "severe" monetary policy next year to control inflation. — AP-DJ, Sapa-AFP.

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consideration is to be settled in cash.

## Marines expand food aid

**BAIDOA** — Marines in Baidoa moved yesterday to take food to outlying Somali villages, and aid workers urged the troops to secure a southern port said to be exploding in clan fighting. BIPAM 18/12/92

CARE spokesman Angela MacKay said the militia in Kismayo was "out of control". And UN spokesman Ian MacLeod said tensions were rising in the north. He said agencies were encouraging troops to move to the north.

The troops are concentrated in southern Mogadishu and US plans call for troops to reach Kismayo and Bardera in the last stages of operation Restore Hope after first moving north from Baidoa.

In Baidoa yesterday, Somalis loaded sacks of wheat on to trucks that Marines were to escort to four villages within 50km of the town. In all, 10 trucks were to carry about 100 tons of food, enough to feed about 7 500 people for a month.

US special envoy Robert Oakley said the troops were prepared for trouble, although the operation so far had been nearly trouble-free. — Sapa-AP.

# 'Confiscate Mobutu's properties'

STRASBOURG — The European parliament demanded yesterday that Zairean President Mobutu Sese Seko's properties in Belgium and France, and those of his family, be confiscated.

This "measure of conservation" would be taken pending information to be included in reports on misappropriation of public funds and elimination of political opponents in Zaire.

The EC deputies also invited the European Commission, governments of EC member states and the United States to take all the appropriate measures to isolate Mobutu and his military, political and diplomatic support.

The request was particularly directed to France and Belgium, which have both funded Zaire, a former Belgian colony.

The EC parliament said it considered that Mobutu's recent attitude had created a risk of engendering civil war in his country.

The EC move follows a declaration in early December supporting beleaguered Zairean prime minister Etienne Tshisekedi, who was locked in a power struggle with Mobutu before the president sacked him.

Mobutu accused the United States, France and Belgium of interfering in his country's domestic affairs.

He said they did not have a mandate from the UN or Organisation of African Unity. — Sapa-AFP.

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STAR 18/12/92



# Scathing attack on PAC by diplomats

By Esther Waugh  
and Hugh Robertson

The European Community, in an unusual step, has issued a strongly worded demarche to PAC president Clarence Makwetu, expressing concern over the organisation's unwillingness to condemn attacks by its military wing, the Azanian People's Liberation Army (Apla).

And the United States administration has protested to the PAC about Apla's threats of violence.

It was announced yesterday that the Goldstone Commission has established a committee to conduct a preliminary investigation of Apla.

The announcement of the probe, the EC demarche and US reaction came as Apla denied the existence of a "spokesman" who, in a telephone call to a news agency, declared war on whites.

The demarche — a formal diplomatic protest — was delivered yesterday at a meeting in Johannesburg with Makwetu by the current leadership troika of the European Community. The EC ambassadors told Makwetu that negotiations alone could achieve a peaceful transition in South Africa.

The EC troika, made up of British ambassador Sir Anthony Reeve, Portuguese ambassador Gorge Ritto and Danish ambassador Peter Bruckner, comprises the past, current and future leaders of the EC.

Diplomats said the PAC would find it difficult to raise funds and campaign internationally if it did not respond satisfactorily to the concerns.

PAC leaders have until now refused to distance themselves or to condemn the alleged attacks by Apla in Queenstown and King William's Town.

In a statement issued by Sir Anthony after the meeting, he said the ambassadors "were encouraged by the declared willingness of the PAC to take

# Scathing attack on PAC

● From  
Page I



part in the negotiation process and hoped that the PAC would categorically condemn the use of violence so that it could

continue to Cohen . . . con- play a full demned violence. part in multilateral negotiations to determine South Africa's future. *S TAPL 18/12/92*

As the pressure on the PAC mounted, Apla commander Victor Phama denied that an Apla official named "Congo Jibril" exists. It was "Jibril" who announced to a news agency on December 6 that Apla had "declared war" on whites.

In a faxed statement from Dar-es-Salaam, Phama dis-

tanced himself from the war declaration.

"Congo Jibril is a planted agent provocateur assigned the task of discrediting the legitimate struggle of the oppressed and dispossessed majority," said the statement.

The US administration has been told that while the PAC leadership opposes actions of violence, it has no control over Apla forces.

At a press briefing yesterday, US Assistant Secretary for African Affairs Herman Cohen said that although Washington had no means of knowing whether or not the PAC could exert control over Apla, it condemned all acts of violence.

The Commonwealth Observer Mission to South Africa said yesterday it was prepared to go to Transkei to verify SA Government reports that the homeland was harbouring Apla bases.



# News

## in brief

Sowetan 18/12/92  
**Councils get reprieve** (S)

THE Soweto and Diepmeadow councils have presented their action plans to the Transvaal Provincial Administration on time but still have to wait a few days to hear their fate.

TPA director of communications Mr Gert de Jager said the TPA executive committee still had to evaluate the proposed plans and decide if they were viable and realistic.

Both councils had been given until December 15 to come up with viable strategies to sort out their financial houses. If the TPA executive rejects the strategies as unrealistic, impossible or unworkable, the councils will be dismissed. - Sowetan Reporter

### Campaign women wounded

A MAN was arrested after two women taking part in a clean-up campaign in Alexandra yesterday morning were shot and wounded.

The women, part of a clean-up operation in Sixth Avenue in the township, were approached by two men reportedly armed with 9mm pistols. Shots were fired and Mrs Lizzie Nkosi (35) and Mrs Nora Nchunu fell to the ground. They were admitted to the Alexandra Clinic and later transferred to the Johannesburg Hospital where they underwent emergency operations.

Sowetan 18/12/92  
**EC warns PAC on Apla** (S)

THREE European Community ambassadors to South Africa yesterday warned PAC president Mr Clarence Makwetu that the organisation's failure to condemn acts of violence claimed by its military wing, Apla, undermined its democratic credentials. British ambassador Sir Anthony Reeve and the ambassadors from Portugal and Denmark told Makwetu at a meeting yesterday the EC supported the view that negotiations alone could achieve peaceful transition. - Sapa: - - - - -

# January target set <sup>56A</sup> for GATT agreement

GENEVA — The EC and the US told GATT officials yesterday they aimed to seal an accord in the long-running Uruguay Round of trade talks by mid-January. *BIDAM*

In a message after meeting in Washington on Friday, US President George Bush, British Prime Minister John Major and European Commission president Jacques Delors called for negotiations to be speeded up. *22/12/92*

"The aim should be to conclude a balanced and comprehensive agreement

by the middle of January," the leaders said.

The agreement between Bush, Delors and Major, whose country holds the EC's rotating presidency, suggested that the EC and US would try to reach agreement before the round's steering committee met on January 15.

A deal at that point would have the advantage of coming before the inauguration of US President-elect Bill Clinton on January 20.

But trade diplomats were sceptical about the target date, saying it would be virtually impossible to meet, if only because many negotiators would not return from their New Year breaks until the January 15 meeting.

"Theoretically, a deal is possible before the Clinton inauguration — we would have about three working days, and nights, from the 15th. But frankly I don't see it," said a negotiator from one EC mission.

Last week GATT officials and senior negotiators said an overall accord looked increasingly unlikely until well into 1993. — Sapa-Reuter.



B10M1 22/12/92

# Bruised but not bent by year of political purgatory

IN 1992 John Major, son of a circus performer, added a new skill to the balancing act and juggling he had already shown as Britain's youngest prime minister this century — escapology.

While Queen Elizabeth was rueing an "annus horribilis" for the country's unhappy royal family, 49-year-old Major and his Conservative government emerged bruised but apparently reinvigorated from a year of political purgatory.

Two bright spots illuminated Major's dark year — his stunning victory in the April general election and a masterly performance at the EC summit in Edinburgh, where he pulled an unexpected deal out of the divided community's battered hat.

Faint signs of life in the moribund economy and the surprise success at the Edinburgh meeting, which Major chaired as EC president, helped restore his tattered credibility and will allow him to face the new year with new heart.

"The Edinburgh summit was a necessary first step for Major in rebuilding his premiership," wrote The Times political editor Peter Riddell.

Major is not yet out of the woods. He faces an increasingly restive workforce angry over mounting unemployment, brewing scandals and months of parliamentary battles to secure the Maastricht treaty on European union.

After two years of recession and repeated broken promises of recovery the British people are not in a forgiving mood.

However, Major is not obliged to call another election for five years, and his biggest challenge now is to keep his own Conservative troops in line.

His popularity — one of the highest on record when he steered the country through the Gulf war in 1991 — plummeted to one of the lowest yet after an autumn of blunders and mishaps.

April's surprise election win, securing a fourth term of Conservative Party rule after Margaret Thatcher's stormy '80s, was credited largely to Major, whose conciliatory manner contrasted starkly with Thatcher's personality. The odds had been stacked against

## DAVID STOREY in London

the quiet, grey, bespectacled ex-banker, a self-made politician of humble origins with a passion for cricket and soccer and who fought for votes in homely speeches from a soapbox in town squares.

Any complacency after that victory evaporated as it sunk in that the 21-seat majority in the 651-seat House of Commons was too small for comfort, especially with the deep divisions among Conservatives over Europe.

Major's "decent guy" image was infected by scandals that ate into the government, raising doubts about his judgment.

Arts minister David Mellor quit after a sex scandal and Chancellor of the Exchequer Norman Lamont was attacked for using government money to pay lawyers acting for him when he was found to have let his house to a "sex therapist".

Major's credibility was dealt a huge blow on September 16 — "Black Wednesday" — when he pulled a collapsing pound out of the EC currency grid and was forced to abandon his much-criticised tight monetary policy for a growth strategy.

Other embarrassing about-turns followed, creating the impression of a government adrift. The Press, the majority of which had been slavishly loyal to Thatcher and Major, swung against him.

Many commentators believe he hit a low spot with a November 4 parliamentary vote on the Maastricht treaty on European political and monetary union, when "Euro-sceptic" Conservative rebel MPs failed by just three votes to bring down their own government.

Commentators said Major had to cope with a shift from the blind partisan loyalty that had so often characterised Tory MPs in a crisis.

The new refusal to be cowed, particularly among MPs elected this year, reflected a similar lack of national deference in the public attitude to the royal family.

The crisis might also have woken Tory MPs up to the real danger of losing the power they had held for so long. "Having gazed into the entrails of defeat in the Maastricht paving debate, (Tory MPs) are more inclined to accept that small majorities impose stricter discipline," wrote veteran political commentator John Cole.

Although opponents of Maastricht have vowed to continue their fight as the Bill passes through parliament early next year, Major is hoping that the Edinburgh results will have dispelled the fears of the waverers.

He argues that the summit halted a drift towards a European super-state that would have eroded national powers, setting course for the wider, more open and responsive community that he wants.

Lord Howe, a former pro-European foreign secretary who struggled constantly with Thatcher in the '80s, is confident Major's government will prevail. He thinks the Maastricht opponents will realise they are "increasingly fighting a forlorn battle for a futile purpose". — Sapa-Reuter.

## LETTERS

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**NEWS IN BRIEF**

~~(S)~~ (S6P)  
**Brittan in top EC post**

23/12/92  
OUTGOING Dutch Foreign Minister Hans van den Broek and Britain's Sir Leon Brittan were yesterday named to top posts in the EC's European Commission.

Van den Broek will handle external foreign relations, foreign and security policies and negotiations to enlarge the EC.

Brittan will deal with trade policy and external economic affairs and becomes the EC's top negotiator in the GATT talks.



**I**N THE run-up to next year's single European market, many of the continent's biggest employers are shedding tens of thousands of employees. EC unemployment, consistently higher than elsewhere in the industrial world and rising rapidly again, is rudely elbowing its way back into the limelight.

Between 1985 and 1991 it was tempting to believe unemployment could return to the low single figures of the '60s as, led by the UK, the EC created 11.4-million jobs. That performance was better than the US, Japan and non-EC Europe, but still not good enough to bring EC unemployment rates down to their levels.

One reason was that only a third of the 11.4-million jobs went to the registered unemployed, resulting in a small fall in unemployment, from 10.9% in 1985 to 8.4% in 1990. About 30% of the new jobs went to part-timers and 70% to women. Many of the women, according to European Commission officials, now form a reserve army of the semi-employed who come on to the jobs market when jobs are plentiful and disappear again when they are scarce.

**T**he commission expects the labour force to grow 15%, requiring 25-million jobs, by 2010, largely because female participation in the workforce will catch up with the rest of the industrialised world.

But medium-term prospects are not good. Industrialists say that, on top of the unemployment arising from slower growth, is as a result of the extra loss of jobs that will arise because of the single market.

Companies' profit margins in the new competitive environment are coming under pressure so they are cutting overheads in the form of jobs. The combined result is that for the past year unemployment has been rising in almost all countries, with the exception of the Netherlands, and EC-wide unemployment is now edging back up towards 10% — about 16-million people.

The UK, where labour-market deregulation has made it easier to hire and fire, is the leader in the loss of jobs just as it was in job creation, and accounted for almost 50% of the increase in EC joblessness in the

# Unemployment dogs EC on the eve of single market

DAVID GOODHART

Blomay 24/12/92

year to August 1992. The rapid increase in the UK will help to propel EC unemployment to a new peak of more than 11% in 1993, where the commission expects it to remain until 1996.

The total should fall after that, but the continuing underlying upward trend, which began with the first oil shock of the early '70s, will leave joblessness at the end of the '90s six times higher than it was in the '60s. The commission estimates that 10-million new jobs will be needed by 2000 merely to cut the unemployment rate to 7%, something the tough economic convergence criteria of the Maastricht treaty will almost certainly rule out.

EC labour markets were not always such international laggards. Indeed it was only in the early '80s that EC unemployment overtook that of the US, but academics and policymakers seem at a loss to find a convincing explanation for what has gone wrong over the past 20 years.

The basic pattern of EC unemployment has remained similar for 20 years, although the problem is spreading beyond the unskilled, the young and the old to affect better-qualified, middle-aged workers. But the current wave differs in one important respect — there is no surge in youth unemployment, which accounted for 45% of total EC unemployment in the early '80s and now accounts for less than 30%.

There remain large differences between countries within the EC — particularly between northern and southern states. As European Commission head of employment policy John Morley says: "Unlike the US we do have some very undeveloped parts of the EC with low participation rates and a large black market."

EC unemployment can be divided into three groups: the high-unemployment countries (Ireland and Spain); the medium-unemployment countries (the UK, Italy, France, Denmark, Belgium and Greece); and the low-unemployment countries (the Netherlands, west Germany, Portugal and Luxembourg).

The EC's failures compared with other leading industrial countries cannot simply be attributed to slower growth. Though growth has been below Japanese levels since the early '70s it has been comparable with the US and non-EC Europe.

Neither, as the UK government believes, can the failure be attributed to the overregulation of EC labour markets. Britain's own *laissez-faire* hire and fire system is hardly a model — with the third-highest unemployment in the EC — while two of the most regulated EC labour markets, the Netherlands and west Germany, have relatively low unemployment. Related arguments about high unionisation or generous benefit systems are disproved by the Nordic countries, which have both, as well as historically low unemployment.

So was labour market deregulation and the reduction in union influence pursued by some EC countries in the '80s misconceived? Robert Lindley of the Employment Research Institute believes the strategy hit the wrong target. Instead of forcing full-time, well-paid "insiders", from skilled manual workers to the professions, to share some of their job security and high pay, it has merely made "weak workers even weaker and divided up the same amount of work into smaller, part-time, parcels". French workers in part-time employment have increased 50% over the past decade and one-fifth of UK employment is

now part-time.

The dominance of the insiders also helps explain the failure of EC wage rates to respond first to the external shocks of the '70s oil price rises and then to the high unemployment of the early '80s. The EC, led by Britain and Italy, saw a significant increase in real wages in the '80s. In Britain they rose 39% and in Italy 31%.

One reason that the insiders have remained so well placed is the high incidence of people out of work for more than one year who cease to function as an effective pressure on the employed. The long-term unemployed make up about 50% of the EC unemployed, compared with only 6% in the US and 18% in Japan.

The commission wants a labour market which accommodates the longer-term unemployed, but is unlikely to get it. EC employers are fragmenting the labour market and increasing part-time, or temporary, service sector jobs, which are often insecure and low-paid.

To overcome the mismatch between the skills and aptitudes of the long-term unemployed and the sort of jobs increasingly on offer, the unemployed will have to adapt to the job market. Morley says governments must help by adjusting social security and tax systems to encourage outsiders back into the labour market. Governments should also spend less on "passive" benefits and more on active labour market measures like retraining and counselling.

**S**uch reforms could take years to yield benefits. In the meantime it would be unrealistic to expect greater labour mobility in the EC to help reduce strains — only 2-million EC citizens currently work permanently in another EC country, fewer than 10 years ago.

There are, however, two grounds for optimism about EC unemployment. First, thanks to lower productivity and the growth of labour-intensive services, it now requires EC growth of only about 1.5% to create jobs, compared with 3%-4% 10 years ago. Second, a growing number of politicians in the EC are starting to focus on high unemployment as a structural, not just a cyclical, problem. As Morley says: "It's not much, but at least it's a start." — Financial Times.

BIPAY 24/12/92

### EC inflation dips (SGA)

AVERAGE year-on-year inflation in the EC dipped to 3,8% in November, the lowest in more than four years, the EC's statistical office Eurostat said in Brussels yesterday.

By comparison, Eurostat said, the corresponding November rate was 3% in the US and 0,7% in Japan.

REPORTS: Sapa-AFP-Reuter.





# Gold still has a central role to play

IT is almost a generation since that "barbaric relic", gold, lost its official monetary status when the fixed price of \$35 an ounce was abolished. And virtually every current forecast about the bullish supply-demand outlook for the metal carries the qualification "... as long as the central banks don't step up their sales".

The implication is that gold is a sterile asset whose

price fluctuates like any other commodity and one which no central bank therefore considers as part of its reserves — any more than it would tanks of crude oil or tons of copper.

Yet gold remains a highly ranked item among central banking priorities where the management of assets has assumed major proportions in a world of quaking values and exchange rates.

And that, in spite of all the pondering and talking that has taken place about the role of gold in international financing, is why the yellow metal will be on the stage of a top-level, one-day conference in London on January 25 (admission: R2 300). Its sponsors are Goldman Sachs, the giant US investment house, NM Rothschild, leading London bullion dealer and merchant bank, and the World Gold Council.

THE great and the good will be speaking, from Johannes Witteveen, former IMF president, to SA Reserve Bank governor Chris Stals, Philippe Moutout, deputy director of the Banque du France, to Robert Guy, bullion director at Rothschild's, and a senior official from the Bank for International Settlements (the central banks' bank).

In the context of managing foreign reserves, it seems, everything has not been said on the subject of gold.

Bullion has "lost weight" in official reserves. In 1979 when all central banks (according to IMF figures) held more than 1-billion ounces in their vaults and bullion's average price that year was \$306 an oz, gold amounted to nearly 50% of total forex reserves.

The big sell-off in the 1970s saw net official sales of 30-million ounces, but the next decade produced a swing-back. Central banks were net buyers of more than 24-million ounces, with developing countries building up their bullion hoards.

In the context of managing foreign reserves, not everything, it seems, has been said on the subject of gold

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Over 1990-91 there were small net disposals of 1.3-million ounces and in June this year Belgium offloaded 6.5-million ounces. The result is that 932-million ounces of gold — only 10% less than in 1979 — at \$330 an oz now constitutes just under 20% of total official reserves — although there are suspicions that it may be higher.

Official central-bank figures supplied to the IMF could mask the fact that a country has other stocks of bullion held by another state institution as a strategic reserve.

BELGIUM, which has done this before, was rebalancing its assets in June: gold was equivalent to 45% of reserves before the sale, now reduced to 35%. That takes into account the "refund" to Brussels of 1.3-million ounces from the European Monetary Co-operation Fund (ECMF).

over the same period and, during the past five years, since the US currency's balloon was pricked, it has lost nearly half its value in yen terms and 44% in Deutschmarks.

Another problem which needs a decision is the proposed European Central Bank — although the crisis in the European Monetary System's exchange rate mechanism has undoubtedly postponed the advent of a common currency and a single central bank for the EC.

CENTRAL banks cannot count their own currencies, however strong, as foreign-exchange reserves. What, then, are the options for the European Central Bank?

Adding more dollars, their biggest forex holding anyway, carries its risks. And nobody is quite sure how the Japanese would regard the use of yen as an international reserve currency.

Then there are the huge variations in the proportion of the precious metal to total forex holdings from 47% in France and 44% in Italy to 40% in Holland, 32% for Germany but only 14% in the UK and a minuscule 0.3% in Ireland.

As Robert Guy said at Rothschild's this week: "Central banks get big headlines over possible sales and add to the depression in the gold market, but there is a lot more to it than that. And it is only relatively recently that they have started to talk about a policy towards gold."

# EC unity lies in tatters

STimes 27/12/92

## THE EUROPEAN SCENE

IT SHOULD have been a good year for Europe. Ahead, on January 1, lay the opening of the single market, embracing 17 countries and with a population of 380-million and annual gross domestic product of \$8 400-billion in the world's greatest free trade zone.

The promises of prosperity went with those of a coming-together of all Europeans now able to work and live anywhere they wanted.

Instead, as 1992 ended, Europe found itself grappling with economic stagnation and spectres from a past which most hoped had ended in 1945 and finally been buried when the Berlin Wall came down three years ago.

The ideal of greater European union was tarnished by suspicion, distrust of centralism, rejected by Danish voters in a referendum and put on hold by the British.

At the Edinburgh summit, the 12 European Community leaders were able to claim a triumph of compromise only because the pre-meeting outlook had been so bad.

But to enable the Danish government to test it at a second referendum, the Treaty was doctored to make a mockery of the central points. Denmark can now opt out of monetary and defence union and Britain has already secured its option not to join a common currency.

However, it should allow the pro-

cess of enlarging the EC to include Austria, Sweden, Finland and Norway to start next year. The notable exception is Switzerland which echoed the Danes and rejected the European Economic Area, which was to make the Alpine and Nordic nations part of the single market as a precursor to EC membership.

The stresses pulling Europe out of shape were a dangerous amalgam of interacting factors: weak economies, rising unemployment, the horrors of ethnic war in what was Yugoslavia and refugees from it adding to the scores fleeing the economic wreckage of former communist states.

### Crisis

Europe's economies grew by only one percent this year — the worst performance since the recession of 1981-82 — and projections are that 1993 will bring only a marginal improvement to 1.2 percent. Unemployment, the worst in the industrialised West, will rise to nearly 11 percent and stay above 10 percent for the next two years — roughly 20-million people.

The focus of responsibility for the sluggish recovery has concentrated on the German Bundesbank.

56A  
High German interest rates led directly to the speculative crisis which cracked the "stable currency zone" of the European Monetary System in September.

Britain and Italy were forced to accept devaluation and leave the system of fixed exchange rates. Spain and Portugal devalued within it as did the EC aspirants of Scandinavia.

Economic weakness, joblessness, foreign migrants and innate racism combined to spread a poisonous mixture across Europe. France, Germany, Spain, Italy and Britain witnessed attacks on Asians, Africans and Jewish institutions.

In the agricultural economy, Europe avoided a trade war with the US over subsidised exports. But the concessions by EC Agriculture Commissioner Irishman Ray McSharry, 54, brought French farmers rioting onto the streets.

The deal unlocked the way for progress in the stalled Uruguay Round of the General Agreement on Tariffs and Trade (GATT) and its promise of adding \$200-billion to annual world trade by the end of the 1990s.

It is not certain whether the March deadline for the GATT talks will be met. The French National Assembly voted against the deal and premier Pierre Bérégovoy has threatened to veto it.



**O**FTEN, "a crime requires a fortuitous opportunity as well as a motive," observed Jacques Poirot. For Poirot, European Commission internal investigations chief, this was the denouement of perhaps his most remarkable case. It was, he mused, one which his more famous uncle, Hercule, would have found truly fascinating.

He looked around the room at his distinguished suspects. There was European Commission president Jacques Delors himself, impatiently fingering a large file labelled DANE-MARK. British Chancellor of the Exchequer Norman Lamont was hurriedly putting a Thresher's Christmas drinks price brochure back into his briefcase. Only Bundesbank president Helmut Schlesinger seemed at ease, in the manner of a man who was content in the knowledge that he had done a good job.

"I must apologise, messieurs, for detaining you during this festive season," Poirot said. "But I believe it is vital to clear this matter up."

"I am referring, of course, to what have become popularly known as the ERM murders. First, the vicious attack on the Finnish markka. So small and so vulnerable, it posed no threat to anybody, and yet it was ruthlessly gunned down by speculators. Then came the demise of the Italian lira. Some argue that the lira deserved all it got. But the circumstances were still disturbing.

**N**ext, the sterling pound. Perhaps it had behaved... how shall I say? ... somewhat provocatively. But did it merit such a fate? I think not. And so on, with the peseta, the escudo and others, all mercilessly cut down. Only this month the Swedish krona succumbed after a long period on life support. An inexplicable run of serial killings which surely cannot be random."

If Poirot's stony-faced listeners understood, they showed no signs of doing so. He walked down the table, and stopped opposite Delors.

"I am afraid you are not just here as an observer, as you were led to believe, monsieur. It is difficult to make accusations against my own boss. But the logic of the evidence is such that I must give voice to my suspicions."

"Me, a suspect?" rasped Delors.

# Who is killing the great currencies of Europe?

(S6A)

BARRY RILEY

Alamy 30/12/92

ERM, so long as it is run in the way we require."

"Exactement! monsieur," responded Poirot. "But I suggest that the signing of the Maastricht treaty a year ago unleashed strong emotions in you. After all, the very future of your beloved Bundesbank was threatened. It would be replaced by a European central bank in the council of which the views of countries such as Italy and Britain would become important. Just think how inflation-ary that would be. Your anger could lead to a *crime passionnel*."

Poirot nervously fingered his moustache. "How much stronger your chance might be if you could arrange that the franc should be the new core currency of the EMS. Now, all rivals have been eliminated except, of course, the Deutschemark. Perhaps that will be your next target. However, you are not my chief suspect."

Poirot shifted his gaze further along the table. "Herr Schlesinger, you were always a more plausible perpetrator of this crime. You behaved aggressively in raising interest rates, regardless of the position of your ERM partners. There were reports of interviews in which you apparently sought to undermine the security of certain currencies."

Schlesinger snorted. "Those accusations have all been answered. I did not say those things, and if I did say them they were not authorised to be printed. The Bundesbank has always been completely committed to the

of activists eager to expand the role of the community, for instance in the Yugoslavian crisis, but balked by member governments unwilling to cede sovereignty or provide funds.

"No government has been more obstructive than that of Britain. So it would surely have been tempting for the conspirators to arrange a trap. This would be poetic justice. The British, so keen to restrict their spending, would be lured into a situation in which they would stupidly waste billions in a vain attempt to support sterling."

Norman Lamont, silent until then, rose to his feet in protest. "I say, that's most unfair," he protested. "We had a very clear strategy and in fact we did not devalue sterling, it was just that it floated downwards."

Poirot twirled his moustache again. "Bien sur," he said. "But the fact is that British money is now pouring into Bosnia, and the British government can do absolutely nothing to stop it. But now, if you will kindly sit down, M Lamont, I will turn to your part in this affair."

He paused for effect. "You, of all people, surely had no motive for finishing off European currencies, least of all your own. And yet there were some curious inconsistencies in your behaviour. During the summer, you repeatedly protested that maintaining the pound at a central rate of DM2.95 was the only possible policy. The alternative, you said, according to my recollection, would be a 'snip and run' policy leading to inflation.

But in the end you pulled out of the ERM almost without a fight. Did you protest a little too much? My suspicions were aroused.

"And then, within the past few weeks, a possible explanation emerged. You were involved in newspaper publicity concerning a tenant in your house, a Miss Whiplash I believe. You evicted her, but it emerged, we know not from where, that £4700 of your legal costs were paid for by the Treasury.

"Permit me to suggest that you received advance notice that Miss Whiplash leak was likely to occur. You thought it advisable to create a diversion. So the sterling crisis came as an unexpected opportunity.

"Your improvised plan was simply ploy itself. You would blame the sacrifice of sterling on the Germans and on speculators. The premier and rest of the party would be forced to support you because of their anti-European policies. Then, when the matter of the legal costs became public, it would seem to be a minor affair, and would present no further threat to your position."

Lamont laughed. "I came expecting an explanation of the attacks on European currencies," he said, "but we have simply been given four ludicrous theories, all totally unprovable."

"Not quite unprovable," replied Poirot. He pulled a piece of paper out of his pocket, with a flourish. "You really should not have been so careless as to write incriminating instructions on the back of your wine merchants' sales slip. It says: 'Access restricted. 16.09 short. Tell cellars.'

**A**llow me to explain. The first two words plainly represent a security classification. Then comes the explicit warning of the date of Black Wednesday. Finally, there is an instruction to your friends in the markets, although unfortunately your spelling is not very good. It confused me until I realised you meant 'sellars'."

Lamont rose and turned towards the exit. "There is not a scintilla of doubt about my innocence," he said. "My character will never be devalued. I am tired of hearing quack solutions to these problems."

Jacques Poirot sighed. It was as he had feared. "Et bien, the evidence is clear," he murmured. "They are all guilty." — Financial Times

LETTERS

# Sterling crisis mirrors events 61 years ago

STAR 30/11/92

SPA

LONDON — The Bank of England's reserves were almost exhausted, foreign loans and interest rate rises had failed to stem a huge run on an overvalued pound. The prime minister ate his words and let sterling float.

Not September 16 1992, the day that has gone down in British history as Black Wednesday when John Major pulled the pound out of the European Exchange Rate Mechanism (ERM).

But September 20 1931, when Prime Minister Ramsay MacDonald, having already seen his minority Labour Party government toppled by the crisis, gave up attempts to defend the pound and withdrew sterling from the gold standard.

Uncanny parallels exist between two of Britain's most traumatic sterling crises.

But perhaps the most striking is that in the Great Depression,

as now, politicians staked their credibility on defending the pound, treating a buoyant currency as a sign of strength and regarding weakness as little short of national catastrophe.

It is this politicisation of currency markets that in the eyes of many economists, has brought the European currency grid to the brink of collapse.

It is ironically also the one factor that could preserve at least a solid core of the ERM, based on what appears to be an immutable political alliance between France and Germany to defend the franc-mark parity at the heart of the system.

Richard Jeffrey, head of research at brokers Charterhouse Tilney in London, said: "People have come to associate currency strength with political strength and weakness with failure — politicians feel they are judged by the

currency market."

The ERM, created in 1979 to form a "zone of monetary stability" in Europe, was always a political animal and at its peak linked all EC currencies barring the Greek drachma.

But in the past three months, as speculators forced out the pound and Italian lira and attacked a host of other currencies from Spain and Portugal to Ireland and Denmark, political manoeuvrings have become paramount. The very vocabulary of the ERM exudes politics.

France's economic policy of the "franc fort", or strong franc, spells out the determination of President Francois Mitterrand's government not to devalue against the German mark.

Sweden, which had been shadowing the ERM, imposed short-term interest rates of 500 percent before the strain became too

great.

Ireland, rather than suffer the ignominy of devaluation during an election campaign, pushed rates to 100 percent.

For former prime minister Margaret Thatcher, who for 10 years resisted British membership, the ERM was a "virility symbol" she could do without. But her successor, Major, based his whole economic strategy on pegging the pound against the mark.

Economists say the root cause of the turmoil is twofold — unusually high German interest rates which, because of the mark's anchor role in the system, have forced rates up throughout the EC, and a refusal of many countries to swallow their national pride and opt for an early devaluation.

Many economists believe EC leaders are likely to gloss over fundamental problems with the

functioning of the ERM, pressing ahead with plans for economic and political union.

In the wake of Black Wednesday Major hit out at the "fault lines" in the system, a thinly veiled attack on the German Bundesbank's refusal to cut interest rates.

But detailed discussion of that issue by leaders in Edinburgh would be tantamount to admitting that their ambitious plans for a single currency in Europe had been derailed.

Some economists say a return to the early days of the ERM, when currencies were often "realigned", is the best hope for survival. In the first eight years, there were 11 realignments.

But some economists believe that in 1989 the ERM was hijacked by politicians, principally Mitterrand and German Chancellor Helmut Kohl, who resolved

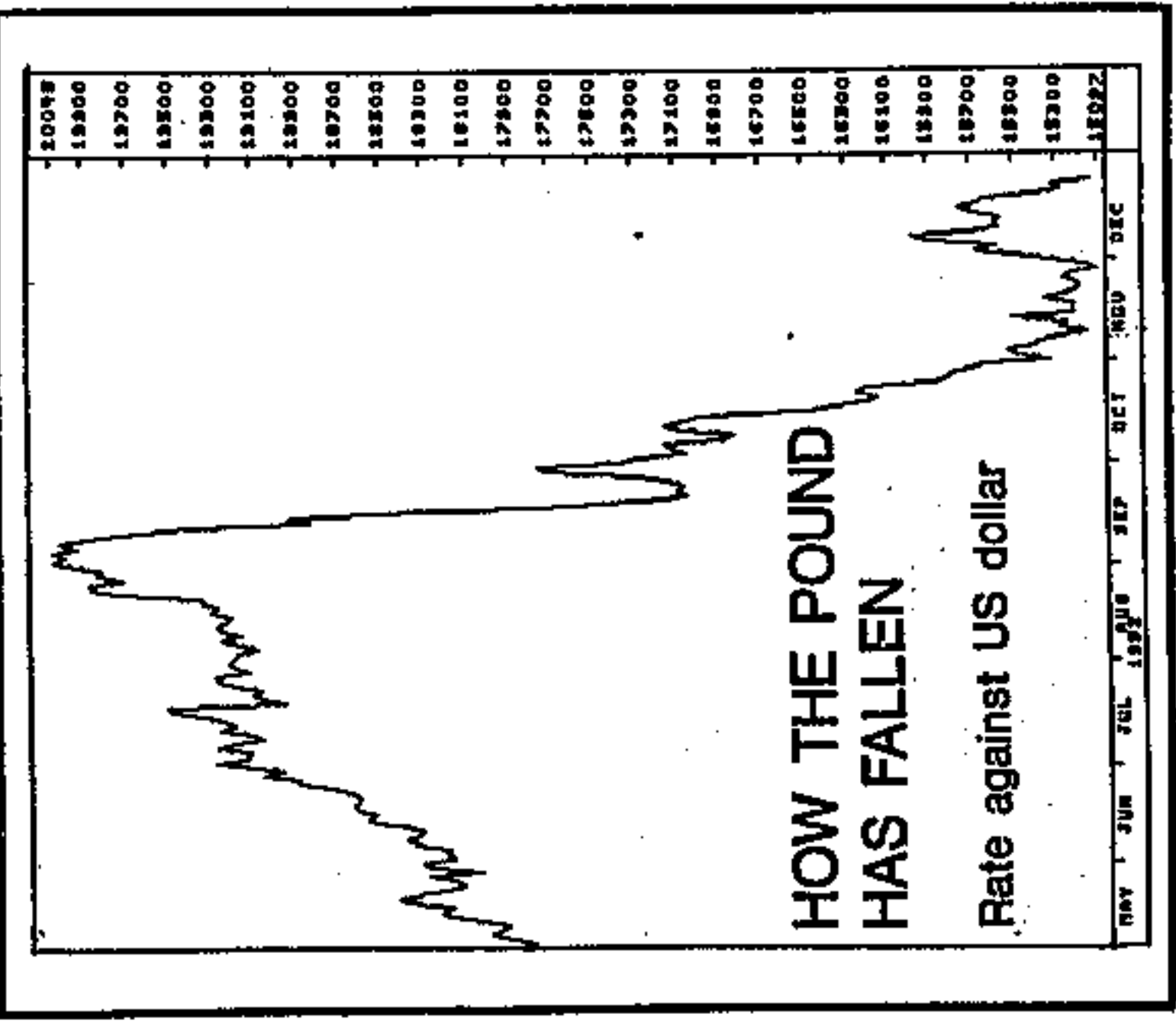
unofficially to fix parities and use the ERM as the vehicle for a smooth transition to a single currency.

This strategy was blown apart in June when the Danish people rejected the Maastricht Treaty on political and economic union.

In the turmoil that followed, speculators forced three ERM realignments as currencies crashed out of their pre-set bands.

More political flexibility might have avoided the firefighting and allowed a more orderly realignment. One of the architects of the ERM, former German chancellor Helmut Schmidt, condemned the refusal of politicians to devalue.

He said after Black Wednesday: "Governments kept exchange rates fixed for several years, above all for prestige reasons, a motivation which particularly guided the British government." — Sapa-Retuer.





# EC customs checks end with New Year

BRUSSELS — The EC's long-awaited single market will come to life officially at midnight on New Year's Eve, but the celebrations will be subdued.

Most visible should be the disappearance of customs checks at borders between EC states on everything from lorryloads of livestock to crates of wine in cars.

The European Commission, which conceived the plan in 1985 as a way to inject new dynamism into the EC, says more than 95% of the 282 measures it proposed then have been agreed on, but many important decisions still have to be implemented by national parliaments and there will be some long delays. *BIDAM 31/12/92*

Britain, Denmark and Ireland have held out against plans to abolish passport checks at frontiers between EC states, with London especially concerned about terrorists and illegal immigrants. *(SLA)*

Other states hope to scrap passport checks at internal borders by mid-year. But it will take until next December to adapt airport layouts to ensure routine identity checks only for travellers arriving from outside the EC.

More than 1 000 bonfires or beacons will be lit across the 12-nation community to mark the symbolic completion of a single market linking the EC's 345-million people. European parliamentarians will toast the event with champagne and fireworks on a midnight cruise between Dover and Calais.

But beyond such orchestrated happenings, the celebrations have a muted tone in a community battered by recession, fretting over the war in Yugoslavia and immersed in debate on its own political direction.

There is no direct link between the single market and the Maastricht treaty on economic and political union which has absorbed so much attention this year.

But the latter debate has underlined divisions between those for whom a giant trading area is a worthwhile destination in itself and those who see it as a major staging post on the way to something greater.

Trade will be freer from January, but there is no agreement yet on an EC trademark. — Sapa-Reuter.



EUROPEAN ECONOMIC COMMUNITY (EEC)

1993

# South Africa looking for better access to EC trade 56A

BRUSSELS — A year after the European Community dropped its last remaining sanctions against South Africa, Pretoria is still battling to win better access for its goods to the lucrative EC market.

South Africa's new Ambassador to the EC, Neil van Heerden, said in an interview with AFP last week that a trade accord with the EC was being held up until a post-apartheid interim government was installed in Pretoria.

"We have no special relationship with the EC," he said.

The ideal arrangement would be an accord such as those which give countries like Israel or the Maghreb countries preferential access to the EC market.

## Dominance

But EC officials say they want South Africa linked to the community through a broader southern African trade grouping, so that the benefits go to the entire area and do not add to Pretoria's economic dominance of the region.

They warn that talk of South Africa forming a pole of regional economic renaissance is premature until Pretoria shows it is serious about redistributing wealth more fairly between white and black in South Africa.

Van Heerden says the parties involved in South African constitutional talks are still debating their links with the rest of the world.

The African National Congress (ANC), for example, wants South Africa reclassified as a developing country, to hasten black development.

Van Heerden referred to "the vast economic potential waiting to explode" in South Africa once it had managed a transition to an apartheid-free society and investors were convinced there would be no end to its market economy.

Anti-apartheid sanctions have largely disappeared, but foreign investors are still being discouraged by the uncertainty of change, and fears that South Africa's free market could be swept away with apartheid.

A major business study in South Africa warned last year that no country had ever achieved a successful conversion to a stable democracy in the absence of a sound economic performance before, during and after the transition.

The country has had a negative growth rate for the past three years, and unemployment is high.

Van Heerden said: "The EC can help to speed up the rate of change by becoming more engaged. If our economy improves, the prospects of a settlement will

improve." *SMAN 11/1193-*

There was growing convergence of views between the Pretoria government and the ANC over how to run the post-apartheid economy, without heavy government involvement.

But he cautioned that South Africa's transition was "more complex and will take a little longer than we thought."

South Africa is looking enviously at the preferential trade-and-aid links which its neighbours have with the EC through the Lome Convention.

"It creates a difficult situation," Van Heerden said.

## Businessmen

South Africa is excluded from the Lome Convention but has a customs union with its Lome neighbours. Some analysts say this offers local businessmen the temptation to pierce the EC market by moving their goods into these countries, then disguising their South African origin.

However, most Lome countries want to keep South Africa out of the convention. "They see our membership as another claim on a shrinking aid pot," Van Heerden said.

He emphasised, however, that South Africa was not looking for EC aid hand-outs.

"We are a viable trading partner." — Sapa-AP.

# Govt lobbies for GATT reclassification

PETER DELMAR

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

Reclassification could ease GATT requirements applied to SA.

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

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

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

The sources said SA ambassador to the EC Niel van Heerden was spearheading a bid to win over the community's officials to accept reclassification. (56A)

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

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

11/11/93  
BIPDAM





## Full Lomé membership mooted

# EC urged to give SA trade concessions

SbA (circled) (circled)  
BIDM 12/1/93.

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

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

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

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

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

This study, entitled EC Trade Prefer-

TIM COHEN

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

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

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

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

Bilateral association agreements are also in force.

The study suggests any SA trade deal

To Page 2

## EC trade

BIDM 12/1/93.

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

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

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

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

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

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

port to the EC.

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

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

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

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

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

From Page 1

# US nudges Buthelezi to join negotiations

w/mant. 8/1-14/1/93

By ARTHUR GAVSHON: London  
EXERCISING quiet diplomacy, the United States has joined Britain and other European Community states in pressing Mangosuthu Buthelezi to lead Inkatha back into the multiparty process of negotiating a new constitution.

Diplomats of the countries concerned report that the action is at the centre of a concerted attempt to back up the broad understanding reached by the government and the African National Congress at last month's *bos-beraad*.

In essence, the understanding was based on a recognition of two realities:

■ That the two sides have what they called a "shared responsibility" for leading South Africa towards an election of a government of national unity in which all willing parties will participate.

■ That a breakdown of the negotiating process almost certainly would have the effect of hastening the collapse of the country's already crippled economy.

The informants said they were unable to indicate whether Buthelezi's response to the pressures being exercised on him behind the diplomatic scenes has been positive, negative or non-committal.

One US State Department source observed: "Buthelezi seems to be playing the situation by his political instincts, keeping open his options by allowing subordinates to engage in exchanges both with the government and the ANC.

"But he has been left in little doubt that, with a new administration soon to take over in Washington, he won't be able to count on the sort of sympathetic hearing he has relied upon in the

past."

The British, who relinquished the presidency of the EC a week ago, have been in contact with all the main parties in South Africa, pushing the need to get a possibly restructured Codesa negotiating process going again.

"We expect multilateral talks to be resumed within about a month," a Foreign Office official said. "Our understanding is that President de Klerk will be making a major statement on the issues on January 29.

"And, of course, our immediate concern has been to ensure that Buthelezi will take good care not to find himself isolated."

British diplomats in South Africa, working in concert with other EC governments, were promoting the case for all-party talks throughout December.

In a related development, US authorities in public, and European diplomats privately, hailed De Klerk's action in cleansing the higher echelons of the South African Defence Force who have been among those elements known, or suspected, as opponents of his reform programme.

The shared view of most Western governments was voiced by Richard Boucher, spokesman for the US State Department: "We welcome the steps taken by De Klerk to discipline members of the military implicated in illegal activities.

"President-elect Bill Clinton's administration is expected to be less patient with the political mavericks of southern Africa than that of his predecessor."

(SBA)



# Fortunes to be made for those with courage

8/10/93 13/1/93

PLEDGES are again ringing out within the European exchange rate mechanism (ERM) that currencies currently under pressure will not be allowed to fall. This will have a familiar ring to foreign exchange traders, who will by now have sensed desperation in the air.

Precedent has taught that, when desperation becomes a currency market fundamental, there are fortunes to be made on puny positions.

Four months ago an obscure Hungarian fund manager heard a similar mixture of threats and bluster about exchange rate defence from other ERM central banks, detected the tell-tale whiff of desperation and quietly took a modest, contrary position in the market. He made around \$2bn at a stroke when sterling left the ERM and fell 15%.

That was last September, when sterling and the lira were forced out of the ERM after — particularly in sterling's case — weeks of reassurance to the markets that parities would be defended.

An almost identical drama is being played out this week on the future of the French franc and the Irish punt.

Any dealers well backed by their institutions and possessed of what

the forex market calls *cojones* might even now be emulating the obscure Hungarian. Indicators in the past week have pointed irresistibly to a repeat of September's market theatrics and are inviting traders to have a flutter on the franc and a punt on the punt.

The franc and the punt are next in the ERM firing line because they, as sterling and the lira did four months ago, represent economies that will face short-term difficulty in matching German interest rates.

ERM countries' interest rates are linked to Germany's because ERM

currencies have to maintain fixed trading ranges against the Deutschmark, which is backed by Europe's biggest economy.

France has a stagnating economy, unemployment running at more than 10% and a government seeking re-election in March. These fundamentals cry out for lower interest rates, and the French finance minister has only to lift the telephone to a subervient central bank to ease them.

Lower French interest rates at a time when the franc is barely a centime above its FF3,4305 ERM floor against the Deutschmark would, however, threaten a franc devaluation. But any self-respecting speculator looking at the first chart would feel on safe ground in betting against the franc holding its parity.

After a fifth devaluation in six years against the Deutschmark in 1987, the French authorities adopted an avowedly *franc fort*, or strong franc policy, but the chart's general trend remains largely intact. Markets still feel more comfortable with

## SIMON WILLSON

Germany's independent central bank and centre-right government than with France's socialist president and the meek Banque de France.

The Irish punt's predicament arises mainly from the fall in sterling. A third of Ireland's exports are UK-bound and are now about 15% more expensive for Britons spending fallen pounds. A competitive punt devaluation would redress this balance and might help slow any addition to Ireland's daunting 21% unemployment rate.

Savvy, streetwise traders in the European markets know all this.

They have also studied the punt's inexorable trend in the second chart and can see little reason for an eruption or a reversal at this stage.

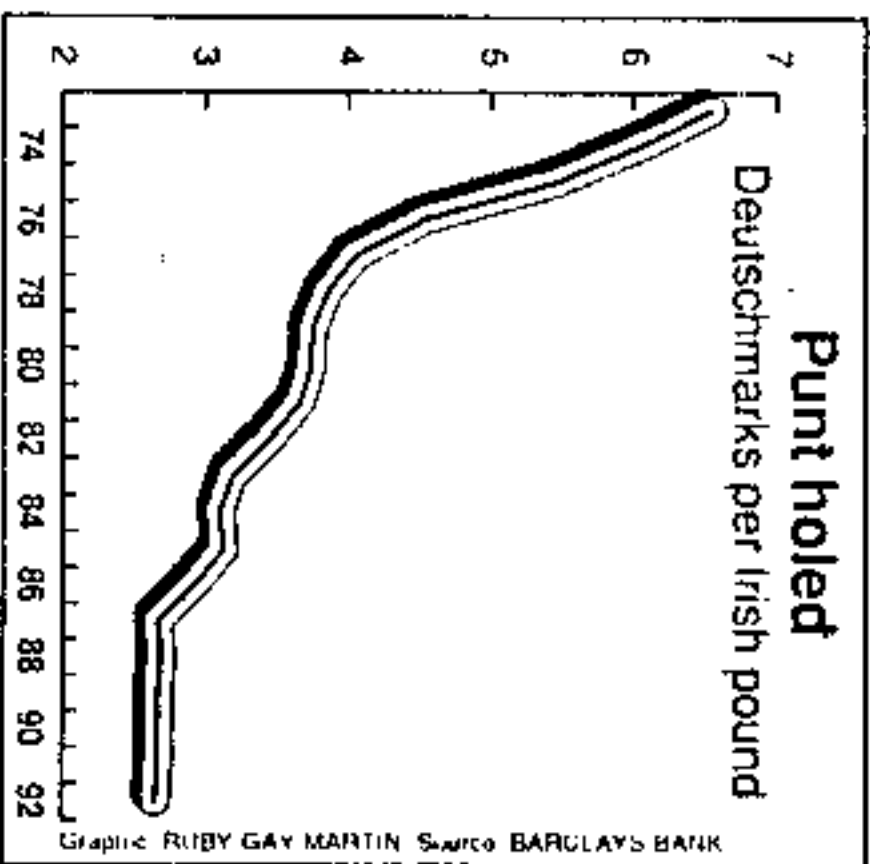
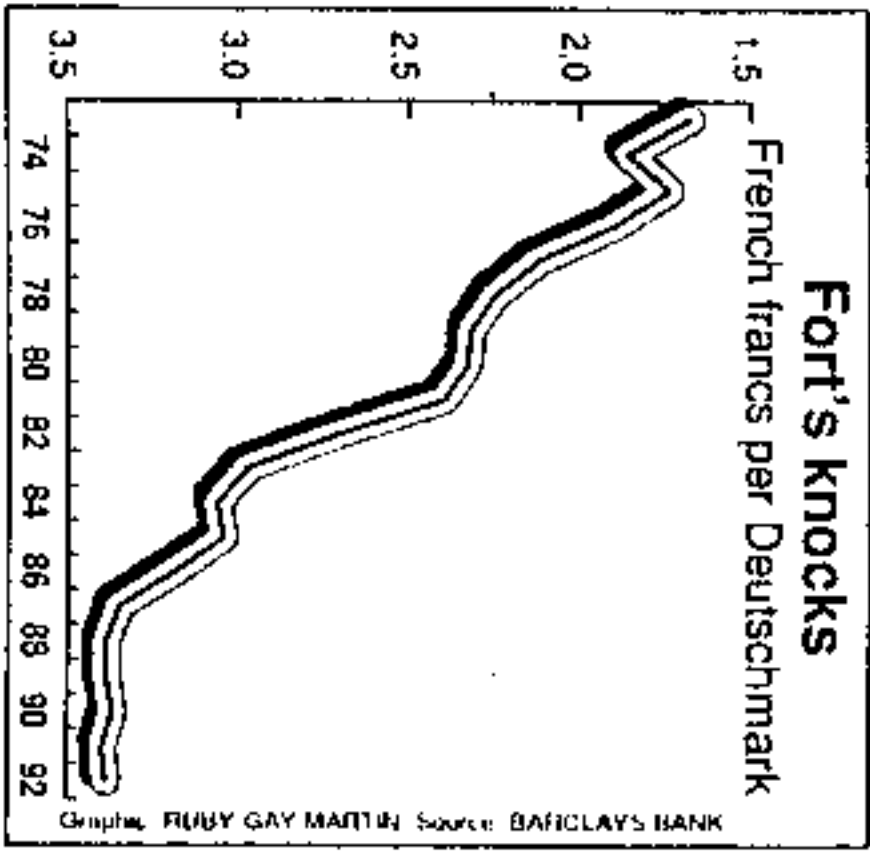
This week's unsettling political developments in Dublin, in which the government is trying to achieve stability by forming a contorted coalition with the opposition, will only have underscored doubts about Irish policy and prospects.

The bluster essential in provoking successful currency speculation has been unerringly supplied by both countries' governments. The French premier warned traders' hearts this week by declaring that the franc would not be devalued while he held office while Ireland's premier and opposition leader have each faithfully ruled out devaluation.

The new Irish administration takes office this weekend. The short sellers in the market are betting that a punt devaluation will be followed by an ERM realignment involving franc devaluation.

To make a killing on these events all they have to do is borrow the suspect currency of their choice, sell it at the current exchange rate and wait to buy it back at the lower rate after devaluation.

That takes *cojones*.



# Confidence sagging in EC

STAR 13/11/93  
BRUSSELS — Economic confidence in the European Community has dropped to levels last seen 10 years ago at the trough of economic recession in 1982, the EC's executive European Commission says.

It says in a report just published the community's leading economic indicator dropped in November last year by 0,3 percent to 96,6 — only 0,5 percent above a low of 96,1 in October 1982.

The index fell most sharply in Belgium, Germany, France and the Netherlands. It reflects general economic confidence by including the sentiment of industrialists, consumers and the construction sector, plus share indices.

The report, dated December, says the industrial, building and retail industries all expected business to deteriorate in coming months.

Domestic demand was

56A  
stagnant, an expected upturn in foreign trade was nowhere in sight, and there are at present no signs of a turnaround in economic activity in the near future.

Almost a half of all consumers in the EC believed that the economy would continue its deterioration through 1993.

Pessimism was deepest in Belgium, Germany, Spain, Italy and the Netherlands. — Sapa-AFP.

# Little chance of quick agreement on GATT

BLOOM 14/11/93

(56A)

GENEVA — Quick agreement on a new global trade treaty was out of reach despite a recent flurry of top-level negotiations, diplomats and trade sources said yesterday.

They spoke as the General Agreement on Tariffs and Trade (GATT) announced a postponement from Friday until Tuesday of a key meeting of top negotiators in the six-year-old Uruguay Round of talks to liberalise commerce.

"It is now clear there is absolutely no way anything is going to be ready for the Clinton administration when it takes office (on January 20)," said one senior trade diplomat. "It looks as though there are many days, if not weeks, of bargaining, still ahead."

Senior negotiators from the US and EC launched an effort late last week to settle differences over the volume of tariff cuts under an accord. At the same time, ambassadors from other countries in the 108-state GATT summoned their negotiators across a range of goods and services to Geneva to take part in the push.

Diplomats said the aim was to have at least a basic accord ready when Bill Clinton moved into the White House.

GATT chief Arthur Dunkel, although reportedly not optimistic that the time-scale was feasible, joined in the effort by holding marathon talks with key negotiators on completing the draft package he put forward in December 1991.

Negotiators say they feel the accord must be finalised well before the March 2 deadline by which Clinton must present it to the US Congress.

The Dunkel discussions were suspended late on Tuesday with little advance made. Both EC and US sources said the blockage centred around changes sought by Washington. "It is not so much tariffs holding things up as the analysis of proposed changes to the Dunkel draft," said one EC official.

Other countries involved in the Uruguay Round are forced to wait on the sidelines until the two major powers settle differences because, under trade rules, concessions they make to each other have to be extended to all their GATT partners.

Announcing the postponement, GATT said there would be "no change in the purpose of the meeting, which is to assess the overall progress in the Uruguay Round and take stock".

Negotiators from several missions said the delay would provide more time for work in contentious areas. But a trade source warned against optimism that this could produce an accord by Tuesday.

"It just can't happen. They are still a long way from agreement," he said.

Even if the US and EC resolve their problems other issues remain, including resistance by Japan and South Korea to switching from import barriers to tariffs to protect their rice markets.

Overhanging the entire package is a threat by France to veto the agreement. Agriculture Minister Jean-Pierre Soisson said in Paris yesterday France would not allow GATT talks to end successfully next week if the final package included farm subsidy concessions that Paris had rejected. — Sapa-Reuter.



# UK marchers call for vote on Maastricht

SbA CT 18/1/93

LONDON. — Several thousand demonstrators, egged on by former premier Lady Margaret Thatcher, marched through London yesterday to demand a referendum for British voters on a closer European Community union.

Encouraged by messages of support from Lady Thatcher and other so-called Eurosceptic politicians, they filed past Parliament to demand a referendum on the Maastricht treaty on EC union.

"I believe that the people do not want the treaty and that they prefer to

keep our present commitments with Europe and go no further," Lady Thatcher said in a statement read to the crowd of up to 3 000.

Prime Minister Mr John Major has rejected a referendum, arguing that Parliament should decide the issue. Of the 12 EC countries, only Denmark, France and Ireland have put the treaty directly to their voters.

Opinion polls have suggested 70% of Britons would like a referendum. — Sapa-Reuter

## Settlement<sup>56A</sup> on GATT is months away

<sup>15/11/93</sup>  
<sup>18/11/93</sup>  
GENEVA — Resolution of the Uruguay Round of trade talks could be months away; at the earliest, the Wall Street Journal Europe reported last week.

A push last week by the US and the EC for an early settlement of the talks has all but ended. <sup>18/11/93</sup>

On just one crucial issue, cutting import tariffs, neither the US nor the EC had come close to agreeing on a package they felt could be acceptable in Washington and in Brussels.

Nonetheless, the current series of talks are continuing to establish the positions of key participants on a range of issues.

Several senior negotiators have concluded that major trading nations are far apart and are standing firm on issues such as agricultural and industrial tariffs, subsidy regimes, textiles, services, intellectual property and even a new trading organisation.

Consequently, negotiators at the 108-nation talks are doubtful that the round can be concluded before March 1, when US fast-track authority expires.

Efforts to revive negotiations and conclude the round will now depend on new teams from the US and the EC — under the Clinton administration and under new EC Trade Commissioner Leon Brittan. — AP-DJ.

STAN 19/1/93

# Economic outlook for EC grows bleaker (S6A)

BRUSSELS — The European Community yesterday predicted its economic outlook for this year would be even bleaker than expected.

The Community's economics chief, Henning Christophersen, told a closed door meeting of finance officials that economic growth would probably average 0,8 percent in 1993.

"It's not going to get any better," said Dutch finance minister Wim Kok. "In 1993, it looks even a little bit bleaker than we had thought up to now."

Christophersen had previously forecast a growth rate, after adjustment for inflation, of 1,0 to 1,5 percent this year.

The gloomier forecast underscores the serious economic situation facing the EC. Unemployment, already high, was expected to surge even more in the months to come.

Growth in 1992 was about one percent, EC officials have estimated.

The latest prediction was delivered as the finance ministers of the trade bloc began discussions about plans for funneling billions of dollars into public works projects as a way of pumping up their economies.

The growth rates forecast for 1993 for the EC countries are: Belgium 0,5 percent, Britain 1,3, Denmark 1,8, France 1, Germany 0, Greece 1,6, Ireland 2,1, Italy 0,8, Luxembourg 2, Netherlands 0,6, Portugal 1,3, Spain 1. — Sapa-AP.



BIDBY 19/1/93

## New world trade treaty 'on track'

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

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

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

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

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

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

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

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

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

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

# EC revises growth forecasts down

STAR 20/1/93

56A

BRUSSELS — European Community finance ministers have reacted to lower EC growth forecasts with an effort to talk up prospects for an early cut in European interest rates, an accelerated growth package and the view that the worst of the crisis in the exchange rate mechanism was over.

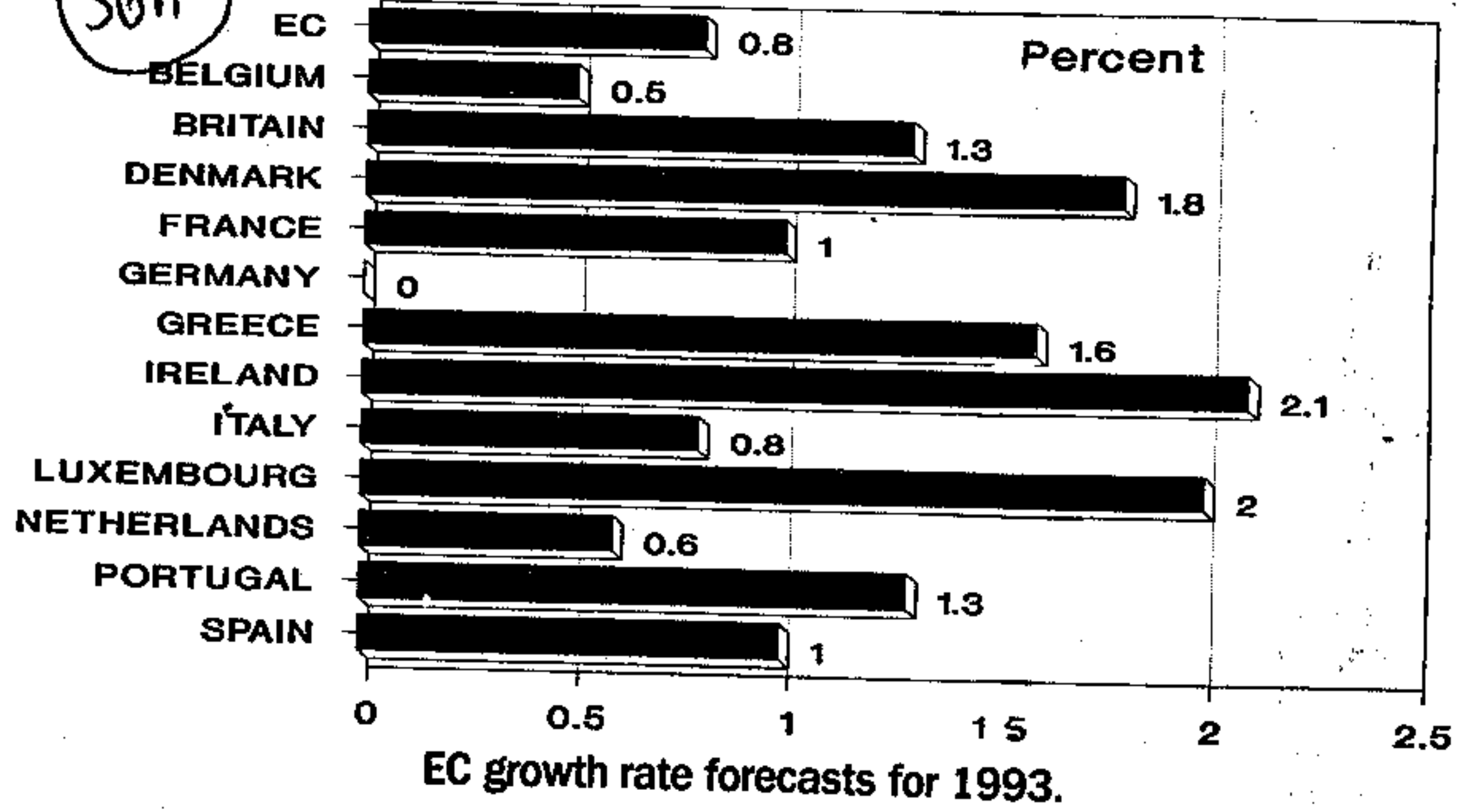
The European Commission had cut its forecast for average growth in European Community countries this year to 0.8 per cent from 1 to 1.5 per cent.

It laid most of the blame on the sluggish

German economy.

In a joint statement, ministers reaffirmed their determination to support member states participating in the ERM and issued an unusual statement welcoming the new Irish government's decision to defend the punt's existing parities with other ERM currencies.

Ministers also agreed to step up plans for an EC growth package, including a new European Investment Bank lending facility to finance roads and telecommunications. — Financial Times.



BIDM 21/1/93

**EC inflation 3,7%** (56A)  
THE EC's average inflation rate for calendar 1992 was 3,7%, the lowest figure for five years and down from 4,8% in 1991, the EC's statistical service Eurostat said in Brussels yesterday.  
But unemployment rose as inflation fell. In November, the average unemployment rate was 9,9%, the highest since May 1988.  
REPORTS: Business Day Reporters, Saps-AP.





**OBSERVING . . .** Members of the Belhar Civic Association show two European Community observers around the dump. Picture: AMBROSE PETERS

# EC observers shown over Belhar dump

S Times (Cape metro)

By JESSICA BEZUIDENHOUT

BELHAR residents, upset by the Regional Services Council's refusal to discuss the dumping of industrial and hospital waste near their homes, have tried to break the impasse by showing members of the European Community Mission in SA over the site.

24/1/93.  
The dump is on Bellville's border and opposite a residential area in Belhar and residents fear it is a health hazard.

European Community observers were taken to the site early yesterday.

"We hope they will be able to facilitate talks between the community and the RSC," said Mr Niel McDonald, chairman of the Belhar civic association.

He said the community had tried several times to discuss the dump with the RSC, without success.

"The RSC says that the dump falls under the Bellville municipality and so is not under its jurisdiction."

Mr McDonald said Groote Schuur Hospital had dumped medical waste on the site, where children often played.

After this incident, the community approached the RSC about the dangers of the dump's being close to a residential area, but

was told that "the matter is closed".

Factories also often left industrial waste at the dump, Mr McDonald said.

A member of the EC Mission to SA, Mr Serge Pjoff, said the observers did not have a mandate to intervene, but would talk to the RSC this week.

A spokesman for Groote Schuur Hospital confirmed that used medical disposables had been found in the waste which a contract driver had "accidentally" dumped at the site.

However, the moment the waste had been discovered the municipal cleansing department arranged for it to be safely removed, he said.

Groote Schuur Hospital has since been fined about R500, a penalty similar to that for littering.

Earlier this week, Mr Steve Kimber of the incinerator company, Wastetech, said the dumping of medical waste would continue to be a problem until stiffer penalties were imposed.

The Regional Services Council was not available for comment yesterday.

# Bank of England's new boss counsels caution over ERM

BLOM 25/11/93 (56A)  
LONDON — The Bank of England's newly appointed governor said at the weekend expectations of European monetary union within a few years were "jolly ambitious" and warned Britain against rushing to join.

Eddie George, currently the bank's deputy governor, said he saw his main task as helping the government to keep prices down.

George was appointed on Friday to succeed Robin Leigh-Pemberton in July. He is a backroom operator with the nickname "Steady Eddie".

Asked by BBC radio whether with hindsight the unseemly exit of sterling from Europe's ERM currency grid on Black Wednesday last September could have been avoided, George, 54, replied:

"I may sound arrogant, and I apologise for that, but I honestly do not think there is anything we could have done differently to produce a different result."

On whether European monetary union was a reasonable ambition, George said: "In the next few years, that would be jolly ambitious."

He added: "What the events of last

summer demonstrated was the risks in locking exchange rates together in a rigid way before you have achieved real economic convergence. You cannot put that cart before that particular horse without great risk."

George said a lesson had been learnt from the crisis.

"It will mean that we will be more cautious about moving down the path of economic and monetary union. I'm not sure it is a bad thing. It will give time for popular understanding and support which is tremendously important to this enterprise."

Commenting on sterling's departure from the ERM he said: "I regret very much that we went out of the mechanism in the manner in which we did."

Chain-smoking George has built a reputation as a respected backroom operator in his 30-year career at the bank, weathering some of the greatest crises in its history.

George was favourite for the top job, having helped rebuild the bank's credibility after the 1991 BCCI scandal and surviving Black Wednesday's "volcano". — Sapa-Reuter.



Nigel Bruce argues that a spendthrift President Clinton would do nothing for growth in the US or anywhere else

# Thatcher, Reagan had their economic policies right

SMN 28/1/93.

**I**T ALMOST goes without saying that the buoyancy of the United States economy and its government's foreign policy are vitally important to South Africa. We have an extremely open economy here while the US is the world's largest market.

Ordinary folk probably didn't really need Allister Sparks to point this out to them, as he did in your newspaper on January 20. But having done so, he might have based his remarks on an economic analysis that is rational. His was not. So his conclusion that the economy will improve if President Clinton turns spendthrift is suspect.

Nor is it the first time that he has used your newspaper to express the view, for which there is no foundation in fact, that the policies of the Reagan and Thatcher era are responsible for lack of sustained economic growth in the US and the recession in Britain.

He writes that Clinton has "committed himself to some seminal changes that will effective-

ly end that disastrous era that produced a decade of corporate greed and excesses, followed by a hangover of debt and plant closures that plunged the American and British economies into crisis and sent a ripple around the world".

But he has got cause and effect wrong. It was the recidivistic tendencies of both the Bush and Major administrations (although in Britain it began before Lady Thatcher was ousted) that plunged these countries into a period of declining growth. Had they adhered to the "simple-minded 19th century economic liberalism" to which Sparks alludes, the outcome would have been very different.

That period of economic liberalism brought greater real benefits to the ordinary folk of the industrialising countries than had ever occurred in the world before.

Likewise the policies of Thatcher and Reagan in the 1980s unleashed such a burst of creative enterprise and capitalist endeavour that it brought about one of the longest periods yet recorded

of economic growth with stable prices. It also brought about the final downfall of the tyranny of communism. The world is more free today than it was before Reagan and Thatcher.

This era did mean a reduction in government spending and social benefits before taxes could be cut and other supply-side reforms introduced to restore economic vitality. Those achievements were solid and enduring.

Economic prosperity never endured indefinitely. But when the time came for productive resources to be renewed, the earlier policies of sound money and stable prices were abandoned. The situation was made worse by the failure of GATT negotiations and other artificial restraints.

Unsound money fed directly into high inflation, causing rises in asset and property prices and large-scale borrowing on inflated assets. When corrective action was taken — through monetary restraints and higher interest rates — property prices fell badly, businesses collapsed and home-

owners found mortgage commitments exceeded the value of their homes.

In Britain the recession was deepened by an exchange rate fixed to the European exchange rate mechanism.

German unification created an inflationary surge that the Bundesbank curbed by raising interest rates to levels incompatible with what was required to maintain sound money practices in Britain. Until that link was broken last September and market forces allowed to determine the exchange rate, Britain's moderate downturn was turned into perverse deflation.

The Conservative government for only a short period reverted to Keynesian expansion and unsound money. It led almost immediately to inflation. By attempting to rig the markets through the ERM, it perpetuated and exaggerated its error.

The Reagan-Thatcher era was never a period of "unbridled capitalism" or of "greed and excesses". Of course, government in-

tervention was curbed and state ownership of resources was reduced. However, in Britain spending on national health actually increased significantly.

It was an era in which the individual was encouraged to face the realities of his own needs rather than demand collective protection from increasingly impoverished governments. Significantly, even Britain's Labour Party expelled its Marxists and moderated its socialism as the benefit of the Thatcher era became evident.

Sparks has quoted Robert Kuttner's thesis in *The Star* before. It is that the era of the Cold War is over, but so too is a period of "unbridled capitalism". The last time Sparks quoted Kuttner there was coincidentally an article in the *Financial Times* by Sam Brittan pointing out with delicacy but incontrovertible logic that Kuttner was premature in his supposition.

If Clinton does attempt to speed the US economy out of recession by spending (his "people first" economics), the danger of inflation

and recurring recession will be very high indeed, especially in view of excessive domestic borrowing.

But Sparks can be sure that unbridled *laissez-faire* has not yet been attained anywhere, although its pursuit as an optimum cannot be a bad thing — as indeed the early Reagan-Thatcher record shows.

There was nothing wrong with the Reagan-Thatcher policies. They were entirely appropriate to circumstances. It was their abandonment and subsequent correction that turned an economic correction into a recession.

And, of course, the recession will end as balance sheets adjust once again to sound money policies and stable prices, reducing trade barriers, flexible exchange rates and domestic policies aimed at encouraging enterprise. Kick-starters like Sparks and Kuttner, if their advice be accepted, will do more harm than good. I doubt that Clinton is going to be their man. **● Nigel Bruce is editor of the Financial Mail.**



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# Global revival to top Davos agenda

BIDAM 28/1/93 (S6A) ~~28/1/93~~

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

# Incensed France fires trade war threat at US

8/07/93 29/1/93 (S6/F)

PARIS — France threatened the US with a trade war yesterday over the US move to impose dumping penalties on carbon steel imports from 19 countries.

Reversing roles of recent months, when Washington has menaced Paris with trade sanctions over agricultural subsidies, France accused President Bill Clinton's new government of unfair trade.

"If the American administration heads up the path of protectionism, counter-measures will be necessary in Europe," Premier Pierre Berezogovoy said at a news conference. "I hope that the Americans will think twice."

In a preliminary decision on Wednesday, the commerce department levied the duties on certain carbon steel imports from 19 nations including Britain, Germany, France, Italy, the Netherlands, Spain and Belgium. The penalties range as high as 109.22% on steel plate produced in Britain.

The department said it would decide in April on final dumping penalties.

French Trade and Industry Minister Dominique Strauss-Kahn warned that the 12-nation EC could file a complaint about the US with the General Agreement on Tariffs and Trade (GATT), the 105-nation pact that regulates global trade.

France's threat to appeal to the GATT is an ironic shift in roles from recent months. The US has for some time been accusing France of being the main obstacle to reaching a new GATT accord.

France has rejected cuts in EC agricultural subsidies that Washington views as unfair, and threatens to veto a GATT deal unless subsidy cuts are dropped.

"The Americans push for a GATT accord and, elsewhere, do exactly the opposite," Strauss-Kahn said. "It's completely to the contrary of the GATT rules."

Strauss-Kahn said the US restrictions would hamper the EC's efforts to give the struggling economies of Eastern Europe a boost by importing their steel.

State-owned Usinor-Salcor steel firm president Francis Mer said the anti-dumping levies would no longer financially al-

low his company to export its annual 500 000 tons of steel to the US.

Strauss-Kahn and Mer said they would rely on the EC's British trade chief Sir Leon Brittan to persuade Washington to reverse the decision.

Brittan, who described the move as "heavy-handed," said in Brussels on Wednesday that he would raise the issue next month in Washington with US Trade Representative Mickey Kantor and Commerce Secretary Ron Brown.

Experts in Brussels warned that the anti-dumping tariffs could badly hurt fragile economies throughout Europe and poison GATT trade negotiations.

They said struggling producers in the EC and elsewhere would be forced to seek alternative markets for steel, now they are to be shut out of the US, aggravating a struggle for survival in the industry.

## Pressure

"We fear very strongly that the US action will present us with a lot of difficulties," said Krzyszof Popowicz, first secretary in Poland's mission to the EC based in Brussels.

He said the EC steel industry would be forced to make up for lost markets in the US by selling more at home, so there would be more pressure to shut out eastern European steel exports to the community.

The European steel association Eurofer warned that the US move risked causing "a profound deterioration in economic relations" and breakdown of world trade talks under the GATT.

One diplomat pointed out that the anti-dumping duties, developed during the Bush Administration, would not be confirmed until mid-year, and the Clinton administration would have little say in a legally rigorous approval process.

In Geneva, GATT spokesman David Woods said the world trade agency had no official reaction to the US decision. He noted that GATT was supposed to remain neutral. — Sapa-AP-AFP.



# Gloom pervades economic forum

Star 11/21/93.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



The world has not forgotten SA, at least not entirely. But as weightier economic problems preoccupy the 1 300 government and business leaders from around the world cloistered here at the annual meeting of the World Economic Forum in the Swiss ski resort of Davos, it is difficult not to fear that SA is being confined to the netherworld of the no-hope nations.

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

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

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

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

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

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

# SA nudged aside as Davos confronts weightier matters

Bloom 1/2/93

JIM JONES in Davos

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

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

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

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

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

regularly.

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

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

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

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

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

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

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

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

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

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

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

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

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



□ POEHL

# Gatt will miss US deadline

STAR 2/21/93.  
DAVOS — Negotiations for a new world trade agreement have fallen so far behind that it appears they will not be ready before a US deadline expires, a key international trade official has said.

"We need just a bit more time, but not much," said Arthur Dunkel, secretary-general of the General Agreement on Tariffs and Trade.

Dunkel told reporters that he thought too much work remained in the so-called Uruguay Round of talks involving 108 nations to be finished by the end of February.

The trade talks, which began in Uruguay in 1986, are already more than two years overdue, but the US Congress had given negotiators until March 1 to finish a deal.

If the pact isn't finished in time, it will be unable to enjoy expedited treatment promised by Congress and instead runs the risk of being picked apart and stalled in committees.

The agreement would be the most wide-ranging reworking of international trade rules ever undertaken.

"I don't think it will be possible for the chairmen of the Trade Negotiations Committee to make sure from today until the first of March that we have a package which is accepted by all," said Dunkel.

He said he recognized that the new US administration of President Clinton "is working very hard, but I have to be realistic."

He said he could foresee that the United States and the Euro-

(SBA)  
pean Community could resolve their differences, primarily over agriculture subsidies, in time to agree on a package during the next month.

Other countries will have to be able to give their views as well and not simply rubber stamp a US-EC agreement, said Dunkel.

He said he couldn't accept "the situation where, because there is an agreement between the United States and the community, then all the rest of the world has to say yes and amen."

Dunkel said he wanted to keep negotiators working.

"We have to decide very soon, and then we go on," he said. "If we give too much time to the negotiators, they will all go on holiday and come back just one or two months before they think it's a deadline." — Sapa-AP.



# EC rejects 'unilateral bullying' by US

The European Community's top trade official, Sir Leon Brittan, yesterday condemned as unilateral bullying Washington's threat to freeze out EC companies when awarding US federal contracts.

His comments followed a statement earlier in the day from Micky Kantor, the US trade representative, that the federal government would stop buying goods and services from some or all European Community nations if the EC did not end discrimination against US goods in public procurement contracts by March 22.

This is the second aggressive trade measure in the first two weeks of the new Clinton admin-

istration," the executive EC Commission said in a statement, referring to dumping duties of up to 109 percent provisionally levied last week on US steel imports from seven EC states and 12 other countries.

Sir Leon said: "I cannot believe it is in anybody's interest, European or American, to attempt to deal with trade issues in this way. We do not accept this form of unilateral bullying."

He urged the US to show restraint, and said he would be discussing the crisis with Kantor in Washington during his first formal meeting with his US counterpart on February 11.

STAR 2/21/93

The US action on public procurement follows an almost year-long effort to reverse an EC utilities directive, which came into force on January 1 and gives EC companies preference in bidding for public utility contracts in sectors like telecommunications, power generation and transport.

Meanwhile, the penal dumping duties imposed on steel imports into the US have brought predictable cries of protest from around the world.

But for the hard-pressed steel industry, the consequences are real enough.

About 4 million tons of steel no longer have a home. Steel-

makers in 19 countries, from Australia to Argentina, must either find alternative markets or cut production.

The choice could scarcely have come at a worse time. Worldwide, the steel industry is struggling.

According to the Organisation for Economic Co-operation and Development, world steel consumption overall fell from a peak of 649 million tons in 1989 to about 607 million tons last year.

Not all of this was due to the economic downturn. Plastics and other lighter materials are taking markets away from steel permanently. — Financial Times.



# Pound and French franc in hot seat

By Neil Behrmann

STAR 2/2/93.

S6A

LONDON — The pressure is on the British pound and the French franc.

Since sterling has slid to six-year lows against the dollar, and the Irish punt was devalued by 10 percent over the weekend, it is only a matter of time before the French franc falls.

France is in recession and punitive interest rates can't be expected to keep the currency up for long.

The big question is whether the market will force a French devaluation within the European Exchange Rate Mechanism (ERM) or a free downward float before or after elections in March.

The commercial rand is also under pressure against the dollar, say London dealers, but it has risen sharply against sterling, closing yesterday at 4.49 to the pound.

The financial rand has fallen slightly against the dollar, but is up against the pound.

## Tighter control

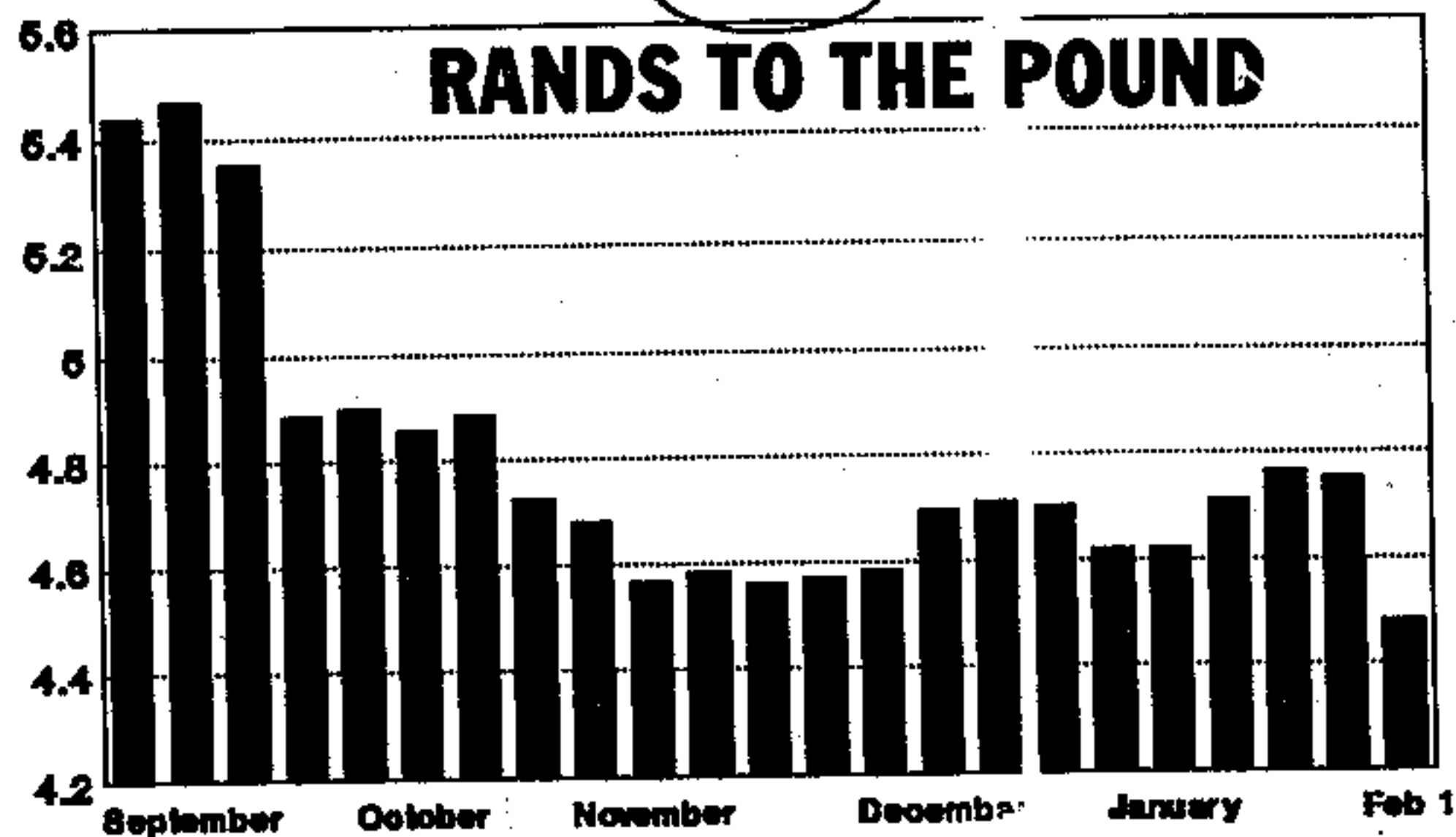
Last September, when sterling collapsed, the financial rand followed suit because banks and other commercial companies that had set up operations in the UK took advantage of the lower sterling rate. They dumped finrands for pounds.

This time round, however, there is tighter exchange control, and London foreign exchange dealers expect the depressed finrand to stabilise.

The advice of an eight-man foreign exchange panel to SA exporters and importers is to continue to sell sterling whenever it rallies.

The dollar and yen can be bought on dips. Even though the rand is inherently weak, this advice has been maintained since last August and the policy has paid off.

After another reduction in interest rates in an attempt to revive a depressed economy, ster-



Since September the pound has fallen by 17 percent against the rand.

ling tumbled decisively below a significant support level of \$1,50 and has broken through Dm2,37.

John Cuningham of Investment Research of Cambridge believes the breakdown is ominous.

He contends that the British pound is at the beginning of the third stage of a bear market.

The first stage was sterling's departure from the ERM in last September.

It fell from a peak of \$2 to \$1,70 within days. It rallied to \$1,78 and then slid to a around \$1,50 in December.

The pound's subsequent rally to \$1,60 did not hold and after hovering near \$1,50 this year, finally fell through this support barrier on Friday.

Its 50- and 200-day moving averages are pointing downwards. Charts of sterling/Deutsche mark and yen are similarly sick, says Cuningham, who forecasts that the pound could decline to around \$1,30, Dm2,25 and 172 yen in a year's time. The next few weeks are crucial.

Analysts and dealers on the panel contend that sterling is nearing a bottom against the mark and that its present depressed rate is discounting the poor prospects of the British economy.

Yet they are concerned that the pound may fall further in

the weeks ahead of the British budget in March, before rallying again.

Sapa-AFP reports that the Irish punt's devaluation, the fourth and largest currency realignment since September, left the Irish screaming foul.

Britain has been accused of triggering the crisis with an abrupt interest-rate cut, while French politicians are speaking darkly of an Anglo-Saxon plot to destroy Franco-German relations.

## Further cuts

Yesterday UK Prime Minister John Major sought to dispel expectations of further UK interest rate cuts, the Financial Times reports.

At the same time his government launched a concerted operation to restore confidence in sterling, its economic policy and Norman Lamont, Chancellor of the Exchequer.

The UK authorities insisted that last week's one-point cut in bank base rates to 6 percent was consistent with the government's target of returning to economic growth with low inflation.

They denied reports that Major was the driving force behind the rate cut and was seeking an eventual reduction in interest rates to 4 percent.

## Neutrals seek to join the EC

BRUSSELS. — The European Community opened membership talks with Austria, Finland and Sweden yesterday.

(5) A  
Norway is a fourth candidate-member, but the EC has yet to formally accept its 1992 request to join. CT 2/2/93

The ground rules demand that the newcomers subscribe to the union treaty, thus abandoning their strict neutrality policies of the Cold War era. — Sapa-AP

# **Warning on EEC taxation**

SA COMPANIES planning to move into the European Economic Community (EEC) — which became the largest single market in the world last month — must consider the potential tax consequences of their expansion plans, warns Paul Wood of Price, Waterhouse Meyernel. **CF3/2/93**

"Taxation is a major cost of doing business both in SA and overseas," he points out.

"Any decision to establish operations overseas must therefore take account of both SA and overseas taxes and their interaction.

"There are still many differences in corporate and personal tax rates between the member states.

"In addition, some member states have both national state taxes and local income and trade taxes, which must be considered."

Wood warns that the tax systems in the EEC "have evolved in a more complex manner than they have in SA and contain a lot more anti-avoidance legislation which will trap those who do not plan carefully.

"The concepts of fiscal residence, group taxation (both direct and indirect taxes), transfer pricing and thin capitalisation must be taken into consideration when expanding into the EEC."

At present, out of the 12 EEC countries, only Germany, the Netherlands and the UK have comprehensive double taxation agreements with SA.



Star 3/21/93

# US 'sabre-rattling' could (56A) open trade war with EC

BRUSSELS — The European Community has accused the Clinton administration of "sabre-rattling" by threatening to cancel orders for some European utility goods and impose stiff duties on EC steel.

"It's dangerous," said Sir Leon Brittan, trade chief of the 12-nation Community, before a high-level meeting to take stock of the unexpected American action.

Some European officials see the tough American attitude as an ominous sign of what may lie ahead for the nearly trillion-dollar trade relationship between the transatlantic partners.

"The attitude of the Clinton administration seems to be hardening," Foreign Minister Roland

Dumas of France said Monday after the US government announced plans to halt its purchases next month of European products in telecommunications, water, energy and transportation.

"This is clearly the first shot of the Clinton administration," said Foreign Minister Willy Claes of Belgium. "The United States is also ill-served by a trade war."

Brittan said he would raise the dispute with US Trade Representative Mickey Kantor when the two meet next week in Washington.

"I think what we're seeing is a little bit of positioning and sabre-rattling before the negotiations really get

going," he told reporters. "But the sensible way for advanced countries to resolve issues of this kind is by negotiation."

Kantor said the United States was retaliating against Community rules that favour European manufacturers in government purchases of telecommunications and power generation equipment.

"The administration does not take such action lightly," Kantor said in a statement. "We believe this is a measured first step."

The United States is targeting EC regulations that took effect on January 1 as part of the 12-nation group's new single market program.

The rules for the first time set guidelines for public procurement —

the buying by governments and their agencies of goods and services for telecommunications, energy, transport and water supplies.

In the past, those markets have been heavily protected by the EC's dozen governments. Governments would routinely hand out contracts — ranging from telephone lines and waste treatment plants to subway cars — to local companies even if an outside firm offered a better price.

Under the new rules, Washington still objects to a provision that allows a European government agency to award a contract to a European firm even if it costs three percent more than a bid from a foreign company. — Sapa-AP.

# Pound pushed to record low

LONDON — Forex market dealers pushed the pound to a record low yesterday while Prime Minister John Major fought to restore confidence in his government's handling of the recession-hit British economy.

Major had issued a denial of a newspaper story which said he had taken personal charge of interest rate policy — sidelining his embattled Chancellor of the Exchequer Norman Lamont — and was planning further deep cuts in the cost of borrowing to boost economic growth.

Despite denials of the Sunday Times report, the pound fell to a record low of DM2,3550 early on Monday before recovering to close in London at DM2,3810, still below Friday's close of about DM2,3980.

"The government has no further interest rate cuts in mind," a British official said. "Interest rate cuts we've already had will feed through into the system."

The Bank of England dismissed critics' suggestions that by cutting interest rates to stimulate economic growth the government had abandoned its attempts to hold down inflation.

The central bank's governor Robin Leigh-Pemberton said: "The primary

objective of monetary policy must be, indeed still is, the same — namely the pursuit of price stability — and the priority attached to it is undiminished."

The pound came under fire after Ireland was forced to devalue its punt within the EC's exchange rate mechanism (ERM) by 10% at the weekend. (SbA)

But predictions of a fatal blow to the ERM proved premature.

Dealers decided against an assault on the next most vulnerable members of the managed grid, the French franc and the Danish crown, and went for sterling, no longer an ERM member.

Britain cut interest rates by a full percentage point to 6% last Tuesday in an effort to restore confidence and lift the economy out of a recession which has dragged on for the past two years, despite repeated official promises of recovery.

Major and Lamont have been increasingly under fire for their handling of the economy since last September, when the government was humiliatingly forced to reverse its policy and pull the pound out of the ERM. The pound's previous low of DM2,3693 was set in October after the ERM crisis. — Sapa-Reuter.

B/DATY 3/2/93

**-BUSINESS-**

# EC lashes out over US 'sabre-rattling'

BRUSSELS — EC trade ministers yesterday unanimously criticised Washington for slapping stiff duties on steel imports and threatening to shut out European suppliers of goods and services.

British Trade Minister Tim Sainsbury said: "The (EC) council endorsed sharp criticism of US trade sanctions."

External Economic Affairs Commissioner Sir Leon Brittan said: "I understand the temptation to flex one's muscles if one is new and playing to a domestic audience, but the solution for us is not to go down that road ourselves. The only possible solution is a fair and negotiated one."

Monday's announcement that Washington planned to retaliate against the EC's public procurement directive came just one week after Washington slapped steep duties on steel from seven EC states and 12 other countries.

"As far as steel is concerned, the first proper step which we have already taken is to begin consultations in GATT," Brittan said. "But we reserve the right to take action where appropriate."

Some European officials see the tough US stance as an ominous sign of what might lie ahead for the nearly trillion-dollar trade relationship between the trans-Atlantic partners.

Brittan said he would raise the dispute with US trade representative Mickey Kantor in Washington next week.

"I think what we're seeing is a little bit

of positioning and sabre-rattling before the negotiations really get going," he told reporters. "But the sensible way for advanced countries . . . to resolve issues of this kind is by negotiation."

Kantor said the US was retaliating against community rules that favoured European manufacturers in government purchases of telecommunications and power generation equipment.

"The administration does not take such action lightly," Kantor said. "We believe this is a measured first step."

The US is targeting EC regulations that took effect on January 1, setting guidelines for public procurement — the buying by governments and their agencies of goods and services for telecommunications, energy, transport and water supplies.

In the past, those markets were heavily protected by the EC's dozen governments, which routinely handed out contracts — to supply anything from telephone lines and waste treatment plants to train carriages — to local companies even if an outside firm offered a better price.

Washington objects to a provision that allows a European government agency to award a contract to a European firm even if it costs 3% more than a bid from a foreign company. The rules also require that in contracts involving goods, 50% of those products must be made in the EC.

US corporate giants, including General Electric and American Telephone & Telegraph Company, complain they have lost sales because of the measures. — Sapa-AP.

SBA

BIDM 3/2/93



# Hoover deal fuels UK 'cheap labour' row

*Guardian 14 June 1983*  
By Julie Wolf, Seumas Milne, and Alix Christie

BRITAIN is heading for further conflicts with France and other EC countries over social policy and the pound's exit from the exchange rate mechanism after Hoover's decision to move jobs from France to Scotland.

Officials at the European Commission and in European trade unions say the incident has heightened concern that Britain will use weak employment laws and the weak pound to attract investment away from the Continent.

"I fear this will become a flashpoint. In the French election campaign you could well see questioning, especially from the right, over whether the EC should have a member that breaks the rules of the game," said one commission official. Jean-Pierre Soisson, the French Agriculture Minister, said: "Britain has stayed on the sidelines [of EC social policy] since 1989 and this has raised a serious problem. The Hoover affair puts a sudden spotlight on practices and attitudes that have become clear since then."

A strong possibility that German television maker Grundig will switch 918 jobs from Lorraine to non-EC Austria, and Rockwell Graphic Systems' announcement that they plan to switch 110 jobs from France to Britain, only deep-

ened the French sense of betrayal by its European partners.

In addition, the continued fall in the value of the pound is causing some alarm in other EC countries. "At some point a big drop in the currency becomes like a tariff on imports from other EC countries", one commission official said.

The Thatcher and Major Governments have consistently adopted a go-it-alone stance on European social legislation, opting out of the social chapter in the Maastricht Treaty and opposing the social charter. This was launched by the Commission president, Jacques Delors, to ensure that workers as well as companies benefited from the single market.

Mr Delors worried that without minimum EC social legislation, companies would use the single market to extract concessions from workers, which in turn would undermine popular support for the EC.

Delors supporters say this is exactly what is happening with Hoover and fear a popular backlash. Some echo Mr Soisson's view that French voters would have voted no to Maastricht if the Hoover affair had happened earlier.

According to trade union sources, Hoover, owned by Maytag of the US, held separate talks with work-

ers at its plants in Dijon, France, and Cambuslang, Scotland, in an effort to extract concessions. The unions say Hoover decided to close the French plant when Scottish workers agreed to measures that made employment costs 37 per cent lower than in Dijon. Hoover denies holding separate negotiations, and says the decision was part of corporate strategy with cost savings of only 25 per cent.

The move will destroy 600 jobs in France and create up to 400 in Cambuslang. Scottish trade unions have told their European counterparts they were negotiating "with a gun to their head" because of the threat of job cuts. The company also obtained £2.5 million in government aid to expand the Cambuslang facilities. Unlike Dijon, the plant qualifies for national aid and EC aid because it is in a declining industrial area.

Britain has for years blocked an EC measure on consultation of workers, which would have made it harder, if not impossible, for Hoover to negotiate with workers in Scotland without their French counterparts finding out. "This illustrates the need for clear EC rules on employment", said Joel De Caillon, of the French CGT trade union federation.

The trade unions at Cambuslang,

the AFEU engineering and electrical union and the MSF technical staff union, have shown unease at national level about the Hoover deal — which includes a strike ban, wage cuts, and contracting-out. The mass meeting at the plant which agreed the deal last week was described as "ferocious".

Jimmy Airlie, the AFEU leader who negotiated the agreement, said the unions would have been crucified for the loss of jobs if they had refused to sign — as happened when Ford transferred investment from Dundee to Spain in 1988 because of union resistance. "We had no alternative. It was tough bargaining, but this isn't a scab deal," Mr Airlie said.

French unionists don't blame their Scottish brethren, and note the situation could well have been reversed. But Jean-Marie Bricnet, white-collar union leader at Hoover-France, said: "The concessions are incredibly heavy and will lead to catastrophe for the (Scottish) workers in several years."

Denmark, currently holding the EC presidency, hopes to make progress on social legislation, including the workers' consultation rule. If Britain continues to resist, the measures can be passed on a majority vote as soon as the Maastricht treaty is ratified.



# INTERNATIONAL NEWS 7

market, rest upon a suspension of old tribal rivalries and a willingness of national communities to yield to "market" forces that can no longer be assumed. Uncomfortable trends are abroad and the contagion is spreading.

In Yugoslavia the notion of the barbarian (the "other") has been resurrected and with that has come its twin — the idea of ethnic purity. These disfigure not only Yugoslavian civilisation but also a European civilisation successfully to bring the conflict to a close.

For the countries of the EC are not certain where their definition of Europe ends, and thus how much of an open-ended obligation in terms of money, trade, and military intervention they have towards the Balkan states. If the countries of south-east Europe were unambiguously "European" the sense of urgency would be many times greater but the warlords know that they can call the EC's bluff. Engagement will be limited.

As the French philosopher Bernard-Henri Levy argued at the World Economic Forum in Davos, Europe feels that its border implicitly stops somewhere around the limits of Catholic Europe — certainly before the complexities of the Balkans. Within our borders there is civilised Europe; beyond there is the land of the barbarian, of ethnic cleansing, of multiple rape. We observe; of course we care; but ultimately it is not of us. However, this philosophy of the other is insidious, for even as Europe attempts to draw limits to its geography it degrades itself; and soon rivalries as ancient as those in Yugoslavia seem legitimate and bubble to the surface closer to home. Hoover's decision last week to relocate from Dijon to Scotland

For Europe's tribes are coming back, bewildered by unemployment, atomisation, and sense of loss of control. At its worst the new tribalism lapses into regional conflict; even where the tensions are less bloody there remains an immense capacity for destructiveness.

At least part of the problem that the model of liberal democracy and free markets which the

West thought had been affirmed through the collapse of communism

has proved inadequate. Democracy, as Mr Levy added, is condemned to disappointment. After all, in most true notions of it there is a constant garnering of consent and finding of compromises which is messy and muddled but which rests on a civic sense of respect for the "other". It is this essential precondition that does not exist in the new democracies, riven by racism, ethnic rivalries, and small nationalisms; thus, they are condemned to fail.

Nor is the model of free markets any more successful. Over the last few years there has been near euphoria in Davos over the triumph of markets but this year there is a long-overdue willingness to reassess some basic claims. Markets have led Japan to have too much industrial capacity, the US too little, the world to have too much financial instability, and have proved a poor guide to the transformation of eastern Europe and the former Soviet Union. Even where they are supposed to work, at firm and industry level, there is growing scepticism.

Why should it be, asked Professor Joseph Bower, of the Harvard Business School, that an industrial sector in one country conforming to classic free-market structures performs well in one place and not

Yet such a subtle idea is hardly textbook stuff nor that of the rules covering international trade. In essence, Gatt is predicated on a world in which similarly organised companies trade goods and services across national boundaries and the goal is equal market access so that producers everywhere compete on a level playing field with the rewards going to those who produce most cheaply.

By Will Hutton

But what if economic efficiency rests on rather more than just combining raw materials, people, and capital at the lowest cost? If efficiency has roots in the social organisation of firms — their financing, how well leading firms act as "stewards" of their particular industry, how good national training systems are — then free trade means that entire economic and social structures are being pitted against one another. For losers it is insufficient to complain to Gatt that goods are being dumped at unfair prices; what is wrong is the structure in which firms are embedded.

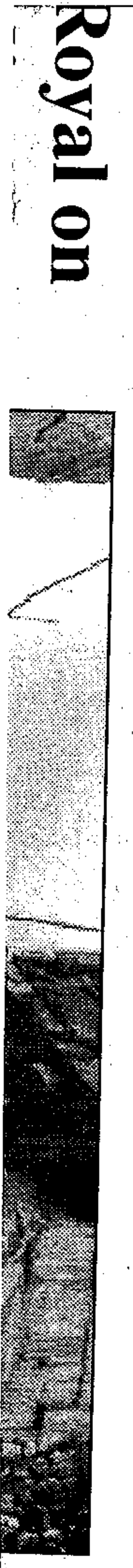
It is the combination of this growing realisation with the rise in nationalism that is potentially so dangerous. For nations have to view their lack of success in international markets not so much because their wages are too high or their managerial class is inefficient but rather because their entire social and economic structure is not producing the preconditions for success. And if they feel they cannot or will not make sufficient adjustment, then the new nationalism encourages them instead to try to manage trade flows and to "decouple" themselves from the world economy.

not simply manage Japanese trade? The same questions are being asked inside the EC. The Germans wonder why, in a single market, a large part of their industry should be subject to competition from state-owned or state-backed firms in France while the French, pace Hoover, are asking why they should accept low wage competition from Britain, which has not signed the social charter.

If Europe was growing at 3 per cent then the fears over job losses would be less acute, but it is not. The new tribalism is thus doubly divisive; it inhibits the international collaboration that might raise the growth rate while excusing countries from the root and branch reforms of their economic systems and instead encourages them to opt for protection.

Multinationals comfort themselves that the emergence of trade barriers and a preoccupation with national economic policies need not be an insuperable problem; after all, they can jump over the barriers and invest in local production. Yet that only gets them so far. The success of the economies in which they invest demands a growing external environment and that requires a measure of international stability and common rules.

Twist and turn as we may, the larger moral issues thrown up by Bosnia will not go away. For the European economy cannot prosper independently of the Continent's health as a civilisation any more than can the rest of the world. There can be no "others" from whom we differentiate ourselves ethnically, and no wars fought on that basis can be tolerated; it allows the contagion to infect us and there is no knowing where it will end.





BUSINESS

# New EC monitor raises eyebrows

BIDAM 10/2/93

SBA

BRUSSELS — Chief monitor of the EC's single market project, Raniero Vanni d'Archirafi, has run into a little turbulence by saying he is satisfied with how well the border-free market has worked since its launch on January 1, the Wall Street Journal Europe reports.

The jovial Italian's optimism and relaxed style have stirred anxiety among some business leaders.

At a news conference last month, he suggested the 17-member commission, responsible for monitoring compliance with EC law, would respect a "truce" to give member states time to get used to applying new single-market laws designed to let goods, people and capital flow freely throughout the community.

EC employers' federation Unice secretary general Zygmunt Tyszewicz says rather than a truce, "it should be an armed combat" to make sure member states do not dawdle or invent new ways to protect their own firms from cross-border rivals.

Belmont European policy centre chairman Stanley Crossick says Vanni d'Archirafi is sending out the wrong signals.

"It seems very strange to invite member states to relax by telling them in advance that they aren't going to be pushed too hard. If we

can't get enforcement to bite hard, then we won't have a single market."

Part of the uneasiness stems from Vanni d'Archirafi's status as a little-known newcomer.

That is in stark contrast to the high-profile, heavyweight status of his predecessor Martin Bangemann, a former German economics minister who is a vice-president of the commission and had the single-market portfolio until the end of 1992.

Vanni d'Archirafi, 61, has spent much of his 37-year diplomatic career in positions involving Italy's EC membership, but his work has been mostly behind the scenes. After serving as Italy's ambassador to Spain and later Germany in the '80s, he became director-general for political affairs in Italy's foreign ministry before arriving in Brussels.

Some critics have questioned whether he is forceful enough for the job. Vanni d'Archirafi concedes that he has a lot to learn about his new portfolio, but says: "I'm following an accelerated course."

He promises to strive to make the single market work.

His first priority, he says, is to establish a network of officials in the commission and in member states to share information and solve the nitty-gritty problems that arise when companies run into real or imagined trade barriers. — AP-DJ.

## Clinton set to reduce his staff

WASHINGTON — US President Bill Clinton was set to announce a 25% reduction of the White House staff yesterday that will fulfil a campaign promise and divert attention from his politically embarrassing search for a new attorney-general.

White House spokeswoman Dee Dee Myers said Clinton would disclose details of "a real downsizing" of payrolls, perks and privileges.

Clinton was trying to set the stage for a February 17 address to a joint session of Congress that is expected to outline a painful mix of higher taxes and spending cuts.

Administration officials said on Monday Clinton was considering raising company tax — a move that would be linked to raising tax on rich Americans from 31% to 34%.

But Clinton's planned announcement yesterday also served to change the subject from the fact that his efforts to find an attorney-general have twice been snagged by "nanny problems".

BIDAM  
New York federal Judge Kimba Wood, 49, withdrew her name on Friday after it was discovered she had hired an illegal alien as her babysitter. 10/2/93

It came two weeks after corporate lawyer Zoe Baird, 40, was forced to withdraw her nomination as the first female US attorney general because she hired an undocumented couple from Peru.

Women quickly reacted, saying childcare arrangements have never been an issue for male nominees.

— Sapa-Reuter.

Israelis warned against... of the stock market



S 12/17  
11/2/93

**Rise in EC jobless** (SbA)

EC unemployment rose 0,1% from November to December, representing 9,9% of the workforce, the EC statistical service reported in Brussels yesterday.

incident in China. Between 1943 and 1949, when it was discontinued, the Dickin was awarded to 31 pigeons, 18 dogs, three horses and Simon.



# Major threatens to sink Euro treaty

56A

ARG 11/2/93

LONDON. — The government of Prime Minister John Major has raised the stakes in a crisis over the Maastricht Treaty on European union, threatening to sink the treaty rather than give in on moves to ratify its social chapter.

The opposition Labour Party has been trying to force an amendment belatedly adding approval of the social chapter to Britain's legislation on the treaty.

Britain's Conservative government opted out of the social chapter at the Maastricht summit in December 1991.

If the amendment goes through, officials said it could

throw the ratification process into disarray in Britain and in the European Community as a whole.

The argument has become more complicated with opponents of the treaty, which sets a course for closer European political and monetary union, trying to use the debate as a device to pull Britain further away from Europe.

Former Conservative Party chairman Lord Tebbit, a strident opponent of Maastricht, said: "Those who are fighting to preserve self-government for Britain are well entitled to use every procedural device to destroy the treaty."

Mia say tone 'doctored'

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**WORLD**

**UK threat revives EC crisis**

*By Alan 12/2/93*

*(564)*

BRUSSELS — The EC, after months of painstaking repair work to patch up plans for closer political and monetary union, has been plunged back into crisis by a British threat to scupper the landmark Maastricht treaty.

The political row over ratifying the treaty in Britain has horrified and enraged EC diplomats and officials, who have been struggling to put the 12-nation community back on track.

European Commission President Jacques Delors said he was seeking advice from legal experts on the implications of the British problem.

Some diplomats said if Britain failed to ratify the treaty, which maps out the path to a common foreign policy and a single currency for the bloc, it would simply push other countries to move ahead with

faster integration. It could also encourage the Danes to vote against Maastricht in a key referendum set for May, they said.

The row in Britain could not have come at a worse time for the EC, which faces problems over monetary co-operation, a trade row with the US and tricky negotiations with three new potential new EC members — Sweden, Austria and Finland.

Britain's Conservative government, facing rebellion in its ranks and a possible defeat in parliament on the issue, has threatened to sink the treaty rather than give in on opposition moves to ratify its social chapter. The opposition Labour Party has been trying to force an amendment belatedly adding approval of the social chapter to Britain's legislation on the treaty.

The government opted out of the social chapter, which extends the scope for joint legislation on social and working conditions, when Maastricht was agreed in December 1991.

A top EC legal official said Labour's efforts to change Britain's position on the social chapter were legally unsound and would risk blowing the entire treaty open again.

Britain and Denmark are the only EC states that have not yet ratified the treaty.

Meanwhile, French Prime Minister Pierre Berégovoy called yesterday for an acceleration of European economic and monetary union, based on closer co-operation between France and Germany. He gave no details of how this should be achieved. — Sapa-Reuter.



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# SA seeks EC help on tariff reform

B/D/93 8/2/93.

(56A)

GRETA STEYN

SA had approached the EC for support in getting more time from GATT to phase in tariff reform, Trade and Industry director-general Stef Naudé said at the weekend.

In an interview in Cape Town, Naudé said a top Trade and Industry official had "tested the water" with the EC to pave the way for GATT accepting an easier trade reform plan for SA.

"We have asked the EC how it would view a change in our GATT offer to, say, a 30% (tariff) reduction across the board, but with sufficient time to step down to that level." This would be in line with Latin American trade reforms and SA's hope to be reclassified as a developing country.

In terms of SA's original GATT offer, import surcharges would be abolished, import licences and formula duties converted to tariffs and import tariffs progressively reduced to a maximum level of 30% over five to six years.

Naudé said the first offer fell short of GATT's requirements, but SA was arguing that more extensive reforms would not be possible because of political transition, continued sanctions and the Southern African Customs Union arrangement.

SA was undergoing a political transition

and an economic restructuring that was extremely difficult to manage. A wrong move could cause catastrophe.

Drastic reform in SA would also affect its neighbours through the customs union, which SA regarded as a major obstacle. The arrangement, which included Botswana, Lesotho and Swaziland, had become punitively expensive and was tantamount to SA providing aid to the region. The union had cost SA about R3bn this fiscal year.

SA had started talks with union partners on the arrangement's economic consequences.

Once trade reform had started there was no turning back. It was therefore essential to ensure tariff reform was managed in a way that did not inflict "unbearable pain". But care had to be taken to ensure industrialists' uncertainty was not deepened by confusion over trade policy.

However, the IMF, in its policy appraisal of SA last year, called for speed in trade reform, saying the "cosseted and concentrated" domestic industrial structure should be opened to foreign competition.

# US girds up for a trade war

Guardian

in New York 12/2 - 18/2/93

PRESIDENT Clinton's top trade official, Mickey Kantor, warned the European Community and other principal trading partners at the weekend that the United States would insist on good faith and fair dealing in forthcoming trade talks.

In a further sign of a toughening US approach to bilateral trade issues and to the final stage of the Uruguay round of the General Agreement on Tariffs and Trade (Gatt), Mr Kantor urged the EC and Japan to be realistic, before it was too late.

"It's not a question of us getting tough," Mr Kantor said in a television interview. "It's us being resolute, being realistic. We're no longer the only economic power in the world. We obviously want to play on a level playing field. We expect our trading partners to at least react comparably to what we do in opening our markets."

Indicating just how high the stakes have become, Mr Kantor emphasised that Mr Clinton saw the satisfactory resolution of

international trade disputes as integral to the success of the domestic economic recovery programme upon which he has pinned the future of his presidency.

America's economic success was vital to its national security, he said, objecting in particular to the EC's "closing of a \$15 billion a year market to American companies".

Last week, Mr Kantor condemned the EC for "intolerable" discrimination against US companies seeking government contracts within the Community and warned that the US would retaliate within six weeks if EC policy remained unchanged.

Trade analysts here said at the weekend that the administration was fully prepared for the eventuality that trade disputes could get worse before they get better. There was a growing feeling of impatience, the analysts said, adding that Mr Clinton wanted results, not more protracted negotiations which perpetuated the status quo. Mr Kantor is especially critical of the Bush

## By Simon Tisdall in Washington

administration's compromise with the EC last year over farm subsidies.

In its review, the administration is seeking ways to ensure that Japan abides fully by existing bilateral trade agreements and will take new steps to open its markets to US goods. The Japanese trade surplus with the US is nearly \$50 billion; in particular, US car makers are pressing for the reclassification of imported Japanese minivans as trucks — which carry much higher import duties.

There is bipartisan support in Washington for a tougher line on trade, as well as among the American public. Bob Dole, the Republican leader in the Senate, said: "I think Mickey Kantor is going to do a good job. They are sending some strong signals — that we'll do for you what you do for us. I like the signals."

The administration is under strong pressure from domestic motor, semi-conductor, steel, and energy industry lobbies to get tough with "unfair" foreign competition.

## Too much interest <sup>(S6A)</sup> . . . or too little?

BRUSSELS. — The secretariat of African, Caribbean and Pacific (ACP) member countries of the Lome Convention, a trade and aid pact with the European Community, is facing a financial crisis, officials said yesterday.

Nearly half the 69 ACP member states are behind on their contributions to the organisation, some up to nine years in arrears, creating a budget deficit of \$4.5m.

"We may be unable to pay staff salaries at the end of the month," an ACP official said.

The ACP needs \$740 000 urgently to cover the running costs of the secretariat, which employs 90 people. *CT 13/2/93*

One official said only three ACP leaders had visited the secretariat during 1992. The next to visit will be Malian President Alpha Konare in March.

Some ACP members are among the world's poorest countries and others are preoccupied by internal political strife. But even wealthier countries are now two to three years in arrears. — Sapa-Reuter



# Euro row over UK's jobs bonus

SI Times 14/2/93

From  
Peter Malherbe  
in London

(SLA)

ELECTRICAL manufacturer Hoover's decision to close its plant in France and relocate to Scotland has European Community bureaucrats in Brussels in a spin.

They fear the European tradition of worker rights, controls and regulations could be severely tested, even threatened, by the cutting edge of free competition from Britain.

It seems almost unthinkable that British industry, once tortured by labour upheavals, is now in a position to lure jobs away from its European partners because of its lower wages, longer working hours and smaller social welfare commitments.

The country is now dubbed "the Taiwan of Europe", with accusations that it is creating a social dumping ground.

EC president Jacques Delors privately accuses Britain of "not playing fair" by opting out of the social chapter of the Maastricht treaty and its legally-binding protection for workers.

But the British government responds by saying the country is simply more attractive to investors.

Britain's economy may be in one of its worst recessions, but it is clear that, after the years of Thatcherite discipline, industry is leaner, less regulated and more responsive to demand than in other European countries.

The Hoover relocation — from Dijon to Cambuslang, near Glasgow — is only the latest in a series of small, but important gains by British industry.

American print machinery maker Rockwell, tissue giant Kimberly-Clark and floor polish manufacturer Eurofab are just three companies that have moved operations from France to the UK.

But there is a strong feeling — echoed by some in Britain — that the country is prepared to "go it alone" at the expense of its European partners.

As French Prime Minister Pierre Berégovoy said: "One must know if Great Britain wants to be a full part of Europe."

The major divide is, of course, Britain's exclusion from the social chapter of the Maastricht treaty.

In addition to this, there is increasing concern about the competitive advantage accorded to British exports by the fall in sterling's value after its exit from the European monetary system.

# No open door for SA in Europe

MOVES to create a single European financial market will affect the future expansion of South African banks into Europe.

They could also result in a thorough European Community (EC) investigation into South African banking law, says Deneys Reitz partner, Patrick Jackson.

The EC aims to create a single financial market which allows the free movement of money and capital. Its financial institutions and citizens will be able to operate or bank wherever they choose within its borders.

Before January 1 1993, each member state set out its own requirements for supervising and establishing banks and credit institutions. A bank with a branch in another EC state had to comply with that state's regulations.

## 'Passport'

However, each EC state has had to give effect to an "EC-wide single passport" by recognising other states' regulations.

Jackson says a bank authorised in its home member state will be able to offer most services freely throughout the EC without further authorisation.

The guiding principle will be home member state control. If, for example, a bank is allowed to administer securities at home, then it can do this throughout the EC — even if one state does not permit banks to offer this service.

The converse also applies.

If a bank is not permitted to offer credit reference services at home it will not be able to do so in other EC states, even if these states allow their banks to do so.

Jackson believes the measures aim to create an incentive for each EC state to allow its banks to engage in as many banking activities as possible.

The result is expected to be indirect harmonisation and greater EC-wide competition in the banking market.

This has significant implications for non-EC banks, such as those South African banks wishing to operate within the EC.

Jackson says subsidiaries of a non-EC bank authorised to operate within the EC before January 1 are entitled to the benefits of the EC-wide single passport.

The position is, however, less favourable for non-EC banks, who may now wish to set up a subsidiary within the EC to take advantage of the EC-wide single passport.

While there are as yet no clear definitions, Jackson says the EC will seek to ensure that its banks operating in a non-EC country are given the same competitive opportunities as domestic banks.

If this is not the case the EC will limit or suspend authorisation of subsidiaries from that country operating in its member states.

It may also block the acquisition of shareholdings in

EC banks by companies from that country.

Jackson says it is conceivable that future expansions by South African banks into EC states could lead to an investigation into South Africa's banking law and regulations.

The ability of EC banks to be competitive in South Africa under its banking and exchange control regimes will also come under scrutiny.

If, after such an investigation, a subsidiary of a South African bank obtains authorisation in an EC member state it will be able to claim the benefit of the EC-wide single passport.

## Base

Jackson says the test of reciprocity will not apply to branches of South African institutions that seek authorisation in a member state.

As these branches will not obtain the benefit of the EC-wide single passport, they cannot be used as a base for expansion within the EC.

If a South African bank wants to expand its European branch network its branches will be subject to the individual regulations of each member state.

# EC haggles over recovery plans

BRUSSELS — European Community economics and finance ministers called yesterday for better monetary co-operation as part of a broad plan to spur Europe's flagging economies.

"We have to give clear signals to the markets showing that the European Monetary System functions," Portuguese finance minister Jorge Braga de Macedo said.

The finance ministers started their first-ever televised session with vague calls for growth, though differences emerged over the best way to achieve it.

"The European economy is ill," Braga de Macedo said. "The people of Europe will not forgive us if we fail in diagnosing the illness and curing it."

Some countries emphasized greater budget discipline to help push interest rates lower while others called for spending to create jobs.

The ministers were expected to clash in a private session over what measures each country could take under the auspices of a European growth initiative agreed by EC leaders at their summit meeting in Edinburgh last December.

Efforts by the EC commission to draft a firm plan for national measures under the growth initiative haven't yet yielded results.

Ministers who were expected to agree to concrete action at the meeting are now seen debating, and not

deciding, measures. (SBA)

Some ministers warned that failure to reverse Europe's economic downturn could threaten their move toward a single currency and central bank. "The crisis we are living through could jeopardize the future of European monetary union," said Belgium's finance minister, Philippe Maystadt.

Irish finance minister Bertie Ahern criticized Ireland's EC partners for not giving EMS reform high enough priority. Four months after EC leaders first called for analysis of the EMS's shortcomings, Ahern said, there have been no results. "That is simply not acceptable."

"Prolonged analysis can never be an excuse for inaction," Ahern said. "There has been an inadequate response, an inadequate sense of priority and urgency" in EMS reform discussions, he said.

Braga de Macedo complained that monetary cooperation had failed countries like Portugal and Ireland, which were forced reluctantly to devalue their currencies in recent bouts of EMS turmoil. "There have been cases, and more than one, where geographic proximity and not economic matters have caused realignments," he said.

He called for better coordination on interest rates changes and central bank intervention to reinforce the EMS. — AP-DJ.



STAR 1/12/93

# EC survey shows picture of economic gloom

56A

LONDON — Business confidence across the European Community dropped last year to its lowest level since the deep recession of the early 1980s, a European Commission survey just published shows.

A picture of continuing economic gloom emerged from capitals across Europe at the same time as the Commission survey disclosed scant prospects for early recovery.

The Commission's leading economic indicator, which combines calculations for out-

put and confidence, dropped from 96.3 in November to 96.1 in December, equal to its previous low in October 1982.

In Paris, a Bank of France survey showed output falling and stocks rising in most sectors last month and depressed demand throughout the business sector. Cars and consumer goods were the worst affected sectors.

Some companies put off investment programmes and, although employment was stable in trade and services, it

fell in construction and manufacturing.

The Bank of England, in its first quarterly report on inflation, gave the UK government a thinly veiled warning that a further cut in interest rates in present conditions would jeopardise its target of keeping underlying inflation below four percent.

While the UK economy is still bumping along the bottom of the recession, the bank finds that underlying inflation is too high for comfort. The

bank expects UK unemployment will continue to rise for some months and urges wage restraint to prevent further heavy job losses. It has seen few signs so far of recovery in demand and output.

Meanwhile UK manufacturing output fell in each of the last two quarters of last year, while output of all production industries, including manufacturing, energy and water, dropped in 1992 for the third year running — the first time that this has happened since

the early 1930s.

Official figures released in Rome showed a further decline in industrial output, hitting Italy's industrial heartland worst. Output declined 0.6 percent last year.

The worst affected sectors were the automotive industry and engineering, down 11.1 percent and 7.9 percent. Unions said 145 000 jobs were at risk in the northern industrial region. — Financial Times.



# No simple answer to Lome membership

BDM 19/2/93

THE decision on whether SA should become a member of the Lome Convention cannot be taken in isolation. It is not merely a bilateral relationship between SA and the EC, but will affect economic and trade relations within the whole of southern Africa.

According to European Commission deputy director-general for development Peter Pooley, the size of the SA economy, compared to other developing countries would automatically make it a dominant force.

SA, like its neighbours, is reliant on its raw materials and agricultural sector for exports, while its manufacturing industry is weak.

But this similarity in pro-

file, if not in scale, is not a negative. Pooley believes it "presents opportunities for achieving complementarity in economic effort".

"Complementarity, cumulation — these are the key economic concepts. Cooperation, coordination — these are the key political concepts," Pooley is on record as saying.

• The Lome Convention is a comprehensive co-operation agreement between the EC and the African, Caribbean and Pacific countries (ACP Group). It was first signed in 1975 and renewed in 1979, 1984 and 1989.

Its role is two-fold:

□ To provide grants, risk capital and loans for national and regional de-

velopment programmes; and

□ To provide duty and quota-free access to the EC for almost all ACP exports, and funds for trade promotion and development

There are 68 developing countries involved, which together with the EC makes a total of 80 members.

## Agreed

• The question of SA's membership will have to be agreed upon by all the members.

The negatives do not only concern how SA's inclusion will affect the other members. There is a view that the benefits to SA itself are debatable.

Some believe Lome was

designed to keep Europe's former colonies in their old place, providing raw or semi-processed materials to the mother countries. As discussed in a Business Day editorial, a developing country classification would colour the views of prospective investors. It could ruin its investment status.

"SA could condemn itself to years of sub-Saharan investment status if it were precipitately to go for Lome membership. A better target would be agreement which allowed our manufactured and processed goods easier access to the EC. Unprocessed minerals and agricultural products can look after themselves."

# State 'already <sup>(56)</sup> has decided on <sup>(210)</sup> St Lucia mining'

The Argus Correspondent *ARG 22/2/93*

DURBAN. — A Conservative Party MP claims the government already has decided to give the nod to Richards Bay Minerals to mine the ecologically sensitive Lake St Lucia area.

He is among those who believe the date for the release of the Environmental Impact Assessment (EIA) report, March 18, is a deliberate move by the government to detract from its importance. The annual Budget is being announced on that day.

Conservative Party MP Mr Joseph Chiole (Pretoria West), who has challenged the government on many aspects of the mining as well as its involvement with Richards Bay Minerals (RBM) for the past two years, said one could accept that a decision to allow mining to go ahead already had been decided.

"I don't wish to divulge what my plans are to continue the fight to save the dunes, but I have been asking questions for the past two years in Parliament and I will continue to ask similar questions," he said.

Mr Oliff D'Oliviera, spokesman for the Campaign for St Lucia (CSL), agreed with Mr Chiole, but said this was not the end of the fight.



# Anti-apartheid groups call for more pressure

BIDM 24/2/93

(11A) (304A) (56A)

THE EC's anti-apartheid movements said yesterday they would immediately urge the community to put pressure on government to speed up the transitional process.

A liaison group for the movements said it was "deeply conscious" of a need for urgent and effective international action.

Spokesman Manuela Cunha said the group would plan a European campaign for free and fair elections and to raise funds for the ANC's election campaign.

The group would also press for new international initiatives to help end political violence in SA, including an extension of the EC's observer team's mandate, which would have expired at the end of March.

The group would appeal to the EC's current president, Denmark, and the EC's council of ministers for "maximum possible diplomatic pressure" on Pretoria to ensure rapid agreement on ANC proposals for transition was reached.

The group said it agreed that it had a responsibility to ensure that:

- The coming elections were fair and free;
- The election process would be internationally supervised and verified; and
- Maximum possible funds were raised for the ANC's election campaign.

To achieve this, anti-apartheid movements would co-ordinate European tours

WILSON ZWANE

by ANC election commission members.

Britain's Anti-Apartheid Movement chairman Robert Hughes said a decision to raise funds for the ANC was taken because of the ANC's international appeal, but that it was possible that other democratic parties would also have access to funds.

Inkatha would receive no funds, he said.

The liaison group said it would urge the EC to retain sanctions until steps identified by the ANC at its international solidarity conference at the weekend had been taken.

The ANC had said there would have to be an interim constitution, a transitional executive, electoral and media commissions and a date for nonracial elections.

Sapa reports British Foreign Secretary Douglas Hurd yesterday welcomed the ANC's call for the conditional lifting of sanctions and said it was now up to parties in SA to ensure all remaining obstacles to the lifting of sanctions were removed.

"The removal of these restrictions will be an important step to the encouragement and facilitation of much-needed trade and investment from the international community, as well as opening the door to assistance from the international financial institutions," he said.



# Currency turmoil driven by investors

PARIS — Currency turmoil in the autumn was driven by investors in France, Europe and Japan who moved funds into Germany and Japan, figures published by the Bank for International Settlements (BIS) yesterday showed.

The massive movements of capital caused the devaluation of sterling, lira, peseta and escudo, and of Nordic currencies and were followed by prolonged pressure against the franc.

French and German political leaders maintained that there had been a US-led Anglo-Saxon conspiracy against the franc and against the European monetary system.

But the figures published by the BIS, the central bankers' bank, did not show any unusual movement of

capital between the US and Europe. Trading between European markets had risen to an unprecedented volume, the bank said. (SBA)

Consequently the external reserves of banks in Europe monitored by the BIS showed the biggest quarterly expansion for 10 years to about \$203bn.

Throughout the world, cross-frontier claims, which had fallen by \$52bn in the first half, rose by \$220bn towards the end of the year.

Of this increase 90% was attributable to non-Japanese banks and was noted in Europe. On local markets 95% of the increase of \$65bn of currency claims was of European origin.

The main increases in external assets of European banks were \$61bn for Britain, \$51bn for Benelux coun-

tries, \$39bn for France, \$16bn for Switzerland, \$15bn for Spain and \$7bn for Germany. But the figure for banks in the US fell by \$15bn.

In Japan, where the figure fell by \$68bn in the first half of 1992, it rose by \$19bn in the third quarter.

On the basis of the country of origin of the banks concerned, the increase in international bank loans was \$404bn. The biggest movements were made by banks in France (\$103bn), Germany (\$83bn) and Benelux countries (\$57bn).

The figure for Japanese banks, which had fallen by \$201bn earlier, rose by \$30bn or by less than \$10bn excluding the effects of exchange rates, the BIS said. — Sapa-AFP.



# France threatens to blow away oilseed deal

BRUSSELS — France and the European Community have re-lit the fuse of a major explosion over a deal on oilseed with the United States which could blow aside prospects of concluding a global GATT agreement, EC sources said yesterday.

The EC Commission stood up to a warning by French Prime Minister Pierre Beregovoy that France would use the

sledgehammer of a veto if EC ministers were asked to approve a draft agreement between the EC and United States on oilseeds. (S6A)

The Commission said that it would put oilseeds on the agenda for a ministerial meeting on March 8, and EC sources expressed fear that the new US administration would welcome a veto as a pretext to disavow the deal

and to harden disputes over the Airbus aircraft, steel and public procurement.

In another hardening of the climate on trade issues, Valery Giscard d'Estaing, leader of the French opposition UDF group, said that if the opposition won power next month it would reject the oilseed deal and seek renegotiation of EC agricultural policy.— Sapa-AFP.

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# WORLD JOBLESS A WORRY FOR G7

LONDON: Finance ministers of the seven leading industrialised economies yesterday agreed on the need to strengthen world non-inflationary growth, said British Chancellor of the Exchequer Norman Lamont.

He said the ministers were concerned about the level of unemployment worldwide and believed that encouraging freer world trade and a freer labour market would help re-

*S. Times 28/2/93*  
store long-term growth in jobs. Mr Lamont said the Group of Seven, which held a one-day meeting in London to review world economic problems, had no comment of any kind to make on exchange rates.

But he did say that tinkering with exchange rates did not address fundamental problems.

The Japanese yen has been strengthening in recent days after

Washington officials suggested they would welcome a stronger Japanese currency to cut Tokyo's huge trade surplus. (S6A) (S) (S)

Monetary officials said "gentle pressure" was applied to Japan in the talks to stimulate its economy.

Mr Lamont also said a German interest cut would be of considerable benefit to Europe, much of which is mired in recession. — *Foreign Desk*



# Rescue plans for steel firms

5/21/93 2/3/93

USA

BONN — German steel firms would probably pull together to restructure their industry as part of an EC rescue plan, but getting consensus in Europe might require government intervention, Economics Minister Guenter Rexrodt said in a radio interview.

He told German radio he was confident that German firms would draft plans to make deep cuts in output by the end of September.

"But I'm not completely sure if an agreement within Europe can be enacted without problems," he said.

If European firms failed to agree among themselves, the EC and national governments would have to intervene.

The EC's steel envoy, Fernand Braun, is to survey community steel firms in an effort to win firm pledges on cutting back around 30-million tons of excess steel output.

"Unless Germany is prepared to make more cuts, then British and Dutch companies may not go along," Graham Phillips

of Credit Lyonnais Securities said.

Germany is expected to make around 30-million tons of crude steel this year. West German steel manufacturers have offered to cut this by 5-million tons as part of the EC plan.

One model for German restructuring would be to concentrate the actual making of steel in the biggest companies, which would deliver steel to smaller companies for processing.

Companies could exchange activities to mutually enhance each other's product range, said analyst Richard Schramm of Trinkaus and Burkhardt.

This could mean the two biggest steel groups — Thyssen AG and Fried Krupp AG Hoesch-Krupp — co-operating more closely and stepping up efforts to force Kloeckner-Werke AG and East Germany's Eko Stahl AG out of steel production.

West German steel firms have already offered Eko Stahl steel deliveries if it agrees not to build a new electric furnace to make steel from scrap. — Reuter.



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Published for the first time in...





## Price stability 'still UK monetary policy's aim'

TOKYO — Bank of England governor-designate Eddie George said yesterday that long-range price stability was the priority of UK monetary policy.

George said the UK's temporary departure from the European monetary system's exchange rate mechanism (ERM) last year did not imply any lack of UK commitment to European integration or price stability.

He said the pound's departure from the ERM reflected an "abnormal divergence" between Germany's need for tight monetary policy and the UK's need for easier monetary policy. *BIDM 3/3/93*

George said the divergence between UK and German economic policy needs seemed likely "to persist for some time to come" and, as a result, the UK was unlikely to re-enter the ERM for some time.

He said the cost of reunification left Germany with "the legitimate domestic policy need" of tight monetary policy just as much of Europe — including the UK — "required greater monetary policy ease" due to falling demand and weak inflationary pressures.

George said any attempt to achieve the politically sensitive goal of monetary unification too quickly, before Europe's underlying economic fundamentals converge, would result in divisiveness rather than cohesion.

He said UK policy would continue to aim at achieving the convergence criteria included in the Maastricht treaty for European political and monetary union.

He welcomed the fact that Chancellor of the Exchequer Norman Lamont had committed himself to inflationary targets.

George said the final decision of whether the UK would participate in the monetary union would be left to parliament, but UK policy makers had to ensure the UK was in a position to "opt in" if parliament so chose.

"I see no reason at all why the UK should not be in a position to meet the necessary criteria for moving to (the final stage) of European monetary union in accordance with the Maastricht timetable," he said. — AP-DJ.

## Aid for aircrash victims SLA

AMSTERDAM — The EC is to give 1-million ecus to people whose homes were destroyed in last October's air crash in Amsterdam, the Dutch Red Cross said yesterday. *BLOM 5/3/93*

The money, given to the Red Cross to distribute, is in addition to 2-million guilders collected by a nationwide appeal after an El Al cargo plane plunged into flats in the crowded housing estate of Bijlmermeer, killing 43.

Police arrest 15

## Tory govt 'at risk' over EC discord

HARROGATE — Prime Minister John Major, trying to quell a parliamentary rebellion over a European union treaty, said on Saturday his government's slim majority was at risk. *BIDM 8/3/93*

"Let me say it bluntly — disunity is a luxury we cannot afford," Major told a Conservative Party rally.

The two-day event was dominated by government frustration over ratification of the Maastricht treaty. Only Britain and Denmark have not ratified the pact, which would establish a single currency, foreign policy and political co-operation among the 12 European Community nations.

A bill to ratify the treaty has been bogged down in the House of Commons since November and a final vote appears unlikely until mid-year. Failure to ratify the treaty "would be to take a conscious decision to become irrelevant in Europe", Major said. "It would be the surest possible way to impoverish our country and damage our standing in the world almost beyond repair."

Conservative rebels in parliament, sometimes in alliance with the opposition Labour Party, have put forward more than 500 amendments — provoking hours of wearisome, late-night debates and votes.

The government has to defeat each amendment because the treaty must be endorsed unanimously and without alteration by each EC member state.

Major has scraped by so far with the help of opposition parties and has a slim 20-seat majority in the 650-member House, compared with a near-100 majority enjoyed by predecessor Margaret Thatcher.

□ Conservative Party supporters are being asked to put their money where their vote is by getting a Conservative credit card, which will cost customers £10 a year and is intended to improve party finances. Last month the Conservative Party head office, heavily in debt, reduced its staff and vowed to cut costs. — Sapa-AP.



# Rebels may embarrass Major over Maastricht

B/DAY 9/3/93

LONDON — Prime Minister John Major faced a politically embarrassing setback yesterday with party rebels pushing him to the limit over British ratification of the Maastricht treaty on European union.

Major spent most of the morning locked in tactical talks with colleagues on how best to confront the latest phase of "trench warfare" between Conservative rebels and their leader.

The government faced defeat over a minor but irritating opposition Labour Party amendment to the Bill ratifying the treaty. Rebels are fighting tooth

and nail, saying the treaty threatens British political sovereignty in Europe.

Defeat on the amendment would not wreck the treaty, unlike earlier motions, but it would be a slap in the face for Major.

Major has perhaps two options: avoiding a vote by accepting the motion, which deals with membership of a new EC committee, or calling in favours from rivals and demanding utter loyalty from colleagues in a vote.

Major, whose narrow 20-seat parliamentary majority makes him vulnerable to dissent, appealed to the rebels on Saturday, saying "disunity is a luxury we cannot afford".

But the rebels were belligerent yesterday.

"Nobody is going to be threatened by anybody at all. We have had so many threats during the course of this Bill that we are quite immune to them," said James Cran, co-ordinator of the 20- to 25-strong Tory

rebel section.

Party loyalists, however, are growing tired of the rebellion that has forced Major into a grinding battle to push the treaty through parliament.

"The rebels are a disgrace to the party and I will do everything I can to bring them down because they are selfish and behaving like kids," said Conservative Terry Dicks.

Trade and Industry Secretary Michael Heseltine said the rebels were damaging the objective of putting Britain "at the heart of Europe".

"If we are not seen to be there, the investment, the jobs will go from this country to the mainland of Europe. That is a prospect which I view with the greatest concern," he said.

The amendment was less important than the impact a government defeat would have and backing down may be easiest way out for now. — Sapa-Reuter.

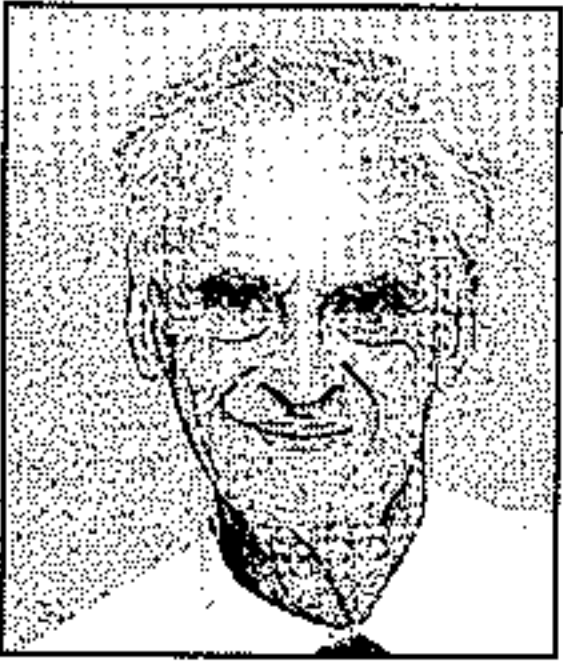
**Danes swing towards Maastricht**

APR 18/3/93 (SAP)  
COPENHAGEN. — Danes are likely to vote in favour of the Maastricht Treaty in a referendum on May 18. Latest opinion polls said 48 percent were in favour of signing the treaty and 26 percent were against. The treaty was rejected by 50,7 percent of voters in a June 1992 referendum. — Sapa-AFP.

# Foreign policy

FM 19/3/93

S6A



Regular contributor Radford Jordan is a former senior lecturer in political studies at Wits University.

**SA's application** to stay in the Commonwealth on becoming a republic was not going to succeed, so Hendrik Verwoerd withdrew it. The Duke of Edinburgh said he was sorry; Verwoerd brusquely replied that he was not.

The application had been a largely tactical one, its outcome one that Verwoerd had foreseen and relished. At the next general election, in 1961, English-speakers failed to see through his duplicity and ignored his rudeness. They forsook the only opposition party in large numbers to vote for him.

If in 1960 SA had had the sort of constitution she is likely to have soon, she would have been welcome to stay in the Commonwealth. Does this mean that she should put in an application for re-admission the moment she qualifies? Or did Verwoerd, for once, build better than he knew?

In 1961, the Commonwealth had a centre which appeared to hold firmly. In economic terms it was the UK, in pseudo-constitutional terms its historic monarchy. Queen Elizabeth II had lost nothing by being redesignated Head of the Commonwealth to accommodate India, for in terms of power or authority she had had nothing to lose.

If a member country other than SA wan-

ted a president as head of State in her stead, wasn't this a distinction without a difference? Nobody seems to have foreseen her driving through a former colonial capital flanked by a person who had exploited his presidency to become a dictator.

Indeed, the Commonwealth seemed set in 1960 to become a band of democratic sister states, with loyal oppositions confronting parliamentary executives they could hope to replace in free and fair elections. A mace would lie on the table before the Speaker and Sir Erskine May's book on parliamentary practice would be at his elbow. At any rate in Africa, this was not to be.

Winston Churchill's concept of Britain's place in the world still made sense in 1960. As he saw Britain's position, she lay between three intersecting circles: the Commonwealth, her special relationship with the US and — not only last but clearly least — Europe. Churchill had made noises about Britain's place in a united Europe when he was Leader of the Opposition after the Tory defeat in 1945.

Back in office in 1951, he did nothing to bring Britain into the European Coal and Steel Community formed in 1952; nor, from the seat he continued to occupy in the Commons, did he make any move to suggest she should join the European Economic Community (EEC). But by 1965, Britain's position was much changed.

Her special relationship with the US had indeed come to light in their solidarity during the Falklands campaign and the Gulf War — but terminally, in all probability, since neither could afford a repetition.

British EEC ties had overridden her less formal Commonwealth ones. This became clear when New Zealand found her market for lamb lost as a result of Britain's EEC membership.

The Commonwealth has remained a cultural entity through members' use of the English language, albeit as a matter of convenience (as in excluded SA). In the case of West Indian members, English had no competitors — though it has become increasingly American in tone and idiom, as watchers of cricket on the SABC learnt from the sage commentaries on the game by Donna Symmonds.

Certain West Indian Commonwealth members showed an innovative spirit in asking Ronald Reagan, not Margaret Thatcher, to block by the use of force a threatened communist takeover in Grenada. Thatcher only learnt of this after the event; she is thought to have regarded it as not cricket.

There is, of course, the question of our relations with African states which are Commonwealth members. When African states queue up to have trade relations with us, do we want separate Commonwealth and non-Commonwealth queues? One queue would seem better — with those states at its top which are most firmly committed to a free market and to constitutional reform.

Even if there were a Commonwealth flag — and the Commonwealth is as short on symbols as on substance — we would not be well advised to let our trade follow the flag out. Rather we should be taken whither the path of common advantage leads — so let's not be in a hurry to rejoin.



# French polls place markets in hesitant limbo

By Day 24/3/93

SIMON WILLSON

THE last time a French election had any bearing on the foreign exchange markets, exchange and interest rates performed their most contorted gymnastics in two decades.

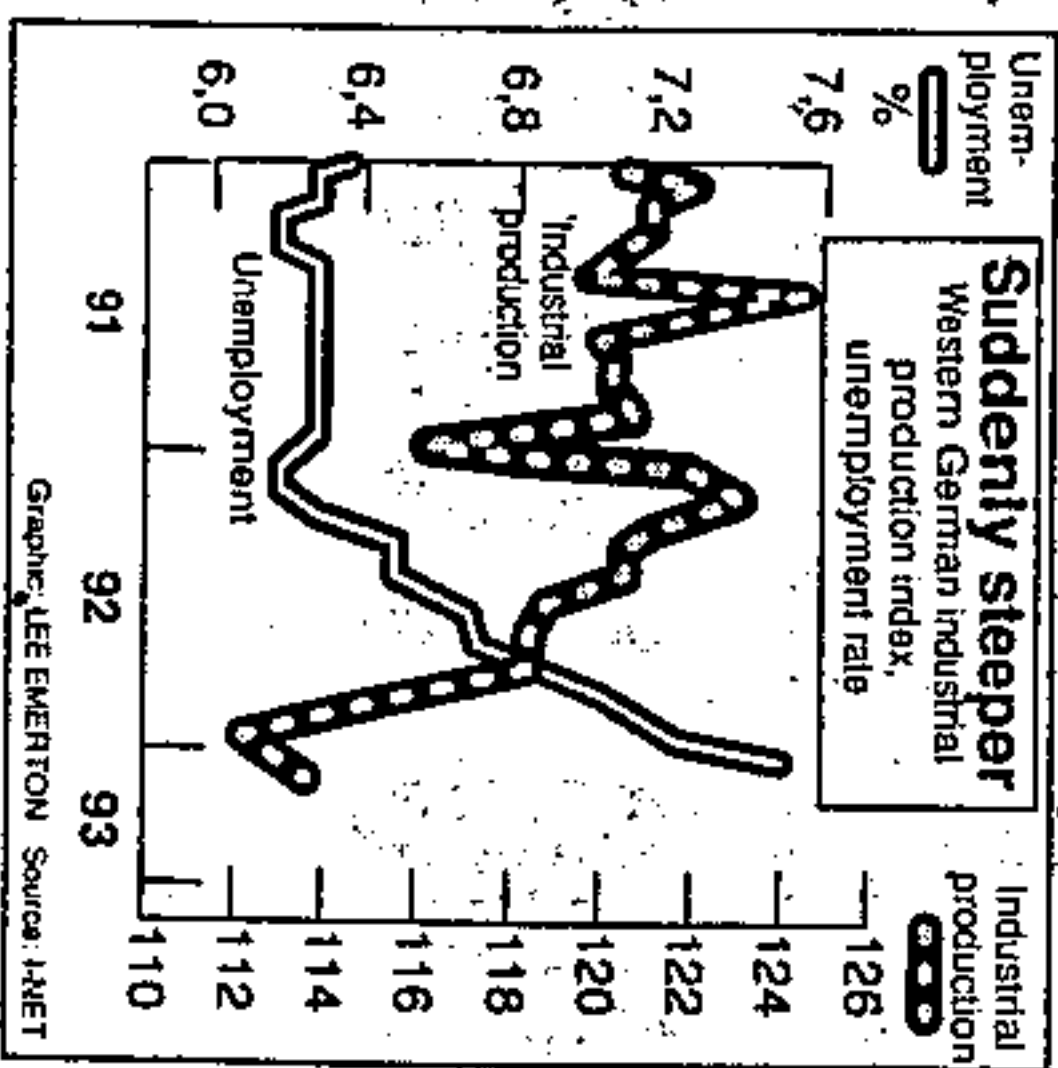
That was in September last year, when even a cut in interest rates by the Bundesbank three days earlier failed to prevent the panic and gyrations of Black Wednesday. Within a mayhem-charged 12 hours, sterling and the lira left the European exchange rate mechanism (ERM) and the peseta was devalued within it.

Now the French are back in their booths — but not merely to vote once as they did four days after Black Wednesday in France's doom-laden Maastricht referendum. No, as if to prolong the tension in the markets the current parliamentary elections have two rounds a week apart.

The first round was last Sunday and the second, run-off poll takes place this Sunday. In between lies a currency dealers' limbo of caretaker governments, lame-duck officials and ad hoc policies as a key ERM country puts the markets on hold. For seven days. On past form, the sight of anyone between Strasbourg and St Nazaire even making an X on a love letter should be enough to give market regulars severe palpitations.

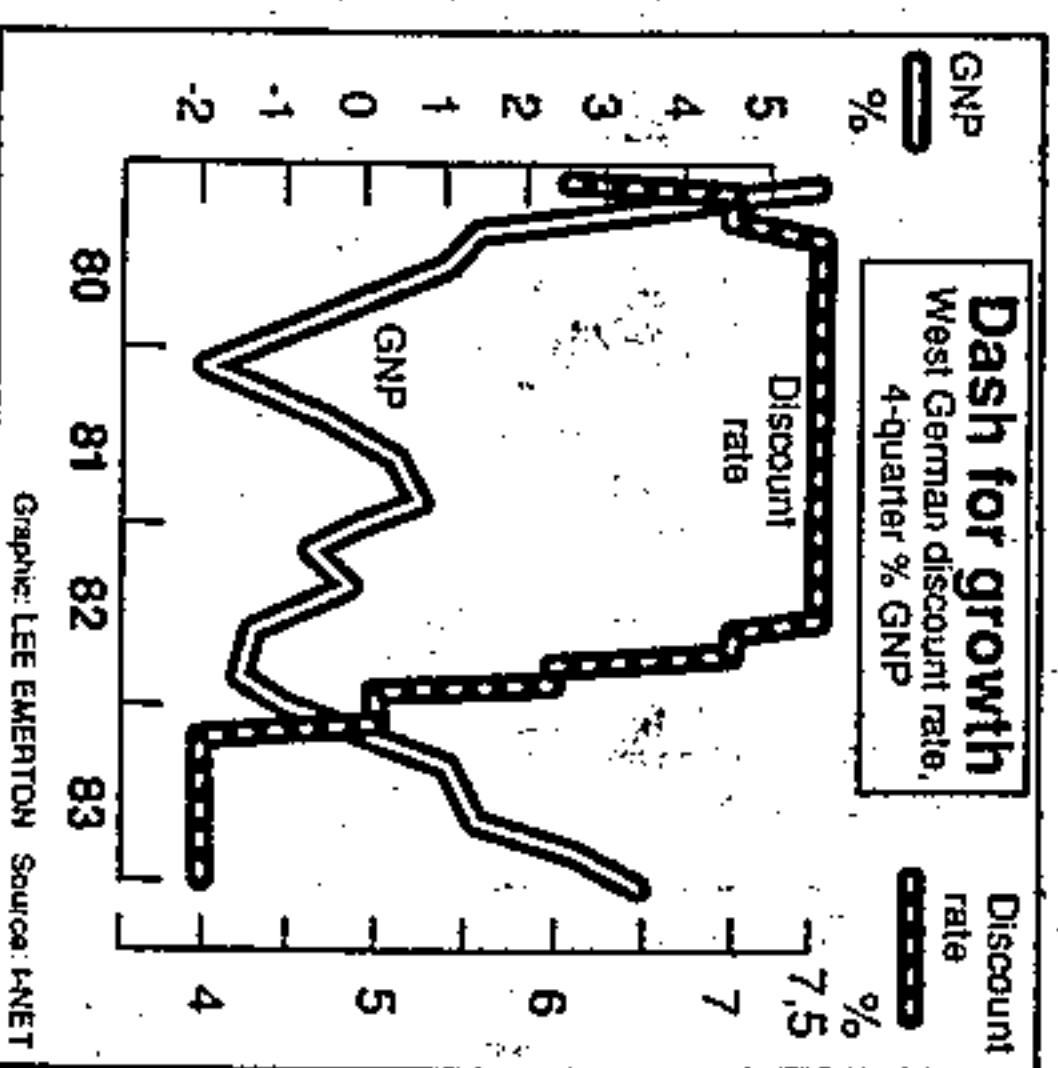
The current French election was, to complete the similarities with shaky September, also preceded by what was meant to be a reassuring cut in German interest rates. Six months ago the Bundesbank, aware of the tensions its tight monetary regime was exerting in the ERM, moved to cut key rates the weekend before the French referendum.

But the first German rate cut in five years was in vain as a sop to the short positions accumulating in the vulnerable ERM currencies. The same market response greeted last week's Bundesbank rate cut, an-



Probably not, and the first chart helps to show why. Six months ago the German economy (as measured by western German indices) was slowing: output had faltered and unemployment had risen, but neither was still supported by expansionary fiscal policy and strong real wage growth. Indeed, the Bundesbank had raised rates in August last year to dampen demand — hence the markets' sceptical reception of the September German rate cut.

announced three days before the first round of French voting. Far from bailing their Deutschmarks after the rate cut, dealers ditched dollars and bought Deutschmarks on the unchanged Lombard rate and the Bundesbank's reluctance to ease general monetary conditions. Another vain German rate cut, another fraught French poll, the whiff of devaluation in the air (involving the French franc this time). Is this leading up to a repeat of the chaos and torment of six months ago?



Now the picture is entirely different. During the past six months the German economy has slid into recession, showing successive GDP declines in the last two quarters of 1992. The adverse trends in the first chart have steepened perceptibly to the point at which they are causing concern to policymakers. Respectable forecasts now project a 2% fall in western German GDP this year, with unemployment rising to close to 10% among a population already showing signs of social instability.

Economic deterioration, supplemented now by falling wage settlements and slowing inflation and money supply growth, presents a new backdrop for Bundesbank action during the next few months. The second chart shows what a fired-up Bundesbank is capable of when it is really alarmed by economic stagnation and unhindered by excesses among the financial indicators.

To counter the 1981-82 recession, in which GDP's worst annual average was -1.0% in 1982, the Bundesbank almost halved discount rate within seven months — from the same level, 7.5%, as that prevailing now — and this while German inflation averaged more than 6% in 1981 and more than 5% in 1982. If underlying German economic conditions are half as bad as Deutsche Bank, for one, has been saying recently, the Bundesbank is surely poised to slash away at discount rate again in the coming months as inflation subsides below 4% and M3 growth stabilises.

Once German yields are reduced, other ERM currencies should stabilise and good reasons for holding dollars should appear.

Within two years of the Bundesbank dropping discount rate from 7.5% in mid-1982 to 4% in early 1983, the dollar bounded to its record Deutschmark high of DM3,47.

LETTING

# Major faces new threat to EC harmony

BIDAM 1/4/93

(S6A) mibog

LONDON — UK Prime Minister John Major faced a new challenge yesterday in his struggle to get a recalcitrant parliament to approve the Maastricht treaty and keep Britain at the heart of the EC.

Government officials said they were studying a new amendment by the opposition Labour Party to the treaty ratification Bill, whose tortured passage through parliament has undermined trust in Major's leadership after a series of government about turns.

Labour MPs said it would be a "ticking bomb" beneath the government, which promised its EC partners it would join them in ratifying Maastricht soon after Denmark's referendum in May.

Major, forced to pull a collapsing

sterling from the EC exchange rate grid last September, has made it a central policy to keep Britain a key player in the EC for commercial and political reasons.

The amendment is aimed at forcing Major to reverse his much-treasured opt-out clause of the treaty's social chapter, which paves the way for more integration of labour and social policies by the 12 EC members.

Some Labour MPs said the amendment, if passed, could force the government to hold a vote on the chapter, while others said it would present Major with the choice of scrapping the treaty altogether or incorporating the social chapter. The second option could force his resignation, they said.

Although Labour supports Maas-

tricht and wants the bill ratified, it also wants to extend the social chapter to Britain and is seeking a way to create a united front with anti-Maastricht Conservatives trying to stop the treaty altogether.

A senior government official played down the threat of the new amendment. "It is very convoluted. We have seen all sorts of interpretations. Even its sponsors seem unclear about its intentions," he said.

One of the more prominent Conservative rebels, Roger Knapman, was sceptical. "There is nothing in that for us. We do not want the social chapter incorporated," he said.

But another, Sir Teddy Taylor, made it clear he would use any device that would block the treaty. — Sapa-Reuter.

# Delors gets reassurance

*Guardian/W in w/m*  
By Martin Walker in Washington and John Palmer

SGA

*2613-114193*  
PRESIDENT Clinton last week sought to reassure the European Community that he remained committed to a strong transatlantic alliance as the linchpin of America's post-cold war security system, even as escalating trade conflicts deepened fears that the old European allies are becoming commercial rivals.

Mr Clinton told Jacques Delors, president of the European Commission, in a hastily-arranged summit, that the conditional approval for British Airways to buy into USAir was one signal of his determination not to let trade rows get out of hand, and his decision to work with the EC to resolve the Bosnian crisis and help sustain Russian democracy was another.

"I don't want a trade war with the EC and I don't think we'll have one," Mr Clinton said. He was responding to Mr Delors's expression of the growing alarm that unresolved trade issues dividing the EC and US could jeopardise a co-ordinated approach to urgent global foreign, security, and economic problems.

Before his Oval Office meeting with President Clinton, Mr Delors had been challenged on the EC's "protectionist" farm and procurement policies in meetings with congressmen and trade and treasury officials.

Mr Delors also warned Washington that the Europeans, while keen for partnership with the US, would not accept dictation. He told the International Management and Development Institute (Imdi) world leadership conference: "It would be dangerous if each side were to use interdependence as a pretext for trying to dominate or impose its political or economic system on the other."

The European fears are seen as wildly overblown by Washington, which expects that the need for EC-US unity in dealing with the Russian crisis will build an alliance which will far outweigh trade squabbles. The EC Commission may also be underestimating the degree to which Mr Clinton is comfortable with his personal links with European leaders.



## EC set to close gates on Russian aluminium

BRUSSELS — The EC took a step towards possible curbs on one of Russia's biggest exports on Friday just as EC foreign ministers prepared to travel to Moscow to discuss prospects for future free trade.

The European Commission, the EC's executive, said it had begun an investigation on the effect of aluminium imports from former Soviet republics because of French-led EC industry demands that these be halted.

Trade Commissioner Sir Leon Brittan took the decision as aluminium stocks in Rotterdam, much of them of Russian origin, topped 1-million tons.

Industry analysts estimate that aluminium exports from the Commonwealth of Independent States are running at around 800 000 tons a year, up from about 300 000 tons in the late '80s. EC industry wants imports from the former Soviet Union limited to 82 000 tons a year — an effective freeze on new shipments in view of the high level of stocks awaiting sale.

The growth in stocks has undermined aluminium prices, with metal for delivery three months from now languishing at around \$1 165 a ton, compared with a peak of about \$3 250 in 1988.

The commission launched its investigation a month after it consulted member states and found only Germany opposed to stringent import controls.

A commission spokesman said the inquiry did not presuppose that aluminium imports were hurting European business, but officials said the chances of curbs being imposed were now greater, as Brittan could have refused an inquiry.

One EC diplomat said the timing of the move on aluminium was unfortunate, given the new debate inside the community on how to respond to Russian pressure for a free trade deal in a way that bolsters Moscow's embattled reformers.

"But this is reality. I do not think we can escape curbs on Russian aluminium imports when the community is imposing curbs on steel from eastern Europe," the diplomat said. — Sapa-Reuter.

# EC relieved by easing of trade tensions with US

BRUSSELS — The EC is breathing a sigh of relief now that the anxiously awaited visit of the new US trade negotiator is over.

US Trade Representative Mickey Kantor left town on Tuesday after two days of negotiations appeared to have temporarily eased tensions between the trading partners.

Going into the talks, European officials weren't so sure that would be the outcome.

In recent weeks, the new Clinton administration had raised fears among Europeans that it was taking a protectionist turn.

It had imposed preliminary duties on steel imports from the 12-nation trading bloc and complained about airline subsidies.

Worst of all, it had threatened to slap sanctions on the community because of a rule that discriminates against US companies in the award of government contracts.

"What struck me was the difference in the Kantor style in the US than in Brussels," veteran EC consultant Stanley Crossick said after Kantor spoke on Tuesday at the American Chamber of Commerce.

"It was a motherhood and apple pie speech," Crossick said. "It was quite moderate."

Kantor, who was making his first visit to the trading bloc since taking

office, made points by agreeing to delay for three weeks the imposition of sanctions in the government contracts dispute.

He did so after Sir Leon Brittan, his EC counterpart, offered a series of proposals that could lead to the lifting of the discriminatory measures against US companies.

The rules allow a European government agency to award a contract to a European firm even if it costs 3% more than a bid from a foreign company. It also requires that in contracts involving goods, 50% of those products must be made in the EC.

## Imposed

But Kantor warned it was far from certain the two sides would reach agreement on the dispute at a meeting in late April and the sanctions could still be imposed.

Such action would likely lead to retaliation by the community and could result in a trade war.

During the talks, US officials said Kantor showed a desire to avoid conflicts with the community — but still delivered the message that the purchasing rules must be scrapped.

Reuter reports that Kantor said the prospect of a world trade war was remote, although it could not be ruled out entirely.

"I think the prospect of such a thing (a trade war) is remote if not impossi-

ble," he said after arriving in London yesterday.

He said completion of the Uruguay Round was critical for global growth and fears that the round would fail had been overblown amid "too much hysteria".

On the public procurement issue Kantor said, "We have made progress and I think that we can continue to make it."

The measures call for concessions from not only the community but also the US. Kantor already has said some are not acceptable.

He said the main threat to an agreement would come from inertia. "We need to reinvigorate and create momentum . . . that is happening."

Kantor also pledged to work for an early end to the stalled Uruguay Round of world trade negotiations — but not at any price.

"We are committed to a successful Uruguay Round and a prompt conclusion," he told the American Chamber of Commerce.

But, he added, "What we want is a good agreement, not just a quick agreement."

The 108-nation talks, which have dragged on for more than six years, are designed to lower barriers to trade in agriculture, textiles, manufactured goods, banking, telecommunications and other areas. — Sapa-AP.

Sowetan 1/4/93

**US snubs EC's idea** (S6A)

**UNITED NATIONS —**  
The United States has objected to European Community efforts to endorse an international peace plan on Bosnia as part of a proposed resolution tightening sanctions against Yugoslavia.



# EC and US call truce

*(S6A)*  
*Guardian / W W*  
By Julie Wolf in Brussels  
*WMAJ 24-7/4/93*

THE European Community and America on Monday called a temporary truce in their trade dispute. But US trade representative Mickey Kantor indicated that the EC would have to make greater concessions to avoid US sanctions against European firms.

The move followed new proposals made by the EC at talks between Sir Leon Brittan, European commissioner for foreign trade, and Mr Kantor. The US said the three-week delay would give time for further negotiations to resolve the government contracts quarrel which was sparked by EC legislation that favours European companies in public bidding.

However, Mr Kantor warned that considerable difficulties remained in the talks. He and Sir Leon will attempt to reach an agreement when they next meet, in Washington on April 19-20.

The US sanctions, which would bar European firms from bidding for up to \$50 million US contracts, were due to take effect on April 1 and could provoke retaliation by Brussels. Washington had already once postponed the sanctions following talks between the commission president, Jacques Delors, and President Clinton.

Monday's developments reflect the sense of crisis that has engulfed transatlantic trade relations since the Clinton administration took office. Mr Kantor said the EC had put forward "constructive" ideas to resolve the dispute over public contracts as well as new proposals for reducing tariffs on a range of industrial goods. The latter are aimed at giving an impetus to the stalled Uruguay Round world trade negotiations, where the US and EC are both demanding greater access to each other's market.

Sir Leon also agreed that during the next three weeks he would begin preparations for withdrawing "buy European" provisions in EC legislation on public purchasing, which the US objects to.

# Most UK firms in SA meet EC payment code

By Garner Thomson  
Star Bureau

(56A)  
LONDON — Nearly 99 percent of black people employed by British companies in South Africa are now being paid above the European Community code of conduct's recommended minimum level, according to the UK Department of Trade and Industry.

In contrast to previous years, only two companies have not provided the full report required by the European directive.

The department released its seventh annual analysis and

summary of the revised code adopted in November 1985. It shows a further decline in the number of black employees being paid below the recommended minimum.

The level of British companies' involvement with trade unions representing black interests was also maintained, with most companies reporting formal links.

"Many companies have taken steps to alleviate the particular hardships experienced by their migrant workers," the report continues.

"As in previous years, all companies provided on-the-job

Star 214193  
training and many provided additional training facilities. Companies continued to report impressive levels of involvement in projects benefiting not only their employees and their families, but also the wider communities from which their workforces were drawn.

"Companies also continued to encourage the growth of black business."

The period covered by the report has seen the deepening of the recession in South Africa, with unemployment steadily increasing, while progress on the political front has been slower than expected, according to a

statement from the DTI.

"However, positive steps have been taken toward the achievement of a new democratic constitution and we hope that this will be taken forward when multi-party talks resume early next month."

The British government has reminded the two companies not reporting of the existence of the code and the importance attached to it.

It also urged the remaining 98 subsidiaries in South Africa to continue providing reports and urged them to maintain their performance and comply fully with the code.

# G-7 will have to scrape the barrel for Russian aid

B7DAM 8/14/93. S6A

**BRUSSELS** — The EC could find itself at centre stage when Group of Seven (G-7) ministers meet in Tokyo next week to discuss aid to Russia and how to help embattled President Boris Yeltsin.

With the fate of Yeltsin and a possible return to hardline communist policies in Russia at stake, the G-7 foreign and finance ministers know they must do something. But they are also aware that the streams of bilateral aid have all but dried up as key G-7 economies weaken.

The ministers therefore seem likely to try to shift the spotlight to institutions such as the IMF, the World Bank, the European Bank for Reconstruction and Development, the EC's executive commission and the EC itself in search of the \$30bn aid package now being mentioned.

Independent economists already expect Italy, with its government and economy in tatters, to have to make supplementary budget cuts this year to prevent a big overshoot of its deficit target. It may simply say next week it has no cash to spare.

Likewise Germany, burdened by the huge costs of unification and caught in an economic slowdown, rising unemployment and spreading labour unrest, will point to the \$50bn it has already pumped into Russia and

its \$5bn share of last week's \$15bn Paris Club debt rescheduling deal.

France, with a new right-wing government in place facing more than 3-million jobless and an economy being slowly strangled by high interest rates, will turn out its pockets and declare them almost empty.

Britain, too, with 10% unemployment and a soaring budget deficit, will note the doubling of its technical grant aid to \$180m announced last week, and insist that tight strings be attached to any further measures.

The US will point to the \$1.6bn package announced at the Vancouver weekend summit between President Bill Clinton and Yeltsin and tell the others to match it.

Japan, locked in a territorial dispute with Russia and facing a declining domestic economy, is also likely to prove reluctant to put its hands deep into its pockets. Any aid from Japan will also have to satisfy its citizens that it has not turned its back on lengthening job queues back home.

But the G-7 ministers, painfully aware of the public slating the G-7 got when it turned then Soviet president Mikhail Gorbachev away empty handed in 1991 only to see him ousted months later, know they cannot simply try to buoy Yeltsin with hot air.

The G-7 must ensure it does enough

to fuel Yeltsin's supporters without giving his opponents ammunition to use by claiming he has handed domestic Russian policy to the West.

Denmark holds the rotating EC presidency until June 30 and, as a result, Danish Economy Minister Marianne Jelved, a former teacher, could well find herself in Tokyo on April 14 facing a class telling her what to do.

She will know that because of the EC's ministerial voting system four of its members — Britain, Germany, France and Italy — can block any proposal she or the executive commission makes.

But Jelved and EC Economic Affairs Commissioner Henning Christophersen do have at least one trick up their sleeves.

Denmark and the commission have been pushing for a change in the rules of Euratom, the EC's atomic energy body, to allow it to use the \$1.2bn in its coffers outside EC borders.

The commission also has money earmarked for technical aid to the Commonwealth of Independent States under its Tacis programme, and can use funds in its annual budget for other forms of aid including food. But the scope for extra spending is limited in the commission's stretched budget. — Sapa-Reuter.



**I**T HAS been a winter of discontent for Europe.

At the first session of the new year, European parliament president Jacques Delors said: "The economy is in crisis, society is in crisis, democracy is foundering... The very idea of a united Europe is in peril."

While some will dismiss this statement as an over-dramatisation, it does encapsulate the considerable pessimism which has come over Europe. Since the Danes last year rejected the Maastricht Treaty which was to take Europe over the next threshold on the road to integration, there has been a loss of confidence on the part of the Europeans in their ability to grow closer.

It is true that 10 out of the 12 members of the Community have in effect ratified Maastricht and the German chancellor has indicated that the 10 should not be held back if Denmark and Britain fail to accept the next step. Nevertheless, the experience of the past year has led to greater humility about the objective to forge unity out of such diversity.

But Europessimism has also been fuelled by more tangible developments such as the very difficult economic conditions and bleak prospects for the next year. High levels of unemployment in most European countries are swelled by regular announcements of further retrenchments.

Germany, until now regarded as the motor of European success, is experiencing serious problems — with the shortest working hours in the world, the most holidays and the youngest pensioners, investors are looking elsewhere, frequently east. At Volkswagen's car plants in the Czech Republic labour costs of 1.7 ECU (European Currency Unit) an hour apply, compared with 19 ECU an hour in Germany.

Every day, television screens are filled with scenes of a real and particularly vicious war which is raging within a few flying hours of most European capitals. Ethnic cleansing and the systematic rape of thousands of Muslim women remind Europeans of the vehemence of the re-awakened forces of nationalism at play here.

The Vance-Owen attempts at a negotiated settlement have not, to date, stopped the killing and the destruction in the former Yugoslavia. This has led some commentators to doubt whether the Europeans really have the will and the unity of purpose to deal with this massive tragedy right on their doorstep.

Some have referred to it as a case of Eurosclerosis. Apart from the potential for regional destabilisation throughout the region, the consequences make themselves felt in the very real form of hundreds of thousands of refugees or potential refugees, looking west, to a world where they are poorly equipped to compete.

It is not only the desperate people of the former Yugoslavia who are attracted to the "good life" of Western Europe. In most of the coun-

tries on the perimeter of the EC, (Eastern Europe and the Mediterranean) conditions prevail which are in stark contrast to the high standards of living which now exist in Western Europe.

Since the demise of communism in Eastern Europe these discrepancies have become larger as a result of the breakdown in the capacity of these countries to generate and distribute supplies of basic necessities. At the same time the Berlin Wall came down and most borders became soft. Thus the scene was set for enormous pressure from immigration flows into the already densely populated western part of Europe.

**T**HE new arrivals fuel resentment by competing for scarce employment opportunities and by simply being different. This is giving rise to racial tension which is by no means restricted to Germany.

Europe is also undergoing a crisis of public morality which has led to a loss of confidence in the established order, and a deep weariness with government. Political scandals and evidence of corruption have rocked many of the member countries of the EC, causing serious government crises in Denmark, France and in Italy.

The wintry landscape has

further been sullied by a change in the quality of the trans-Atlantic relationship. The solidarity of the Cold War era has been replaced by short tempers and ominous signs of protectionism arising from trade disputes.

The European Community as an entity, and European integration as an ideal, have not remained unaffected by these events. The next logical step, after the European Single Market came about at the beginning of 1993, was to have been the implementation of the Maastricht Treaty. The treaty envisages common foreign and security policies and a monetary union — measures which require a significant sacrifice of sovereignty. This deal has been met with stronger than expected reticence.

Some describe these doubts as purely cyclical in the process of European integration. EC bureaucrats in Brussels generally take the attitude "we've seen it all before, it will go away". Others insist that rejection by the Danes and the British, would kill Maastricht. The truth probably lies somewhere in between.

The objective of some form of European integration will remain, but the pace and the scope of the integration process will most likely have to be adapted. Fears on the part of ordinary Europeans of bureaucratic strangulation become understandable if one looks at the size and the

**NEIL VAN HEERDEN** writes on the future facing Europe and the implications it holds for South Africa



EUROPE IN TURMOIL... rampant unemployment caused by an influx of cheap labour from its eastern neighbours is sparking racial tensions

# EUROPESSIM

IS THERE LIGHT AT THE END OF THE TUNNEL FOR SOUTH AFRICA?

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Despite difficulties, what is emerging in Europe could be the shape of the future — the partial sacrifice of national sovereignty in the interest of a wider communal goal. Greater regional solidarity is bound to result from the probable emergence of trade blocs now being formed.

**I**N the case of Western Europe, what started essentially as a free trade area is attempting to grow into a federalising core of states. It is a bold but difficult process — such as most pioneering endeavours are. Although on a much lower scale, the North American Free Trade Area and Mercosur, an organisation for economic co-operation in South America, could be signs on the same road.

More than 50 percent of South Africa's global trade is conducted with the EC (this also constitutes 50 percent of our GNP). Europeans are the largest foreign investors in South Africa. The EC currently spends ECU 90-million a year on developmental programmes in South Africa — the largest allocation of its kind to any single country re-

ceiving assistance from the EC.

Apart from trade, the EC represents a part of the world with which South Africa has historically maintained strong ties in many fields. This makes for a great deal of interest in what happens in South Africa.

For many Europeans, South Africa is a little "different" to most other faraway places and they want us to succeed as a nation, even if they do not always agree on what success should mean.

Economic sanctions were finally lifted in 1992 and there remains only a ban on the sale of military equipment and nuclear co-operation.

Yet, there is a residual lack of normality and at times it would seem the Cold War still flickers on in certain pockets of the EC/SA connection. We can talk about tariffs and trade restrictions but the facilities of the European Investment Bank and the benefits of scientific and other exchanges are waiting for "the lights to be switched to green".

On both sides of the political divide there are networks doggedly committed to their allegiance to some part of the political spectrum in South Africa. They have firm and frequently prescriptive ideas about what the future of South Africa should look like and what form a future relationship between the EC and South Africa should take.

The question as to whether



NEIL VAN HEERDEN writes on the uncertain future facing Europe and the implications this holds for South Africa



...ant unemployment caused by an influx of cheap labour from its eastern neighbours is sparking racial tensions and divisions which threaten economic stability

# ROPESSIMISM

STimes 11/11/93. (S6A)

## T AT THE END OF THE TUNNEL FOR SOUTH AFRICA?

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The objective of some form of European integration will remain, but the pace and the scope of the integration process will most likely have to be adapted. Fears on the part of ordinary Europeans of bureaucratic strangulation come understandable if one looks at the size and the

complexity of the Community's structures in Brussels and elsewhere (2 300 full-time translators working in nine languages, to name only one statistic).

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On both sides of the political divide there are networks doggedly committed to their allegiance to some part of the political spectrum in South Africa. They have firm and frequently prescriptive ideas about what the future of South Africa should look like and what form a future relationship between the EC and South Africa should take. The question as to whether

or not South Africa should join (and be accepted into) the Lomé Convention (a co-operation agreement between the EC and the developing countries of Africa, the Caribbean and the Pacific) becomes a litmus test and firm and elaborately documented views exist both pro and contra.

In fact, much more thought has gone into this issue in Brussels, it would seem, than is the case in South Africa — where the debate must be conducted.

**H**OW should the new South Africa relate to Europe to ensure the best access to this very important market and source of investments and technology? In this regard the question arises whether we see ourselves as a developed country (as we are currently classified under the General Agreement on Tariffs and Trade) or whether we should accept that we are in actual fact a developing society, with the majority of our people living in the third world.

Are we a poor member of the club of wealthy nations of the world, or a wealthy member of the poor group of countries? These questions raise issues which will need to be addressed when we consider our future relationship with the EC.

There is also the question of what role should South

Africa assume in our region? The Europeans would mostly prefer to see South Africa as part of an arrangement which also benefits its neighbours — a sensible view also shared by most in South Africa, although some would point out that we should avoid being cast in the role of regional benefactor.

It is important that we realise that the countries of the EC will increasingly be occupied with their immediate surroundings. The spectre of large numbers of refugees makes it imperative for the EC to concentrate its efforts to provide economic stability and security in these countries. The task of development and stabilisation will be gargantuan, leaving less energy and resources for other causes further afield.

Much as the Europeans object to the concept "Fortress Europe", there is no denying that the European Community also means the pooling of interests and the closing of ranks to the exclusion of all who are not part of the club.

Europe is engaged in a difficult exploration of an unknown future. South Africa should ensure that it remains abreast of these developments, and that it is positioned to negotiate a mutually beneficial partnership as it emerges from its own transition.

□ Neil van Heerden is the former director-general of foreign affairs who now serves as South Africa's ambassador to the European Community.



# End to European paroxysm could be in sight

Simon Willson

YESTERDAY'S trimming in a French money market rate may portend an end to the paroxysm that has gripped the European exchange rate mechanism (ERM) for the past six months. It is now possible to construct an ERM scenario for the coming European summer that is as dull and predictable as the same period last year was unprecedented and cataclysmic.

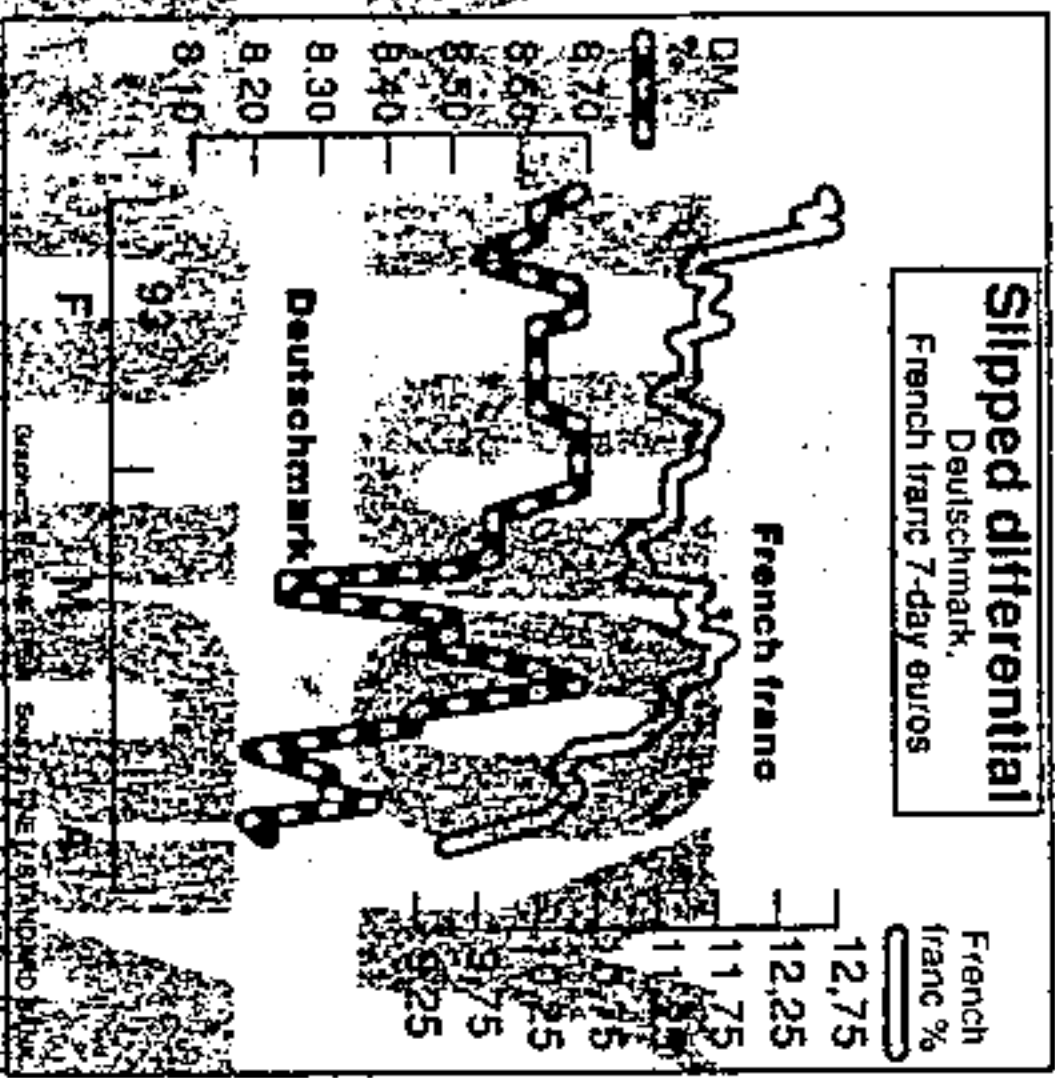
The French rate that has been eased is a repurchase (repo) rate and not an official short-term rate, so its effect is fleeting. It was the five- to 10-day repo rate that was cut, by two percentage points to 10%, so the move speaks for French monetary policy only until the end of next week. The Banque de France's key intervention rate, underpinning money market rates, stays at 9.1%.

Easing monetary conditions by nods and winks may give the French authorities a warm glow, but it will hardly transform the fortunes of the stagnating French economy. The country's GDP is set to fall this year by anything up to 1%, the unemployment total a record 3,02-million — or 10.6% — and the voters have just thrown out the government that allowed such drift.

The alterations to French monetary policy in recent months have

however, reduced the overall credit stance from the suicidal to the merely crippling. Three-month rates were at 12% in February as monetary conditions were tightened to defend the franc's ERM parity. By yesterday they had eased to around 9% as the franc stabilised after the installation of the new government and modest German interest rate reductions in February and March.

But a simultaneous fall in French inflation has left real short-term rates at around 7%, which is severely deflationary for an economy entering a cyclical downswing. The franc is effectively out of danger so



the Banque de France has been able to show the first signs of easing to hard-pressed French commerce.

The central bank can go no further, though, until the Bundesbank moves again. The French rate premium over German rates required to stabilise the franc may have halved in the past fortnight, as the first chart shows and as French Prime Minister Edouard Balladur said yesterday but, on yesterday's showing, it needs to be around 1.5 percentage points if the franc is to be supported.

Any further easing in French credit conditions will require a prior cut in German rates, or a cast-iron assurance from Frankfurt that one is on the way. How likely is this?

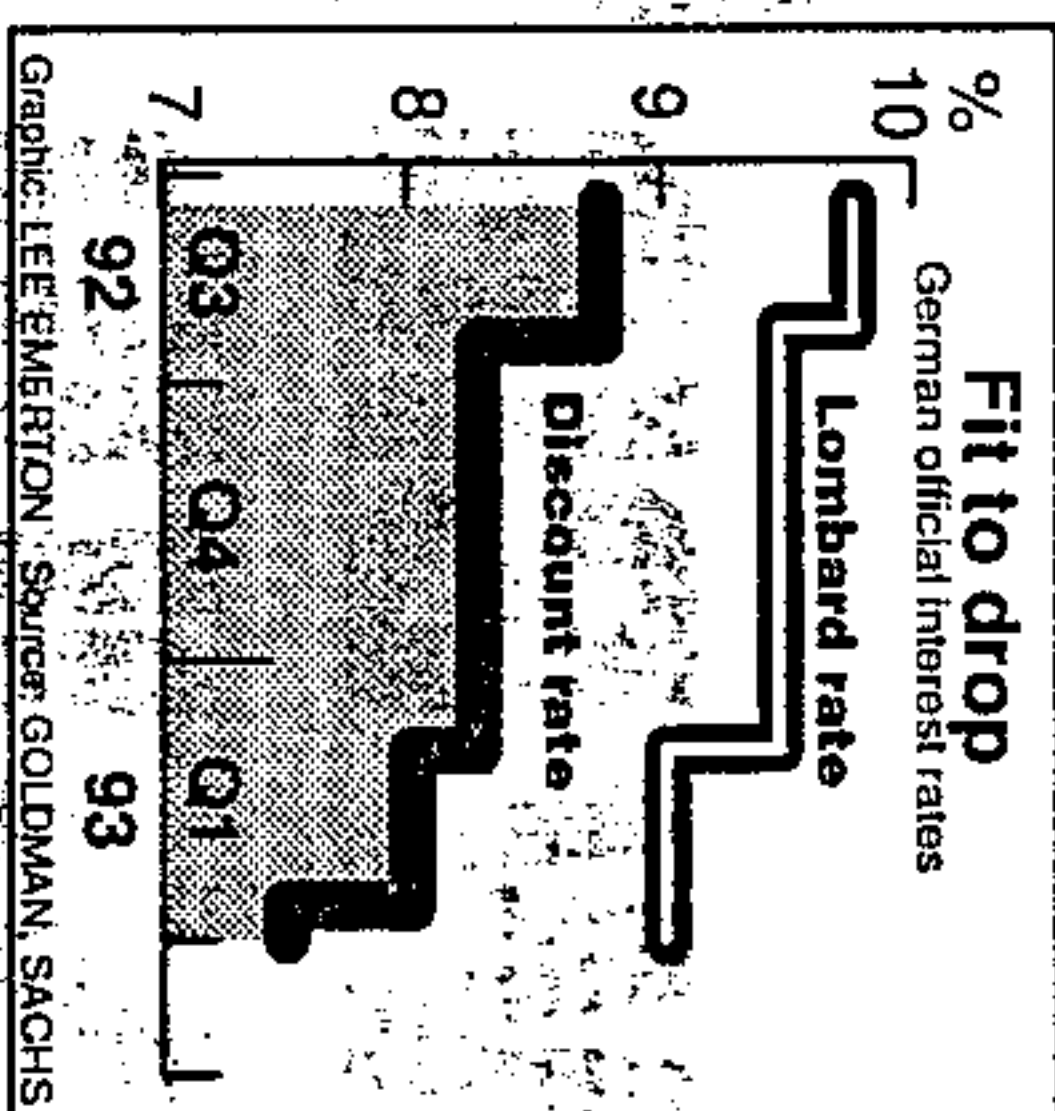
France's new government has moved quickly to establish ties with the German authorities whose own monetary stance, through the ERM, effectively decides French rates too. The new French finance minister has already visited the Bundesbank, and Balladur will himself be in Germany later this month.

The exact date of Balladur's visit is an interesting one. It is a week to-

## LETTERS

April 22 — which, coincidentally, is the date of the next Bundesbank council meeting. Since Balladur will shortly be the second French economic policy heavyweight in as many weeks to talk to his German counterparts, it is fair to infer that the two governments are doing some scenario-building.

The German economy has its little catalogue of woes, too. Western Germany's GDP is heading for a worse decline than France's this year, and latest downward revisions to already bearish forecasts put the likely outturn around -1.5%. The Bundesbank has already lowered official



rates twice this year, but by a total of only three-quarters of a percentage point which, in a rapidly deepening recession, is surprising.

Some analysts are expecting a sharp deterioration in Germany's economic trends over the next few weeks — in time to sway the Bundesbank council and produce the cuts in official German rates that France seems to have anticipated already. By early May the German first-quarter GDP readout will have been published, and will probably show a fourth consecutive quarterly decline in output for the first time since the days of the Third Reich.

This startling data release will be too late to goad the Bundesbank into action at its April 22 meeting but, the thinking runs, should occur just before its May 6 meeting, impelling another half-point cut in the key rates already trending down in the second chart.

Once the Bundesbank has cut again, a few other pieces of the fractured ERM should fall into place again. Denmark, whose rejection of the Maastricht treaty in mid-1992 started the ERM's *annus horribilis*, votes again on the treaty on May 18. Assuming an assent, Europe's tortured monetary system could look viable again five weeks from now.

Report on such an important issue?



Unita re  
and wants a global cease

# Unemployment kills EC's hopes of single currency

BIDAM 15/4/93 (S6A)

BRUSSELS — EC plans for a single currency before the turn of the century appeared remote, analysts said yesterday after EC officials indicated they had ruled out currency reform.

They said Europe's fight against soaring unemployment had made the strict economic criteria necessary for monetary union increasingly unrealistic.

"Monetary union is more a matter of political ambition than economic reality. A single currency is still quite a long way away," said Barclays de Zoete Wedd's international economist Simon Knapp.

On Tuesday the community's powerful monetary committee finalised a report which Bank of England official Andrew Crockett indicated had turned down reform proposals for the Exchange Rate Mechanism (ERM) of linked EC exchange rates. The report was ordered by EC leaders in October during currency turbulence which caused devaluations of the Spanish, Portuguese and Irish currencies,

and forced the British pound and Italian lira to float free of the ERM.

The storm blew apart five years of exchange rate stability which European political leaders had hoped would smooth the path to fixed exchange rates and a single currency by 1999, as targeted in the Maastricht union treaty.

Currency analysts said the monetary committee report was a victory for Germany's insistence that the weaker EC economies stop resisting currency alignments for reasons of political prestige.

"Germany wants ERM realignments to be depoliticised so they do not become a test case of the failure of economic policies," said Warren Oliver, European economist at SG Warburg Securities.

"What is interesting is that Germany managed to pull the inner core (of the leading monetary union candidates) with it," he said, in reference to France, the Netherlands, Belgium and Luxembourg. — Sapa-AFP.

## EC highlights the role of free trade policies

COPENHAGEN — Thirty countries from East and West Europe yesterday ended a two-day conference stressing that free trade is the key to undoing decades of communist rule in eastern Europe.

In a final declaration, the 19 West European states and their 11 nearest neighbours to the East stressed the "important role of liberal trade policies" for eastern Europe's transition to market economies.

But the conference yielded no firm western commitment to liberalise trade, an issue that is increasingly souring relations across the old Iron Curtain.

The West Europeans, including the 12

EC states, also urged the East Europeans to develop trade among themselves and with the republics of the former Soviet Union.

The latter did not take part in the conference.

Poland, Hungary and the Czech and Slovak republics want to join the EC as early as 2000, but the EC has declined to commit itself to a date.

Within the EC, there is disagreement on how far and how fast the community should move towards free trade with Poland, Hungary, the Czech and Slovak republics, Romania and Bulgaria. — AP-DJ.



**N 1989-'90, a triumphant wave of western liberal capitalism crashed on to the beachhead of central and eastern Europe, washing away communism's rusty hold. Three years later, the western part of the continent is caught in the backwash of its own previous success.**

Europe has served up a largescale laboratory demonstration of Isaac Newton's third law of motion: "To every action there is an equal and opposite reaction."

In the east, fragmentation is on the march, illustrated by the war in former Yugoslavia, the disintegration of the former Soviet Union and, less catastrophically, by the breakup of Czechoslovakia.

In western Europe, fissiparous forces are at work, too, seen in regional factionalism in Italy and Belgium, or the economic and social cleavages in unified Germany.

Yet what has crumbled most is political vision and leadership, sapped by economic downturn, unemployment and electoral disenchantment. The fall of the Berlin wall, the unification of Germany and the unravelling of the Soviet empire were cathartic events for which the West was immensely grateful, and immensely unprepared.

**W**estern Europe reacted by trying to speed up, through the Maastricht treaty, moves towards EC unity. West European politicians gave priority to deepening integration rather than spreading it eastwards. They failed to realise that the collapse of communism would create a corresponding crisis of adjustment in the West.

They foresaw neither the scale of economic problems resulting from German unification, nor the extent to which these would reverberate across Europe. They did not anticipate that the Maastricht plan to replace the Deutschmark with a European currency would become an obstacle rather than a catalyst for the reconstruction of Europe.

This was a catalogue of miscalculation. Now, west European governments face three interlinked challenges. The most important is to build a stronger economic bridge integrating the eastern and western parts of the Continent. Unless governments master this first task, they

# A reunited Europe flounders in the undertow of change

BOMY 15/4/93.

DAVID MARSH

56A

are likely to fail in the other two aims: restoring their authority and esteem in the eyes of voters, and succeeding in Europe's economic struggle to keep up with other parts of the industrialised world.

"What's the situation in Europe today? Uncertainty, uncertainty, uncertainty. That's a disaster," says Poul Nyrup Rasmussen, the new Danish prime minister. A senior official in the Bonn chancellery talks of "an accumulation of uncertainties" posed by concerns about immigration and inflation, and by the perception of impotence over the war in Bosnia.

The upheavals in eastern Europe have changed the mood of nations. Would the withering of British self-confidence during the past few years have been quite so severe had the post-Thatcher recession not coincided with the end of the UK's Cold War role as a guardian of a divided Europe? In Italy, the eastern earthquakes have contributed to the splintering of the old state and party structures which held the country for so long in the grip of corruption.

In France, the diminishing of public standing was hastened by his futile attempts at the end of 1989 to delay German unification, and his underestimation, at the time of the hardliners' coup in August 1991, of the forces of reform in the Soviet Union. And in Spain, the fortunes of Felipe Gonzalez are waning partly because, as new eastern horizons



□ MITTERRAND

open, the country is facing much greater competition in seeking to attract investors and EC subsidies.

Through these setbacks to European hopes runs a common economic thread. High Bundesbank interest rates aimed at restraining the inflationary pressures of German unification have been a principal cause of the European recession.

Alfred Grosser, one of France's leading political scientists, says the

after it's ratified." But he adds that once the treaty, as he hopes, passes its hurdles in Denmark and Britain, "the EC will have to think of something else".

This could be, Attali suggests, the establishment of a pan-European common market to lock the economies of eastern and central Europe to the West. These countries should also participate, he proposes, in formal political collaboration with the EC, ideally through immediate full membership.

In common with Attali, Prof Alan Winters, an international trade expert at Birmingham University, complains about EC protectionism in its trade agreements finalised over the last year or so with former Soviet bloc countries.

Winters says: "Noble concern for the welfare of our brothers in eastern Europe has been subverted by fiercely criticised EC import restrictions in sectors such as steel, agriculture and textiles.

Countries in eastern and central Europe have made impressive strides in switching trade towards the west. But the run-down of traditional industries has been much greater than expected.

Allowing for an anticipated modest recovery in 1993, the combined real GDP of Hungary, Poland and the Czech and Slovak republics at the end of this year will be roughly 20% below that achieved in 1988. Even after zero or maybe negative growth in the EC this year, the community's GDP at the end of 1993 will, by contrast, be 8% to 9% above the 1988 figure.

Jack Swicki, investment manager in the Warsaw-based Polish-American Enterprise Fund, dealing with privatisation and acquisitions in Poland, was in 1991 secretary of state in his country's privatisation ministry. He says errors were made in forecasting the process of East European transition.

"We did not realise this is not like a turnaround of a corporation. It is like a situation after a war — after the atomic bomb has gone off, millions of people are hurt and injured." Bringing about economic regeneration, he says, "has to be a managed process. You need a surgeon on the battlefield. You cannot leave it all to the markets." — Financial Times.

## Deposit row hits Namibian fishing

*Blomby 19/4/93*  
WINDHOEK — British officials have demanded that Namibian fishing firms put up nearly R11m as a deposit after disputing the origins of Namibian fish, according to a report in the Namibian.

The report said the demand arose as the EC prevaricated on whether to label pilchards caught at Walvis Bay, an SA enclave in Namibia, as Namibian or SA in origin. Under EC regulations, SA imports are subject to duties, while Namibian imports are not.

The R10,8m demanded as security is equivalent to the duty which would be imposed on the fish if the EC decided to rule that Walvis Bay, administered jointly by SA and Namibia, qualified as a SA place of origin. *(SA) (SA)*

The newspaper said both Britain and the EC were on record as saying that Walvis Bay belonged to Namibia under international law. Namibia has been waiting 10 months for the EC to clarify the status of Namibian pilchards caught and packaged in Walvis Bay. While the EC sits on the issue, British customs officials have demanded the guarantees, which are two-thirds of Britain's annual aid to Namibia.

According to the report the EC delay has already resulted in one company losing an order worth 700 000 cartons of pilchards a year, which would have doubled Namibia's exports of the fish. — Sapa-AFP.

## East Germans face historic strike poll

*Blomby 19/4/93*  
FRANKFURT — Positions hardened over the weekend in the East German pay conflict, and the largest union prepared to call a strike ballot. *(28)*

Engineering employers dug in their heels and refused to raise their 9% pay offer, while the German trade union federation, the DGB, called yesterday for a "week of resistance".

The national board of the powerful IG Metall union meets in Frankfurt today to set a date for a ballot on whether to hold a full-scale strike — the first by workers in eastern Germany in 60 years.

Klaus Zwickel, deputy union chairman, said last week a vote could be held from April 26 to 28.

IG Metall has already organised two waves of walkouts and demonstrations over the employers' breach of the three-year pay agreement sealed in 1991. This would have brought East German metalworkers' pay up to the West German level by next year.

Dieter Kirchner, chief executive of the Gesamtmetall engineering firms' federation, told German radio the originally agreed pay rise of 26%, which the employers have cancelled, would have led to "70 000 to 80 000 additional redundancies".

And Gesamtmetall chairman Hans-Joachim Gottschol told the Bild am Sonntag newspaper: "We made a mistake with the conclusion of the 1991 pay contract." — Sapa-Reuter.



# Finance ministers add final touches to EC's growth plan

*blomay 20/4/93*  
LUXEMBOURG — EC finance ministers were yesterday putting the finishing touches to a package of measures aimed at creating 450,000 jobs and boosting the community's economic growth next year by 0,6 of a percentage point.

Although diplomats say the \$42,4bn plan contains little that is not already known, ministers hope that it will dovetail with US and Japanese growth initiatives to give a noticeable jolt to confidence.

"Particularly with what Japan did last week and what the US are looking at, I think everyone working together will give a significant boost," Irish Finance Minister Bertie Ahern said as he arrived for the ministers' meeting.

Japan last Wednesday unveiled a \$117bn package, while US President Bill Clinton on Friday offered to cut his \$16,3bn emergency jobs package by 25% in order to win the support of Senate Republicans.

Ahern said the EC package, consisting mainly of new lending by the European Investment Bank, would create about half a million jobs in the EC, where an average 14,1-million

people were out of work last year.

Economic Affairs Commissioner Henning Christophersen put the new jobs figure at 450 000 but stressed the plan was just one element in an array of measures needed to revive growth.

"I think this is a good contribution, but it has to be seen together with some other important contributions. We still need a lowering of interest rates," Christophersen said.

He thought European interest rates could fall another two percentage points by the end of 1993, which he said could add a further 0,6% to the EC's growth next year.

France yesterday underscored the slow but sure trend towards easier money in Europe by cutting its key money market intervention rate to 8,75% from 9,10%.

Economy Minister Edmond Alphandery said he was happy with the cut, made possible by financial market confidence in new Prime Minister Edouard Balladur's policies.

The centrepiece of the EC package, launched at December's summit in Edinburgh, is a \$6bn fund from the investment bank for projects such as roads and railways. — Sapa-Reuter.

# Speedy cut hints at Franco-German footwork

BDM 21/4/93

**SIMON WILLSON**

FRANCE's move this week to cut a key official interest rate could be the first part of a two-stage easing of monetary conditions at the core of the European exchange rate mechanism (ERM). Germany is likely to complete the manoeuvre, if not this week then in early May.

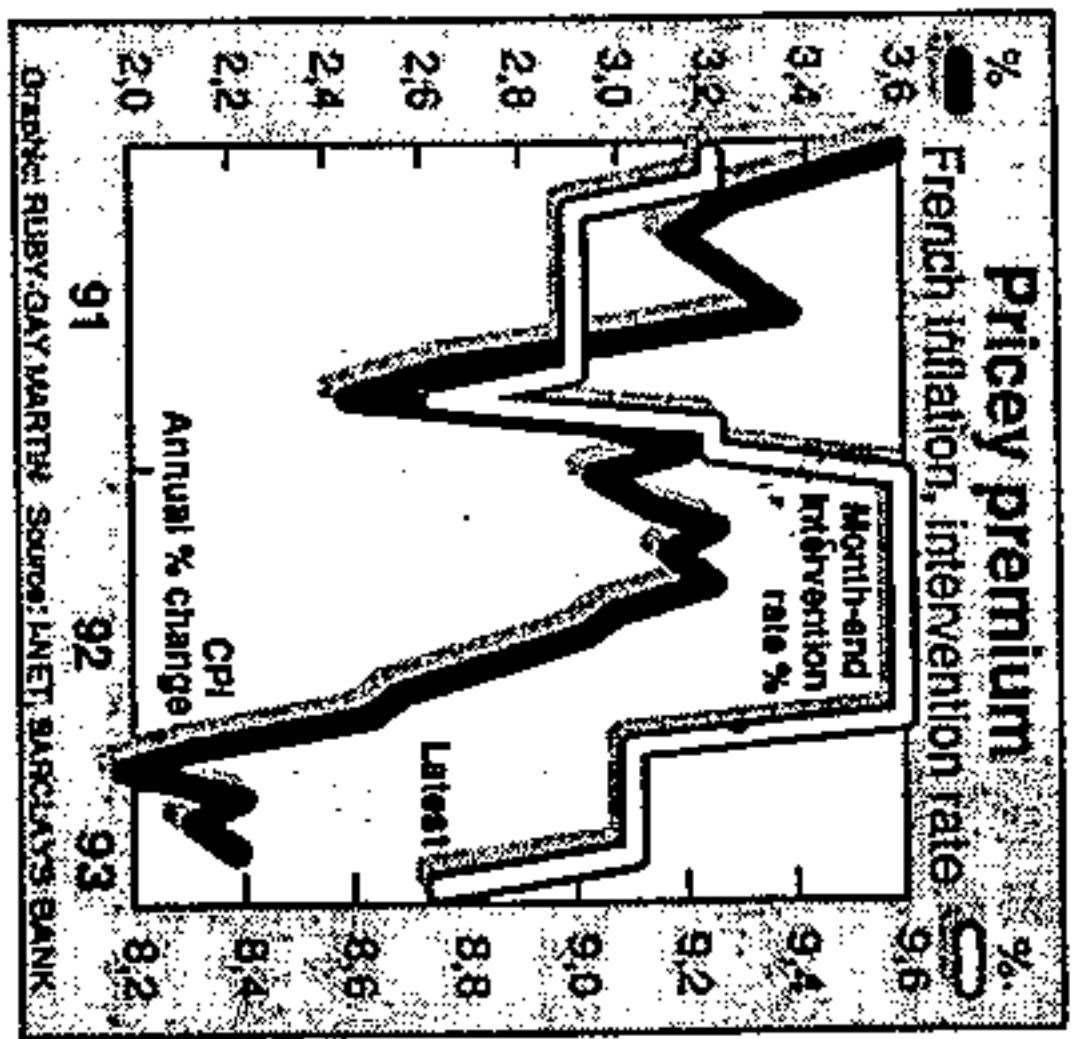
The French authorities moved with unexpected speed on Monday in trimming 35 basis points from the official intervention rate which effectively sets the floor rate level in the French money market. The intervention rate was cut to 8.75% from 9.1%, where it had been held for five months.

The official reason for the cut was the franc's newfound stability since the election of a new French government at the end of March. But market-watchers think there has to have been some co-ordination between the French authorities and their German counterparts ahead of any reduction in the yield premium, which has only just maintained the franc's ERM parity since the beginning of the year.

As the first chart shows, movements in the French intervention rate have been notably infrequent lately, despite a steep fall in the

French inflation rate. The French have had to live with the resulting rise in real interest rates as the cost of maintaining their *franc fort* policy of using a strong, ERM-pegged exchange rate to reduce inflation and raise domestic efficiency levels.

The last cuts in France's intervention rate were in November last year, when two reductions of 25 basis points each were made. This was also far from a go-it-alone move to stimulate the ailing French economy; it was more a cautious adjustment to match a lowering in German rates two months earlier. As the



franc's subsequent weakness showed, the French currency was still dependent on a yield premium if it was to retain its ERM parity.

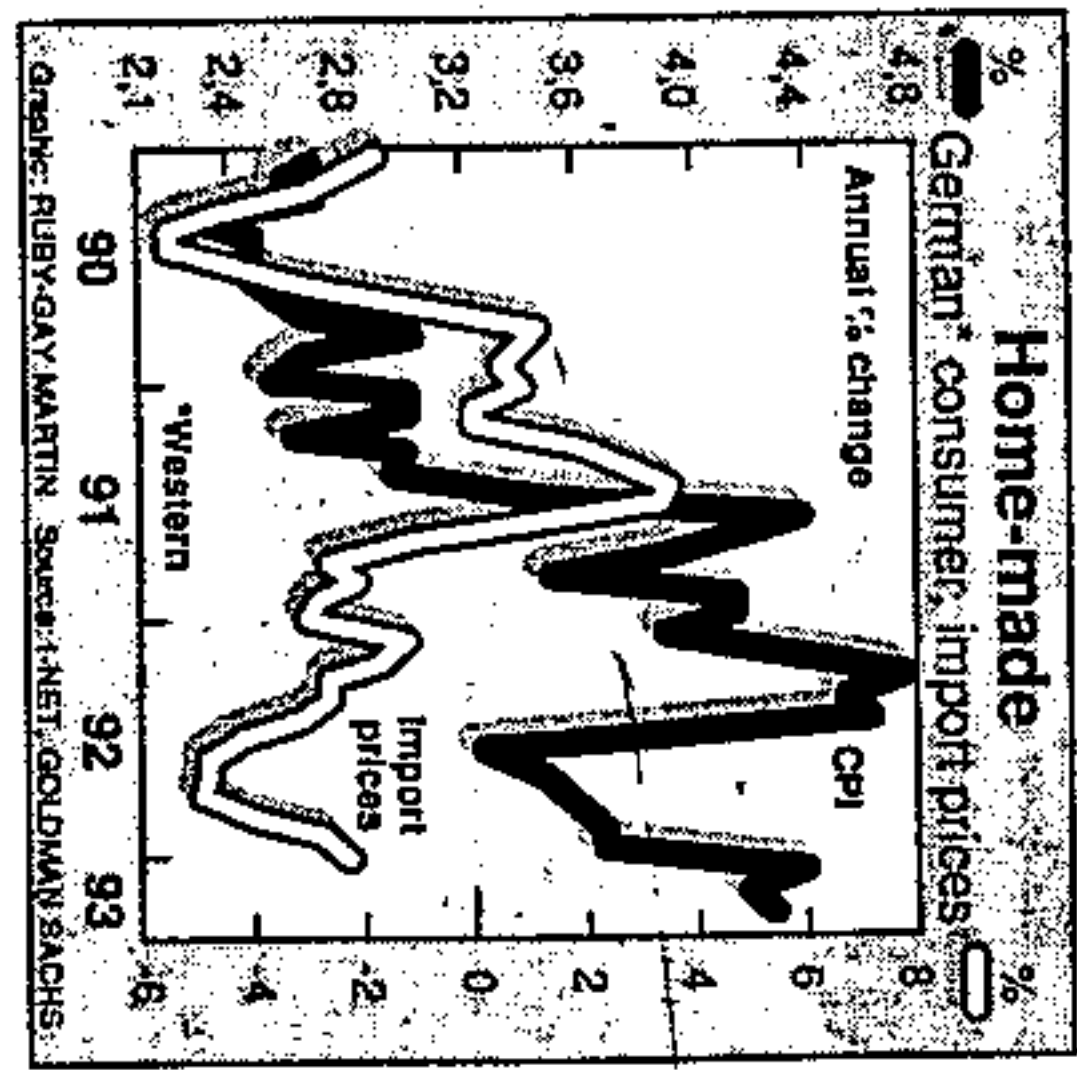
France's economic fundamentals are little different now from the way they looked four months ago. Inflation is still about half the German rate, unemployment is at record levels and rising, and the economy desperately needs lower real interest rates if it is to revive. Another French intervention rate cut now strongly suggests a matching German move is imminent.

The Bundesbank's policymaking council meets tomorrow as an increasing number of its stated prerequisites for cutting rates fall into place. Latest data — for February — show a contracting broad money supply and inflation edging down while retail sales and consumer confidence are all trending down. In the next two weeks, GDP data for the first quarter are likely to show a fall of up to 2.5%. Internally, conditions favour at

SKA

least an early cut in the Lombard rate, which forms the effective ceiling for German money market rates. The Lombard rate was left unchanged at 9% when German discount rate was last cut — by half a point to 7.5% — in mid-March, and has not been moved since it was lowered by half a point to 9% at the beginning of February. As a result it looks out of line with, for example, a likely 8.1% outturn on today's repo allocation.

But there are suspicions in the market that the Bundesbank is doing some nifty goalpost-moving to delay



a rate cut for a little longer. Old targets such as higher inflation, money supply expansion, bigger wage increases and a rising budget deficit have been shifted to one side, and Bundesbank-watchers are now saying the level of the Deutschmark is the bank's new concern.

As the second chart shows, the rise in German inflation over the past two years has been mostly home-generated. Headline inflation would have been a lot higher were it not for Deutschmark strength driving import prices down from mid-1991. But the dollar rally that started at the end of last year has, in five months, halved the rate at which German import prices are falling.

Will this be the next immovable obstruction to a rate cut by the Bundesbank? In isolation, maybe — since the 1991 dollar rally to DM1.8430 pushed German import inflation to nearly 4%. But now that German domestic conditions are so much weaker, the home-grown contribution to inflation should be appreciably smaller.

In cutting rates this week, the French are unlikely to have acted alone. If they are not matched tomorrow, they surely will be a fortnight hence.



## US-EC trade war averted by <sup>Star 22/4/93</sup>Contract deal

STRASBOURG — The US and the European Community last night reached partial agreement in their trade dispute over public procurement contracts. Although Washington still planned to go ahead with reduced trade sanctions.

As part of the agreement, both sides agreed to open their government procurement markets for billions of dollars in services and heavy electrical equipment. The EC and US had withdrawn from what could have been the

brink of a trade war, said Sir Leon Brittan, EC trade commissioner. But he said the could still ban EC telecommunications companies from competing for US government procurement contracts. — Financial Times.

<sup>Star 25/4/93</sup>  
**Eltsa goes into reverse**  
Star 25/4/93

LONDON — Eltsa (End Loans to South Africa), long-time campaigner for the economic isolation of SA, is studying ways to reverse its original goal.

With SA entering the post-apartheid phase, the movement hopes to stimulate investment in the New South Africa.

Just one indicator of how overseas perceptions have changed is that Eltsa's soul-searching comes at a time when SA faces some testing economic problems.

And since these are widely regarded as pressing serious obstacles to a peaceful future, Eltsa plans to make its programme a priority.

Co-ordinator David Craine says: "We are considering how, once sanctions are lifted, we could turn our activity round and encourage loans — or, at least, lobby for assistance to be given to the Southern African region through economic linkages."

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# Boost for EC, Japan

Guardian | W in W | mail  
By John Palmer 23/4-29/4/93

56A

THE finance ministers of the 12 European Community countries on Monday unveiled a £24.5 billion recovery package designed to kick-start the recession-hit economies of western Europe.

But despite a concerted hard sell of the recovery initiative, there are fears in the European Commission that EC governments have not done enough to accelerate the very low growth rates forecast for this year and 1994 or to reverse the continued growth in unemployment.

The growth package endorsed by EC finance ministers in Luxembourg is designed to add 0.6 per cent to the gross domestic product (GDP) next year. However, most of the measures contained in the package were discounted when the Commission earlier predicted growth of just 0.8 per cent this year and 1.8 per cent in 1994.

The 82-page report spells out the gloomy prospects for economic convergence among the 12 — and thus for eventual economic and monetary union — if the EC economies do not generate growth rates of at least 3 per cent a year.

*Kevin Rafferty writes:* Japan last week unveiled a 13,200 billion yen (£75 billion) package to boost its economy and prove that it is a good international player.

Coincidentally, Japan's Ministry of Finance reported yet another record trade surplus of more than \$111 billion (£73 billion). On a customs-cleared basis for the 1992-93 fiscal year, the surplus with the US alone rose by 20.1 per cent to \$46 billion and that with the EC by 9 per cent.

The stimulus package was slightly bigger than most economic commentators had predicted. The prime minister, Kiichi Miyazawa, said the measures would add a nominal 2.6 per cent to annual gross national product.

## BUSINESS

# SA urged to bid quickly for EC cash

ARG 24/4/93  
SbA

■ Irish businessman Mr Ben Power has urged the South African business community to forge links with the European Community in anticipation of the benevolence that a change in government could bring in its wake.

**BRUCE CAMERON**  
Business Staff

A POST-APARTHEID South Africa should not expect easy access to favourable trading agreements with the European Community.

Irish businessman Mr Ben Power of Greencore plc this

week spoke at an international conference in Cape Town of the Southern Africa Institute of Chartered Secretaries and Administrators.

He spoke on South African and European Community relationships and warned that South Africa would have to move quickly to exploit sympathies — which a change of government might bring — to get the best possible trade deal.

Mr Trevor Manuel, head of the African National Congress's economics department, revealed at the conference that the ANC already was talking to the "Eurocrats" in Brussels.

Last year, almost 52 percent of South Africa's exports went to Europe and about the same percentage of imports came from Europe.

Of South Africa's top ten trading partners, six were in Europe. By contrast, trade with Africa accounted for seven percent of the total.

The first problem for the EC was whether to define South Africa as a developed or as an under-developed country.

While membership of the Lome convention was not considered the ideal option for South Africa, investment in the Republic which could benefit the region as a whole was an option the EC favoured.

Only a limited number of South African non-primary products were considered competitive on the European market.

Mr Power said productivity levels in the manufacturing sector were a concern to investors.

# European rate cuts 'will spur growth'

WASHINGTON — The US has called for further cuts in European interest rates on the eve of a meeting between the Group of Seven (G-7) industrial nations that is expected to focus on ways to spur lagging world economic growth.

"We're particularly looking at Europe, where growth is dismal," US Treasury Secretary Lloyd Bentsen told a news conference late on Wednesday. "We hope that, overall, the rates in Europe can be reduced some more."

Bentsen's appeal was well timed — a matter of hours later the Bank of France cut its two key interest rates by a quarter of a percentage point, reflecting renewed confidence among investors in the franc.

The bank trimmed its intervention rate, the main rate at which it lends to commercial banks, to 8.25% from 8.50%, and its five-to-10 day emergency rate, which forms a ceiling for market rates, to 9.25% from 9.50%.

Economists said this fourth cut since Prime Minister Edouard Balladur's conservative government took power at the end of March was widely expected. And it may not be the last.

"The cuts have not weakened the franc, so there's no reason for the bank not to go on easing," Salomon Brothers economist Jean-Francois Mercier said yesterday.

Germany has also cut interest rates repeatedly in recent months and reduced a key money market rate on Wednesday. But, so far, the action has done little to lift the country's economy out of recession.

Bentsen said he would like to see the G-7 — Britain, Canada, France, Germany, Italy, Japan and the US — make a further commitment to pump up sluggish growth at their meeting yesterday.

"We have some positive things to comment on, things that we've accomplished thus far and what we hope to do," he said.

G-7 officials said President Bill Clinton may meet policymakers from the group in another sign of Washington's determination to breathe more life into its gatherings.

The US helped clear the way for the meeting to focus on ways to bolster the world economy by reining in the rocketing yen in the currency market on Tuesday.

Japan, which has put forward a \$3.2-trillion yen (\$120bn) fiscal plan to spur growth, had complained that the yen's steep rise —

it has soared more than 10% against the dollar since the start of this year — was hurting its economy. It signalled that it wanted to spend much of the G-7 meeting discussing the situation.

Bentsen's remarks about the revitalisation of the G-7 were another sign that the current meeting of the group could be one of the more harmonious gatherings in recent years.

Under former president George Bush, the G-7 gatherings occasionally degenerated into public name-calling as the US castigated Europe and Japan for not doing enough for the world economy. Bentsen has promised to change that. "I think you gain a lot more by private communication and negotiation than public lecturing," he said.

Meanwhile in Paris, analysts said that the renewed confidence in the franc should allow France to keep narrowing the premium its borrowers must pay compared with their German counterparts, analysts said.

"There's no reason for the risk premium not to fall to zero," said Credit Lyonnais economist Serge le Gal.

France's intervention rate, which sets a notional floor on very short-term market

interest rates, was 9.10% on March 29, when Balladur took office. The five-to-10 day emergency rate was at 12% when the new government came in. The outgoing Socialists were forced to jack rates up in January to defend the franc.

There had been speculation the Right would ditch the tight money medicine of the Bundesbank-dominated European Monetary System (EMS), scrap the franc's link to the Deutschmark and cut interest rates to boost economic growth and jobs.

But Balladur has convinced markets he will stick by the "strong franc" policy that puts a stable franc-mark link at the heart of the EMS, which is in turn at the heart of French and German aspirations for European monetary union.

□ In Stockholm, Sweden's central bank said yesterday it was lowering its marginal rate — the rate at which it lends to banks for short-term loans — by a quarter-point to 9.25%, effective today.

Riksbanken said the decision followed moves by several other European countries to lower their rates, and noted that a previous reduction of the marginal rate announced last week had had positive effects on financial markets. — Sapa-Reuters-AFP.





# Remarkable recovery brings built-in headaches

Blom 5/5/93

BARELY seven months ago, it was one of the basket-case currencies of Europe. The attempts at exchange rate policy by its government were pitted and even derided. Its lack of a peg or range against other currencies made it look abandoned and expendable as a policy fundamental.

No more. Today sterling is attracting support out of dollars and away from other one-time stalwarts in the European exchange rate mechanism (ERM). It is perceived as representing an economy that is poised to surge out of recession more rapidly than the US, whose own recovery is stalling.

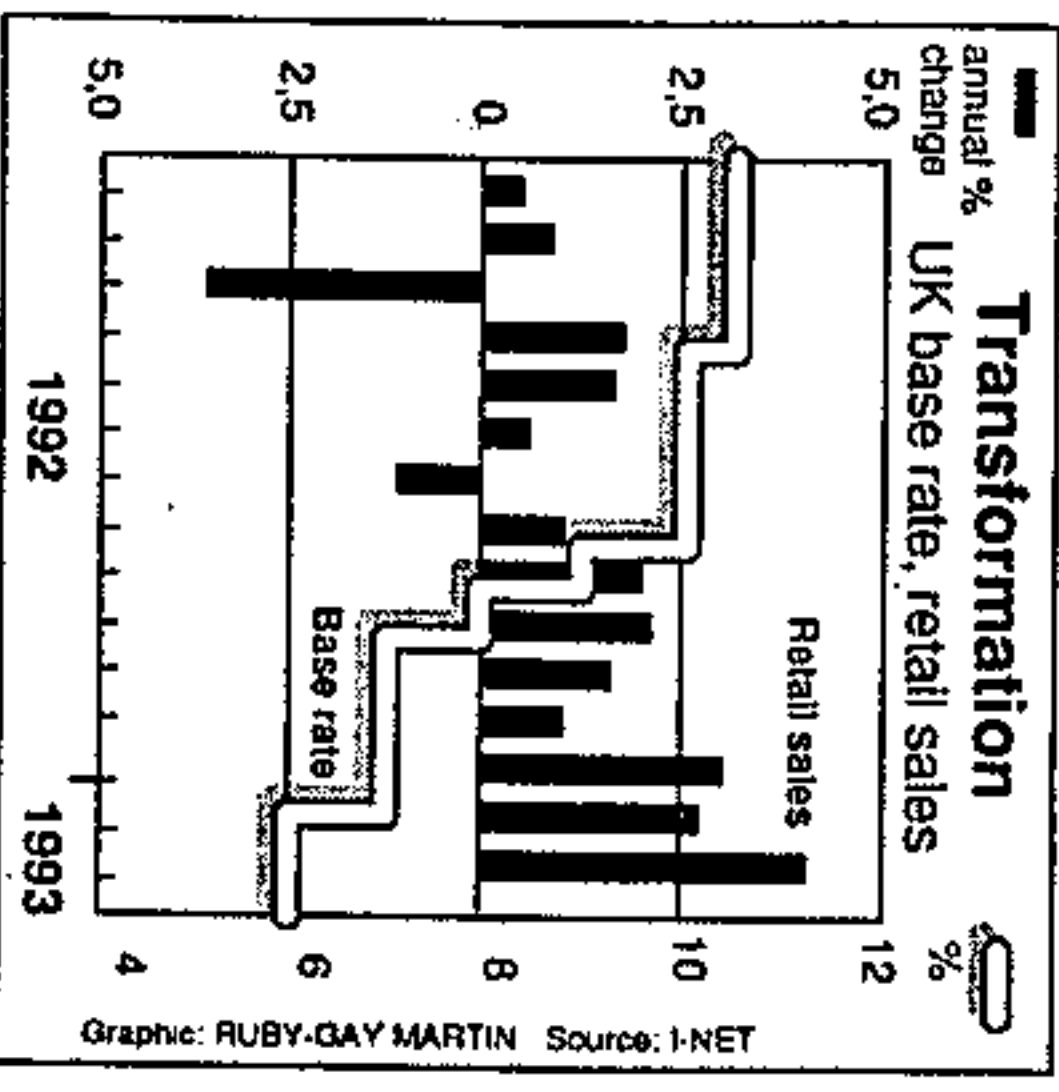
Furthermore, the UK economy is seen as being, in business cycle terms, far ahead of the rest of the Group of Seven major industrial countries, the senior members of which are only now entering their own cyclical economic downturns.

Indeed, sterling's exit from the ERM and subsequent stabilisation and rally have worked so perfectly to redeem the British economy that this has caused alarm in Brussels. The European Commission, the executive structure that runs the EC, is now concerned that the UK's smooth transformation from stag-

flating recession to business cycle-defying recovery might be turning a few heads elsewhere in the ERM.

The concern in the commission is that other countries whose monetary policies are inappropriately tight in order to keep their currencies in the ERM could, by deliberate policy or benign neglect, emulate the UK's seven-month wonder. The British precedent appears to show that there can be more effective non-inflationary (so far) recovery outside the ERM than within it.

The first chart shows the origin of the UK recovery that most analysts



## SIMON WILLSON

now accept has begun. From the constrained and deflationary levels of 10% and over required to keep sterling in the ERM, the UK base rate has been slashed. The Major government, able outside the ERM to address the imploding fundamentals that had to be ignored within it, has cut UK interest rates regardless of sterling's level. The monetary stimulus has duly fed through to indicators such as retail sales.

The sequence of base rate reductions initially did sterling no good at all. From its initial post-ERM level around DM2,55 the pound staggered under successive base rate cuts, managing to stay above DM2,40 by the end of 1992. But another rate cut in January hit the currency again, and it slumped to a traded low of DM2,3120 in late February.

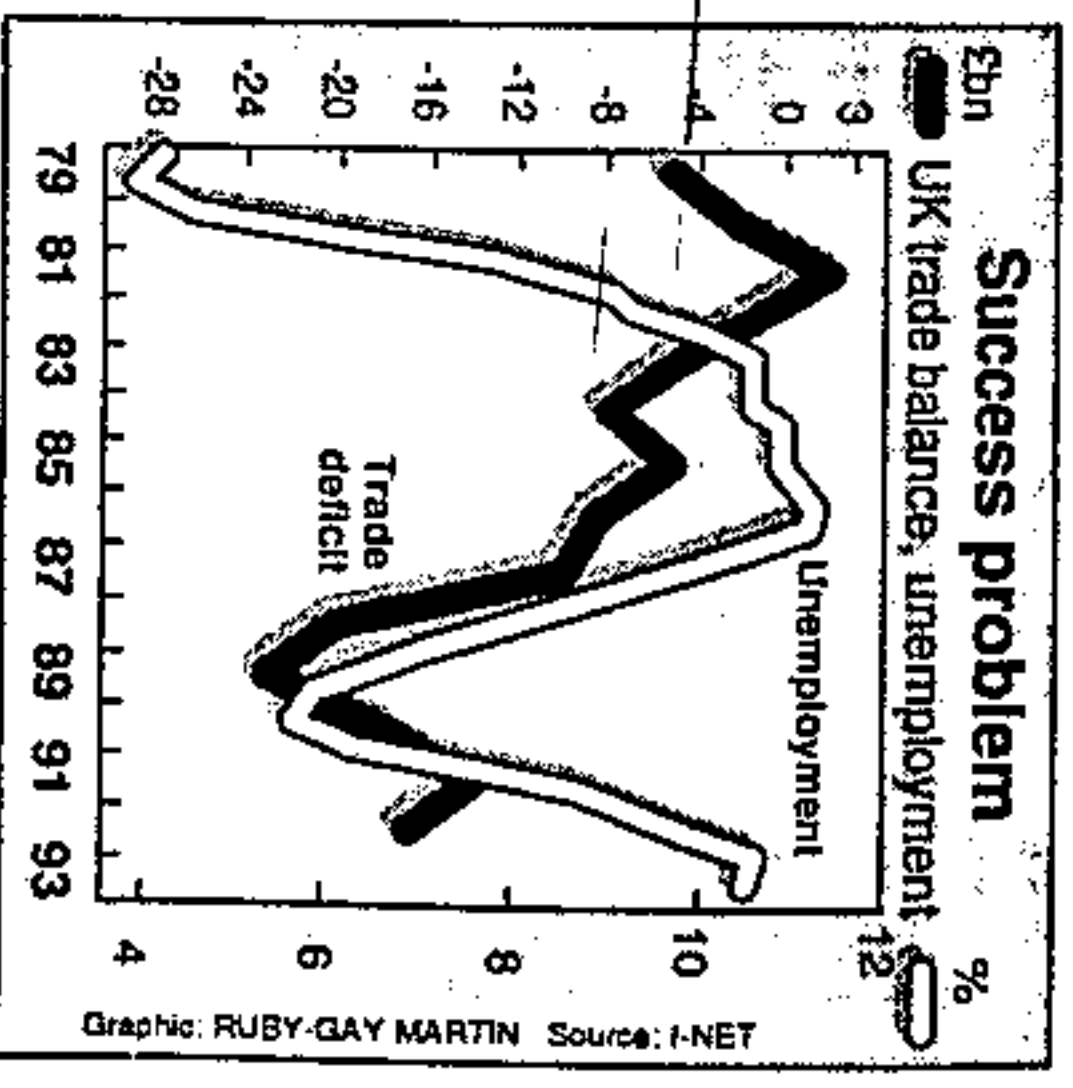
But that last rate drop reinvigorated the economy, and the recovery signals soon started to flash. By the end of last month, a transformed sterling had rallied to a traded high of DM2,5110 as markets disenchant-

SWA

ed with patchy US fundamentals and falling German interest rates scented a UK recovery.

But far from relieving the Major government of concern about the exchange rate, sterling's rise perversely brings the UK authorities a new headache. In truth, the last thing the reviving British economy needs at the moment is a strong pound, and the second chart explains why.

By looking at two lagging indicators of the UK economic cycle — the trade balance and unemployment, it is plain to see that something is out of synch in this UK progression from



bust to boom. When unemployment was last peaking out in 1983-86, the annual trade deficit was less than £8bn — having been in small surplus in the worst of the last recession. This time around, the trade balance has never been anywhere near surplus in the teeth of the recession now ending and, as recovery is starting and unemployment is beginning to peak, the trade deficit is more than double its 1983-86 level.

If sterling continues to firm as demand recovers and retail sales boom, imports will become cheaper in the UK and its exports more expensive. This combination will further harm domestic manufacturing industry, acting as a disincentive to investment and employment.

To keep sterling below, say, DM2,50 and thus preserve export competitiveness, the Major government will probably have to cut rates again. But the last time UK rates were cut to hold sterling back, the Lawson boom followed and massive deflation had to follow the boom.

Who would be in the economic branch of government? Over the short term, success brings as many problems in exchange rate management as failure.

## LETTERS



# European aid deal to bolster reforms

8/10M 575793

BRUSSELS — The European Commission this week suggested an accelerated opening of its markets and better targeted aid to help struggling central and east European countries.

The package should bolster market reform in some countries threatened by rising unemployment and falling productivity, the commission said.

The proposal would cut a wide range of average import tariffs from 4% to 2% — and two years after EC association agreements take effect, not the current four years. Similarly, duties on sensitive industrial products, mostly chemicals, would be abolished after two years rather than four years. Duties on industrial goods such as cars, glass, and shoes would be abolished in three rather than five years.

Accompanying quotas on these products in Poland, the Czech and Slovak Republics, Bulgaria and Romania would be raised by 30% instead of 20% a year. Quotas on Hungarian goods would be raised 25% a year rather than 15%.

The phased increase in quotas should start 18 months after the trade deals begin. Individual EC governments must back the commission proposals for them to succeed. They are expected to be tabled at the June EC heads of state meeting.

Separately, the commission proposes more relaxed market reform aid disbursement rules in east and central Europe, and

in the Baltic states. (S&P)

Cash for programmes spread over several years should be available for the first time with aid better focused on projects boosting economic reform.

Also, funds would be released to allow countries to take advantage of loans covering 75% of the cost of large transport projects from the EC's 5-billion European currency unit (ecu) growth package.

Countries must raise 25% of the cash for such transport projects themselves to claim the growth package funds but this could be difficult for many east and central European countries struggling under IMF constraints, the commission said.

Meanwhile, the US yesterday urged the EC to overcome French resistance and urgently approve a five-month accord setting strict limits on oilseed production.

US Agriculture Secretary Mike Espy raised the issue during a 90-minute meeting with EC farm chief Rene Steichen in Brussels, his first visit to the US's largest trading partner since becoming President Bill Clinton's agriculture chief.

Steichen said neither side had asked to reopen the arrangement — worked out last November — but that the agreement was "final", and a vote should be held by June.

The agreement would limit oilseeds production to 5,128-million hectares of land, take 15% of land out of production in the first year and 10% in subsequent years. — AP-DJ.

## China issues market rules

### Diamonds 'look gloomy'

GABORONE — The outlook for the diamond industry in Botswana was "gloomy" and the country "was now entering a critical phase", the 1992 Bank of Botswana annual report, issued in Gaborone yesterday, said.

"Even prior to the imposition of the quota on diamond exports, the need for macro-economic adjustment was becoming more and more compelling."

"The current macro-economic imbalances in Botswana are expected to intensify while the full impact of the quota on diamond exports is felt in 1993, and beyond," the report said.

The report criticised the government for not being prudent enough and said: "The thrust of adjustment would have to fall on ways and means of curtailing government expenditures, recognising that the scope for raising additional government revenues in Botswana is very limited." (S&P)

The increase in private consumption and household sector credit caused great concern, the report said. — Sapa.

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# Expanded scheme to boost exports

CAPE TOWN — Exports increased by 4,8% last year and could be boosted further with the establishment of export processing zones and the expansion of the general export incentive scheme (GEIS), the Trade and Industry Department said.

The department's annual report, tabled in Parliament yesterday, noted that SA's exports rose to R67,46bn last year over 1991.

The manufacturing sector showed particular success.

This increase took place in spite of the sluggish economies of major export partners, and was significantly encouraged by the GEIS, the report said.

About 52% of all GEIS payments were made to the exporters of manufactured products, and this was to be expanded to the services sector, it said.

The compilation of guidelines for the expansion of the scheme had been completed and would be implemented early in the 1993/94 financial year, the report said.

Exports to African countries, excluding Botswana, Lesotho, Namibia and Swaziland, continued to show a remarkable upward trend, increasing from R5bn in 1991 to R6,1bn last year.

SA trade relations with a number of Middle East countries was also strengthened last year.

TIM COHEN

The report noted that the draft policy and regulatory framework for export processing zones had been completed and was being evaluated further.

The envisaged model was a "traditional fenced model" in which export manufacturers who established themselves in a zone exported their entire production.

In view of the importance of SA's trade relations with the EC it was desirable that trade relations should take place on a more formal basis.

As SA's most important trading partner, the EC consumed 25% of SA's exports, the department said.

In the past, the EC had displayed a "noticeable lack of political will" to promote its relations with SA, although there were favourable signs that the EC might adopt a more favourable attitude in future.

There was a noticeable increase in bilateral trade relations with the US.

But negotiations between SA and 20 other steel exporting countries, and the US broke down last year. The negotiations would continue this year.

The report noted that negotiations for a trade agreement between SA and Russia should be finalised soon.

The agreement was similar to the trade agreements concluded with Poland, the Czech Republic, Romania and Hungary except that the agreement would not make

# Peninsula may get 36 new protected areas

(58) CT 6/5/93  
Municipal Reporter

**THIRTY-SIX** new Urban Conservation Areas should be designated in the city, southern suburbs and False Bay areas, the town planning committee resolved yesterday.

For this to happen, however, the proposed designations will have to be advertised "in accordance with approved procedures".

A number of areas are within the city centre, including the entire length of Queen Victoria Street.

There are seven areas in Woodstock and Salt River, one in Observatory, nine in Mowbray, Rosebank and Rondebosch. The rest are between Muizenberg and Kalk Bay.

Town planner Mr Steve Townsend said the designation of an area would not stop people from developing their property.

Rather, town planning officials would try to persuade people in designated areas who put in plans for buildings that would be eyesores to change their plans.

5 Times  
**EC under fire**

LONDON: The European Community is devastating beef farming in west Africa by dumping huge quantities of low-quality frozen meat from its intervention stores, according to a study by Christian Aid.

9/5/93

(56A)



# Growing call to change SA status

B(DA)

10/5/93

(11)

GRETA STEYN

THE ANC and economists aligned to the organisation are emphasising the need to have SA reclassified as a developing country at a time when government has no progress to report in negotiations on the issue.

A Trade and Industry spokesman said at the weekend no formal negotiations on reclassification had been started yet, although informal discussions with interested parties were continuing.

He did not wish to elaborate, but it is understood potential problems in achieving reclassification include vested interests in Europe opposed to the move and the need for a more representative government in SA.

ANC president Nelson Mandela asked Britain last week to support SA in persuading the OECD, GATT, the UNDP and similar organisations that SA should be viewed as a developing country.

He called on the British government and opposition parties to use their influence to get the EC to enter into a mutually beneficial agreement with the new SA, "as soon as is practicable and feasible."

The ANC-aligned trade policy monitoring project takes up the issue in its Trade Monitor, to be published this week.

The Monitor says a new trade pact with Europe is likely to stimulate

investment in SA since it would give investors signals about SA's serious commitment to exports.

It would also encourage foreign investors to take advantage of SA's duty-free access to the EC under the Lomé convention.

The monitor says Lomé status, compared with other available options, could be the most beneficial trade arrangement for SA.

The Lomé regime provides for duty and quota-free access of developing countries' manufactured goods and 90% of their agricultural goods to the EC.

While the immediate advantages to SA should not be over-estimated — less than 20% of current exports would be affected — a Lomé arrangement would provide scope for future export potential. It could stimulate intra-regional trade and an increase in exports such as clothing, car parts and horticulture.

The Monitor said the impact of gaining preferences for the deciduous fruit industry in SA, which was less important as a foreign exchange earner but a major employer, could be significant.

Lomé status could also imply significant gains for SA manufacturers that proved to be internationally competitive.

# Congress asked to ease African debt

ABIDJAN — <sup>BLOM 14/5/93</sup> US President Bill Clinton's administration had asked congress to grant funds to help ease African debt, a senior US official said on Wednesday.

Treasury Under-Secretary Lawrence Summers said at the African Development Bank's annual governors' meeting in Abidjan, Ivory Coast the US intended to offer poor African states easier debt terms similar to those drafted in 1991 Toronto accords on Third World debt.

"We have sought an appropriation from the congress to make possible relief of several hundred million dollars of debt in a number of countries."

Such assistance would be part of multilateral programmes, he said.

Summers's announcement came after the EC's declaration of a \$1.2bn plan to help Third World nations emerging from war or famine.

The EC's rehabilitation support programme is intended to fill the gap countries experience as their need for food aid diminishes. Many are too fragile while recovering from disasters to start building infrastructure.

European Commission spokesman Xavier Prats said that under the scheme, medium-term projects could help people feed themselves and rehabilitate societies.

Bank president Babacar Ndiaye said loan provisions should be increased from their current level of 1.7% of total outstanding debt.

"The ratio could be fixed at 2.5% or even at 4% and the reclassifying period for non-performing loans reduced from 12 months to six months."

Bank sources said arrears owed to the bank at the end of 1992 were about \$356m — 4.9% of total outstanding loans of \$7.3bn. By the end of March

they were estimated at 6.1%

The bank's management wanted to end all new lending to states classed by the World Bank as severely indebted low-income countries, but such a decision was unlikely to be taken at the Abidjan meeting. (S&A)

Governors threw out a proposed discussion paper on a capital increase for the development bank, saying its capital base would suffice until 1997.

□ In Nusa Dua, Indonesia, non-aligned ministers ended a three-day meeting yesterday, declaring war on the developing world's "crippling crisis of indebtedness".

The Non-Aligned Movement, seeking to end its traditional hectoring of Western nations, issued a communique full of practical calls for greater self-help and a two-way partnership between rich and poor nations.

Ali Alatas, Indonesian foreign minister and chairman of the gathering, offered a vision focused on improving the lot of its members.

Representatives of 74 countries discussed ways to start dialogue with the rich north and of promoting ties among members.

A major concern was the massive debt — which last year touched \$1.4-trillion — hanging over members.

Ministers called for a boosting of growth, which would foster a transfer of financial resources to debtor countries to prevent poorer nations falling back into a debt trap.

A draft declaration circulated during the meeting proposed consolidating loans from the IMF and World Bank into long-term loans. Delegates also urged developed countries to honour commitments to spend 0.7% of GNP on aid. — Sapa-Reuter-AP.

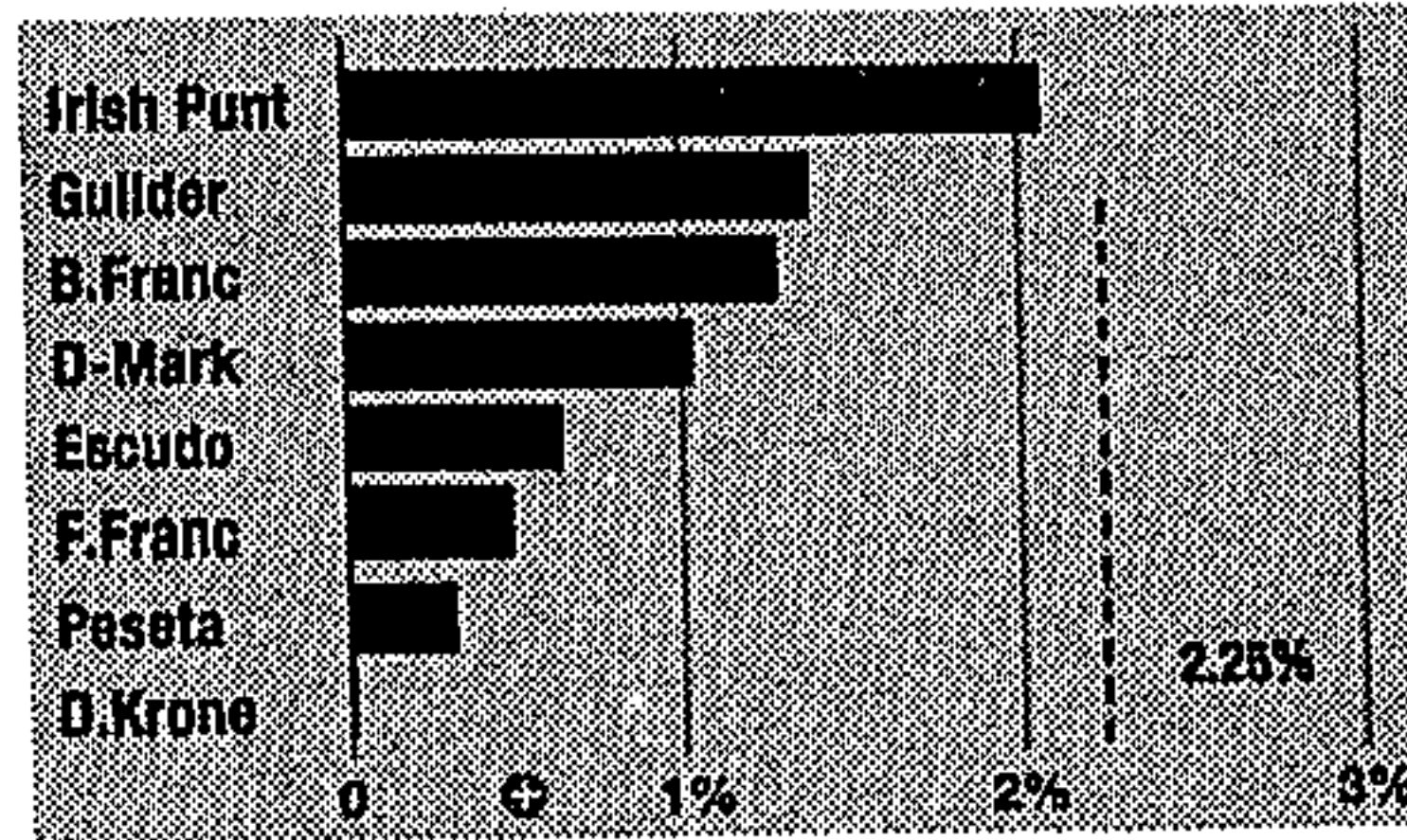
# Currency markets in turmoil as Spain, Portugal set to devalue

Star 14/5793, 567

LONDON — European currencies were in turmoil yesterday with Spain and Portugal set to devalue, while a surprise French interest-rate cut helped firm the dollar.

The European Community currency grid was knocked sideways by the upheaval over two of its members ahead of the crucial Danish referendum on the Maastricht treaty on European union next Tuesday. Dealer interest was as much for its impact on Danish voters as on the immediate market turbulence.

Spain enlivened what had been a quiet morning when the Bank of Spain gave up trying to keep the peseta within its Exchange Rate Mechanism bands. It asked a meeting of the EC monetary committee in Brus-



The chart shows the member currencies of the Exchange Rate Mechanism (ERM) measured against the weakest currency in its 2.25 percent fluctuation band. The peseta and escudo operate within six percent fluctuation bands.

sels to consider a realignment. Portugal then followed suit.

The peseta fell two percent to 76,20 per D-mark against its Wednesday close while the escudo fell to 97,23 from 93,13.

The dollar was little changed mid-morning but up on the day at

1,6112 D-marks against its 1,6100 Wednesday close.

The ERM upheaval threatened to unsettle Denmark again just ahead of its second referendum on the Maastricht treaty on closer European economic and political union.

Danish rejection of the treaty in a similar poll last June threw into chaos the whole timetable for Europe-wide ratification and for economic and monetary union.

The Danish crown weakened a little to 3,8565 per D-mark from 3,8530 on Wednesday.

France added a new twist to a hectic day of dealings among ERM currencies. The Bank of France cut its intervention rate to 7,75 percent from 8,0 percent and its five-to-10 day lending rate to 8,75 percent from nine percent.

The French rate reductions followed a larger-than-expected cut in the Bundesbank repurchase rate on Wednesday which fuelled speculation of a full cut in German interest rates next week. —Sapa-Reuter.



# Women of no little importance

Guardian/W in w/mail 1415-20/5793 (S6A)  
By Sarah Boseley

IF THE Maastricht treaty is blown out of the water, it may be Denmark's women who will have pressed the destruct button. It was they who swung Denmark round to its headline-hitting No in last year's referendum, throwing Europe into crisis, and there are signs that, at the critical new vote next week, they could confound the politicians once again.

The European Community is so worried about Danish woman-power that it opened a special phone line with reassuring recorded messages.

Small is beautiful, many women seem to be saying. We don't want to be swallowed up and dictated to by a Brussels bureaucracy. We like our quality of life and the society we have built for ourselves — so "hands off".

According to a comprehensive study of the 1992 referendum results by Karen Siune, professor of political science at Aarhus University, 54 per cent of women voted

No, while 47 per cent of men voted Yes. Her survey did not investigate the reasons for the gender gap. But, she said: "It is true that women were more concerned about losing sovereignty and less attracted by the economic benefits."

One year on, the polls show that women are still the doubters and the undecided. In a busy shopping precinct off the Radhuspladsen, Copenhagen's main square, seven out of 10 women of varying ages and backgrounds interviewed said they would vote No on May 18.

"I don't think it is so important to work together in Europe," said Susanna Schiller, a smart middle-aged businesswoman. "I'm afraid of losing a bit of what makes each country individual. Last time, I voted 'Don't know' — I didn't want to take the decision for the next generation. Now, I think I will vote No. I think people will vote No if they dare."

Mette Rison, a student teacher, was afraid Denmark would be absorbed into a great amorphous Euro-mass, but she also feared the

economic cost: "We are very rich compared to southern European countries. I'm very worried we will lose a lot of money."

Diuda Dahlerup, associate professor of political science and women's studies at Aarhus University, believes there are three reasons why more women than men will vote No. First, women's lack of influence and power within the EC compared with the position in Denmark, where they have 33 per cent of the seats in parliament and there are eight women ministers.

She also claims there is concern for the future of the welfare state, as EC economic policies cut the amount of money the government is free to spend. But most important, she believes, is a fundamental clash between EC values and those held by many Danish women: broadly speaking, a clash of economic and more human values.

What it comes back to, she says, is the question of sovereignty. Danes, in her view, want to be in charge of their standard of living, their quality of life. Small is beautiful.

# EC launches study into crisis over employment

56A  
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BRUSSELS — The European Commission has opened a wide-ranging study of unemployment in the EC in response to fears that Europe is losing the battle to remain competitive with the US and Asia.

The study is expected to tackle the politically sensitive question of whether Europe's welfare state is indirectly contributing to low growth, rising unemployment and the failure to create new jobs.

Mr Jacques Delors, commission president, has ordered dozens of papers on Europe's unemployment crisis, according to Community officials involved. The aim is to produce a report at the EC summit in

Copenhagen next month, along with the EC's modest growth initiative.

More than 17 million people are out of work in the EC. Delors' study into the causes of unemployment and his search for potential remedies reflects his concern about political instability in Europe, but also a nagging worry about the EC's long-term competitiveness.

## New jobs

The EC created 9.4 million net new jobs between 1983 and 1990, partly in anticipation of the 1992 single market. But since 1990 it has lost a net 1.4 million jobs. The short-term economic outlook is bleak, with the EC unlikely to grow

more than one percent this year and probably less than 1.5 percent next year.

Senior EC officials yesterday described the Delors study as a medium to long-term study of the EC economy, leaving no areas untouched.

The areas it will attempt to assess include: The competitive impact of floating exchange rates in the US and the UK, the potential counterweight of a future single European currency, trade practices in the US and Asia, industrial policy, the use of applied research as a tool for generating jobs and the role of the welfare state in Europe.

The most controversial area is the role of

welfare state. Delors has left colleagues in little doubt about his support for social policy, but his call for fresh thinking means the study is likely to tackle the automatic right to social security and the commitment to minimum wages.

One issue intriguing Brussels officials is whether Delors' intellectual curiosity will lead him to re-examine the social chapter of the Maastricht treaty which strengthens workers rights and is the subject of controversy in the UK.

The ruling Conservative government won a treaty opt-out on the social chapter, arguing that it would hurt UK companies' competitiveness. — Financial Times.

# Relief and riots as Danes back EC treaty

## □ Squatters and police clash while parties hail result of new referendum

COPENHAGEN. — Denmark has put European union back on track by voting in a referendum to accept the Maastricht Treaty, but rioting and the shooting of anti-EC protesters by police cast a shadow over the result.

Relieved European leaders and Denmark's establishment politicians hailed the referendum, in which Danes voted by 56.8 to 43.2 percent to overturn their rejection of Maastricht in a referendum last June.

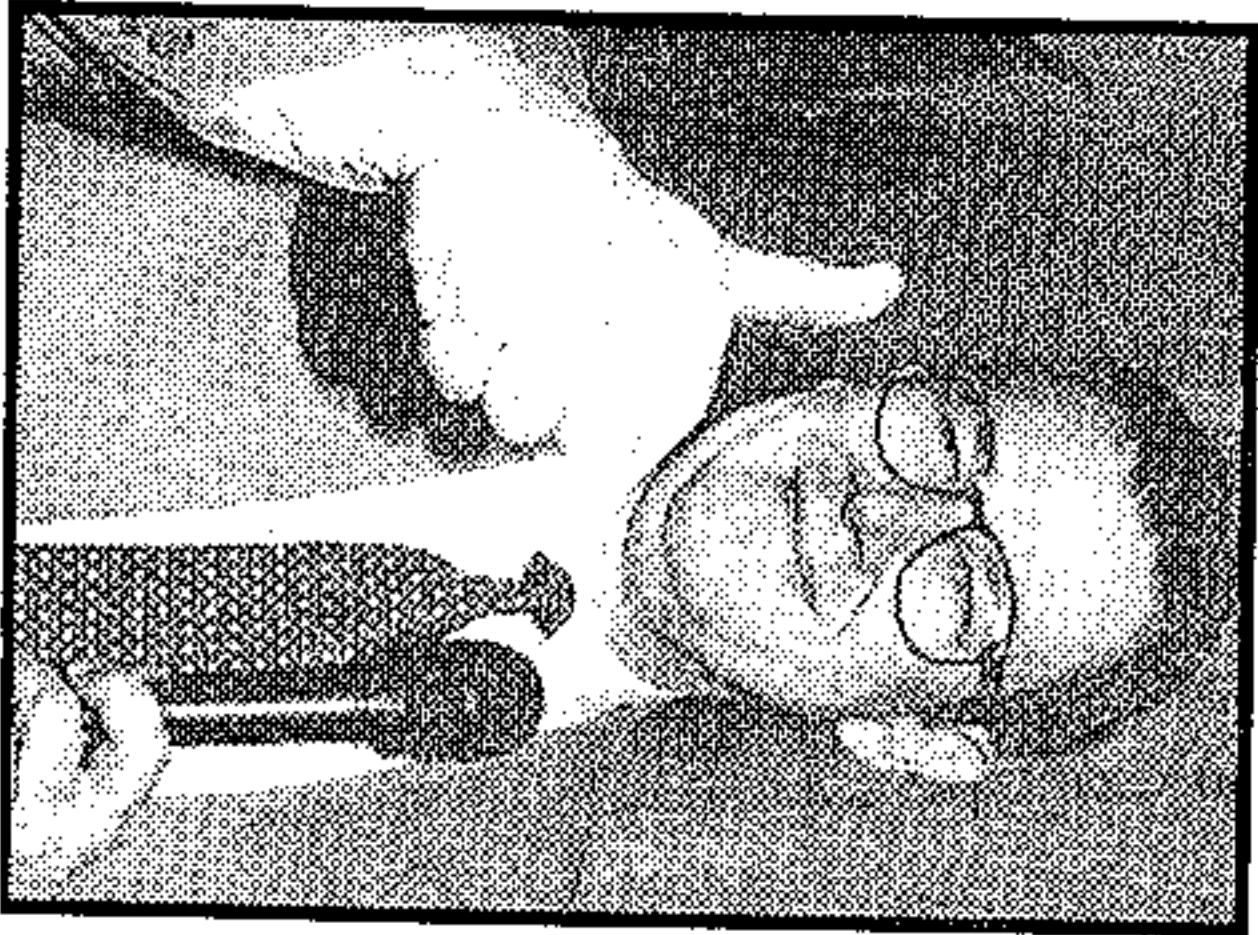
But even as ruling parties celebrated the result, more than 300 Copenhagen squatters incensed by the referendum result clashed with police in what officials said was the worst rioting in years.

Eight demonstrators and 25 police were wounded in clashes after police opened fire to disperse the masked squatters who hurled paving stones and Molotov cocktails at security forces and threw up barricades in the Noerrebro district.

Reporters said police fired after several of them were hit by bricks. The national news agency Ritzau said police fired up to 60 warning shots in the air before shooting at the demonstrators' legs.

"EC union is only for politicians, not for the people," said Ms Charlotte Olsen, 21, one of the demonstrators.

But voters endorsed a package of Danish exemptions from



**Danish Prime Minister Poul Nyrup Rasmussen**

key Maastricht goals, ending a severe EC crisis provoked by the first vote against the treaty last year.

EC politicians were quick to express delight.

British Foreign Secretary Douglas Hurd called it "very good news" and French European Affairs Minister Alain Lamassoure said he was thrilled.

In Brussels, EC Commission president Jacques Delors said he hoped the vote would enable the community to emerge from "inaction and gloom."

Denmark's previous rejection of Maastricht by a slender margin of 46 000 votes had virtually paralysed the EC. The treaty requires ratification by all 12 members.

Prime Minister Poul Nyrup Rasmussen said: "Denmark has come through a historic vote and we got the clear decision we wanted."

Anti-establishment groups, including squatters, oppose Maastricht, which is supported by almost all mainstream political parties and big businesses in Denmark.

Most national newspapers also backed the treaty, but anti-Maastricht campaigners said it was remarkable that about 43 percent of Danes had still voted No.

Denmark's acceptance of Maastricht throws the spotlight on Britain, where Prime Minister John Major will have to overcome stiff opposition within his Conservative Party to force the treaty through parliament later in the year.

Germany, caught up in a legal dispute over the treaty, is the only other EC country not to have ratified.

The Danish result is also likely to affect the country's Scandinavian neighbours. Sweden, Norway and Finland are all hoping to join the EC by 1995, in spite of substantial opposition movements at home.

Opponents of the treaty say plans for a federal Europe have in any case been fatally undermined over the past year by bickering over Maastricht and the more countries that join the EC, the weaker the union will become. — Sapa-  
Reuter.



# It's high noon for EC treaty as Denmark votes

SI Times 16/5/93

(56A)

## EUROPEAN UNITY

EUROPEAN diplomats have prepared for an emergency meeting of the 12 EC foreign ministers in the event of a second Danish "no" to the Maastricht treaty on Tuesday.

European Community foreign ministers will gather in Rome for what could be a crucial battle with countries determined to press on with the federalist agenda, if necessary without Denmark or Britain.

A meeting of the nine-strong Western European Union on Wednesday would be expanded to include non-members Denmark,

Europe is set for emergency talks if the Danes say No again, reports **BORIS JOHNSON** from Brussels

Ireland and Greece.

The disclosure came amid pre-referendum manoeuvring, as Jacques Delors, European Commission president, held talks with Chancellor Helmut Kohl of Germany in Bonn on the future of European union.

This time — with the Maastricht treaty legally dead beyond resurrection in the event of a second "no" — the Rome meeting would be the first occasion for others to float plans for

a "Son of Maastricht".

In Brussels, smiles were creeping back to the lips of EC officials as polls continued to show a big lead for the "yes" camp in Copenhagen.

But cynics noted that the margin was only slightly greater than that last year, when the Danes threw the treaty out by a majority of about 30 000.

If the Danes vote "no" again, some governments have even floated the idea of an emergency dinner of EC leaders at Aachen, Germany, on Wednesday.

Downing Street said Prime Minister John Major would not go to Germany in the event of a "no" vote. He would be at a cricket match.

Meanwhile, two Danish opinion polls on Friday confirmed a big "yes" lead ahead of the May 18 referendum on the Maastricht treaty.

A Gallup poll showed the "yes" lead widening, while a Greens Institute poll

indicated the race was tightening in the run-up to Tuesday's vote on the landmark treaty on European political, economic and monetary union.

Danes rejected the treaty by a tiny majority last June, plunging the EC into turmoil.

The Gallup poll showed that 50 percent of voters would vote "yes" on Tuesday and that 32 percent would say "no" — against a 49-33 percent lead on Thursday.

But the Greens poll showed that the "yes" side had slipped to 50 percent from 53 in a poll a week ago, and that the "no" vote had strengthened to 39 percent from 34.

The Greens said voters in all areas of Denmark would vote "yes", except for those in the northern part of the Jutland peninsula.

The Maastricht treaty will formally collapse if Danes say "no", as it needs the signatures of all 12 nations. All others, with the exception of Euro-sceptics Britain and Germany, have ratified the treaty. —

© The Telegraph, London.

# Keys announces tariffs review

BIDA 17/5/93

CAPE TOWN — Finance Minister Derek Keys told Parliament that a simplified tariff system was being drawn up which could lead to a review of SA's offer to GATT's Uruguay Round.

Opening the debate on his Trade and Industry portfolio, Keys said SA had developed a "greatly more complicated set of tariffs and tariff structures than most countries have" — which he said was hindering the free flow of international trade.

Keys said the Trade and Industry Department, the Board on Tariffs and Trade and the Industrial Development Corporation had formed a team for the tariff review.

It was examining the rationalisation of the tariff system and the improvement of rebate and drawback procedures.

"This work is being done in the light of the offer on tariffs made in 1990 to GATT (the Gen-

eral Agreement on Tariffs and Trade) and takes account of the import surcharge which presently exists," Keys said.

This could lead to a review of the offer made to GATT. Those parties who could be affected would be consulted.

The Trade and Industry Department said last year that it had offered to cut tariffs on about 42% of all lines. This would, over five years, replace all formula duties on these lines with ad valorem duties, with maximum levels of 30% on consumer products and 15% on other products.

Keys said that rationalisation of tariffs did not imply an immediate lowering of rates, saying there was room for simplification without changing tariff levels. But there was no getting away from the fact that SA had to prepare itself for a "progressive reduction of tariffs on certain products".

Keys said he was examining more effective export incentive options. Under the terms of GATT, SA would not be allowed to entrench export incentive rebates, but could phase them out over a number of years.

According to official figures, government paid out R1,3bn in export-linked rebates of up to 20% in 1991/92.

Keys also said that rising levels of grey imports and high revenue-sharing payments to Botswana, Lesotho, Namibia and Swaziland meant that a review of the Southern African Customs Union was unavoidable.

He said grey imports on which customs duties have not been paid had "clearly increased during the past year".

Stef Naudé, the Trade and Industry Department's director-general, had signed a new five-year contract, Keys told Parliament. — Reuter.

## Talks on SA-EC links

STEPHANE BOTHMA (SA)

A CONFERENCE to discuss new links between SA and the EC will be held in Brussels in June.

Organised by the SA Foundation and Forum Europe, the event will focus on the new trade and political links with the EC once SA's political reform process is firmly established.

Speakers will include SA Reserve Bank governor Chris Stals, ANC International relations expert Aziz Pahad, Saffo chairman Len van Zyl, the Belgian Foreign Commerce Minister Robert Urbain and the European parliament's external relations committee chairman Willy de Clercq.

In all, there will be 40 top-level speakers, and topics on the programme will include the scope of a new political relationship, an industrial partnership, SA's future as an advanced financial marketplace and the EC's possible role in confronting economic challenges in SA.

The conference will be held on Monday June 28 and Tuesday June 29, and organisers say it will reflect the increasing warmth of EC relations with SA.



# Danes tilting toward EC

COPENHAGEN — Prime Minister Poul Rasmussen warned Danes of isolation if they vote tomorrow to reject the Maastricht treaty.

In a sometimes stormy televised debate last night, opponents said a "no" vote in the referendum would bury Maastricht and force new talks on a more flexible pact for the European Community's 340 million citizens.

But Rasmussen (49), said a fresh rejection of the treaty on European political, economic and monetary union would damage the Danish economy, diminish chances of stability in Europe and leave Denmark isolated.

"We want a stable, peaceful Europe with a stronger human face," he said, predicting that Danes would accept the treaty.

Danes voted against Maastricht by a tiny margin — 50.7 to 49.3 percent — last June but have since won exemptions from such treaty aims as a common currency, joint defence policies, supranational police controls and citizenship rules.

A Gallup poll in today's Berlingske Tidende said 50 percent of voters now supported the treaty while opponents had slipped to 32 percent with 18 percent undecided. — Sapa-Reuter.

## New Turk

ANKARA — Minister Suleyman Demirel said today, four weeks after the general election, that he would not call a referendum on the new constitution required in the

## London

SYDNEY — The Opera House declared a win yesterday, some of the



61



## Debate on trading status

BLOOM LINDA ENSOR 18/5/93

CAPE TOWN — A major debate on the trading status of SA within the EC was scheduled to take place in Brussels in October, Western Cape Growth Organisation (Wesgro) executive director David Bridgman said yesterday.

The debate will take place under the auspices of the Brussels Club, which acts as a forum of communication between the EC parliament and its constituents.

Bridgman told the Association of Corporate Treasurers of Southern Africa that SA's ambassador to the EC Neil van Heerden had been negotiating the debate.

While Lomé Convention status would be the most desirable, it was more likely that SA would be granted trading status similar to that of Brazil. (SA) (10)

Focusing on the western Cape, Bridgman said growth in demand would come from redistribution, world markets, African markets and the growth in the local and national economy.

He said the western Cape was more likely than any other part of the country to benefit from increased trade with Africa.

West African coastal cities from Lobito to Dakar, which could be supplied by sea from Cape Town, offered opportunities for manufactured exports. So far they accounted for only 2% of SA's trade with Africa.

# Danes in vote on closer EC links

COPENHAGEN — A clear majority of Danes are expected to vote today in favour of ratifying the Maastricht treaty, breathing life into the prospects for closer European integration.

A Gallup poll yesterday showed 50 percent for "yes", 32 percent "no", 14 percent undecided and 4 percent not intending to vote.

However, more than half the "no" voters expected the overall result would be "yes".

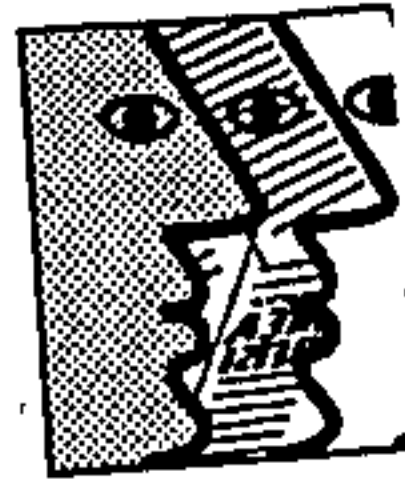
The Prime Minister, Poul Nyrup Rasmussen, emphasised that the opt-outs on the key areas of defence, citizenship and monetary union that Denmark won from EC colleagues at December's Edinburgh summit would be legally binding and that a "yes" vote would not be a boost for federalism.

The spectre of a European superstate has loomed large here. Danes are proud of their long tradition of local democracy. Creeping federalism has been one of the principal themes of the "no" campaign and fears have been fanned by an interview given to a US newspaper by Martin Bangemann, the German EC commissioner, who said the Maastricht treaty would lay the foundations for a federal Europe.

Greater Copenhagen, with the north and west of rural Jutland, are the only areas to have a majority of "no" voters.

In the Social Democrat stronghold of Odense on the island of Funen a straw poll found many people who voted "no" last time still undecided.

The overwhelming impression is that even if Denmark votes in favour of Maastricht today it will be giving only grudging approval. — The Independent News Service.



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## 'Glow'

ATLANTA  
in-the-dark

# Inflation re-emerges in the Fed's calculations

610m

CRUCIAL central bank decisions on monetary policy are being made this week, but the latest dollar rally suggests the market has second-guessed the bankers and knows a safe bet when it sees one.

By pushing the dollar to six-week highs above DM1.62 yesterday, punters exuded confidence that the Federal Reserve Board would leave key US rates unchanged last night and that the Bundesbank would cut official German rates again today.

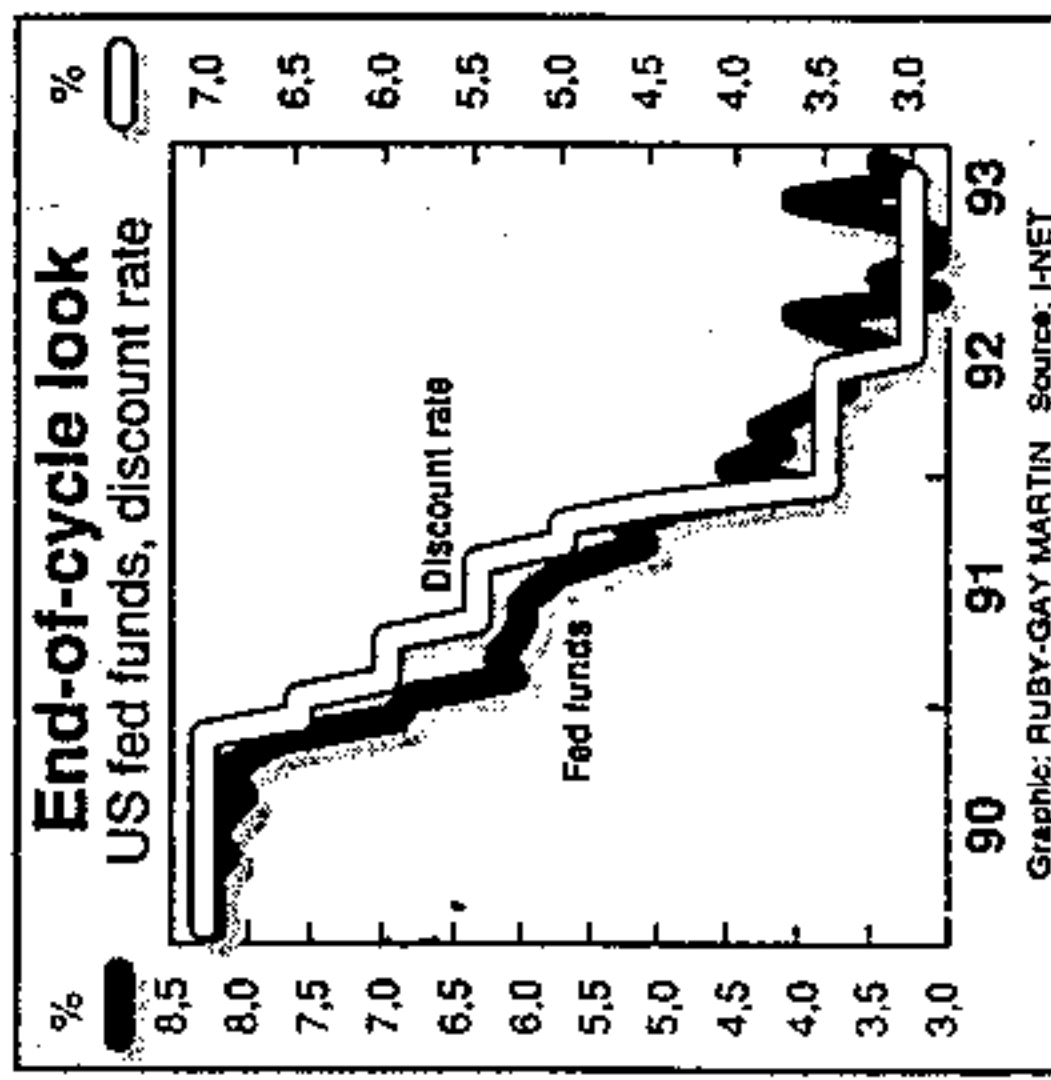
At the same time, traders were conveniently able to disregard the possibilities of any new spasm of Euro-chaos after yesterday's referendum in Denmark. By ditching European exchange rate mechanism (ERM) currencies in favour of dollars, dealers effectively insured themselves against another Danish rejection of the Maastricht treaty on closer European union.

The Fed's open market committee (FOMC) met yesterday to assess the setting of US monetary policy, and the Bundesbank's policymaking council meets today to look at Germany's credit stance. A week ago, this near-simultaneous policy check by two key central banks would have been highly prejudicial to the dollar.

19/5/93

Only a week ago, there were still strong doubts in the market about the durability of the US recovery. A succession of dismal data releases during the first quarter of the year culminated in a sharp growth slowdown in the three months to March, as quarterly annualised US GDP rose only 1.8% against 4.7% in the December quarter. Falling retail sales, stagnant industrial production and unchanged unemployment led the way in proclaiming the likelihood of a stalled recovery.

So the markets went into last week believing that another cut in US in-



## SIMON WILLSON

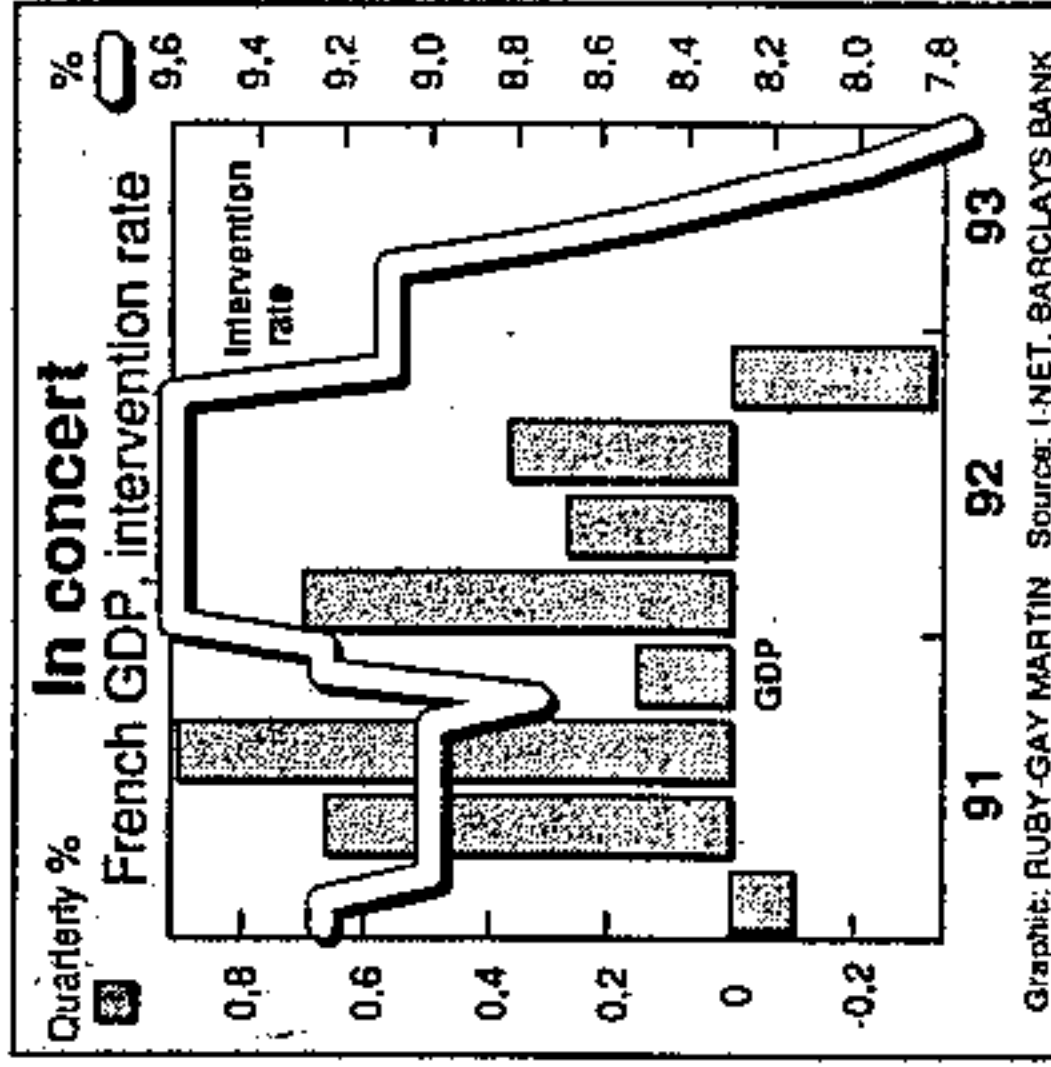
terest rates was up for consideration. The first chart shows what an epochal event another US rate cut would be.

Official US interest rates currently have a comfortable, end-of-cycle look about them. Since its last cut, from 3.5% to 3% in July last year, discount rate has been unchanged for its longest period since it stood at 7% between February 1989 and December 1990. Just as discount rate's 22 months at 7% signified a settled top of the interest rate cycle, so the 10 months during which discount rate has been at its 30-year low of 3% have looked equally established as the bottom of the cycle.

But then came the grim first quarter. It was only the partial revival of growth signalled by last week's retail sales and industrial production figures for April that reduced expectations of a cut in the Fed funds or discount rate. The apparent clincher against another easing by the Fed has been the re-emergence of inflation as a factor in

the American economy.

It seems that above-trend monthly rises in April of 0.4% and 0.6% in consumer and producer prices respectively have, besides stoking the gold rally, rung inflation alarm bells loudly enough to stop another rate cut by the Fed. Inflation, having been around 3% or lower at consumer level for the best part of the last two years, has been a non-issue in the US economy for so long now that the jump in prices last month came as quite a shock. It might have been conclusive in confirming 3% as the bottom of the interest rate cycle.



The likelihood that the Fed will now not cut rates again is matched only by the likelihood that the Bundesbank will — quickly and often. Today's fortnightly council meeting will be confronted by statistics showing a recession year for Germany. In such an environment, further cuts to the 8.5% Lombard rate and 7.25% discount rate look difficult to defer any longer. The second chart provides as good a guide as any to the Bundesbank's likely short-term intentions in its monetary management. Cuts to official French rates during the past month have been increasingly frequent as the new government attempts to haul the economy out of a dive towards recession.

Precedent has shown that the French authorities do not ease their own monetary policy without some more or less explicit signals from Frankfurt — indeed, the French must act in concert with the Germans if the franc's ERM parities are not to be jeopardised. So the frantic cutting by the French in recent weeks indicates that markets will not have to wait long for matching action from the Bundesbank, and can probably forget about the Fed.

## LETTERS



# Danish 'yes' for Maastricht

COPENHAGEN — Denmark has put European union back on track by voting in a referendum to accept the Maastricht treaty.

Relieved European leaders and Denmark's establishment politicians jubilantly hailed the referendum, in which Danes voted by 56.8 percent to 43.2 percent to overturn their rejection of Maastricht in a first referendum last June.

Referendum voters endorsed a package of Danish exemptions from key Maastricht goals, ending a severe European Community (EC) crisis provoked by the first vote against the treaty last year.

Politicians from Denmark's EC partners were quick to express delight. British Foreign Secretary Douglas Hurd called it "very good news" and France's European Affairs Minister Alain Lamassoure said he was thrilled.

In Brussels, EC Commission president Jacques Delors said he hoped the vote would enable the Community to emerge from "a period of inaction and gloom".

Denmark's previous rejection of Maastricht by a slender margin of some 46 000 votes had virtually paralysed the EC. The treaty legally needs ratification by all 12 members.

Start. 19 | 5 | 93

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Victory at last . . . pro-Maastricht treaty voters celebrate outside the Danish parliament in Copenhagen. Picture: AFP

As yesterday's result came in, a jubilant Prime Minister Poul Nyrup Rasmussen said: "Denmark has come through a historic vote and we got the clear decision we wanted. "Now we can expect to get going again . . ."

Rasmussen pinned his

campaign to support the treaty on the threat of economic hardship.

Anti-establishment groups oppose Maastricht, which is supported by almost all mainstream political parties and big businesses in Denmark.

— Sapa-Reuter.

Conrad

## Denmark votes 'yes' for Maastricht treaty

**COPENHAGEN.** — Danes voted to accept the European Community's Maastricht treaty by 56,8 to 43,2% in a referendum yesterday, according to a computer forecast by Danish television after 15% of the votes were counted.

If confirmed, the result will reverse the outcome of a referendum last June when Danes rejected the treaty on political, economic, and monetary union by 50,7 to 49,3%. The forecast was considered to be reliable and confirmed the trend in earlier projections.

Danes voted on a deal negotiated since last year's rejection, exempting Denmark from key treaty goals such as a joint currency and common defence.

A Danish "yes" is expected to revive the momentum towards union in the EC, which was plunged into crisis by last year's "no" vote. — Sapa-Reuter

(56A) CT 19/5/93



# UK ready to jump on to EC train

SbA

LONDON — Britain, the only EC member still to say "yes" to the Maastricht treaty, pledged yesterday to leap decisively aboard the slow train to European union.

But Prime Minister John Major, while welcoming Denmark's endorsement of the pact on closer EC ties, attacked key aspects of the treaty embraced by his Community partners and stressed Britain's self-interest would come first.

Major labelled the social chapter, covering EC labour and welfare regulations, an "employment destruction chapter" and said sterling would not rejoin the Exchange Rate Mechanism unless the currency grid was revamped.

## Warfare

"I don't believe the social chapter is in our interests," Major told a radio interviewer. "I do believe it is very much in the British interest — our own cold, hard self-interest — to be right at the centre of the European Community."

"We are now in a better position than we have been at any stage of our membership to start influencing the Community to go in the direction we, the British, would like to see it move."

Government ministers said the Danish "yes" vote cleared the way for British ratification this summer, ending 18 months of trench

warfare that badly wounded the ruling Conservative Party.

"I'm certainly pleased the Danes have cleared the uncertainty up. It's been a very debilitating, very difficult period both in Denmark and in the UK as well," Major said.

Despite a small-scale revolt by Conservative rebels, Major's government expects to win a large majority when a final vote on the Bill aimed at ratifying the treaty is taken in the House of Commons today.

The main opposition Labour Party will abstain in the vote in protest at the opt-out Major negotiated from the social chapter. Up to 50 rebel Conservatives may vote against the government, which has an 18-seat majority in the Commons.

Foreign Secretary Douglas Hurd urged the "Euro-rebels" to give up their struggle because the Community likely to emerge after ratification was the type of Europe Britain had always wanted — a decentralised and free trading Community.

"The argument is not over. But the kind of Europe that we have been arguing for for many years is now emerging more clearly. It is the kind of Europe that is most likely," Hurd told a radio interviewer yesterday.

"That should give us all confidence and banish the nightmares." — Sapa-  
Reuter.

STAR 20/5/93







Running battles ... an anti-Maastricht demonstrator, who was shot in the stomach during the riots in Copenhagen on Tuesday night, is helped on to a makeshift stretcher. Picture: AP

**COPENHAGEN.** — Supporters and opponents of European union closed ranks yesterday behind police who shot nine protesters in an unprecedented riot after Danes approved the Maastricht treaty in a referendum.

Prime Minister Poul Nyrup Rasmussen strongly defended the police, who battled up to 300 rock-throwing squatters for five hours in a working-class district of Copenhagen on Tuesday night.

The nine protesters were wounded by small arms fire but none was in critical condition, police said.

Twenty-four policemen were injured and 25 protesters arrested after the riots, which turned the district of Noerrebro into a wasteland of burnt-out barricades and broken glass.

"These events are totally unacceptable," Rasmussen

## Danish close ranks after bloody riots

told a news conference.

"My thoughts go in this moment to our police who have been hit badly. This riot was planned and organised and the government will not hesitate to ensure this will not happen again."

He said the rioters, incensed at the vote which approved Maastricht by a 57-43 percent majority, had thrown between 6 and 8 tons of rocks and bricks at the police.

In the prosperous and normally placid Danish capital, there was little sympathy for the demonstrators after the bloodiest riot in peacetime

Denmark, and no immediate criticism of police.

The right-wing Progress Party, the only grouping in parliament to campaign against the treaty, backed the police.

"You can agree or disagree with the Danish 'yes' to EC union, but you must not start street fights and hurt innocent people. The violent elements in Copenhagen have, unfortunately, no respect for a democratic decision," spokesman Tom Behnke said.

The squatters, who declared the Noerrebro district

an "EC-free zone", apparently rioted in protest against Denmark's political and business establishment.

Police spokesman Willy Eliassen called the riots the worst ever experienced in Copenhagen. "We witnessed an aggressiveness and disregard for human life that we have never experienced before."

The spokesman said the police fired up to 100 warning shots, then aimed into the crowd when it seemed the demonstrators might kill an injured colleague lying on the ground.

This version was supported by Rasmussen.

But the demonstrators accused the police of strong-arm tactics. "They shot us because we said 'no' to the Maastricht treaty," one man with a gunshot wound said. — Sapa-Reuter.

56A



# Danish 'yes' <sup>(56A)</sup> leads to riots

2520/5/93

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The squatters, who declared the Noerrebro district an "EC-free zone", apparently rioted in protest against Denmark's political and business establishment, which strongly supports the treaty.

Twenty-four policemen were injured and 25 protesters arrested after the riots, which turned the district of Noerrebro into a wasteland of burnt-out barricades, torn-up bricks and broken glass.

In the prosperous and normally placid Danish capital, there was little sympathy for the demonstrators after the bloodiest riot in peacetime Denmark, and no immediate criticism of police.

Meanwhile Britain, the only EC member still to say "yes" to the Maastricht treaty, pledged yesterday to leap decisively aboard the slow train to European union.

Government ministers said the Danish "yes" vote cleared the way for British ratification this summer, ending 18 months of trench warfare that badly wounded the ruling Conservative Party. — Sapa-Reuter



**DANISH REVOLT ...** An injured policeman is rushed to safety by plainclothes colleagues during the riots in Copenhagen late on Tuesday when demonstrators battled police.

Picture: AP

# Danes vote for treaty

Guardian *in*  
By John Palmer *in*  
Copenhagen 21/5-27/5/93  
(S6A)

THE people of Denmark this week breathed new life into the flagging project for greater European union when results from Tuesday's referendum showed they had voted by 56.8 per cent to 43.2 per cent for the Maastricht treaty. The about-turn by Danish voters was greeted with unrestrained relief by Danish political leaders and was warmly welcomed in other EC capitals.

The European Commission president, Jacques Delors, said the vote could give a stimulus to the community "to leave behind a period of moroseness and inaction while our continent is shaken by tragic violence" in former Yugoslavia.

The second Danish vote in 12 months has delivered what may be a fatal blow to the hopes of Euro-sceptics in Westminster. An exultant Danish foreign minister, Niels Helveg Petersen, said the referendum result carried a clear message to Britain's anti-Maastricht Conservatives, many of whom had campaigned in Denmark for rejection of the treaty. "That message is that you lost the battle of Britain in Denmark, and I hope that you lose it in Britain as well."

The House of Commons stages of the Maastricht bill were to have been completed on Thursday when Labour intended to abstain on the third reading, ensuring a big Government victory. Once the House of Lords and the courts have had their say — about the legal impact of the recent vote for removing the UK social opt-out clause — UK ratification should be completed by late summer.



# Commons ratifies divisive EC treaty

Star 21/5/93

56A

LONDON — Britain's Conservative government has finally forced its Bill to ratify the Maastricht treaty through a fractious lower house of parliament, after more than 200 hours of debate.

Six months of vicious infighting among Conservative members of parliament, which badly hurt the standing of Prime Minister John Major, ended with a 292 to 112-vote win for the government in the final House of Commons vote on the Bill late yesterday.

Ministers believe the way is now clear for Britain to become with Germany the last of the 12 European Community members to complete ratification.

The Bill is expected to face delays in the unelected House of Lords, where it goes next, but the government's large majority should guarantee it passes this test unaltered.

Government officials expect full ratification by August, 20 months after the EC summit in Maastricht where the treaty — claimed by Major as his greatest triumph — was signed.

The time-consuming debate on the Maastricht Bill in the Commons has hobbled the government's legislative programme and diverted ministerial attention from other issues.

"Euro-rebels" in Major's party kept up their attack in the lower house until the end and vowed to continue their call in the Lords for a referendum on the treaty. Their assault will be led by the former Prime Minister, Lady Thatcher.

Forty Conservatives voted against the government yesterday, joined by 70 members of the main opposition Labour Party who defied their leaders' demands that they abstain.

Labour objects to Britain's decision to opt out of the treaty's social chapter, which covers labour and welfare rights.

Ministers tried to allay the rebels' fears that the treaty meant irreparable damage to British sovereignty.

In Germany, where both houses of parliament have ratified the treaty, Maastricht faces court challenges on the grounds that it violates democratic principles laid down in the constitution. — Sapa-Reuter.

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# Major cold-shoulders quick return to ERM

LONDON — Prime Minister John Major yesterday put off indefinitely sterling's re-entry into the European Exchange Rate Mechanism (ERM) and made clear that Danish approval of the Maastricht treaty would not change Britain's stand against monetary union.

Ahead of an expected revolt by Conservative MPs over the treaty, Major said the right conditions for considering ERM re-entry did not apply at the moment and were unlikely to apply for some time.

## Prospects

Major said the prospects of a rapid move towards European economic and monetary union had drifted away very substantially.

He did not rule out the possibility of other countries moving to a single currency without Britain.

His refusal to contemplate Britain's rejoining the ERM cheered Conservative Euro-sceptics and came close to endorsing a prediction by

Home Secretary Kenneth Clarke that Britain would not re-enter until after the next general election.

In practice, any early move would split the Cabinet.

Despite euphoria among many European Community leaders at the Danish referendum result, Major believes that there is support throughout the EC, including Germany, for wholesale reform of the ERM.

"The ERM, as it was when we left it, is an inadequate instrument that we could not re-enter," Major said on BBC radio.

Officials rejected suggestions that the Prime Minister was implying Britain might never re-join, but said there remained big problems with the ERM, although at least it was no longer regarded as a quasi fixed rate system.

Officially, re-entry depends on conditions set by the Treasury on correcting faultlines in the ERM and on bringing UK and German monetary policies into line. — Financial Times.

# Putting paid to pollution at coal dumps

By Derek Tommey

Techniques devised by Fraser Alexander should mean that any new coal discard dumps will not start burning and pollute the atmosphere as is happening today.

Andy Visagie, chairman of Fraser Alexander's bulk materials handling division, says there is a growing awareness of the need to handle coal discard responsibly.

In the past three years his division has been handling 600 000 tons of discard a month for Amcoal, JCI and Trans-Natal.

He says it is essential that discard dumps are properly managed, otherwise spontaneous combustion occurs.

The resultant fires are almost impossible to extinguish and burn for years at high temperatures, polluting air and water.

The coal cannot be reclaimed later.

To prevent combustion, each layer of coal has to be properly compacted, while testing of compacted dumps for evidence of heating has to be continually carried out.

# Tories triumph over Maastricht rebels

56A  
APG-21/5/93

□ Treaty ratified by 292 to 112 ballot

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Six months of vicious infighting among Conservative members of parliament, which badly hurt the standing of Prime Minister Mr John Major, ended with a 292 to 112 vote win for the government in the final House of Commons vote on the bill late yesterday.

Ministers believe the way is now clear for Britain to become, with Germany, the last of the 12 European Community members to complete ratification.

The Bill is expected to face delays in the unelected House of Lords, where it goes next, but the government's large majority should guarantee it

passes this test unaltered.

Government officials expect full ratification by August, 20 months after the EC summit in Maastricht where the treaty — claimed by Mr Major as his greatest triumph — was signed.

"I've noticed that some people in Europe have been frustrated at the pace of our progress," Chancellor of the Exchequer Mr Norman Lamont said in the final speech of the debate.

"But we don't owe them any apologies at all. It is quite right we should deliberate carefully on a treaty of this importance."

"Euro-rebels" in Mr Major's party kept up their attack in the lower house until the bitter end, and vowed to press the Lords for a referendum on the treaty in an assault led by former prime minister Lady Thatcher.

Forty Conservatives voted against the government yesterday, joined by 70 members of the main opposition Labour party, who defied their leaders' demands to abstain.

Labour objects to Britain's decision to opt out of the treaty's social chapter, which covers labour and welfare rights.

Ministers tried to allay the rebels' fears that the treaty meant irreparable damage to British sovereignty.

"I believe their fears of a lurch into a European super-state are misguided," Foreign Secretary Mr Douglas Hurd said.

● In Germany, where both houses of parliament have ratified the treaty, Maastricht faces court challenges on the grounds that it violates democratic principles laid down in the constitution. — Sapa-Reuter.



# EC to be flexible over timetable

BIDAM 24/5/93

56A

**KOLDING** — The timetable for European monetary union set out in the Maastricht treaty should be extended if member states could not meet its stiff economic criteria in time, German finance ministry State Secretary Horst Koehler said at the weekend.

"The schedule was never the main goal," Koehler said during an informal one-day meeting of EC economics and finance ministers in Denmark. "The criteria take priority and must be adhered to."

This view had been accepted at the meeting as a general conclusion, he said.

If the criteria were not fulfilled on time, he said, it would take a correspondingly longer period before the next decision for monetary integration could be taken.

According to the Maastricht treaty, the decision to embark on monetary union should be taken in 1996 at the earliest and 1998 at the latest.

Koehler said the timetable had never been more than "the elegant solution to make steps towards monetary integration without political discrimination, but also without having to wait" for the last EC member to meet the criteria.

These pertained to a country's inflation rate, budget deficit and outstanding government debt, among other indicators.

Koehler said Germany had no disagreement with the UK that it would not return to Europe's exchange-rate mechanism (ERM) until its economies had converged more closely.

British Chancellor of the Exchequer Norman Lamont said the re-

entry of the British pound into the ERM could take "two years, three years or even longer".

Because of the long-term effects of Germany's 1990 unification, especially in terms of high German interest rates, Lamont said the pound's re-entry was unlikely in the near-term.

The main message from the meeting was that there would be no great changes to Europe's ERM, despite the turmoil which rocked the system last September.

The ministers agreed that the currency grid's rules were essentially sound, but should be used more effectively to head off the types of crises that nearly toppled it last year.

"There are no great changes in the pipeline," Danish Economics Minister Marianne Jelved said.

The ministers had agreed that the policy instruments available to ERM members — interest rates changes, currency realignments and central bank intervention — were sufficient to manage the system.

She said EC members accepted that when economic fundamentals slipped out of line, the burden of adjustments had to be placed on countries with weaker currencies.

"That is the responsibility of individual member states, but we all have responsibility for the system as a whole," she said.

In separate reports, the EC's monetary committee — a panel of central bank and finance ministry officials who manage the ERM — and its central bank governors attributed last year's crises to the failure by EC members to more closely align their economies, and not to the ERM's rules. AP-DJ.

## NEWS IN BRIEF

### Joining Russia

**MOSCOW** — Prime Minister Viktor Chernomyrdin said on Friday that some former Soviet republics had expressed interest in becoming part of Russia. Vice-Premier Alexander Shokhin said one of those states was Tajikistan.

BIDAM 24/5/93

### State bank to retrench

**DAR ES SALAAM** — National Bank of Commerce, a state firm which for 26 years has offered the only banking services available to ordinary Tanzanians, plans a slim-down to face a new era of competition. MD Idriss Rashidi said on Friday staff would be cut by 4 000 by September and by 6 000 more later on. Five of its 400 branches would be closed.

### Pacific co-operation

**SEOUL** — More than 700 delegates from 24 nations would discuss ways to foster economic and trade co-operation among Pacific Rim nations during the 26th general meeting of the Pacific Basin Economic Council in Seoul, starting today, organisers said.

### Smith keeps his farm

**HARARE** — Ian Smith has survived Zimbabwe's latest round of compulsory farm acquisitions, this time in the former Rhodesian prime minister's backyard Midlands province.

Twelve Midlands farms would be acquired for the resettlement of landless farmers crowded in communal areas, a Rural Settlement Department official in Gweru said. Smith's Shurugwi Farm was not likely to be designated because it was situated in an area with dams supplying Gweru with water, he added.

REPORTS: AP-DJ, Sapa-Routel

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BIDAM 24/5/93

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Star 25/5/93

# UK support for Europe growing

SA

BRUSSELS — Britain has shown a marked upsurge in support for the European Community for the first time in two years, according to the latest EC opinion poll.

It is one of the few bright spots for EC policymakers in a survey that shows falling support for Europe and weak backing for the Maastricht treaty.

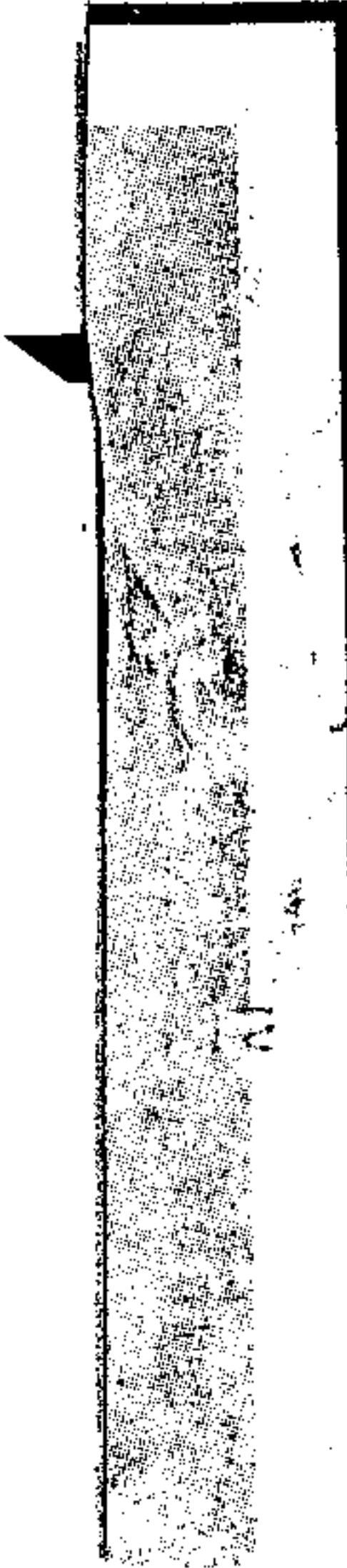
Britain, though still the most opposed amongst the Twelve to European integration, has shown a five-percentage-point increase since last autumn, according to Eurobarometer. Its spring survey shows that those who are for efforts to unify West-

ern Europe have risen from 57 to 62 percent of the British population.

Britain however remains the most anti-EC nation, and is the only one where opinion is against the Maastricht treaty — 35 percent — but even here the gap has narrowed from 43 percent.

Particularly disturbing for EC policymakers in Brussels is that 60 percent of Germans are opposed to the project of a single currency, at the heart of the treaty.

The German mark would be the pivotal currency in any new monetary arrangement. — The Independent News Service.







Star 26/5/92

# Major to push for enlarged EC

(56A) (H)

LONDON — Prime Minister John Major, putting a parliamentary battle over the Maastricht treaty behind him, has called for a broader and more flexible European Community.

Major said in an interview with the Financial Times, published this morning, that he would push the idea of admitting members of the European Free Trade Association (Efta) to the EC when community leaders meet for a summit in Copenhagen next month.

"I want to give that (enlargement) a big push. That is pivotal to the future of the way I see the community, to have the Efta six in place as members before any fur-

ther consideration is given to institutional change in the community."

He said membership of Efta countries would bolster the EC budget. It would, for the first time since the community was founded, strike a balance between net contributors and net recipients, he said.

Efta comprises Austria, Finland, Iceland, Norway, Sweden and Switzerland.

Major forced the Maastricht treaty on European economic and political union through the Commons last week, ending an 18-month struggle with Conservative Party rebels.

In the interview, Major said he recognised the case

for institutional reform of the EC to address its image problems as well as the role of the executive European Commission.

"I don't believe many people are satisfied with the accountability of the commission," he told the paper.

Admitting new countries to the 12-member group would be "an opportunity to introduce a much greater degree of flexibility into the community", he said.

In the wide-ranging interview, Major also said Britain would not rejoin the European Exchange Rate Mechanism (ERM) grid until its economy was "more in step with the rest of Europe" and he underlined his commit-

ment to fighting inflation.

He reiterated his belief that Britain was heading for sustainable growth after two years of recession.

● Rumours that Major was about to unveil a long-awaited Cabinet reshuffle to give his trouble-torn government a fresh start were rife in British political circles today.

The rumours refused to die down despite signals from officials that no shake-up was imminent.

"In due course, I have no doubt I will (reshuffle) but when that will be, I have no intention of telling anybody," Major told the Financial Times. — Sapa-Reuter.

# French urge truce on trade

*Guardian/W*  
*in wincent 2/15 -*  
*27/5/93*

By Larry Elliot and  
Jonathan Fenby

FRANCE'S prime minister, Edouard Balladur, last week urged a truce in the long-running trade row between the European Community and the United States, but made it clear he was unwilling to sacrifice the interests of French farmers to unblock the stalled Gatt talks.

In his first public statement on the Uruguay round of the General Agreement on Tariffs and Trade (Gatt), Mr Balladur carefully balanced his calls for "an armistice" with a firm rejection of the deal on agriculture worked out by Washington and Brussels last November.

Gatt officials in Geneva said they welcomed Mr Balladur's call for a global solution to the Uruguay round but warned there were likely to be problems if France tried to rewrite the EC-US agreement on oil seeds and overall farm subsidies.

This averted a full-scale trade war between the US and the EC but has yet to be ratified by Brussels because, in the run-up to the French elections in March, the former Socialist administration in Paris threatened to veto the deal.

Since he took office seven weeks ago, Mr Balladur has been at pains to present a moderate, statesmanlike image, while his foreign minister, Alain Juppe, has made soothing noises about Gatt. This has been in marked contrast to the strident tone their Gaullist RPR party adopted during the election campaign. But the Gaullists draw substantial electoral support from France's militant farmers and are anxious not to put this backing at risk in the 1995 presidential election, for which the RPR candidate, Jacques Chirac, currently leads the field.

Mr Balladur said France wanted "global, balanced and multilateral negotiations" that are not focused solely on agriculture.

He added: "We intend to put an end to the perception that several hundred thousand French farmers pose an obstacle to the relaunching of world production and activity which would result from a Gatt accord."

However, the hint of a more conciliatory approach is unlikely to be acceptable to Washington, which has demanded a settlement on farm support as a precondition for an overall Gatt deal including services, textiles, cuts in tariffs on manufacturing, and protecting ideas and patents from piracy.

The downturn in the European economy over the past six months has added urgency to the need to complete the Uruguay round, which will fall by the wayside unless talks are completed by the year's end.

Mr Balladur said trade negotiations "were too much seen, and perhaps even too organised, as a sort of confrontation between the United States and Europe. Agricultural exports by the Community represent but a weak proportion of world trade," he said. "All subjects, and not just agriculture, must be really negotiated and all parties, and not just Europeans, must adopt a positive attitude."

The French trade minister, Gerard Longuet, said the French position marked a leap forward. "What is profoundly new is the desire to break with isolation and abandon a strategy of all or nothing."

However, one EC diplomat cautioned: "France's style has changed a bit under Balladur and he wants to create a better mood. But the main sticking points remain."

*Le Monde, page 13*



## EC's economic prospects at 50-year low

STRASBOURG — The EC faced its worst economic slowdown since the Second World War, European Commission president Jacques Delors said yesterday.

In an address to the European Parliament, he said: "We have before us the gloomiest (economic) forecasts since the end of the war."

The EC has this year persistently downgraded its economic growth forecasts. Officials now say the growth rate for 1993 is likely to be zero or even negative.

Unemployment stands at 10,3%, or more than 17-million people. The rate is expected to reach 11% by year-end.

"Massive unemployment is at the root of all our problems," Delors said, adding that 45% of unemployment was long term.

The six-monthly summit of EC leaders to be held in Copenhagen next month would focus on efforts to stop the decline of European competitiveness and the increase in unemployment, he said.

The commission president called on community leaders to forgo short-term disputes and focus on a \$24bn growth initiative announced at an EC summit in Edinburgh in December. He said the commission was ready to support investments, research and training. — Sapa-AFP.

# EC faces economic gloom

Star 2/15/93  
56A

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The EC has persistently downgraded its economic growth forecasts this year. Officials now say the growth rate for 1993 is likely to be zero or even negative.

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The commission president called on community leaders to forego short-term disputes and focus on a 20 billion Ecu (\$24 billion) economic growth initiative announced at an EC summit in Edinburgh last December.

He said the commission was ready to support investments, research and training. The growth initiative is aimed at investments in such infrastructure projects as telecommunications and transport networks. — Sapa-AFP.

# Moves afoot to place curbs on controlling shareholders

By Derek Tommey

Moves are under way to prevent controlling shareholders from ignoring the views of minorities and to curb the activities of anyone soliciting funds from the public under false pretences.

On another level, plans are being made to harmonise local company law with that of the European Community in order to encourage foreign investment in SA.

Roy Andersen, president of the JSE, says he expects changes in the Securities Regulation Code on Take-Overs and Mergers.

It is intended to expand the code to cover areas such as the disposal of a business entity in order to provide additional protection for minority interests, especially in the light of a minority resistance to certain disposals.

The need to expand the code arises from companies circumventing restrictions on disposal of control.

They are bypassing the more onerous provisions of the code, but are using Section 228 of the Companies Act, which deals with the disposal of assets.

The section enables the controlling shareholder to vote his own shares and to obtain approval for such transaction by a

simple majority of shareholders in general meeting.

The Registrar of Companies, PB Roodt, says the standing advisory committee on company law is looking into the matter of companies issuing shares to the public and calling these "private placings" so as to avoid registering a prospectus.

Roodt says in his report to Parliament that there are seven cases of suspected share offers without registered prospectuses. The cases are still being investigated by the police.

He says the Companies Act does not indicate clearly when an offer of shares is to be regarded as an offer to the public.

It is usually left to the courts to decide. But at the stage when a court makes a decision in such a matter, the damage has already been done.

Should a company issue shares or debentures to the public by way of a private placing, it is evident that the registrar will know nothing about the offer and will not be able to exercise any control over it.

While the Masterbond group initially registered a few prospectuses, thereafter it continued to make offers by means of private placings.

Roodt says the standing advisory committee has decided in principle, insofar as it is feasi-

ble, to bring company law into line with the law of SA's most important trading partners, in particular those of the EC.

The aim is to create an environment in which the foreign investor will feel at home. This should contribute towards the promotion of investment in job-creating sectors.

In 1992 some 7 469 new companies were formed — 48 more than in 1991.

Their authorised capital was R8,5 billion, which is 10 times more than the R805,3 million of a year earlier. However, the 1992 figures were greatly inflated by two developments.

The first was the incorporation of two semi-government organisations, South African Forestry Company (authorised capital R1,5 billion) and Denel (R1,4 billion).

The second was the registration of a number of foreign airlines as external companies. The inclusion of these companies' total capital lifted to R5,2 billion the authorised capital for new external companies.

The 1992 recession did not dampen enthusiasm of South Africans for starting their own businesses.

Some 6 252 new private companies were registered last year, which was 107 more than in 1991.



# EC waits for talks breakthrough

Sunday Times Reporter

THE European Community has promised an improvement in economic relations with South Africa "the moment there is a breakthrough" in negotiations.

In Johannesburg yesterday at the end of a brief visit to South Africa, EC Council President and Danish Foreign Minister Niels Helveg Petersen urged all parties at the

talks to work toward a "rapid breakthrough".

"I see a new window of opportunity between Europe and South Africa," he said.

"The moment there is a breakthrough (in moving to a transitional government), the EC stands ready to improve economic and developmental relations with South Africa."

An aide explained that improved

economic relations had been discussed by the Council of Ministers of the EC recently. 30/5/93

Improved relations could include trade concessions, as enjoyed by other African countries, and investment protection for European countries investing money in South Africa.

Mr Petersen said he believed negotiations had reached the point of no return. "I think it is recognised

that it is now necessary to reach an agreement."

The announcement of improved economic ties follows a recent announcement that the EC planned to reorient its Development Assistance Program toward South Africa.

# Britain opens the way to the Continent

*STimes [Buss] 30/5/93*

*56A*

THE UK has become home for most international companies exporting to Europe, says Safto senior manager, international division, Mike Veysie.

Total foreign investment in the UK is valued at about \$100-billion, representing more than a third of American investment in the EEC and a third of Japanese investment.

SA investment in the UK, always one of their favourites, amounts to R35-billion, far exceeding its stake in any other EEC country.

## Lack

The EEC has always been a primary market for SA trade, accounting for 50% of exports, says the Department of Trade and Industry. But SA's share of EEC imports has fallen consistently.

In 1988, SA was ranked 26th in EEC imports compared with ninth in 1986. Overall, SA accounts for about 2% of EEC imports, highlighting the potential for growth.

Mr Veysie is surprised that SA companies have not been more vigorous in expanding in the EEC, which has more than 340-million consumers and a market, based on gross national product, of about \$4.2-trillion a year.

He ascribes this largely to the lack of competitiveness of SA exports.

However, logistical problems of exporting over long distances, language and cultural barriers deter SA business from doing business with Europe. Europe's single market has made it a "trade fortress", also a stumbling block for SA.

Several UK concerns wish to market and distri-

## A Business Times SURVEY

bute SA products in the EEC.

Mr Veysie says the UK offers many benefits to SA companies looking for a stepping stone to the EEC. Besides the cultural and language advantages, SA business practices are largely based on those of the UK system.

A company operating from the UK also benefits from the tariff-free structure of the single market.

The strong interest shown by business in the UK has led to a novel concept of a SA International Trade and Export Centre (Intec) being formed in Dover by TMC and the Kent Chamber of Commerce. The project is endorsed by Safto.

The Intec concept works along the lines of timeshare, says Mr Veysie. The centre provides SA exporters with infrastructure, including office space, communication links, administrative and marketing facilities, showrooms and storage, all of which they can rent.

"The savings on start-up costs can be enormous."

Mr Veysie says the centre is also ideally located for travelling to London and provides easy access to the Continent.

Safto highlights some of the advantages in using the UK as an export base:

- Its government and economy have been consistently stable over the years compared with some of its European counterparts.
- It is a low-tax-rate country and offers generous capital allowances.
- It is one of the top five exporting nations in the world. Roughly 25% to 30% of the country's gross dom-

estic product comes from exports.

● Freight costs between the UK and the Continent are low because of the high level of commercial traffic.

● The cost of skilled labour is low compared with many other European countries and the number of labour disputes has dropped sharply.

● The UK, through development of its export industry, offers important worldwide marketing and trade links.

● Tariff-free access to the European market.

● A common language and lifestyle.

Star 31/5/93  
**'SA will get EC support'**

The European Community will improve its relations with South Africa economically and developmentally once agreement is reached on a transitional executive council, EC president and Danish Foreign Minister Niels Petersen said before returning home on Saturday. — Sapa. (56A)



# Legacy of Lamont and his ERM dragon

Blom 2/6/93

SA

WHATEVER else may be said about departed British Chancellor Norman Lamont, he should be remembered as the bouncer who finally threw inflation out of Nightclub UK.

He did it roughly, and elbowed some innocent patrons in the process, but the troublemaker who relentlessly tormented British party-goers for a generation is now prostrate in the gutter, counter-mugged by an expert.

Bouncer Lamont's surly manner and contemptuous disposition have seen him removed, in last week's cabinet reshuffle, from the place of honour at the club door. Whether inflation intrudes again is up to someone else now. But Lamont's handiwork has given the revellers a chance to lock out the pest forever.

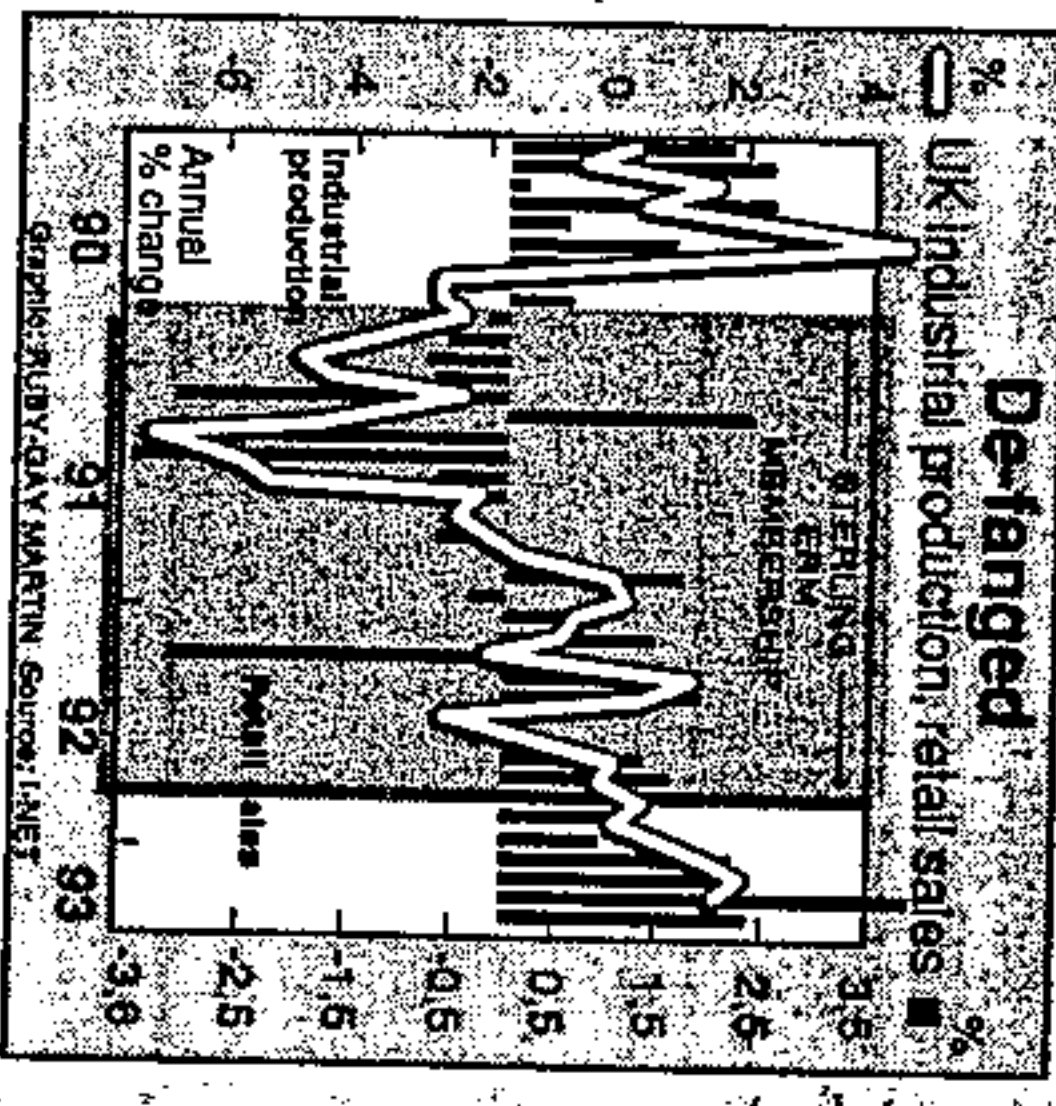
A greater range of statistics is beginning to confirm that the UK economy has begun a cyclical recovery and, since the upswing is likely to gain measurable momentum only after Lamont's dismissal, there will be a temptation to connect him solely with the UK's 1990-92 recession.

UK tabloid opinion has rapidly established a Lamont-recession-ERM-devaluation link, and has vented a

collective sigh of relief that the bad old days are now past.

"As Britain plunged from recession through depression into slump," he pompously insisted he was right," insisted the Daily Mirror. Britain needed a new Chancellor from the day "the government's misguided economic policies were torpedoed and we were forced (thank goodness) to leave the ERM", opined The Sun.

However, the trends of some current UK economic fundamentals show that the UK economy was probably on the recovery trail before the pound quit the ERM. And the two



years sterling managed to spend in the ERM seem already to be providing the UK economy with a rare and enviable springboard to recovery.

The first chart portrays key data on UK production and consumption during sterling's ERM sojourn. It is evident that, when the pound was fixed at DM2.95 in October 1990, the indicators were heading down and recession had already begun. Equally, by the time the DM link was dropped in September last year, the worst was clearly over and both indicators were flagging recovery.

Now that time has lent scale to the trends of these two key indicators during this critical period of sterling exchange rate management, the ERM dragon of popular legend looks de-fanged and the supposed malevolence of Lamont, the beast's keeper, seems tempered.

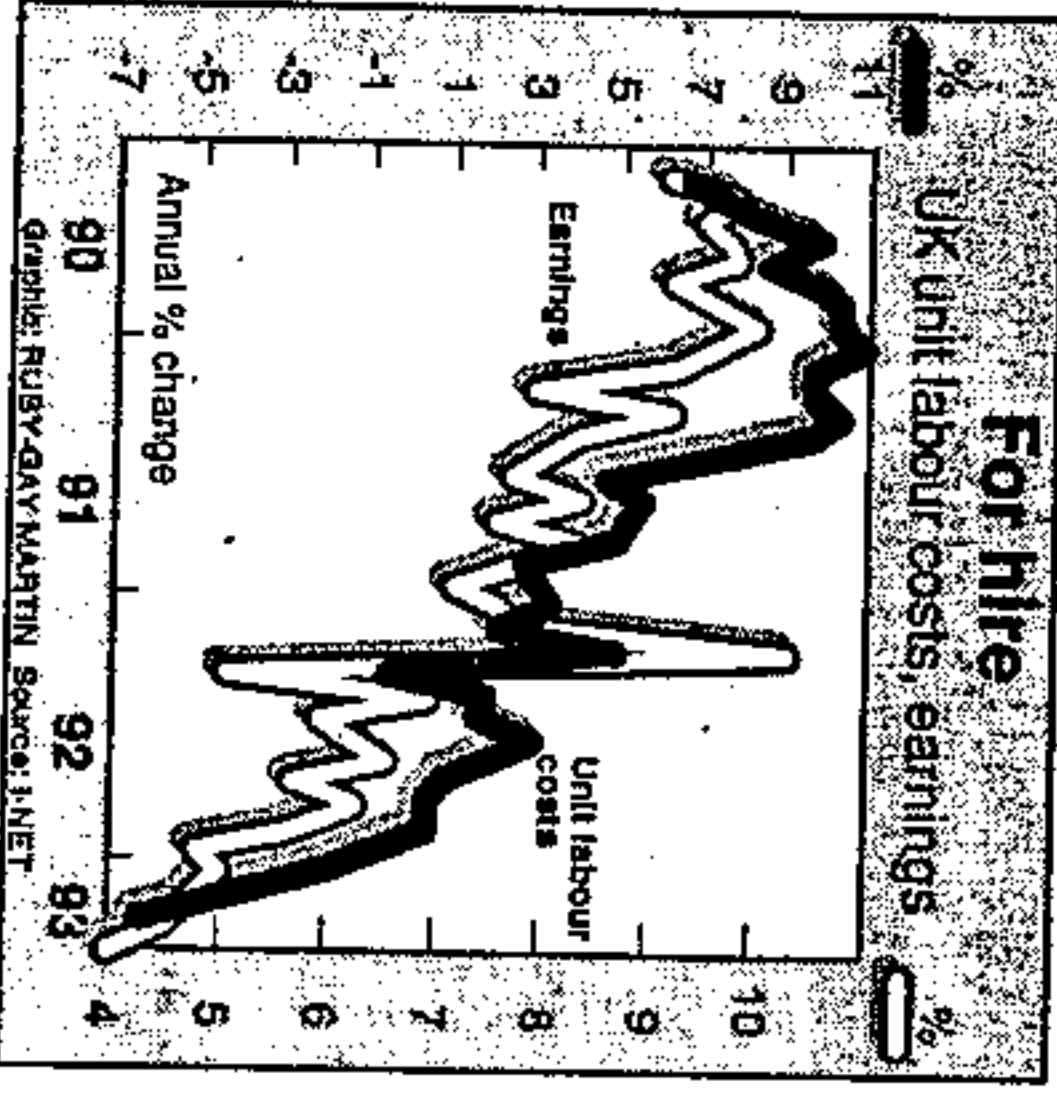
But the revisionism that has already started on the effects and intentions of sterling's spell in the ERM may have a much wider scope. It is no longer confined to the suggestion in contemporary data that the

## SIMON WILLSON

UK's last recession and recovery cycle pre-empted sterling's ERM membership. It now extends to the likelihood that the pain of recession may have been eased, and the pace of recovery accelerated, by sterling's 23 months at DM2.95.

Barely three months from the last calendar quarter of falling GDP, UK unemployment has fallen for three consecutive months. It took four years from the end of the 1980-81 recession for the UK jobless total to drop for more than one month at a time.

Although analysts are casting



about for reasons, the answer is likely to be that UK companies were forced to become more efficient and responsive by two years at DM2.95, and can now react more promptly to a changed environment.

Furthermore, as the second chart shows, the more competitive UK economic conditions of 1990-92 have cut back the notoriously comfortable average British pay deal to a 25-year low of 4%. This has made the UK jobless much more attractive to hire when an upturn is detected. This has slashed unit labour costs to historic lows, raising the competitiveness of UK exports in time to catch a growth revival among the UK's EC trading partners.

This year's UK data may eventually confirm that, far from aggravating and prolonging the recession that was always going to follow the excesses of the '90s, Lamont and his slathering ERM-friend may have done the country an indirect favour.

The UK this year embarks on the recovery trail with historically low inflation and interest rates, an almost independent Bank of England, competitive industry, a responsive labour market — and a new Chancellor who smiles at people.



WORLD

# US 'will go extra mile' to wrap up world trade talks

Buss. day 216193

(S6A) (SP)

WASHINGTON — US President Bill Clinton says his administration is prepared to make extraordinary efforts to complete a long-delayed global free trade agreement that promises a boost to the world economy.

Economists forecast that a successful conclusion to talks among 112 countries could add more than \$1 000bn to world output during the next five years by lowering tariffs and other barriers to trade.

Clinton told the US's major trading partners in early May that the US was "willing to go the extra mile" to complete the Uruguay Round of GATT talks. Since that time US negotiators had been developing new strategies to overcome obstacles.

Four senior Cabinet members, led by Treasury Secretary Lloyd Bentsen, left yesterday for two days of meetings in Paris.

"These meetings are an important forum for advancing the growth policies and trade policies needed to put our people back to work," Bentsen said. "World growth, to a large degree, depends on expanding world trade." Commerce Secretary Ron Brown, Labour Secretary Robert Reich and US Trade Representative Mickey Kantor were also scheduled to attend an annual meeting of the 24-nation Organisation for Economic

Co-operation and Development.

In addition to negotiating the details of trade, the US is hoping to convince its trading partners that it remains committed to the principles of free trade even as it searches for ways to narrow a US trade deficit that hit \$84.5bn last year.

"We are a free-trade administration," Brown said. But he called the country's current trade deficit unacceptable and said it was "absolutely unacceptable for \$50bn of that to be with one country" — Japan.

Kantor was scheduled to meet EC, Japanese and Canadian trade ministers tomorrow to address ways to advance the Uruguay round. He said the US would be trying to wrap up a broad agreement to lower tariffs on an array of manufactured goods.

The US strategy is to gain endorsement of this package at the annual economic summit in July. It would then use the lower tariffs to entice less-developed countries to make concessions by providing greater protection for intellectual property and lowering barriers in services such as banking and insurance.

Clinton, in a recent speech, said US companies were losing \$60bn a year in world sales just from the piracy of their copyrights.

He has set a goal of completing the Uruguay round by December 15.

But to meet that timetable, all

sides believe next month's economic summit in Tokyo will have to produce tangible progress.

Recent developments have given rise to optimism. A May 14 meeting in Toronto between the US, the EC, Japan and Canada was described as a major breakthrough when Japan introduced a new tariff-cutting offer covering electronics, construction machinery, medical science equipment, chemicals, film and rubber.

Kantor publicly praised the Japanese proposal, although privately US officials said the Japanese would have to go much further. In addition to tomorrow's meeting, the four trade ministers are scheduled to meet again June 23-24 in Tokyo.

The GATT talks were to have ended in December 1990. But for two years they were stalemated over a US demand that the EC significantly scale back farm subsidies.

There was little movement until last November when the Bush administration, struggling to wrap up the Uruguay Round before it left office, reached a compromise on farm subsidies with the Europeans.

While the French are still expressing deep reservations about the farm subsidy agreement, the new administration is pressing forward with the tariff-cutting package in hopes that Clinton will be able to succeed where Bush failed. — Sapa-AP.

Lloyd's losses 'no threat to Tory majority'



# EC ministers meet in bid to stem rising tide of refugees

Buss. day 2/16/93

COPENHAGEN — EC ministers met in Denmark yesterday to sort out their immigration policies amid new moves to stem a rising tide of refugees and crack down on illegal entrants.

Justice and interior ministers of the 12 states also reviewed efforts to open up the community's internal borders. (56A)

The semi-annual meeting came amid alarm at the flood of immigrants into western Europe, where the number of political asylum seekers alone had quadrupled since 1985 to more than 650 000 last year.

About 450 000 had landed in Germany, sparking waves of xenophobic violence ahead of a vote last week in the German parliament to drastically limit the country's traditionally liberal asylum policy.

Danish officials said the ministers were discussing measures to step up identification and expulsion of illegal immigrants.

Also on the agenda was a proposal to limit the possibility of people in the former Yugoslavia joining refugee relatives who had moved to the West, the officials said.

Danish interior ministry senior official Torben Sorensen said such war victims were granted only temporary refugee status on the grounds that they could return home when their country was safe.

"The need to reunite families in this area is more limited than when it comes to proper immigrants," he said.

While the ministers discussed opening the EC's internal borders, there was little indication they were close to achieving the measure that

was to have been part of the community's single market launched last January 1.

Danish justice ministry international division chief Lars Bay Larsen said EC members had to complete ratification of three key "compensatory" measures before the borders could be opened.

These were the 1990 Dublin convention limiting asylum seekers to applying from one country only, a 1991 convention boosting controls on the community's external frontiers, and creation of a European information system for police co-operation.

With the moves bogged down for various reasons, Larsen said, "there is little reason if any to believe that all the key compensatory measures would be in place by the end of 1993".

Efforts by the so-called Schengen group of EC members — excluding Britain, Denmark and Ireland — to abolish border controls among themselves in mid-1993 had also snagged on security concerns. France had said it saw no chance of applying the accord this year or even later.

The ministers would meet today to sign a protocol establishing a Europol drugs unit as a first step towards creating a European police force.

The ministerial agreement would allow the police forces of EC countries to exchange information on criminal activity. However, a separate convention would be needed to create a Europol computer base.

The main problem to be worked out was where to house the Europol drugs unit. Rome, the Hague, Strasbourg, France, and Wiesbaden, Germany, were candidates, Danish officials said. — Sapa-AFP.



# Optimism over world trade pact

BLOOM 3/6/93

(27) (567)  
(221)

PARIS — Leading industrial nations have agreed that a world trade pact could be ready for consideration by their summit in July, European Commission vice-president Leon Brittan said yesterday.

"It is realistic to aim for an outline of an ambitious market-access package by the time of the G-7 (Group of Seven) summit in early July," Brittan said. "This is an important step forward on GATT."

The G-7 summit will take place in Tokyo from July 7-9.

Negotiations to liberalise world trade have been going on under the Geneva-based General Agreement on Tariffs and Trade (GATT) for more than six years.

Brittan was summing up so-called quadrilateral talks between the EC, Japan, the US and Canada held yesterday on the sidelines of a ministerial meeting of the Organisation for Economic Co-operation and Development.

He said work was still needed on areas of dispute, which would be conducted through bilateral contacts and at a new quadrilateral meeting in Tokyo on June 23 and 24.

All sides would have to make hard changes in bargaining positions.

Brittan said GATT director-general Arthur Dunkel attended the start of the quadrilateral meeting to underline the fact that

any world trade deal had to involve many more countries.

Once the G-7 had agreed on an outline package, the debate would shift back to multilateral talks in Geneva, Brittan said.

Earlier French Industry and Foreign Trade Minister Gerard Longuet said a trade pact was possible by the end of the year "if everyone shows some good will".

He told French radio from the town of Beaune during regular Franco-German summit talks that an accord would raise confidence among world investors and help boost an economic recovery.

"It will not change the face of the world from one day to the next but at least investors will regain trust," he said.

On Tuesday, French officials in Beaune said French President Francois Mitterrand, Prime Minister Edouard Balladur and German Chancellor Helmut Kohl, and their agriculture ministers meeting separately, had moved closer on agriculture and towards a joint European stance in the trade negotiations.

The two countries were expected to issue a joint statement on the world trade talks, noting progress in EC farm reform and calling for global trade talks that did not single out agriculture.

France's rejection of a US-EC farm trade deal struck last November has been one of the major blocking points in the talks. — Sapa-Reuter.

# EC fears organised racist attacks

Star 4/6/93  
56A

By DAVID GARDNER  
in Copenhagen

**T**HE European Community is to investigate whether the recent spate of racist attacks on foreigners across Europe is being fomented by groups organised across national borders.

Spurred by the arson attack at Solingen in Germany, and Tuesday's burning of a Turkish-owned electronics factory near Lyons in France, EC Interior Ministers meeting in Copenhagen on Wednesday set up a working party to find out whether the extreme Right across Europe is co-ordinating an assault against immigrants.

"We cannot give in to a centuries-old virus that obviously isn't dead," said Ien Dales, Dutch Interior Minister.

The decision came on the heels of an agreement by Ministers to move against illegal immigrants and asylum-seekers in the Community. It also coincided with further wrangling about the failure of all 12 EC member states to implement the European single market's injunction to grant free movement of people within the Community.

The few officials at the meeting this week prepared to talk about the investigation were unsure whether there was concrete evidence to suggest an international group was organising pan-European racist attacks.

The incidents were now so frequent that people feared there may be co-ordination, said one Dutch official.

The initiative dovetails with an informal discussion held by Interior Ministers last month whether there was any added value in a common European response to racism and xenophobia, as a European Commission official put it.

But on Wednesday, Ministers, for the first time, elevated their concerns about the spread of racism to the same status as terrorism and organised crime.

Officials insisted that tighter application of laws against illegal immigration helped the cause of genuine asylum-seekers and would enable EC states to take uncompromising action to protect legal immigrants. Common standards on immigration were essential.

The meeting this week underlined that the free movement promised by the EC treaties was some way off. Only six member states have ratified the Dublin convention to prevent shopping for asylum across the EC. — Financial Times News Service. □

# World gears up to give SA aid

By PETER MALHERBE  
and CIARAN RYAN

THE international community is gearing up to pump aid into South Africa after the setting of April 27 next year as a tentative date for elections.

US Assistant Secretary of State George Moose announced this week that President Bill Clinton would discuss aid for South Africa with heads of major governments at the annual seven-power economic summit in Tokyo next month.

Meanwhile, European Community foreign ministers are to meet in Luxembourg on Tuesday to discuss a

STimes 6/6/93  
revised programme for South Africa.

This could include the normalisation of relations with the establishment of an EC mission in the country and encouragement to EC companies to invest. (SbA)

The revised programme is likely to be linked to the appointment of a transitional executive council, the first stage of joint rule.

Speaking in Washington on Friday, Mr Moose outlined the Clinton administration's plans for assistance after the appointment of a TEC.

"We are planning a variety of financial arrangements to allow

public sector funds, which are limited, to leverage private sector investment, particularly to target those sectors of the economy and society which have been most affected by apartheid," he said. (SbA)

"There is a crying need for investment in housing, water development, electrification, education and many other sectors."

Reacting to the announcement of an election date, World Bank country operations officer for South Africa Alun Morris said that once the ANC called for the lifting of sanctions, the bank could start approving funding.

World Bank funding of about \$1-billion (R3-billion) is available for investment in health, education and urban upliftment. Mr Morris said the typical lead time for project approval was 12 months. Funding approval could commence ahead of the election.

"But it is not just a matter of turning on the tap. The funds will flow gradually."

International Monetary Fund assistant director for Africa Leslie Lipschitz said the announcement of an election date did not alter the official IMF position, which was that South Africa, as a member country, could make a formal application for IMF assistance at any time. The IMF lends money to countries in balance of payments difficulties.



# SA's subsidies 'could fall foul of EC'

Buss. Day 116193  
PETER DELMAR

THERE was a strong likelihood that SA's high tariffs and export subsidies could attract unwanted attention from the EC, a leading European trade lawyer said last week.

Keith Hendry, a partner of Brussels-based Clifford Chance, told a Johannesburg conference organised by attorneys Werksmans that these measures might increase the likelihood of certain EC policy instruments, particularly anti-dumping and anti-subsidy measures, being directed at SA exporters.

To date, SA exporters had been affected little by EC anti-dumping proceedings.

"However, it is likely that as SA exports to the EC grow, exporters of particular products will become subject to proceedings.

"Certain sectors will be more vulnerable, for example iron and steel products. This is borne out by recent investigations into ferro silicon and manganese steel wear-parts, both of which were started in July 1992.

"It should also be realised that the fact that SA has traditionally protected its industries through relatively high customs tariffs may increase the likelihood that certain exports are found to be dumped. (SbA)

"Such protection may have allowed producers to charge inflated prices on the SA market, though this may be counteracted by SA exchange rate policy." (SbA)

Hendry said the EC had tradition-

ally been reluctant to use its anti-subsidy powers, possibly because its member states made wide use of subsidies themselves, particularly in the coal, steel and agricultural sectors.

Although Europe accounted for half of SA's exports, the country was still outside the EC's system of preferential trade which applied to about 60% of its imports.

"The principal beneficiaries are the Favoured Trading Nation countries, certain GSP countries (for example, Brazil and China), the Mediterranean and Lome countries and various eastern European countries.

"SA needs to consider its position. A possible way forward would be to negotiate a trade agreement with the EC. Joining Lome is a possibility, but its limitations must be understood."

# Privatisation to fuel a boom in Europe

B/DAM 8/6/93

(Sof)

NEW YORK — Stock exchanges across Europe could look forward to boom times in the next few years, Wall Street Journal Europe reported yesterday.

The mid '90s are likely to go down in European financial history as the era of massive privatisations. By many estimates, the next 24 months alone are likely to see sales of state-owned companies totalling about \$60bn, and that's largely excluding eastern Europe.

By 1998, privatisation programmes worth about \$125bn — or 2.5% of the EC's total GDP — will probably be completed.

Investment bankers from all corners of the region are busy compiling lists of companies that will be put on the block and drawing up scenarios for the effect the new paper will have on the existing shares. Much will depend on how governments go about creating a bullish environment for their sales. Tax incentives enticing small investors to buy stocks are widely viewed as essential. Timing is crucial, so care must be taken to spread out the sales.

But just as important is the interest rate environment. Analysts agree that short-term rates are too high to attract the necessary funds to new equity issues.

Budget problems are the main catalyst behind the impending sale of the century.

"The need to reduce deficits means governments are forced to shift the demand from bonds to equities," says Sophie Blancpain, an economist at Credit Suisse First Boston. "At the moment, privatisations have become a desperate need because countries have had to increase expenditure

far more than anticipated because of economic slowdowns."

The key question for equity investors is: will there be enough money to absorb all the new paper without causing a stampede out of existing shares?

James Cornish, chief equity strategist at Natwest Market in London, thinks governments will have to be innovative to drum up sufficient demand. "Privatisers are going to need new ideas, like allowing people to pay in installments for shares," he says.

France set the pace for change by last month announcing plans to issue Ff40bn in long-term bonds that can be converted into shares of newly privatised companies.

Indeed, coaxing continental European investors out of the fixed-income market is going to be tough work. Traditionally, both retail and institutional investors have kept 80% to 90% of their funds in the bond market, portioning out the rest in a handful of stocks. In the US and the UK the stock-bond allocation is reverse, which is partly why British privatisation programmes in the '80s were largely successful.

Analysts David Roche and Richard Davidson at Morgan Stanley International also think the privatisations in Europe will be manageable, given a few key provisos.

"The political status quo must be clear and a strong pro-privatisation consensus needs to prevail," they say. Other macro-economic requirements include low interest rates to stimulate growth and encourage investment. Regulations and legislation, including those affecting ownership, must also be clear. — AP-DJ

# Oilseeds deal opens way for global free trade pact

BIDewy 10/16/93  
(56A)

BRUSSELS — The EC has handed its candidate for the world's top trade job a timely welcoming gift and boosted prospects for a world free-trade pact by formally approving a crucial oilseeds deal with the US.

Irish lawyer Peter Sutherland, a former EC commissioner, will take over from Arthur Dunkel as GATT director-general at the end of the month after Latin American countries decided to drop a rival candidacy.

Envoys from GATT's 111 parties were expected to confirm Sutherland's election in Geneva yesterday, less than 24 hours after EC foreign ministers rubber-stamped the oilseeds deal without even discussing it.

The EC ministers' decision, made possible by

France's quiet acceptance of the deal, was intentionally delayed until late in the day on Tuesday to spare Paris the embarrassment of a prime-time climbdown after months of stubborn opposition.

"We're delighted with the French action," US Trade Representative Mickey Kantor told CNN television. "We've taken another step towards a successful market-access package."

Dunkel, who has been steering GATT's Uruguay Round of talks to liberalise world trade for the past seven years, welcomed the decision.

Although many obstacles still remain in the Round, which covers 15 sectors from textiles to telecommunications, Dunkel said it was time to forge ahead.

"I think there has never been a better time to con-

clude an agreement and we should have one by December 15. The problem is political, not technical."

The next step forward is likely to take place in Tokyo in July when the G-7 is expected to agree on an outline accord on breaking down tariff barriers.

The deal on oilseeds — used to produce cooking oil and animal feed — is part of a wider bilateral accord on farm subsidies, one of the main logjams in the GATT talks.

Dunkel said although the oilseeds accord was outside the framework of negotiations on a global free trade deal, it was a sign of new efforts to co-operate.

"This issue is not one covered by the Uruguay Round, but is an example of the GATT settlements procedure in action, and of US and EC efforts to reduce transatlantic tensions. It is exactly what we need to conclude the Uruguay Round," he said.

A further example of the

improving atmosphere was an EC decision on Tuesday to impose scaled-down sanctions on US exporters in a dispute over public contracts.

The EC ministers approved countermeasures worth an estimated \$15m a year in retaliation for US sanctions two weeks ago valued at \$20m — in the language of trade diplomacy, an unambiguous declaration of peace.

But other bilateral trade disputes ranging from steel to aircraft subsidies still have to be resolved.

The oilseeds agreement struck at Blair House in Washington last November resolved a long dispute in which the US, backed by two GATT trade dispute panels, said EC oilseeds subsidies were unfair and led to a sharp output rise.

Under the deal, the EC agreed to limit cultivation of rapeseed, sunflower seeds and soybeans to 5,13-million hectares. — Sapa-Reuter.



# EC lawsuit looms <sup>(56A)</sup> on work directive <sup>(16)</sup>

Guardian (W in w/mail 11/6-17/6/93.

**John Carvel in Copenhagen**

**T**HE European Commission will take legal action against Britain unless it passes legislation within three years to ensure that workers get proper rest and holidays and are not forced to do excessive overtime without a voluntary agreement and adequate compensation, the social affairs commissioner said last week.

Padraig Flynn said the Government would face an action in the European Court if it did not follow the commission's timetable, set out last Thursday, for implementing the 48-hour maximum working week directive. The dates he gave suggest that the issue will come to a crunch in the autumn of 1996 — about six months before the end of the five-year British parliamentary term.

Mr Flynn said lawyers from the commission thought Britain had no chance of winning its challenge to the directive in the European Court. Nor could it spin out these proceedings to avoid the three-year deadline.

"There will be no excuse for Britain not to legislate by the due date. If it does not, I can bring infraction proceedings in the European Court for non-implementation," Mr Flynn said in an interview with the Guardian in Copenhagen.

His remarks were in sharp contrast to the impression given on Tuesday by David Hunt, the Employment Secretary, after the EC council of employment ministers approved the working time directive in Luxembourg by 11 votes to nil, with Britain abstaining.

Mr Hunt said he would appeal to the European Court because the directive had wrongly been brought forward as a health and safety measure to ensure that it could be passed without a unanimous vote.

He said he would not put it on the statute book until the ruling came

through and — even if he lost the case — there was a special opt-out allowing Britain to delay introducing the 48-hour week for 10 years.

Mr Flynn said this period of grace exempted Britain only from the need to impose a mandatory 48-hour limit. Britain would still have to legislate to protect workers who are asked to work longer but do not want to do so. The legislation would also have to cover Sunday working, annual holidays, night work and locally negotiated agreements.

"Our text was founded on the best legal advice available to us — not just from the commission's legal service and the council of ministers, but also the legal advice of 11 member states. If someone is working excessively long hours and they are driving a truck or working a machine, then obviously it can affect their health and put the safety of others at risk," Mr Flynn said.

Legislation would be required in Denmark, Germany, Greece, Ireland, Luxembourg, the Netherlands and Portugal. But the greatest impact would be in Britain where 16 per cent of people worked more than 48 hours a week at a time when more than 3 million were unemployed.

A Department of Employment spokesman said Mr Hunt would have to decide whether to risk infraction proceedings. "He may consider it is a risk he is prepared to take. Many other EC countries do not enact lots of EC legislation. When Mr Hunt came away from the council he made it clear that he certainly had no intention of drafting legislation until he knows the outcome of the court case."

Mr Flynn predicted that another directive to introduce works councils for large firms employing substantial numbers in more than one EC country could be in force by the end of next year.

**Europe puts up the shutters**

*in Guardian 11/16/93*

**G**OVERNMENTS of the European Community are no longer torn between a Fortress Europe and a Europe open to the free movement of people. Migratory pressures from the east and the south and increasing xenophobia have resulted in the representatives of a rich Europe opting, not to throw open national borders but to curb illegal immigration and reject "unfounded" applications for political asylum.

The meeting in Copenhagen of European immigration ministers has confirmed a tendency which had already become evident last autumn at the ministers' earlier meeting in London. They adopted a resolution aimed at "controlling and keeping out" immigrants without documents and asylum-seekers whose applications have been rejected. The ministers also decided to expel those aiding illegal immigration, or who connive at obtaining lodging or employment for illegal immigrants.

They agreed to keep a tight check on foreigners who obtain residence permits but no authority to work, those who marry EC nationals and those authorised to bring in relatives under the provisions for reuniting families. The treatment meted out to refugees from the former Yugoslavia is hardly more enthusiastic for, much to the displeasure of Amnesty International, they will only be entitled to "temporary protection".

The Community's hardening attitude towards its external borders is paralleled by the growing misgivings that the countries which signed the Schengen accord are having about the free movement within the EC. France last week announced it was putting off applying the accord until further notice.

This backing off in both cases has been motivated by the fear of the consequences of an influx of asylum-seekers whose numbers have almost doubled in the last three years (557,000 last year in the 12 EC countries, 438,000 of them entering Germany alone). The first reflex of EC governments has been to sign agreements with the governments of countries on their borders (Poland, the Czech Republic, Hungary and North African countries) obliging them to take back foreign nationals who enter the Community through their territory. This is deplorable, for it amounts to transferring the onus for dealing with immigration on to third countries which are themselves facing serious problems.

Here French Interior Minister Charles Pasqua's plea for "zero immigration" appears to have justified the European position. The French minister admittedly seems to be taking a line which is more radical than the Community resolutions, particularly concerning the reuniting of families and asylum rights. Belgian interior minister Louis Tobback has moreover criticised Pasqua's draft bill which he said was likely to hold back the harmonising of European immigration policies. But Pasqua's proposal to cut the number of immigrants entering France can only sound like an invitation to raise even higher the barriers already raised round the Community.

(June 3)

# Bank calls for 'greater intervention' in Europe

B/DAM 15/6/93  
BASEL— Recalling recent European currency turmoil, the Bank for International Settlements said yesterday in its annual report that intervention had to be far greater and interest rate changes more convincing.

And bank chairman and president Bengt Dennis told the bank's annual meeting of world central bankers a "particularly testing time lies ahead for monetary policy".

While saying that floating rates represented the only option for some European countries, he added that "the ambition to return to some form of exchange rate commitment persists in many of them".

The currency upheaval showed, he said, that markets scorned policy errors and wanted sound economic fundamentals to back a country's exchange rate commitment. But even when the fundamentals were right, currency speculators could still attack.

"The primary objective of stable and low inflation should remain as firm as ever" to achieve "sustainable recovery".

In its annual review of world monetary and economic developments, the bank saw lessons from the European currency turmoil. "It is very likely that, to be successful, even in the face of an attack on a currency whose fundamentals are sound, intervention now has to be greater than in the past, perhaps far greater."

Dennis, who is also the Swedish central bank governor, said the underlying reason for the European currency turmoil was the lack of convergence in countries' economic performances.

The currency crisis happened as many European economies were weakening and

financially fragile, the bank report said.

But the report also found some responsibility in the exchange rate mechanism of the European monetary system. "The gradual transformation of this mechanism from a regime of fixed but adjustable exchange rates into a system of frozen parities bears much of the responsibility for the severity and the spread of the crisis."

As for broader implications, the report said "the abandonment of exchange rate commitments in several countries and the subsequent easing of policy raised the question of what might serve as an alternative anchor for monetary policy".

Monetary authorities needed to demonstrate commitment to objectives over time to build credibility, which was critical for the effectiveness of monetary policy, the report said.

The report expressed concern that inflationary pressures would strengthen as economic activity revived in Europe, even though the current sluggishness "may delay the pass-through of currency depreciation to domestic prices".

However, "monetary authorities are well aware of the risk of an acceleration of inflation in the longer term", the report said. In some cases, they had sought to limit currency depreciation through exchange market intervention.

Dennis defended fixed exchange rate arrangements. They aided enforcement of monetary and fiscal discipline, in anchoring inflation expectations and in containment of the deterioration of international competitiveness by encouraging the necessary adjustments in costs and productivity, he said. — AP-DJ.



# Sterling still dogged by political expediency

Simon Willson

## SIMON WILLSON

Street decided to play musical chairs with its Chancellors at the end of May. As soon as ambitious and amiable Kenneth Clarke replaced dour and dogmatic Norman Lamont, traders had to be on guard.

In most of the developed world, and among an increasing number of developing countries, central bank officials are taking monetary policy decisions without their arms being twisted halfway up their backs. In the past two months, countries as diverse as France and Mexico have statutorily entrenched the independence of their central banks.

There are, however, a few isolated national exceptions to the growing trend of insulating monetary policy-making from the heavy footfall of electoral convenience.

Sterling is again suffering the effects of political dabbling in monetary affairs. Despite a set of steadily improving economic fundamentals, the markets cannot safely assess the pound in the same way as they look at the other Western G-7 currencies. Sterling's political dimension continues to dog the currency, as recent weeks have clearly shown.

Market concern about political intervention in UK monetary policy was relatively low until Downing

Street decided to play musical chairs with its Chancellors at the end of May. As soon as ambitious and amiable Kenneth Clarke replaced dour and dogmatic Norman Lamont, traders had to be on guard.

A British Chancellor installed with the specific aim of being more popular than his predecessor has a telling advantage over his Western G-7 counterparts: a hot line to his central bank governor, and the executive power to pull rank on the banker. What easier way could there be for Clarke to achieve his assigned task of improving the image of govern-

ment economic policy than by lifting the telephone?

In the whole G-7 only Yoshiro Hayashi now has equivalent power, in this case over Bank of Japan governor Yasushi Mieno. Hayashi may shortly have to exercise it, too. The yen has soared to new dollar highs above 105 yen less than a month before Hayashi co-hosts the 1993 G-7 economic summit in Tokyo. If Hayashi is to avoid a series of wintery smiles from his guests, he may have to arrange another cut in Japan's discount rate, currently 2.5%.

Clarke, meanwhile, has stayed his hand in his three weeks as Chancellor. But pressure for a rate cut has mounted. The death of another Conservative MP in a supposedly safe seat has precipitated a by-election, which will be held next month. Prime Minister John Major's government's slim parliamentary majority of 18 has increased the importance of victory in the poll, to take place at Christchurch on the English south coast.

Christchurch is a second good rea-

son to expect a rate cut over the next few weeks. A third could be supplied tomorrow, when the UK unemployment figures for May are released. For the fourth consecutive month, markets are expecting a rise in the UK jobless total — even though they have been wrong on each of the previous three releases, when unemployment has fallen.

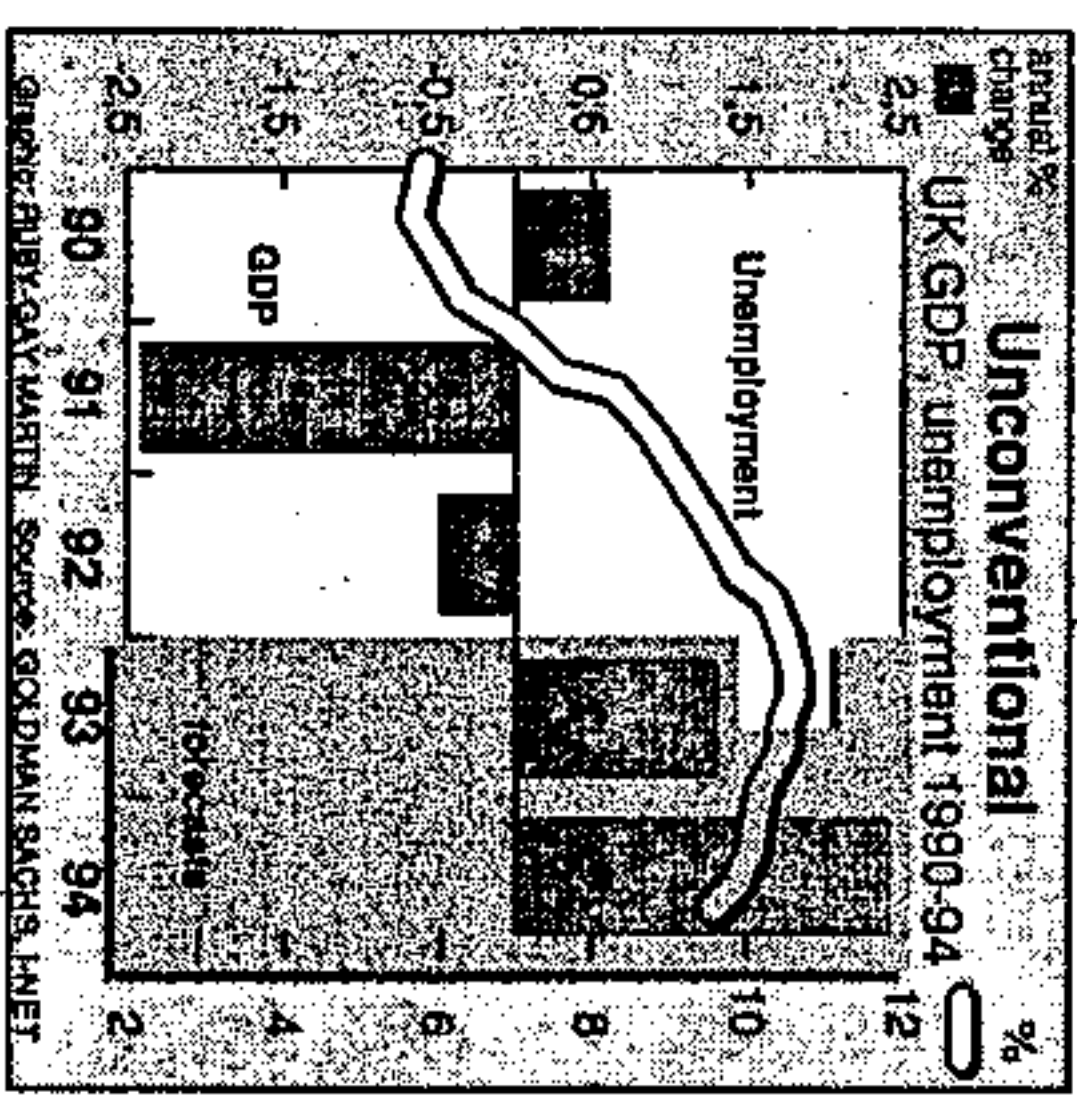
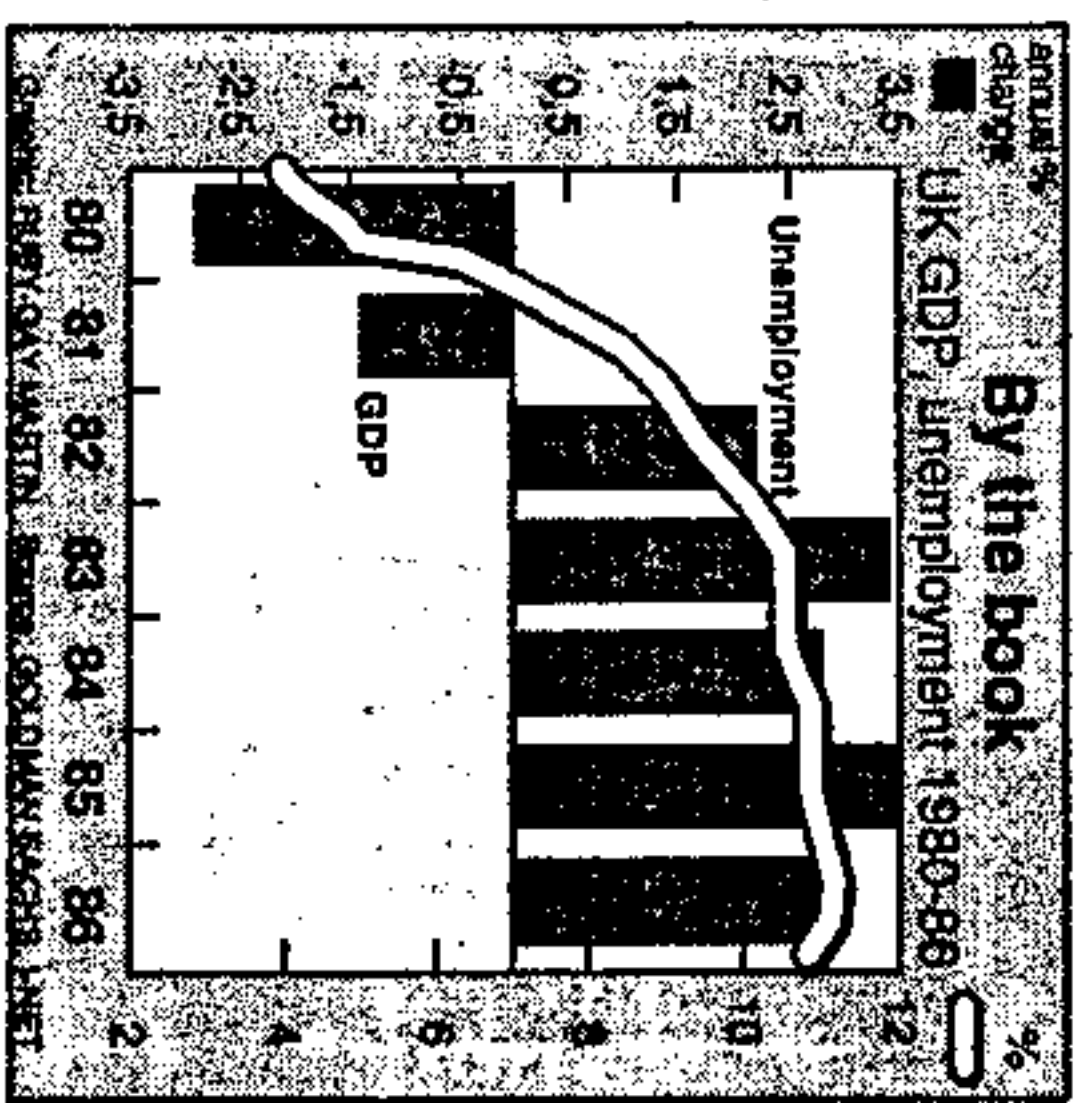
The first chart shows why the unemployment-must-rise thesis has survived a hat-trick of wipeouts. After the last British recession, it was four years before unemployment fell for more than the odd

56A

month — a pattern that accorded with the textbooks. It matched up with unemployment's conventional status as an indicator that lags actual economic performance: other factors have to turn up before companies start to hire.

Contrast UK unemployment's normal lagging of the last cyclical recovery with its performance a decade later, as shown in the second chart. If market expectations are to be thwarted a fourth time in tomorrow's data, the downturn in the jobless total will have started so early in the current UK recovery that it will stand macroeconomic convention on its head. Irrespective of tomorrow's outturn, some forecasts — such as the projection in the second chart — speculate that unemployment has peaked cyclically early.

Whatever tomorrow's figure, Clarke could justify a rate cut by citing, if necessary, the need to reinforce the early jobless downturn. What is holding the new chancellor back? Probably not much. The only remaining variable to fall into place before he lifts the receiver of his Bank of England hot line is the trend in the Christchurch opinion polls. If adverse, expect action.



Sept 22 1993

## Delors drafts new stimulus plan for EC

COPENHAGEN — Jacques Delors presented a new plan yesterday for the economic renewal of Europe which could be worth up to R490 billion a year. Britain immediately voiced reservations about the strategy, which it fears does not focus enough on increasing competitiveness and reducing labour costs.

Delors's plan, presented to the European Community summit, would redirect resources to high-technology industry and improve training and education. But it accepts not everyone in Europe will have a full-time job. (SbA)

He said unemployment was Europe's Achilles' heel and competitiveness was slipping — The Independent.

## Future of SA-EC links on agenda

Star 22/16/93

By Garner Thomson  
Star Bureau

LONDON — A one-and-a-half day conference designed to give potential investors insights into South Africa's political and economic outlook is to be held in Brussels next week. (SBA)

Speakers will include senior business and political officials, among them Sir Leon Brittan and Hans van den Broek, vice-presidents of the European Commission, SA Minister of Trade and Finance Derek Keys, Dr Chris Stals, governor of the SA Reserve Bank, and Baroness Chalker, Britain's Minister of Overseas Development.

ANC economic planners and Inkatha representatives have also been invited.

According to the organisers, Forum Europe and the South Africa Foundation, the conference "reflects the growing warmth in the European Co



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# Hopes high for BIDAM 22/6/93 treaty go-ahead

COPENHAGEN — The Maastricht treaty on European unification is likely to be implemented by all members of the EC before October 1, the president of the European parliament said yesterday.

Egon Klepsch told EC leaders at the opening of a two-day summit that the approval of the Maastricht treaty in the Danish referendum last month "already had a positive impact in the UK" and that the ratification process could be concluded in the near future.

Britain is the only EC country that still needs to ratify the treaty on political as well as economic and monetary union. The treaty has already been approved by the House of Commons and is pending in the House of Lords. Germany has ratified it, but it is facing a legal challenge before the constitutional court.

EC leaders began their summit determined to salvage an independent Bosnia from the wreckage of peace efforts, and under pressure to give hope to Europe's army of unemployed. The sudden urgency of the talks on the war in former Yugoslavia was brought home by a small group of Moslem demonstrators who greeted the heads of government with a banner declaring: "The blood of Bosnia is on your hands."

(SLA)  
The 12 foreign ministers held a special meeting on Sunday with EC peace envoy Lord Owen and agreed he should pursue the new partition plan agreed by Serbia and Croatia but that Bosnia-Herzegovina should stay an independent state. Conscious of the accusation that the new proposals were a betrayal of Bosnia's Moslems, the ministers invited President Alija Izetbegovic to come to the summit and spell out his objections.

While officials worked on drafting a new approach to the Bosnian conflict — to replace the unconditional support for the old Vance-Owen plan reaffirmed by ministers just two weeks ago — the summit began by addressing the EC's economic crisis.

Klepsch told the leaders that the recession and unemployment, forecast to reach 20-million next year, was fuelling a wider malaise.

"Our citizens feel insecure. The number of those unemployed is rising, confidence in political institutions is dwindling — and not only in the institutions of the EC," he said.

European Commission President Jacques Delors led discussion on long-term economic prospects but insisted his analysis of Europe's failure to match US and Japan in job creation did not mean a reversal of EC social policy. — Sapa-Reuter, AP-DJ.

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UIS looks to lift Vietnam embargo



## De Villiers to attend EC talks in Brussels

BRUSSELS — Public Enterprises Minister Dawie de Villiers would join EC Commissioners Sir Leon Brittan and Hans van den Broek at a conference in Brussels on June 28 to discuss the future of EC-SA relations, it was announced yesterday.

Brussels-based Forum Europe said De Villiers was "particularly well placed to discuss the political and economic future of SA and the potential for improved relations with the EC". (56A)

*B/Ney 22/6/93*  
The Forum Europe conference, "SA and the EC: Forging New Links", is partnered by the SA Foundation which groups the country's major business corporations in a body committed to promoting social progress and economic growth.

Forum Europe is bringing together more than 40 speakers from business and industry, European and SA governments, the ANC and Inkatha. — Sapa.





Troubled times . . . police drive young anti-EC protesters away from the entrance of the Copenhagen hotel where several summit participants are staying. Picture: AP

# EC agrees on Bosnia and economic revival

Star 22/6/93

(SBA)

**COPENHAGEN** — European Community leaders have agreed to a policy on former Yugoslavia and decided, at a summit they hope will mark the end of a year of gloom, to make new efforts to revive their faltering economies.

During the two-day gathering they patched together a new approach on the Bosnian conflict, after the collapse of an international peace plan last week, promising troops and cash to protect "safe areas" for Bosnia's Muslims.

But they rejected the main appeal of the outgunned Muslims, to lift an international arms embargo — even

though German Chancellor Helmut Kohl argued the Muslim case with support from a letter sent to him by US President Bill Clinton.

The EC leaders said they hoped the summit would mark the end of a malaise in the Community brought on by the war in former Yugoslavia, economic recession and delays in ratifying the Maastricht treaty on closer European union.

British Prime Minister John Major called the summit a "watershed", while French President Francois Mitterrand said it marked "a psychological and moral recovery" that he hoped would pave the way to economic

revival.

EC leaders agreed a package of measures to stimulate their economies and decided the executive European Commission should produce a white paper on long-term economic reform in a study to be titled "Entering the 21st Century".

But the summit revealed wide disagreements over how to cut rising unemployment, set to top 20 million people next year, and how to revive EC economies, expected to shrink by 0.5 percent this year and show scant growth in 1994.

Major prescribed labour market reforms, to overcome a loss of competitive-

ness to the United States and Japan, while Mitterrand sought protection against low-wage competitors.

France, Belgium, Portugal and the Netherlands cut interest rates on Monday and Ireland yesterday to help revive growth.

On Bosnia, Mitterrand persuaded other leaders to agree that the EC would offer troops and financial support to protect Muslims in the six safe areas designated by the United Nations.

But most European allies said they would not contribute any more troops to those serving with UN forces there.

The EC said it would insist

on preserving Bosnia's territorial integrity and not allow parts to be swallowed up by Serbia and Croatia, following the collapse of a peace plan championed by the EC and the United Nations last week.

The 12-nation Community promised East European states they could eventually join the EC. But they stopped short of offering a target date for Poland, Hungary, the Czech Republic, Slovakia, Romania and Bulgaria.

The summit also reaffirmed January 1 1995 as the planned date for the enlargement of the EC to include Sweden, Austria, Finland and Norway. — Sapa-Reuter.



the mean a mere 1%. (S6A)

And, next year, the EC's rate of unemployment could be pushing towards 12%, the worst level since the post-war rebuilding began. The true figure may well be higher, swollen by the uncounted influx of economic refugees. The perils are already evident in the rise of xenophobic politics plus budget deficits which threaten to become endemic and depressive.

Delors outlined a 10-year programme to relaunch Europe. The main points include matters already on the agenda — a speedy conclusion to the Uruguay Round of the General Agreement on Tariffs & Trade, stymied by US-French intransigence on agriculture, a move to get the single market working and, in tandem, progress towards economic and monetary union.

Innovations involve:

- Committing 3% of EC GDP to R&D;
- Investing \$6bn a year in communications and transport; and
- Overhauling education to provide constant training and setting up new agencies to get people back to work.

He was given a mixed reception from EC governments struggling with budget deficits which are already too high. Delors wants to have his job-creation cake without deregulation in the labour market where the social welfare costs of employment can (as in Germany) almost equal wages paid to workers.

Delors, for example, will not budge on the maximum 48-hour week embodied in the Maastricht Treaty, which Britain has rejected. PM John Major raised the now-familiar objection to what he called a job destruction programme.

Seemingly tacit support came from Spain's newly re-elected PM Felipe Gonzalez, who said: "The recession is colliding with great rigidity in the labour market. We have to get greater labour mobility."

Even Germany's Chancellor Helmut Kohl conceded that European workers were being priced out of work. "We have lived beyond our means. There is unjustified expenditure on social benefits."

That said, however, there were no proposals on what to do. Denmark rejected outright any reduction in social benefits — the US model, according to its Foreign Minister, Niels Helvig Petersen, led to "social problems, crime and inner-city hopelessness."

In spite of the wide differences, the summit gave Delors a mandate to go away and come back to the next gathering in December with an action plan. But the current mood of national introspection suggests it is likely to be fodder for debate rather than action. ■

EC PLAN ~~(S6A)~~  
**Backed up**

FM 25/6/93.

(S6A)

**Euro-sclerosis**, the perjorative used to describe European dithering over East-West policy in the Cold War days, is back. This time, however, it is being applied to the EC's backsliding economic performance now worsened by deepening and 'contagious' recession in Germany.

Aside from the seemingly hopeless and divisive cause of Bosnia, structural economic decay dominated the summit of EC heads of government in Copenhagen this week — which was ending as the *FM* went to press. The chief symptom is unemployment, now 17m and probably 20m by mid-1994 on sober forecasts.

To the meeting came a painfully sciatic Jacques Delors, president of the European Commission, with the preamble for yet another plan to turn the tide by spending money — roughly US\$50bn. As he reminded EC leaders (not that they needed it), Europe's record is poor by comparison with the US and Japan. It has become less competitive: during the Eighties, EC labour unit costs advanced by 4% a year against 1% in the US and zero in Japan.

Costs are now 20% more than those two competitors' and the EC's share of global manufactured exports has fallen 10%.

An even higher price is being paid by the millions coming into the labour market. In the 20 years to 1990, 29m new jobs were created in the US but only 9m in the EC. During the boom of the Eighties, US employment averaged a rise of 2.6% a year while Europe's best year was just 1.7% and

Star 2816193  
**EC members to visit SA**

Helle Degn, president of the Council (Development) of the European Community and Danish Minister for Development Co-operation, and representatives of the EC Commission arrive in South Africa tomorrow for a four-day visit, the Danish Embassy said yesterday. It said the aim was to reiterate the EC's continued support for the democratic process in SA. — Sapa. (SBA)

# Stals sells new SA to the EC

Star 29/6/93

(S6A)

Star Foreign Service

BRUSSELS — The geographical siting of South Africa and the political and social reforms now under way combine to give it the potential to become Africa's major financial centre.

Such a development could serve both the expanding needs of the growing SA community itself and the requirements of much of the continent south of the Sahara.

This was the message brought by Dr Chris Stals, governor of the Reserve Bank, to a major conference on South Africa and the European Community (EC), which opened in Brussels yesterday.

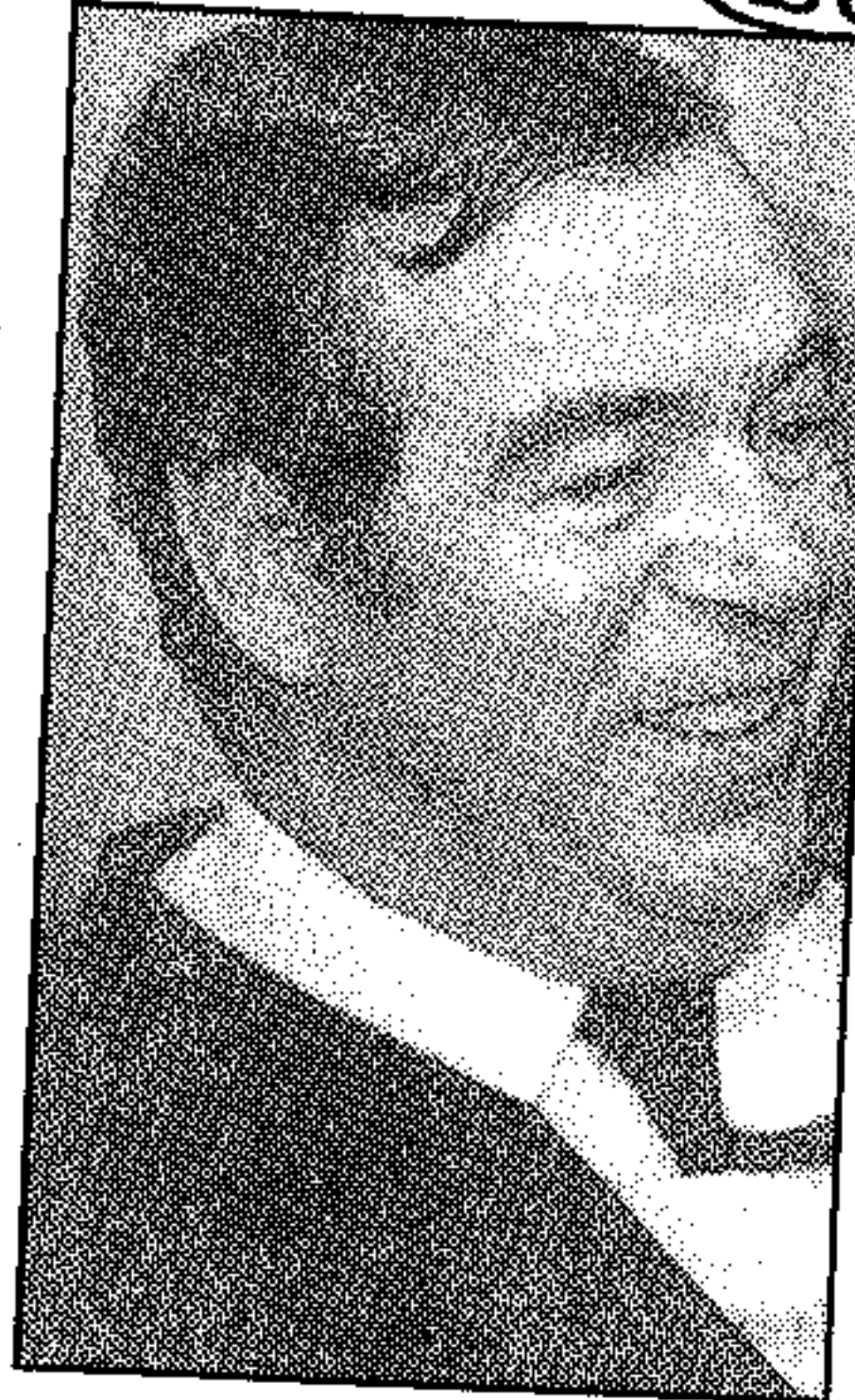
He said SA's financial institutions were already well placed to make use of opportunities now offered them, despite the depressing effects on the development of financial markets brought about by the political isolation of the past 20 years.

## Exchange control

He singled out as a major deficiency the remaining exchange control system, which restricts certain inward and outward movements of capital.

Any significant relaxation of capital controls would probably lead to changes that, in turn, would increase competitive pressure — but they could also lead to gains in efficiency, he said.

Stals criticised several perceived deficiencies that remained current. These included the fact that the financial structure was largely a first world one that did not cater sufficiently for the large third world component of the



Chris Stals . . . potential to become Africa's major financial centre

population.

Others were that insufficient funds were provided for social upliftment, and that the lower-income home-owner, the small business organisation and the many emerging new, small farmers were neglected.

Some of these might be real, he conceded, but others were based on misconceptions.

"It will be unwise and could even be dangerous, however, to deviate from sound financial management principles, or from the universally endorsed directives on financial prudence, to try and achieve these social rather than strictly economic objectives," he warned.

Independent consultant Van Zyl Slabbert called on international aid agencies and donor countries to prioritise SA, the sub-region and Africa in terms of their spending preferences.

He said Africa was running the risk of falling off the international agenda. The international community had to decide whether to spread its resources evenly in the sub-region or to aim for a "cascading effect" by focusing on the greatest promise for developmental growth.

"If South Africa is seen as the potential dynamo for sub-regional development, then the international community has to assist South Africa to get through its own developmental problems as soon as possible."

## Lome Convention

Dawie de Villiers, Minister of Public Enterprises, who was attending the conference, urged the European Community to give preferential access to South African goods, saying it was in their interests to aid southern Africa in its economic recovery.

He told a news conference that the option might be for South Africa to link itself to the EC via the Lome Convention, which groups together African, Caribbean and Pacific countries, Sapa-Reuter reports.

These countries received aid and preferential trade tariffs.

To belong to the Lome convention, South Africa would have to downgrade its status from a developed nation to a developing country, a move which some South African business leaders believe could shatter investor confidence.

Aziz Pahad, an African National Congress official, said it was important South Africa put forward plans soon for its links with the EC.

"South Africa is a third world economy," he said. "Realistically, we will have to seek a new definition of our status."



## De Villiers asks for special tariffs

BRUSSELS — Public Enterprises Minister Dawie de Villiers urged the EC yesterday to give preferential access to SA goods.

"All we ask is don't exclude or penalise us. . . . We are looking for preferential trading tariffs," he told a news conference. *B/Day*

De Villiers, in Brussels for a conference on SA-EC relations, said SA was looking for new trading opportunities with other economic blocs. *29/6/83*

"It's in the interests of the EC to assist southern Africa in its economic recovery. We could serve as an economic generator for the region, but we need markets," De Villiers said. *(SbA)*

However, Witwatersrand Metropolitan Chamber chairman Van Zyl Slabbert cautioned the conference that there were exaggerated expectations about SA's short-term ability to play a powerful development role in the southern African region.

SA had the capacity to play a dynamic development role, provided it resolved its internal dynamics within the next 18 months.

But he warned that if "too much" was done at the expense of other countries in the region, it would increase SA's attraction as an economic haven and the resultant population migration would simply place an additional burden on the country's development problems. — Sapa.

# EC warns of high economic hopes

(56A) OCT 29/6/93

BRUSSELS. — A senior EC official warned here yesterday against inflated economic expectations in a South Africa that had moved away from apartheid.

EC Trade Commissioner Sir Leon Brittan listed as misperceptions the beliefs that apartheid's end would automatically bring economic fulfilment and a flood of foreign aid and investment.

Speaking at a conference on links between the EC and South Africa, he said South Africa needed to dismantle the "outdated protectionist apparatus" it had erected to defend itself against sanctions if it wanted foreign investment.

This meant reversing import-substitution policies, import surcharges, export subsidies and the protection of "infant industry".

"Protection is not the right answer. South Africa will stay longer in the economic doldrums unless it trades more," he said. — Sapa-AFP

# Expectations and reality

AKG 29/6/93

(56A)

BRUSSELS. — A senior European Community official has warned against inflated economic expectations in South Africa as the country moves away from apartheid.

EC trade commissioner Sir Leon Brittan listed several "misperceptions" — that apartheid's end would automatically bring economic fulfillment, a flood of foreign aid and investment, plus regional growth.

He said at a conference on links between the EC and South Africa: "Hard choices are ahead and the international community and the EC must not arouse expectations beyond our collective capacity to fulfill them."

Warning against hopes that the outside world would pay to

rebuild South Africa, he spoke of "donors' fatigue syndrome" in western countries mired in economic recession and facing aid requests from around the globe.

Sir Leon added that South Africa needed to dismantle the "outdated protectionist apparatus" it had erected to defend itself against world economic sanctions if it wanted foreign investment to return.

This meant reversing import-substitution policies, import surcharges, export subsidies and protection of "infant industry".

He said: "Protection is not the right answer. . . South Africa will stay longer in the economic doldrums unless it trades more."

Sir Leon called for "a clear commitment to the market and good governance" — a standard condition for EC economic aid — to calm investors' fears of nationalisation and the forced redistribution of wealth.

He predicted that post-apartheid South Africa would have its hands too full trying to fight poverty at home, at least in the short-term, to take part in regional projects involving its neighbours.

The commissioner also pointed out that massive unemployment — now around 40 percent — would get worse until economic growth reached at least 4 percent a year — enough to counter a population growth rate of 3 percent a year. — Sapa-AFP.



# EC urges SA to scrap import bars

BiDay 29/6/93

BRUSSELS — The EC's trade chief urged SA yesterday to dismantle its "outdated protectionist apparatus".

Speaking at a conference on SA, EC trade commissioner Sir Leon Brittan said maintaining high customs and import duties prevented SA industry from becoming more competitive.

"Protection is not the right answer," Brittan said. "SA will stay in the economic doldrums longer unless it trades more."

Brittan said the EC should take a pragmatic approach to forging new links with SA after the completion of talks between government and other parties on power sharing.

He added, however, that a framework of the EC's relations with the new SA could include:

- A strong political dialogue encompassing regional security and human rights;
- Opening trade and investment; and
- Development aid for "the less favoured part of the population".

Earlier, EC foreign affairs commissioner Hans van den Broek told the conference: "The future shape of political and economic relations between the EC and SA (will depend) on whether the transition process to a democratic system remains on track."

He also warned that SA risked plunging deeper into violence and poverty and losing the interest of the world unless it made rapid progress in negotiations. "The more protracted the negotiations, the more danger there is of rampant violence filling the political vacuum." (56A)

This in turn would have devastating consequences on an already unfavourable economic climate.

Van den Broek repeated the EC's pledge to support elections scheduled for next April with observers and \$5.7m for voter education.

The EC would be ready to open a full diplomatic mission in SA once a proposed multiracial transitional government was in place.

Van den Broek pointed out that the EC was the biggest contributor of aid to SA, with 550 projects involving about \$292m.

In his address to the conference, SA Foundation director-general Kurt von Schirnding said European analysts should "decode" the SA political situation and realise the country was not as unstable as it appeared.

"Underlying the politics of rhetoric and populism will be a foundation of interdependence in our new politics which, if recognised, should reassure investors," he said. — Sapa-AFP-AP.

# Promise of EC cash for election

Star 30/6/93

(SBA)

By Kaizer Nyatumba  
Political Correspondent

The European Community continued to take a keen interest in developments in South Africa and would make "a substantial contribution" towards ensuring a free and fair election in the country next year, Danish Development Co-operation Minister Helle Degn announced in Johannesburg.

Speaking shortly after her arrival in South Africa yesterday morning, Degn, who is president of the EC Council of Ministers for Development Co-operation, said the EC remained a strong supporter of the transition process.

Degn said the EC, which was already the biggest foreign donor with an annual R350 million, would embark on "a new poverty-oriented development programme" in the country once a Transitional Executive Council (TEC) was in place.

This programme, she said, would focus on supporting peace structures, fostering democracy, voter education and



Helle Degn . . . European Community strongly committed to the transition process.

preparing for elections, as well as "institution-building and support of focal sectors of economic and social development".

She announced that:

● The EC will "normalise relations" with South Africa, and encourage bodies such as the World Bank, the International

Monetary Fund and "other relevant organisations", to do the same once a TEC was in place.

● Once a TEC is in place, the Danish government will launch a programme of transitional assistance to South Africa, to cost R300 million over a five-year period, which will focus on rural development and education, "and with (an) emphasis on empowerment and participation of women".

● The Danish government would also make available to South Africa R6 million "for democratisation projects and activities curbing violence".

Aid depended on progress in the negotiations process as soon as possible.

"Decisions have to be taken here in this country and the international community is waiting. It is very important to be aware of the time factor."

During her visit, Degn will hold talks with Acting President Pik Botha, Finance Minister Derek Keys, Inkatha Freedom Party leader Chief Mangosuthu Buthelezi, ANC representatives and Goldstone Commission chairman Mr Justice Goldstone.



# EC urged to focus on a 'new paradigm' for southern Africa

*Star 30/6/93 (SAP)*

Foreign Service

**BRUSSELS** — The general manager of the Development Bank of Southern Africa, Deon Richter, has called for the European Community to focus on the establishment of a "new paradigm" to confront the economic challenges of South Africa and other developing countries on the continent.

Hé told delegates at the Forum Europe conference in Brussels that the economic renaissance of South Africa was as important as the process of democratisation, if lasting peace, stability and prosperity were to be achieved in South and southern Africa.

He said: "It is essential that the EC and South Africa develop a trade agreement and arrangements that will assist South Africa to address its market inefficiencies and structural distortions.

"If further developments in economic sectors with a high labour input (ie agriculture

## SA to host aid agencies

The private sector aid agencies of the World Bank, the African Development Bank, the Commonwealth, America and France will meet in Johannesburg on July 7 and 8 for a conference to explore business opportunities in Africa for South African companies.

Together the agencies provide over \$2.4 billion of commercial loans annually for private sector projects in developing countries.

The South African Foreign Trade Organisation will host private sector aid agencies, businessmen and investors from Africa and around the world who wish to make contact with South African entrepreneurs interested in participating in their projects.

Eleven private sector aid agencies will provide information on access to cross border projects with a step-by-step guide to procedures for implementation of projects.

"South Africa is particularly sought after by these agencies because of its geographical proximity, technology and project management skills," said Paul Runge, Saffo's Africa manager.—Sapa.

and the small business sector) could be realised due to trade relations it would have the added benefit of supporting the efforts to include the developing sector within the mainstream economy.

Such a trade agreement should, however, also be for-

mulated in such a way that it is not only to South Africa's benefit, but to that of the southern African region.'

Productive foreign investment to revive the South African economy could help address the existing functional imbalances, Richter said.

"These interventions could be designed to contribute toward unlocking investment resources within South Africa and restricting the skew patterns of unproductive investments in the past."

South Africa, he said, was facing similar challenges to its neighbours and would need to apply most of its available resources to addressing the inequalities of its past economic and socio-political policies and to tackle the real challenge of eradicating poverty.

A developmental co-operation agreement between South Africa and the EC should thus support structural economic adjustments; ensure that foreign development resource flows contribute toward the optimal mobilisation and application of the country's own resources available for development, promote sustainable regional development; and should contribute to, and set an example for, enhanced international donor co-operation.



# More aid from EC when SA has transitional govt

CT 30/6/93 (SAP)

JOHANNESBURG. — The European Community, South Africa's largest aid donor, would increase its assistance once a transitional executive council was installed, the president of the EC's Council of Ministers of Development, Mrs Helle Degn, said yesterday.

She announced the establishment of new poverty-oriented development programme. The programme, which supplements existing EC aid to South

Africa, comprises R350 million a year over five years.

The EC would also support the forthcoming election process through voter education and the provision of observers and election specialists.

Mrs Degn, who is also the Danish Minister of Development Co-operation, said Denmark had allocated a further R300m for a programme of transitional assistance in South Africa. — Sapa



Sowetan 30/1/93

# EC pledge on polls



## Sowetan Correspondent

THE European Community will continue to take a keen interest in developments in South Africa and will make "a substantial contribution" towards ensuring free and fair elections in the country next year, Danish Development Co-operation Minister Helle Degn announced in Johannesburg.

Speaking shortly after her arrival in South Africa yesterday, Degn — who is also president of the EC Council of Ministers for Development Co-operation — said the EC remained a

strong supporter of the transition process. Degn said the EC, which was already the biggest foreign donor with an annual donation of R350 million, would embark on "a new poverty-orientated development programme" in the country once a Transitional Executive Council was in place.

This programme, she said, would focus on supporting peace structures, fostering democracy, voter-education and preparing for elections as well as "institution-building and support of focal sectors of economic and social development".

(SbA)  
She also announced that:

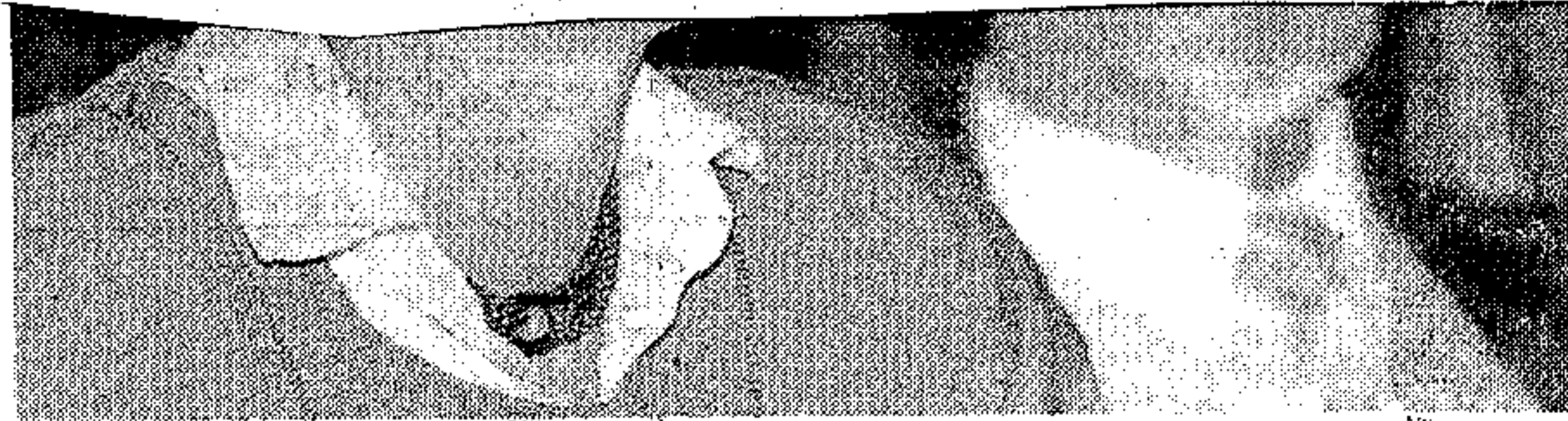
- The EC would "normalise rela-

tions" with South Africa — and encourage bodies such as the World Bank, the International Monetary Fund and "other relevant organisations" to do the same once a TEC was in place;

- Once a TEC is in place, the Danish government will launch a programme of transitional assistance to South Africa to cost R300 million over a five-year period which will focus on rural development and education "and with an emphasis on empowerment and participation of women".

- The Danish government would also make available to South Africa R6 million "for democratisation projects and activities curbing violence".

# Position of a 50%



Visiting Danish Development Co-operation Minister Helle Degn said yesterday Denmark would provide R350m for a development programme once a transitional executive was in place in SA.

Picture: ROBERT BOTHA

## EC pledges more aid

*5/10/93*  
*30/10/93*  
THE EC, SA's largest aid donor, was prepared to increase assistance once a transitional executive council was installed, president of the EC's Council of Ministers of Development Helle Degn said yesterday.

Addressing a Johannesburg news conference, she announced the establishment of a new poverty-oriented programme to focus on rural development, education and the development of women. (SBA)

The programme, which supplements existing EC aid to SA, is worth R350m a year over five years.

The EC would also support the forthcoming election through voter education and the provision of observers and election specialists.

But the transitional executive council had to be in place before the international community could activate the resources available to SA, she said.

Degn, who is also the Danish development co-operation minister, said Denmark had allocated a further R300m for a programme of transitional assistance in SA. This includes an immediate R6m to support democratisation through voter education, violence prevention, conflict resolution and the promotion of human rights.

Degn said SA was assured of the EC's continued interest and support for the process of democratisation.

Once the transitional executive council was installed, the EC would promote the normalisation of SA relations with international organisations like the World Bank and IMF.

The EC would support the council's structures once there was clarity on its powers and functions. —

Sapa.



**T**HIS year may mark the 21st anniversary of a fully fledged SA diplomatic presence in Brussels, but the legacy of apartheid is such that these relations retain a distinctly juvenile flavour.

The EC has made clear that the setting of an election date and establishment of a transitional executive council will be the signal for fully fledged re-engagement with SA. SA's ambassador to the EC Neil van Heerden reports that wherever he goes in Brussels he is welcomed in similar style: "Ambassador, the table is laid. We are waiting for you."

The problem is that to sup at the EC's table requires one to choose from the menu. And South Africans, like true children, have little idea of what they want, other than as much as possible of the sweet bits.

This is not difficult to understand. A preoccupation with domestic political concerns has left little time for the niceties of EC relations. Also, relations with the EC have, in the past, been an arena of political conflict with the "liberation movements" getting the upper hand on the issue of development aid, and government and business more prominent on the trade side.

**T**hese differences must now be set aside. If SA wants to negotiate some sort of special agreement with the EC, with improved market access to its 386-million consumers as first prize, then its business and political leaders must, as a united front, tell the EC what it is they are seeking.

This was the key message from the Forum Europe conference held earlier this week in Brussels to discuss the future shape of EC-SA relations. An allied, equally important conclusion, is that trade, not aid, must lie at the heart of SA's relations with the EC. SA may be the largest beneficiary of EC development aid in Africa — 90-million ecus (\$108m) in 1993, but even this sum is insignificant next to the potential benefits of improved trade and investment ties.

SA, of course, can do with any aid it gets, but it should not be in any doubt as to what constitutes the first prize. EC officials stress that not only was the existing programme of

# Trade, not aid, must drive SA relations

## With Europe

By 11-7-93

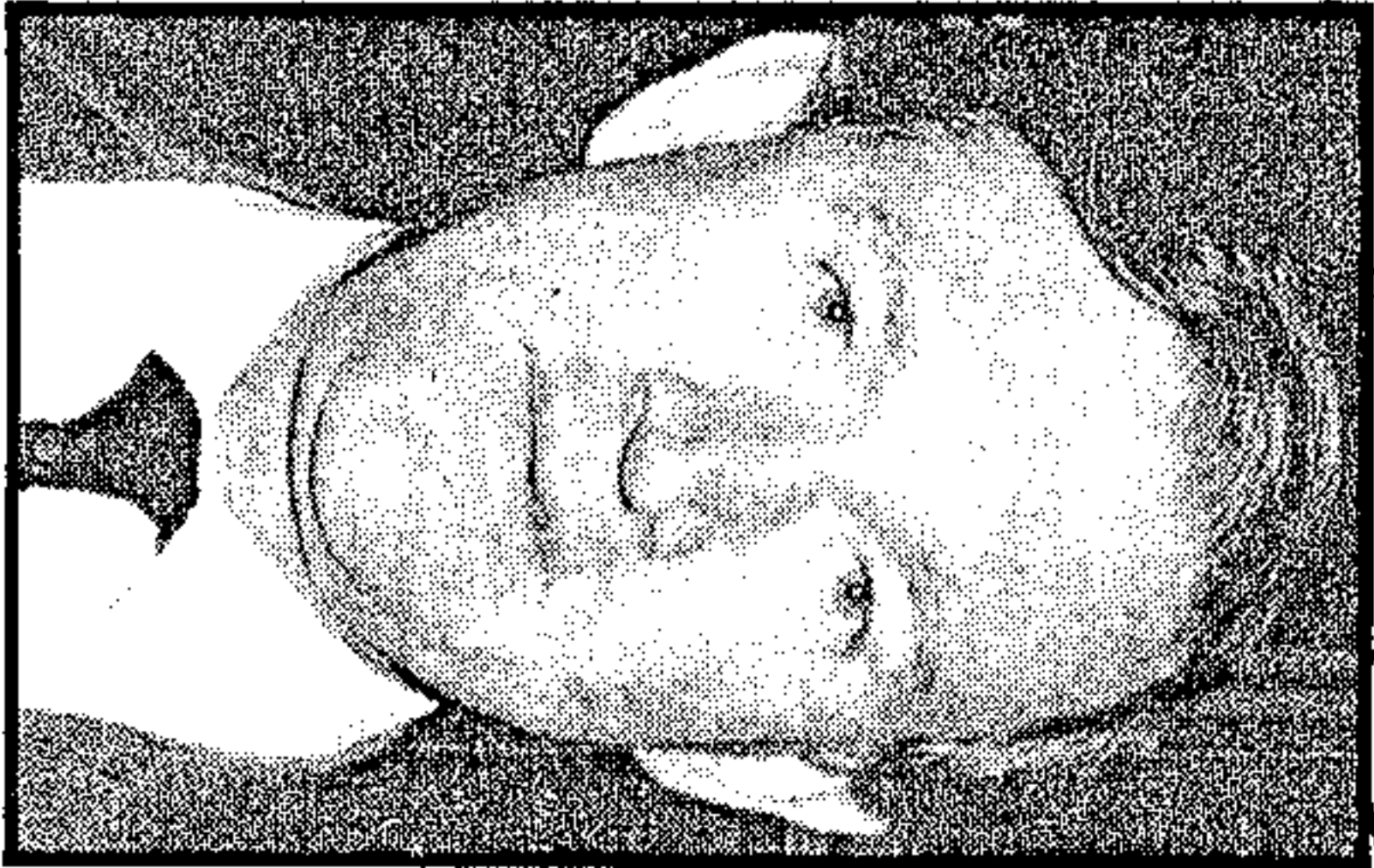
PHILIP GAWITH in Brussels

aid a "very fair amount", but SA should abandon inflated expectations about giant aid packages and Marshall Plans.

Although SA can hardly claim to be on the top of the EC agenda, it is an issue of some prominence. This was clearly underlined by the fact that both Hans van den Broek and Leon Brittan, respectively EC commissioners (effectively cabinet ministers) for external political relations and external economic affairs, addressed the conference.

Three main factors underpinned their presence. First, existing links. In 1992 SA was the 12th largest supplier of goods to Europe and the 23rd largest buyer of products emanating from the EC. Put differently, the EC accounts for about 25% of SA's exports and more than 48% of imports. Second, SA can, with some justification, claim to be a special case. Not only is it arguably the world's most prominent multi-ethnic society, but it is reforming, in a fashion consonant with international norms, and its success could have considerable resonances.

Finally, although it presents a massive development challenge, there is sufficient existing infrastructure to believe there is a reasonable chance of successful upliftment. It is not, like some developing countries, an apparently hopeless case.



PHILIP GAWITH

Although SA may have a strong claim to be a special case, this is no reason for complacency. And there is reason for urgency. As Philip Verbeke, a Belgian industrialist, told the conference, just as SA is emerging from its laager, so the EC is contemplating retreating into its own. The pressures of economic recession have been reflected in a rising pro-

tectionist clamour over the past six months. Not only is the EC's appetite for offering trade privileges diminishing, there is an ever increasing list of applicants.

Hitherto, at the core of any discussion about SA-EC relations has been the issue of whether SA should seek developing country status and, with it, access to the Lomé convention, the trade concession agreement between 69 developing countries (the ACP bloc — African, Caribbean, Pacific) and the EC. Both Van Heerden and Brittan, however, stress discussions should not bog down on this "technocratic" issue.

Apart from developed/developing, two other classifications have recently been suggested for SA: "economy in transition" and "newly industrialised country".

Van Heerden's recommendation is that SA should first seek a bilateral framework agreement. This would not address the core issue of market access for SA goods, but it would establish a structured dialogue and open the way for technical and scientific exchanges.

It also has the advantage of speed. The Lomé route would involve lengthy negotiations with the 69 existing members, and informed observers believe SA would anyway fail to gain the necessary assent. Bilateral agreements can offer substantial market access, albeit less

than Lomé. Van Heerden believes this agreement should build on similar "late generation" agreements such as that recently negotiated by Argentina, apparently in a record four months.

He notes that countries like Argentina, Mexico, Brazil and India have all achieved considerable economic success having negotiated new or upgraded association agreements with the EC. With political consensus, Van Heerden believes that the lead time to obtaining improved market access can be shortened dramatically.

Although the EC has declined to be stipulatory about the shape of future relations, it has been firm all along that SA must be seen as part of the region. The EC is concerned that it should not offer SA benefits which could harm the interests of its neighbours. Van Heerden does not argue this point, but he is anxious that the SA-EC nexus should not be made contingent on earlier resolution of its relations with its neighbours and regional bodies like the Southern African Development Community.

This is a highly sensitive subject that will not be resolved quickly. If it is allowed to muddy relations with the EC, then a market access agreement will be long delayed. While the initiative is with SA on the trade side, the EC holds the aid purse strings and has given notice that changes are on the cards.

**S**ince 1985, about 90% of EC aid has been channelled through the Kagiso Trust. A technical office, currently oversees the aid programme. When a transitional executive council is established, the EC will upgrade its Pretoria representation to a full delegation and put its aid relations onto a footing more typical of developing countries.

Van den Broek says this would, "gradually and cautiously", in tandem with the democratisation process, involve engaging with state structures. Inevitably there will also be a flow of funds to a broader spectrum of bodies than those traditionally favoured by Kagiso and its partners which have tended to be in the ANC camp.

Gawith is a Johannesburg-based correspondent for the Financial Times.



FOR years, South Africa was in the wilderness — shunned by Western leaders appalled by apartheid.

The economy suffered because of sanctions, and a visit by a South African politician to Europe would trigger a wave of hostile protests and demonstrations.

But this week in Brussels it was clear the climate had changed: Police didn't have to guard minister Dawie de Villiers when he flew in for a special conference on South Africa.

But while the country is being rehabilitated diplomatically and politically, it is still unable to attract the international aid and investment needed to provide the economic anchor for successful political reform.

Speaker after speaker during the two-day Forum Europe debate, warned that South Africa must not expect Western investors and donors to shower the country with aid and capital, however worthy of reward the changes may be.

Perhaps the most sober assessment came from Martin Kingston, a director of British investment advisers Morgan Grenfell.

## Reality

Mr Kingston, who regularly counsels top European companies on investment prospects in South Africa, says he remains cautious.

Unless South Africa proves it can deliver sustainable political reform, there is unlikely to be much increase in Western investment, he says.

"The reality is that there is not an endless queue of impatient, pent-up foreign capital beating at the South African door to be let in.

"It will have to be courted and cajoled," he warned.

Businessmen in Britain are more willing to invest in Azerbaijan than in South Africa, where, because of question marks over the country's political future, it is difficult to evaluate the risk of investment.

The outlook for increased EC aid is also uncertain.

European Trade supremo Sir Leon Brittan and EC Foreign Policy Chief Hans

There was praise aplenty for the changed South Africa at the two-day 'Forum Europe' conference held in Brussels this week — but little sign of increased investment or aid. JOHN FRASER reports

# No foreign cash bashing on SA's door

van den Broek addressed the conference.

Both urged that the reform process be speeded up, but neither was prepared to promise much extra aid to help stabilise a newly-democratic South Africa.

Sir Leon warned that the EC was suffering from "donor fatigue".

The most obvious way for the EC to help South Africa would be by admitting it to the Lome Convention — a trade and aid accord linking Europe with more than 60 developing countries, including all of South Africa's neighbours.

Mr de Villiers said that in some respects South Africa was a developing country, despite its sophisticated financial sector, and therefore deserved special help.

However, he admitted that the existing members of the Lome Convention would be suspicious about South Africa's admission.

Current members fear that aid which would otherwise have gone to them would be channelled to South Africa instead.

The fact remains that unless South Africa can plug into the Lome Convention and exploit every avenue of aid, it risks being left behind.

The EC's aid programme to South Africa — worth about R1-billion — is Europe's largest single aid project.

But its focus is mainly on promoting democracy and helping education, rather than on directly trying to boost the economy.

However, it would be wrong to stress the negative aspects of the Brussels debate and to exclude the positive side.

The conference showed that despite the images of violence still appearing on Europe's TV screens, the EC is giving South Africa's politicians — white and black — the credit they deserve.

## Convince

As long as business and political leaders of a soon-to-be democratic South Africa do not set their sights too high, there is a fund of goodwill to be tapped.

As Mark Lennox-Boyd put it: "We want South Africa to make it. And we want South Africans to know that we Europeans will continue to play our part in bringing that about."

The challenge for South Africa is to convince this British Minister and his EC colleagues that they need to match words with deeds.

If they truly want to see a democratic, prosperous South Africa, they need to give less praise — and a lot more trade opportunities, aid and investment.

□ John Fraser is a freelance broadcaster and journalist who has covered the EC for 12 years

# Clinton seeks jobs summit

Guardian/W in W/Mail

9/7-15/7/93

56A

Mark Tran in New York

**P**RESIDENT Clinton on Monday called for a jobs summit of leading economic officials from the richest industrialised countries to deal with the problem of structural unemployment.

In a speech on the eve of the G7 summit in Tokyo, Mr Clinton said that he planned to enlist America's industrial partners to tackle the most troubling problems of the new economic era.

"Our nations need to ask new questions about how our economies create jobs, how our people can obtain jobs and how we can ensure that good jobs will

be there for our children," President Clinton told a convention of teachers.

As a first step, he has instructed his economics and labour advisers to invite their counterparts from the leading industrialised countries to a meeting within the next few months. Their task is to search for the causes of and remedies for structural unemployment.

As if to underline Mr Clinton's emphasis on jobs, the European Community announced that unemployment in the EC rose to 10.5 per cent in May, an increase in the jobless rate for the 17th consecutive month.



# SA envoy calls for new trade ties with Europe

SI Times 11/7/93

By JOHN FRASER: Brussels

SOUTH African ambassador to Brussels Neil Peter van Heerden, has called for negotiations on a new trade relationship between Pretoria and the European Community.

He made his call on Friday in an address to the Brussels-based Centre for European Policy Studies.

The ambassador said that now the process of reform in South Africa was advancing, the climate was ripe for trade talks with the EC.

## Choices

(SbA)

"In spite of substantial trade links, the community has no formalised relationship with South Africa," he said.

He said there were several choices for improving links, including membership of the Lome Convention, which links the EC with most African countries.

However, observers in Brussels believe

this route may be blocked by some African countries worried that extra help for South Africa would mean less for them.

As a first goal, the ambassador appeared to favour a so-called "framework" trade agreement of the kind the EC has with Brazil, Mexico and India.

"These framework agreements have the advantage that they establish a formal link without involving time-consuming details such as tariff and sensitive product negotiations," he said.

"They also establish a structured dialogue and open the way for technical, scientific and cultural exchanges.

"I believe the time is opportune to start exploring a future relationship, given the advanced stage of the constitutional process."

Mr van Heerden noted the EC accounted for about 25 percent of South Africa's exports and more than 48 percent of its imports.

# Doubts remain on Tokyo accord

S/Times 11/7/93. (H) (S6A)

**WORLD** trade negotiators are returning from Tokyo to Europe for tomorrow's meeting in Geneva of the 108 Gatt nations and with major doubts still hanging over the fate of the talks.

The renewed bargaining will test whether the world trading system has really been rescued by a provisional agreement, at the G-7 summit, to cut tariffs.

After so many false dawns since the Uruguay Round talks collapsed in December 1990, officials have confessed cynicism.

"You certainly can't write off the Tokyo agreement," said one, "but there are still gaping holes to be filled before we have a Gatt deal."

French officials emphasised that the Tokyo agreement could be blown away by strife in other areas, notably agriculture.

"Nothing is agreed until everything is agreed," said one French official.

President Francois Mitterrand

By **BORIS JOHNSON** in Brussels and **STEPHEN ROBINSON** in Tokyo

and Mr Alain Juppe, his Foreign Minister, have been more reserved than Mr John Major, the British Prime Minister, saying issues must be resolved equally in Geneva.

Formidable obstacles must be overcome before the world can claim the reputed prize of an extra £133-billion (about R652-billion) of world trade.

Even on tariff reduction — one of the 16 Gatt dossiers on the table tomorrow — Tokyo failed to open the most important market of all, America's heavily protected textiles sector.

Sir Leon Brittan, the EC Trade Commissioner, will be briefing Mr Peter Sutherland, the new Gatt secretary-general, on what he thinks was achieved.

"The US offer on textiles covers about half of what we asked for," Sir Leon said. "We will press for more."

Problems also remain in the services sector, which is being subjected to world trade rules for the first time, and where the US has still to accept even the notion of freer trade in maritime transport.

The French, above all, have yet to endorse the EC-US deal struck in Washington last November to cut farm subsidies.

South Africa was the only African country to warrant a positive mention.

"We welcome the recent progress towards non-racial democracy in South Africa, paving the way for its full reintegration into the political and economic community," the G-7 leaders said in their political declaration.

President Boris Yeltsin of Russia left Tokyo with warm public endorsements from the G-7 leaders, \$3-billion (about R9,9-billion) of economic aid and the promise of more to come. — © *The Telegraph, London*

# Year-end deadline set as trade talks get under way

Star 13/7/93  
(S6A)

GENEVA — The long-dormant Uruguay Round of global trade talks got under way again in Geneva yesterday when negotiators from the United States, the European Community, Japan and Canada briefed trading partners on their tariff-cutting deal reached in Tokyo last week.

This was the signal the 111 countries taking part in the round have been waiting for since January, when US and EC negotiators failed in a last-ditch effort to come up with a market access package before President George Bush left office.

Now trade officials have just five months to conclude the complex and wide-ranging Uruguay Round package before US negotiating authority expires on December 15.

This is the fourth successive end-of-year deadline for the round, which was launched in Uruguay in 1986 — but officials are adamant that it is the last.

Peter Sutherland, new director-general of the General Agreement on Tariffs and Trade, says every indication suggests that this time the deadline is the deadline, but warns of the many difficulties still ahead.

## Problem areas

The key problem areas are:

- **Tariffs.** The four-way accord between the world's biggest traders has to be accepted by all 111 Gatt members. This is because, under Gatt's non-discriminatory most-favoured-nation rule, they are entitled to benefit from the same trading terms.

The terms negotiated by the most powerful traders inevitably form the basic platform for the detailed country-by-country bargaining on individual tariff schedules which are part of the final Uruguay Round package.

Developing countries may well feel the US has not done

enough to cut its very high tariffs on textiles. For their part, Washington and the EC are insisting that poorer countries open up their own markets for textiles and other goods.

Elimination of steel tariffs is conditional on concluding a Multilateral Steel Agreement which would outlaw most subsidies to the hard-pressed industry.

But the 30-nation negotiations on an MSA, which resumed for two days in Geneva last week, are making little headway and officials say an agreement is unlikely until the present row over US punitive duties on steel imports is resolved.

- **Agriculture.** The Tokyo agreement did not include a market access deal for agricultural products. These negotiations promise to be stormy.

Japan and South Korea are refusing to relax their bans on imported rice, while the US and the 13-strong Cairns Group of farm-product exporting countries are pressing for better access to EC markets.

Latin American banana producers have threatened to veto any Uruguay Round accord if the EC does not change its discriminatory banana import regime.

Meanwhile, France has maintained its strong opposition to a deal between US and EC negotiators on overall cuts in farm subsidies and other supports, to be written into the Uruguay Round rulebook.

- **Services.** The Group of Seven countries did not reach any firm agreement on opening markets for foreign services, though trade officials in Geneva say enough progress was made for the broader negotiations to resume in earnest.

In financial services, the US and EC will be pursuing further concessions from Japan and other east Asian nations in bilateral talks to draw up individual schedules of market-open-

ing commitments.

In telecommunications, the Tokyo agreement has paved the way for extended multilateral talks on liberalisation.

However, the US shows little sign of giving way on exempting shipping from multilateral disciplines, while the EC wants to continue restrictions on (mainly American) television programmes, films and videos.

- **Rules package.** Negotiators must finalise the draft package of rules known as the Final Act drawn up by Arthur Dunkel, Mr Sutherland's predecessor, in December 1991. Sutherland has said he is absolutely committed to the Dunkel text.

The bulk of the draft, which runs to more than 400 pages, covers 15 subject areas and contains 26 separate agreements, was negotiated between trading partners.

## Unstitching

But, despite warnings that too many changes could lead to a general unstitching of the carefully-balanced package, the US in particular is pushing for controversial amendments to texts on anti-dumping and subsidies, textiles, intellectual property, environmental standards, and the creation of a strong Multilateral Trade Organisation.

In the minds of many trade diplomats, from both rich and poor countries, the biggest obstacle to a Uruguay Round accord may prove to be US insistence on the primacy of its national trade laws over multilateral agreements, especially in using or threatening unilateral sanctions against unfair traders.

Dunkel, with 20 years' experience of international trade negotiations, has his own ideas.

"Never forget," he mused recently, "that the signing of the Treaty of Rome was held up for four hours because of bananas."

— Financial Times.



# EC pondering frantic solutions

56A

CF 17/7/93

PARIS. — You can tell government budgets are in serious shape when policy makers advise raising taxes in the teeth of the severest economic downturn in a generation.

Yet that is the pickle the European Community is in.

Adrift politically while it waits for Britain and Germany to ratify the Maastricht Treaty on European Union, the community also seems impotent economically.

Apart from the European growth initiative — small contents, impressive packaging — EC finance ministers have been largely reduced to imploring the strong-willed Bundesbank to put aside its inflationary scruples and slash interest rates.

This is because most governments' public finances are in such dire straits that financial markets would not let them get away with what might really help — hefty, counter-cyclical public-spending packages like those being implemented by Japan.

"There is barely any room to manoeuvre today for pump-priming policies. We think an approach like that would be very short-sighted and a deliberate rise in budget deficits would only complicate matters in the future," Belgian Finance Minister Philippe Maystadt said.

The EC's economic policy committee (EPC) said net general borrowing by EC governments has risen steadily from 2.7% of national income in 1989 to more than 6% this year.

Over the same period, state spending has jumped by more than five percentage points of gross domestic product (GDP) to about 52% and the share of tax and social security contributions have risen by 1½ points to almost 46% — both records.

"We've never seen that before in the history of the EC. We blame the United States for its deficit but our situation is not better," said Luxembourg Finance Minister Jean-Claude Juncker.

The problem is that, instead of using brisk tax inflows to pay off

debt and reduce deficits when the going was good, many governments chose instead to cut taxes.

So instead of having room to try to spend their way out of recession, ministers are scrambling to avoid a debt trap whereby steadily rising debt burdens consume an increasingly large chunk of total government expenditure — already 11% on average for the EC and 20-30% in some states.

And by absorbing more and more of the pool of national savings, governments are keeping inflation-adjusted bond yields, which are crucial for investment and homebuilding, much higher than they should be in a recession or were in the 1960s.

Governments have dug such a big hole for themselves that even a future recovery will not be enough to put public finances on a sound footing, the EPC said.

This would not only stifle growth and fuel inflation, the central bank governors added, but also risk undermining the credibility of the EC's plans for monetary union.



# Maastricht Treaty battle in UK court

LONDON. — Lord Rees-Mogg, a former editor of The Times newspaper, launched a last-minute legal challenge to the Maastricht Treaty yesterday, calling it the most important constitutional case in Britain for 300 years.

Lawyers acting for Lord Rees-Mogg will ask London's High Court on Monday to rule that the treaty ratification process followed by Prime Minister Mr John Major's government was defective in law.

"I want the court to accept that while it is open to parliament to ratify the Maastricht Treaty, in British law it cannot be done in the way proposed," he said. "The purported ratification would not be good in British law.

"It is a bad treaty, a bad ratification."

The ratification procedure was a mixture of parliamentary procedure and reliance on prerogative which contained "fatal flaws", any one of which was sufficient to render ratification inoperable, Lord Rees-Mogg

said.

He said the government's "misuse of prerogative" was contrary to long-established principles of the constitution dating back to the 1689 Bill of Rights.

The former editor and his legal team hope the government will put the ratification process on hold while the court hears their case, financed to the tune of "hundreds of thousands of pounds" by maverick businessman Sir James Goldsmith.

"We will ask the court for a stay of steps to ratification of the treaty until the application is disposed of," said lawyer Mr Leolin Price, QC. "Whether a stay is granted is a question for the judges."

Mr Major has been battling for 15 months to ratify the treaty.

Britain is the last country to complete the treaty's ratification process, though an appeal to the Constitutional Court — similar in aim and content to Rees-Mogg's — has put Germany's full ratification on hold. — Sapa-Reuter

Biday 19/7/93

# EC in an economic pickle

(SbA)

YOU can tell government budgets are in serious shape when policymakers advise raising taxes in the teeth of the severest economic downturn in a generation.

Yet that is the pickle the EC is in. Adrift politically while it waits for Britain and Germany to ratify the Maastricht treaty on European union, the community also seems impotent economically.

Apart from the European Growth Initiative — small contents, impressive packaging — EC finance ministers have been largely reduced to imploring the strong-willed Bundesbank to put aside its inflationary scruples and slash interest rates.

This is because most governments' finances are in such dire straits that financial markets would not let them get away with what might really help — hefty, counter-cyclical public-spending packages like those being implemented by Japan.

There is barely any room for manoeuvre today for pump-priming policies... We think an approach

like that would be very short-sighted and a deliberate rise in budget deficits would only complicate matters in the future," Belgian Finance Minister Philippe Maystadt said in Brussels last week.

Maystadt was speaking after EC finance ministers had studied two reports, from their Treasury officials and central bank governors, blaming them squarely for the present predicament.

The EC's economic policy committee (EPC) said net general borrowing by EC governments had risen from 2.7% of national income in 1989 to more than 6% this year. Over the same period, state spending jumped by more than five percentage points of GDP to about 52% and the share of tax and social security contributions rose by 1.5-points to almost 46% —

both records.

The problem is that, instead of using brisk tax inflows to pay off debt and reduce deficits when the going was good, many governments chose instead to cut taxes.

As the central bankers put it: "The opportunities to correct structural budgetary imbalances were not sufficiently exploited during the period of strong economic growth in the second half of the '80s."

So instead of having room to try to spend their way out of recession, ministers are scrambling to avoid a debt trap whereby steadily rising debt consumes an increasingly large

chunk of total government expenditure — already 11% on average for the EC and 20%-30% in some states.

And by absorbing more and more of the pool of national savings, governments are keeping inflation-adjusted bond yields — crucial for investment and homebuilding — much higher than they should be in a recession or were in the '80s.

Governments had dug such a big hole for themselves that even a future recovery would not be put public finances on a sound footing, the EPC said. A crisis looms.

This would not only stifle growth and fuel inflation, the central bank governors added, but also risk undermining the credibility of the EC's plans for monetary union, which depend on governments cutting their deficits to 3% of GDP.

The EPC broaches the option of extra pump-priming to support demand but says simply that it doubts the markets would find the option acceptable. Cutting deficits is the paramount task.

From there, it is only a small leap of reason-in-madness for the panel to say even tax increases may be warranted. "In certain cases, the severity of the adjustment required is such that expenditure containment alone will not be sufficient to ensure the necessary improvement. In these cases tax increases are probably unavoidable," the report said.

The same strategy worked for former British prime minister Margaret Thatcher, who raised taxes in the recession of 1981 and went on to enjoy several years of growth.

But Britain subsequently benefited from a steady decline in its currency and a strong US recovery.

Tax rises and spending cuts, as Britain, Germany and others planned, risked extending the recession, the EPC said. — Sapa-Reuter.

BOOKS



# Maastricht: Britain faces new delay

LONDON. — British approval for the European Community's Maastricht treaty was further delayed yesterday when a court ordered a judicial review of the ratification process.

The government, which did not oppose the review, said it would not go ahead with ratification until the legal process was complete. The decision was made three

days before Prime Minister Mr John Major faces a crucial parliamentary vote on the treaty.

The High Court accepted an application by Lord Rees-Mogg, a former editor of The Times and opponent of the treaty on European union, who argued the government's ratification process was both "legally and constitutionally flawed". Asked whether the review

might ease the government's task, Lord Rees-Mogg said: "To a certain extent it allows time for consideration. Ratification is not going to be immediate so that will perhaps help the atmosphere of the debate."

While government officials tried to keep a calm front, top advisers and Conservative Party managers worked feverishly to head off defeat in

Thursday's vote on the treaty which could seriously undermine Mr Major's already waning authority.

He met Conservative Party business managers to work out how best to defeat a revolt by anti-Maastricht Conservative MPs which could overturn the government's slim 18-seat majority in the House of Commons. — Sapa-Reuter

# EC nations hammer out deal on how to allocate \$160bn aid

B/Day 21/7/93

**BRUSSELS** — The EC agreed yesterday on how to parcel out \$160bn in aid, resolving a battle over money meant to boost the economies of its poorest regions.

EC foreign ministers met through the night to settle differences over the amount of assistance each nation would receive. They finally reached an accord early yesterday.

The funds are allocated to member states for projects ranging from road and rail construction to vocational training for youth in poor regions.

The 141-billion ecus — equivalent to \$160bn — for 1994-1999 more than doubles the previous five-year package.

Funding is seen as vital by local authorities in regions suffering most in an economic slump that has sent

the unemployment rate soaring above 10% in the EC as a whole.

Ireland, Portugal, Greece and Spain will receive the most.

Several nations, led by Ireland, had threatened to block the rules unless they got guarantees of more money.

Irish sources said they had received guarantees of \$11bn from the fund, just \$282 000 short of the figure Dublin had demanded.

Details of the agreement remained sketchy.

A statement released after the meeting said only that the nations had approved the rules governing the distribution of aid. It made no mention of the aid to be given to each nation.

Most of the development aid is allotted to the EC's so-called "poor

four" nations — Portugal, Greece, Spain and Ireland.

But with the recession biting across the EC, traditionally richer nations like Germany and the Netherlands have also been competing for a bigger slice.

The other "poor four" nations had objected to Ireland's claims. Some argued the Irish already get more than their fair share.

From 1989 to 1993, the Irish were allotted \$1 194 for each citizen from EC funds. The Portuguese received \$791, the Greeks \$759 and the Spanish \$480.

Failure to settle the dispute could have held up the aid package beyond its scheduled January 1 start, delaying aid to all. — Sapa-AP.

## Maastricht: Court to rule

LONDON. — Britain's High Court finished hearing a challenge to the government's process of ratifying the Maastricht treaty yesterday and said its decision would be announced tomorrow. (SAP)

The three judges hearing the case said they needed "a little time" to consider the points at issue in the case, brought by Lord Rees-Mogg, a former editor of the Times. CT 29/7/93

Legal sources at the High Court said both sides would appeal if they lost the judicial review. — Sapa-Reuter



# UK High Court OK's Maastricht

0731/7/93 (56A)

LONDON. — Britain's three-judge High Court yesterday unanimously rejected a legal challenge to British ratification of the Maastricht Treaty on European Union.

The challenge to Maastricht, by former Times editor Lord William Rees-Mogg, a fervent opponent of government policy, could still be appealed, first to the Court of Appeals, then, possibly — and finally — to the House of Lords.

Lord Rees-Mogg and his backers, who are said to include financier Sir James Goldsmith, did not immediately file a notice of appeal.

Only Britain and Germany — where a similar legal challenge is pending — have not yet formally ratified Maas-



ANTI-UNITY ...  
Lord Rees-Mogg

tricht among the 12 European Community members.

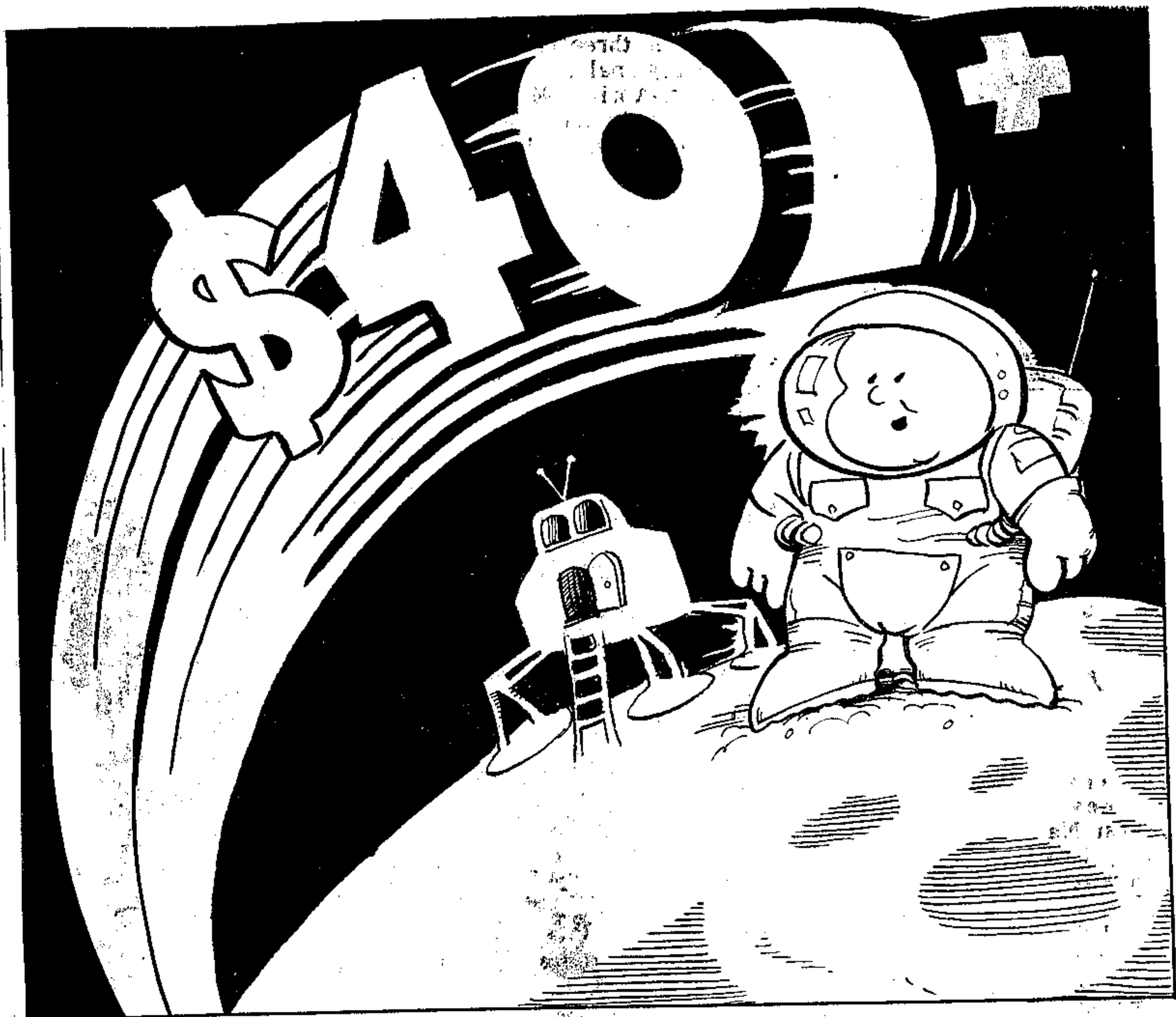
The treaty requires unanimity to take effect.

The Rees-Mogg case poses the final obstacle to British ratification of the treaty after Prime Minister Mr John Major survived a House of Commons confidence vote linked to it a week ago.

Legal experts said it was highly unlikely that either the Court of Appeals or the House of Lords would overturn a decision reached by the

unanimous  
High Court.

If the case did run its ultimate course it could delay British ratification until late October or early November. — Sapa-AFP



## EC money markets get the shakes

**F**RANKFURT — The Bundesbank intervened expensively on currency markets yesterday to soften a deadly blow it dealt the European Community's currency grid with a half-hearted easing of German interest rates this week.

It waded in concert with several other EC central banks into foreign exchange trading to

*Star* 311793  
**ANTHONY WILLIAMS**

prop up the French and Belgian francs as they plunged to their intervention floors in the EC's Exchange Rate Mechanism (ERM).

Some currency dealers in London, the world's biggest foreign exchange centre, estimated it might have spent as much as \$8.6 billion (about R29 billion) to underpin the French franc.

Germany's high interest rates, applied to rein in inflation and a soaring money supply since German unification in 1990, have forced other EC countries to maintain damagingly high domestic rates when their industries and electorates are crying out for cheaper money to combat recession.

A Bundesbank official, board member Johann

Wilhelm Gaddum, said the central bank would not stand in the way if money market interest rates threatened to fall below its 6.75 percent discount rate. (56A)

Money market dealers said this was tantamount to a cut in the discount rate which the Bundesbank had deprived the markets of on Thursday when its policy-making council met for the last time before a month-long summer recess. But some economists said even this may have come too late to save the ERM.

### Major gesture

Financial experts believe the Bundesbank had clearly underestimated the market forces at work in the system when it cut only its Lombard rate at a meeting on Thursday but left the more important discount rate unchanged.

A discount rate cut had been clearly anticipated by markets as a major gesture of support for the European Monetary System.

The discount rate is closely watched when German rates are, as now, declining because it provides a floor, while the Lombard rate for emergency funding for the banking system comes into focus when they are rising because it provides a ceiling.

Economists said the Bundesbank had expected to be able to keep any pressure on the weaker currencies in the system at bay by currency market intervention, if necessary.

That hope proved illusory as many in the markets began to talk of the end of the European Monetary System, of which the ERM is a part, as it has existed for the past 14 years. — Sapa-Reuter.

# European crisis lifts gold,

# dollar

SEAR 3/17/92

## FINANCE STAFF

**G**OLD and the dollar were the main beneficiaries of the international currency crisis that developed around the European Monetary System yesterday, threatening to end dreams of European economic unity.

Gold rose \$10 to a two-year high of \$404 an ounce as investors piled out of European currencies into alternative investments.

The currency crisis, which has been building up steam for months, exploded when the French franc collapsed yesterday under the weight of massive selling by currency speculators, including Hungarian-born billionaire financier George Soros, who caused the pound's collapse in September.

Sapa-Reuter reports that the EC's Exchange Rate Mechanism (ERM) was in danger of extinction yesterday as central banks fought a desperate rear-guard action against currency speculators.

However, analysts, citing the franc's fall beneath its ERM floor, said all the intervention in the world could not help the system.

BankAmerica economic adviser Adrian Cunningham said: "The market has scented blood. They've actually succeeded in breaching the intervention limit. It's got to be just a matter of time before there's a change of policy."

At midday the French franc was huddled at its absolute ERM floor of 3,4305 to the mark. Dealers said it had traded as far down as 3,44. The Danish crown was also pinned at its ERM limit of 3,9016 and the Belgian franc, the peseta and the escudo all approached their floors.

### Pulling out

In a show of strength from the EC, the central banks of Germany, France, Belgium, Denmark, the Netherlands, Spain and Portugal all intervened, spending about DM30 billion to support weak currencies. Belgium and Denmark took the extra step of jacking up short-term money rates.

It was a different story outside the ERM, where the mark lost ground almost everywhere as investors voted with their feet, pulling funds out of Europe.

The dollar shot to a 23-month high of DM1,7470, against DM1,7345 late on Thursday, and the yen hit a post-war peak of 59,95 to the Deutschmark against 61,35 on Thursday.

The Bundesbank tried to defuse the tension sparked by its decision on Thursday not to cut the German discount rate, announcing that it would allow money rates to fall below their official floor. (SBA)

Citibank economist Brian Martin said: "They are allowing money market rates to fall to help reduce the attractions of the mark, but we really do need to see a one-point cut in the discount rate."

Even Soros came out against the ERM, saying he felt free to resume trading francs and that it was futile to protect the system.

For months Soros has said the franc did not deserve to be devalued. But devalued it would be, analysts said, or France would face dissolution of the entire ERM and an end to its dream of European economic and monetary union.

"The ERM has passed the point of no return," said David Brown, chief economist at Japan's Tokai Bank.

"We're at a critical moment in EC history and may be about to witness the end of the ERM and the hopes and dreams for Maastricht and European monetary union."

He thought a devaluation of the French franc might no longer be enough to heal the system's wounds.

"The only way to get back to stability in the European exchanges is for the ERM currencies to float and find their own values based on economic fundamentals."

The Belgian franc slid to 21,00 to the mark, while the peseta tumbled to 83,00.



21 Dec 1993

## EC currency crisis may delay monetary union

BONN — Currency turmoil could delay European monetary union for as long as two years, Chancellor Helmut Kohl said in an interview yesterday, dismissing claims that Germany had killed the system.

Kohl said a new timetable for monetary union, which had been planned for 1999, might be on the table at a summit of European leaders in October.

European leaders decided on August 2 to let their currencies float amid massive pressure by currency speculators on the franc.

"If the timetable shifts one or two years, does that really change our plans? The decisive point is that what is happening this decade is something no one believed possible in the previous 90 years."

Ultimately monetary union would depend on the ability of the 12 EC countries to harmonise their economic policies, with similar levels of inflation, unemployment and public

debt, Kohl said. (56A)

One cause of the recent turmoil was the different economic goals being pursued by Germany and France. Germany, with 4.2% inflation, wants to keep interest rates relatively high, while lower rates are a priority for France, which has 2% inflation but an unemployment rate of nearly 12%.

In an article in the weekly Die Zeit, former Chancellor Helmut Schmidt charged that Kohl had endangered European union by taking France's problems too lightly.

Kohl had put Germany so deep in debt financing the integration of the backward east that France was forced to abandon the monetary system, Schmidt said.

Kohl agreed that Germany was "living beyond its means" and said he would call on unions, employers and politicians in September to discuss ways to cut budgets and lower labour costs. — Sapa-AP.

The court, however, was convinced he had been an SS guard. The judges said documents proved he had been trained at the

**NAZI MURDERERS . . .** this undated file photograph shows Ivan Marchenko, right, believed to be the real 'Ivan the Terrible' of Treblinka

# Falling franc leaves ERM future uncertain

SI Times 11/8/93  
(56A)

By ANNE SEGALL and GEORGE JONES in London

**THERE** are growing doubts whether the European Exchange Rate Mechanism (ERM) can survive beyond the weekend after central bankers struggled to prop up the system with massive intervention.

The ERM was brought to the verge of collapse on Friday as the French franc and other European currencies faced a fresh wave of speculative pressure.

There is now intense speculation that the French and German governments will be forced to call emergency talks to agree either a devaluation of weaker currencies or a package to beat off speculators.

In London, the pound gained more than one pfenig as investors shunned ERM member currencies, but it was the dollar, the yen and gold which benefited most from the chaos on European exchanges.

Gold closed at \$406,15/65 an ounce on Friday, a fresh high since the Gulf War in January 1991, and sharply higher than the afternoon fix at \$401,75.

However, dealers said gold faced stiff resistance in the \$405/\$408 region and further gains would be hard fought for.

The franc fell below its ERM "floor" on several occasions on Friday as European central banks struggled to contain the speculative furore unleashed after Germany's decision earlier this week not to cut its main official interest rate.

The French government refused to use the interest rate weapon to defend the franc, reluctant to inflict further pain on the recession-hit French economy.

## Defend

Instead, the Bundesbank and the Banque de France used direct intervention to deter speculators.

The cost of the operation to defend the franc will fall entirely on the French taxpayer since, under ERM rules, any money spent by the German authorities has to be repaid within six months.

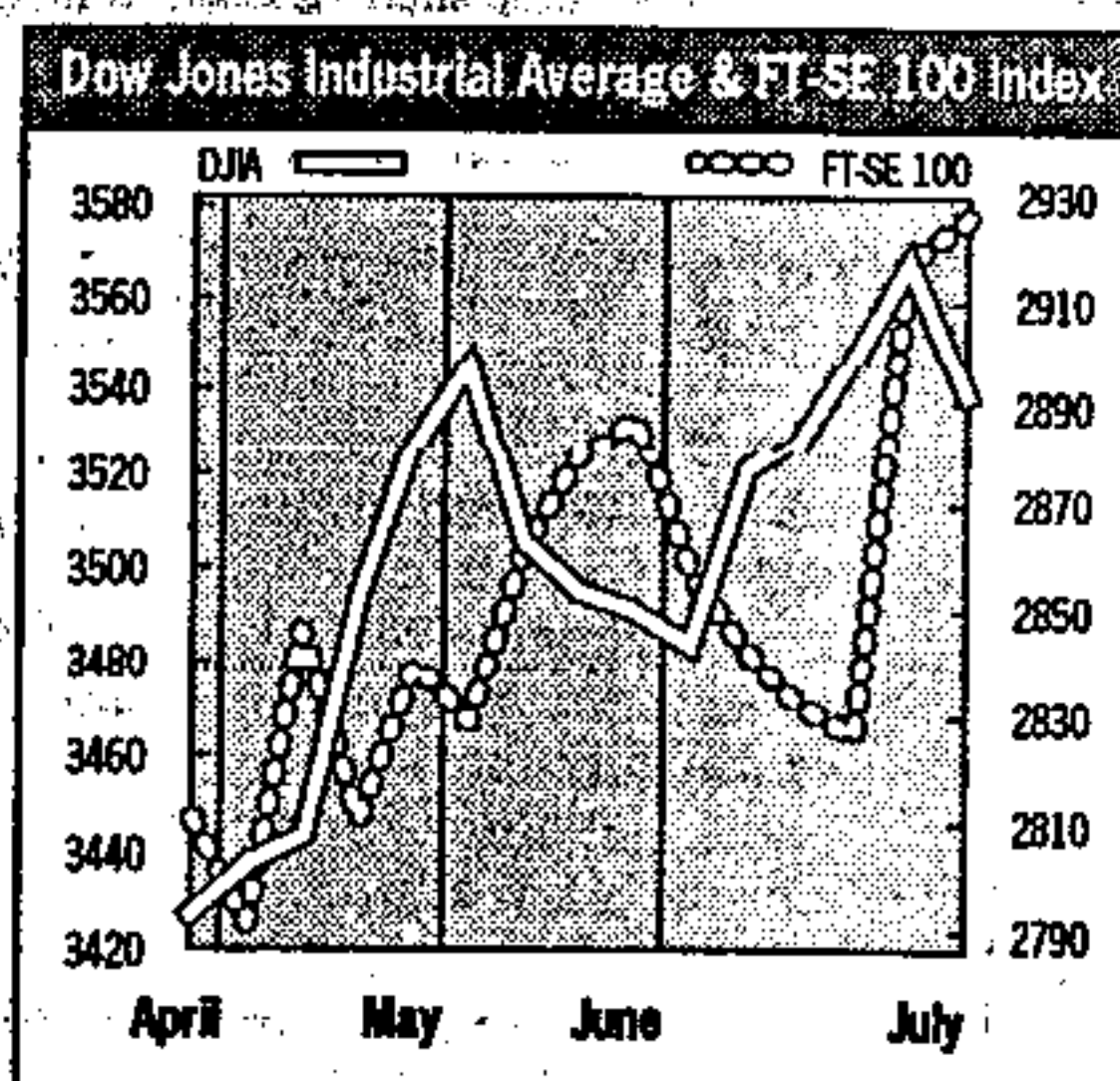
The Bundesbank abruptly ended its support operation for the franc after the close of trading in Europe, when the obligation to intervene ceases under ERM rules. —  
© The Telegraph, London.

**FRIDAY'S  
DJ IA CLOSE:  
3539,47**

**FRIDAY'S  
FT-SE 100  
CLOSE:  
2926,5**

**FRIDAY'S  
NEW YORK  
GOLD CLOSE:  
\$407**

**YESTERDAY'S  
HONG KONG  
GOLD CLOSE:  
\$406,55**



Graphic: FRONA KRISCH Source: HET

# EC to let currencies fluctuate in 15% band

Star 2/8/93

BRUSSELS — Faced with renewed assaults on their currencies, European Community finance ministers early today stuck with their battered monetary system.

But they eased the rules to make it easier to survive speculators' attacks.

Dutch Finance Minister Wim Kok said the officials agreed to widen by a sharp 15 percent the bands within which their currencies can fluctuate in the European Monetary System, except for the strong German mark and the Dutch guilder.

The ministers, after more than 20 hours of negotiations throughout the weekend, chose a modest option in trying to defend their monetary grid from renewed attacks by speculators.

None of the currencies was officially devalued, as had been widely expected

on the foreign exchange markets.

The officials had been under pressure to devise a formula to halt the currency turmoil by this morning when the money markets reopened and the EC's weak currencies could again come under attack from speculators.

The current band, except for the Spanish peseta and the Portuguese escudo, is a narrow 2.25 percent. (SbA)

## Temporary

The Spanish and Portuguese currencies have a wider 6 percent margin of fluctuation.

The 15 percent band is meant to be temporary, but no time limit was set.

The move was welcomed by French Finance Minister Edmond Alphandery, whose country's currency had come under particular threat of deval-

uation.

"It is a good response to the crisis, and the best solution," he said.

In a separate statement, Germany and the Netherlands announced that their currencies, two of the strongest in the EMS, would retain their close parity despite the decision.

Yesterday's meeting had been called amid growing signals that the European Exchange Rate Mechanism (ERM) was on the brink of collapse after a wave of massive and repeated speculative attacks.

A decision by the German Bundesbank on Thursday not to lower interest rates sparked the surge, bringing five currencies to the floor of their permitted ranges, and threatening to drive the French franc out of the system altogether. — Sapa-Reuter-AP.



# Chance of lower rates improves

Star 3/18/93

By Claire Gebhardt

Governor of the Reserve Bank Dr Chris Stals says if European interest rates fall in the wake of the currency turmoil South African interest rates could follow suit.

In an interview yesterday he said capital outflows remained a problem, but lower rates overseas provided less incentive for money to flow out of South Africa.

The European Exchange Rate Mechanism (ERM) crisis was making it difficult to keep the rand exchange rate relatively stable against other currencies.

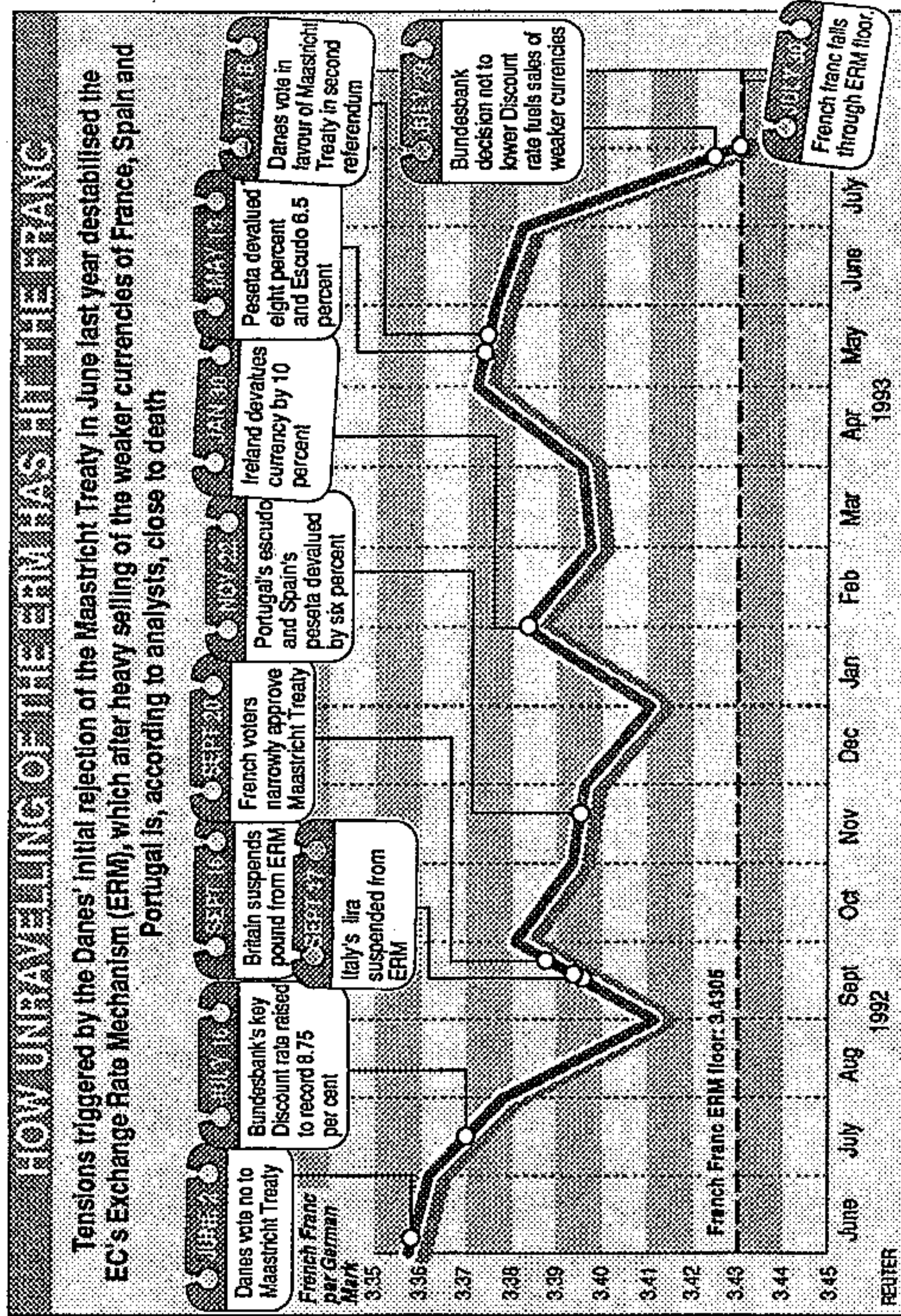
## Positive

"We would prefer less currency uncertainty, but the ERM shake-up has caused investors to turn to gold, and that is very positive for us."

Economists yesterday predicted that gold would continue to advance following the crisis decision by European Community finance ministers to allow a de facto flotation of currencies within the ERM.

Yesterday gold was catapulted to \$409.25 in Hong Kong, its highest level since August 1990, before declining marginally on profit-taking.

Platinum hit \$418.50 — a 30-month high.



With the French franc, Spanish peseta, Danish krone and Belgian franc expected to continue to depreciate against other currencies, analysts expect money to flow out of European currencies and into the safe haven of gold.

Analysts said yesterday the

decision to widen the fluctuation bands for currencies in the ERM to 15 percent from between 2.25 and six percent was likely to heighten fears that investment in Europe was risky.

"Many Japanese investors who put money into high-yield European bonds because the

ERM system acted as a safeguard are said to be looking now for a chance to liquidate their European assets," said one.

Also positive for gold is the fact that the virtual collapse of the ERM marks the end of the deflationary era in Europe.

Economists said the essential characteristics of the ERM had been destroyed by allowing currencies to fluctuate in a much wider band, with the exception of the German mark and the Dutch guilder.

The EC agreement was also expected to lead to the dollar strengthening as other currencies weakened.

Analysts said the net effect on the rand's exchange rate was difficult to predict because the rand was likely to fall against the mark and the guilder, but to rise against the pound and lira.

## Speculation

The crisis decision in Brussels on Friday came after massive speculation against the French franc in the wake of the German Bundesbank's refusal a day earlier to cut its key interest rates.

German obduracy stems from inflationary fears prompted by reunification in 1990.

Recently, German consumer inflation rose to 4.3 percent, twice its 1993 target, and broad money supply growth rose to 7.1 percent — way outside the Bundesbank's target range of 4.5 to 6.5 percent.

The Bundesbank's policy of high interest rates has prevented other EC members from lowering their rates to stimulate their economies and reduce unemployment.



# Black day for EC as single currency dream is crushed

B/Day 3/8/92

(56A)

BERLIN — The French franc fell to a historic low against the Deutschmark yesterday despite attempts to rescue the battered European currency system.

Politicians used "stability" and "flexibility" to describe their changes to the system. In effect currencies were allowed to float after the meeting of EC finance ministers and central bankers, Sapa-AP reports.

Dutch Finance Minister Wim Kok called it "a black day" as the dream of single currency lay in tatters.

The French and German EC exchange rate mechanism (ERM) founders said yesterday the ERM had in effect been suspended, threatening plans for monetary union.

In a joint statement, former French president Valéry Giscard d'Estaing and former German chancellor Helmut Schmidt said finance ministers' expansion of the monetary grid on Sunday "constitutes a suspension of the European monetary system (EMS). We ask that this suspension be temporary, and that we return as quickly as possible to the normal functioning of the EMS," they said.

While most currencies fell in relation to the Deutschmark yesterday, trading was not as frenzied as it had been last week. Economists said traders seemed to be waiting for government reactions. If France and other states cut their interest rates, their

currencies could fall even further.

It was clear France and Germany had wanted different solutions to the crisis, and it might be hard to rebuild the Franco-German trust that was at the core of European unification.

Last year the British and Italian currencies had to leave the system, and last week the German central bank said it had spent DM60bn intervening to support the French franc and other weakening currencies.

The new deal will let most European currencies float 15% up or down from their central balance. Previously the permitted range was 2.25% for the French franc. Speculators battered it to the floor on Friday, prompting the emergency meeting of finance ministers in Brussels.

The currency fell to Ff3,5350 to the Deutschmark yesterday, the lowest in 14 years and well below its previous floor of Ff3,43. In later trading the franc improved to Ff3,5150. The Danish krone and the Belgian franc also fell against the Deutschmark.

In Paris French Premier Edouard Balladur said the franc was maintaining its value. He said he was committed to monetary stability, and that repeated currency crises were not compatible with "the defence of jobs in Europe".

France had wanted Germany to withdraw temporarily from the ERM so that the Germans could deal with

their economic problems.

Germany's 1990 unification turned into an economic shock for Europe comparable to earlier oil crises. The Bonn government had to go into massive deficit spending to finance integration of eastern Germany, and the Bundesbank kept interest rates higher than anyone wanted, leading to deep strains in economic co-ordination when EC countries should have been working together towards the Maastricht Treaty goals of economic and monetary union.

Meanwhile, gold analysts said the upheaval had settled any fears that European central banks would follow the example of Holland — which sold 400 tons — and begin reducing bullion reserves as the EC moved towards union during the next six years, JOHN CAVILL reports from London.

"The ERM may return once Germany has ground down its inflation rate and got its reunification deficit under control, but that could be two years or more away and the lessons of these last two crises will make everyone more cautious," said one analyst. "Selling gold for dollars does not make sense in view of the uncertainties, especially as bullion looks as if it is making a comeback as a hedge against currency fluctuations."

"In the meantime, the outlook is for lower interest rates for most of Europe, and that reduces the cost of holding gold," he said.

# European exchange system in turmoil

LONDON. — The European Community's finance ministers' dramatic decision yesterday to end the crisis in the Exchange Rate Mechanism (ERM) by allowing all currencies apart from those of Germany and Holland to float in a 15% band threatens EC monetary union.

The decision produced a retreat in the gold price from a high of \$409.50 in Hong Kong to \$405 in New York last night as the expected panic failed to materialise in currency markets — although the French franc remained under pressure yesterday.

Meanwhile gold analysts said the upheaval in the ERM had settled

any fears that European central banks would follow the example of Holland, which recently sold 400 tons of gold, and begin reducing bullion reserves as the EC moved towards monetary union over the next six years.

"The ERM may return once Germany has ground down its inflation rate and got its reunification deficit under control but that could be two years or more away and the lessons of these last two crises will make every one more cautious," said one analyst.

"Selling gold for dollars just does not make sense in view of the uncertainties, especially as bul-

## ERM COLLAPSE TO SPUR DEMAND FOR SA EXPORTS

See PAGE 12

lion looks as if it is making a comeback as a hedge against all currency fluctuations.

"In the meantime the outlook is for lower interest rates for most of Europe and that reduces the cost of holding gold," he said.

The French and German founders of the European monetary system warned yesterday that

the restructuring signalled the suspension of the ERM and threatened European monetary union.

The joint statement issued by former French president Mr Valéry Giscard d'Estaing and former German chancellor Mr Helmut Schmidt came as leading European finance officials, including International Monetary Fund chief Mr

Michel Camdessus expressed concern about prospects for the implementation of monetary union.

European finance ministers decided yesterday to allow most EC currencies to float 15% either side of a core value to the German mark, shattering the extremely narrow 2.5% fluctuation bands that had previously existed for most currencies.

Britain's Prime Minister Mr John Major said the changes gave the opportunity for lower interest rates in Europe but "clearly" exposed the "fault lines" within the system, last shown when sterling

was forced to leave the ERM last year.

German Economy Minister Mr Gunther Rexrodt said the Brussels decision meant "a pause" on the road to European union, adding that the goal of monetary union had not been challenged.

Speculators, who are estimated to have made \$1.5bn out of the recent currency runs on the franc, Spanish peseta, Danish kroner and Belgian franc, switched attention yesterday to British sterling and the dollar, indicating that the turmoil is not over. — Own Correspondent, Sapa-AFP

CT 318193

(56A)



# ERM crisis to spur demand for SA exports

5/3/8/92  
(S6A)

By AUDREY D'ANGELO  
Business Editor

THE EFFECTIVE collapse of the European Community's Exchange Rate Mechanism (ERM) — freeing member countries to stimulate their economies by lowering interest rates — is an encouraging development for SA, economists said yesterday.

They pointed out that it would speed up economic recovery in Europe, increasing demand for SA exports and helping to end the recession here.

Personal Trust director Glenn Moore said that, with the possible exception of Germany, most Western countries were now more concerned about bringing down unemployment than keeping tight control over inflation.

"Inflation is a battle that has already been won. Today's battle is the need to create more jobs," Moore explained.

"The philosophy today is very different from that at the end of the Bush-Thatcher era. Most countries are now going for growth.

"This will not be achieved quickly. An economy is a huge thing to turn around. But the US money supply is growing rapidly, Japanese fiscal policy is expansive and there are signs of an improvement in the UK economy.

"The only stick-in-the mud is Germany where the whole psyche is anti-inflation. The trend overseas is now to reflate, and we are already seeing some of the implications for SA in the higher gold price.

"Although one reason for the rise in the gold price is its role as a safe haven at times of uncertainty about currencies, some people may already be looking ahead to the time when inflation will rise again.

"This is the way the world is swinging and it should be good for the SA economy, with increased demand for commodities.

"I think we have seen the worst of the recession and are now on the path to recovery. I think we shall see an improvement in the SA economy by Christmas."

Board of Executors portfolio manager Ryk de Klerk said: "European growth can be under way a lot sooner than most

people expected now the way is free for France and other countries to lower their interest rates.

"With commodity exports in mind prospects look very good for our economy."

Old Mutual chief economist Dave Mohr said he was glad it had been decided to widen the bands within which member countries of the ERM could fluctuate against each other, rather than have "a repeat performance of last September when countries had to jack up their interest rates even though this meant dampening down signs of recovery."

Mohr pointed out that widening the bands meant that the ERM was unlikely to survive in its present form, since its whole purpose was to narrow the bands in preparation for a single European currency.

● The French franc fell to a historic low against the Deutschmark yesterday despite weekend actions taken to rescue the battered European currency system.

The currency fell to 3,535 to the mark in morning trading, the lowest in the 14 years of the system and well below its previous floor of 343. In later trading the franc improved to 3,515 to the mark.



# aty



it the Paris Stock Exchange and the dollar following the ERM. Picture: AP

no particular reason to cut British interest rates now. Britain is the 11th of the 12 EC countries to ratify the treaty, hammered out at an EC summit in the Dutch town of Maastricht in December, 1991. Germany's constitutional court is still hearing an appeal. — Sapa-Reuter.

## The EC 'messed

### it up'

**Star 3/13/92**  
BRUSSELS — The European Monetary System (EMS) was dead in all but name, politicians across Europe said yesterday. And it remains far from clear what, if anything, will replace it.

It was not just the exchange rate mechanism (ERM) that was in dispute in the wrenching discussions in Brussels on Sunday night. There were indications that the crisis in the EMS might have triggered a far-reaching reconsideration of what the European Community (EC) is trying to do, and how.

**(SBA)**  
Wim Kok, the Dutch Finance Minister, started to say what a number of officials and politicians had been thinking — the EC had messed it up.

He said politicians had not foreseen the effect of financial instability, exacerbated by political uncertainty, which had combined so damagingly with economic recession. The Maastricht treaty had failed to take this into account. The likelihood of reaching a single currency in 1997 as foreseen by the treaty was slim, he said.

The dismantling of the exchange rate mechanism brought sharp protests from elsewhere. Angry exchanges between France and Germany dominated Saturday's meeting of officials, and the sparring continued yesterday. Other states also attacked the deal.

"Denmark is not a supporter of the new system," Erik Hoffmeyer, governor of the Danish central bank, said yesterday. Spain had argued for suspending the whole system. Britain took a back seat, refusing even to brief reporters during the meeting. — The Independent News Service.

## Nato set to hit Serbs from air

BRUSSELS — Nato warned today that air strikes against Serbs in Bosnia would be mounted as early as next week if the siege on Sarajevo was not lifted.

The decision, taken after an 11-hour meeting of the 16-nation body, marks the first time in the alliance's 44-year history that it has announced military strikes against an outside force.

Nato Secretary-General Manfred Woerner said after an urgent meeting of the North Atlantic Council, Nato's governing body, that the air strikes would be performed under United Nations authority.

"The alliance has now decided to make immediate preparations for undertaking, in the event that the strangulation of Sarajevo and other areas continues, including widespread interference with humanitarian assistance, stronger measures including air strikes against those responsible — Bosnian Serbs and others — in Bosnia-Herzegovina," he said in a statement.

Sixty attack aircraft from south St Louis home, tucked behind a battered levee, appeared spared. "What is relief? It's been horrible." But despite continued levee breaks and lingering fears, it appears the Flood of '93 could be reaching its conclusion after claiming 45 lives and causing at least \$33 billion in damage.

The weather pattern that brought relentless rains has shifted to the usual, drier summer pattern. And in the states downstream from Missouri and Illinois, the Mississippi flows wider, without the constricting levees. — Sapa-AP.

## St Louis blues avoided as great rivers roll on

ST LOUIS — The Mississippi river has apparently struck its worst blow to St Louis and rolled on.

The largest metropolitan area threatened in six weeks of Midwestern flooding escaped the predicted collision of record crests of the Mississippi and Missouri rivers yesterday.

But the two rivers remain unnaturally high, levees are saturated, area farms and towns are submerged — and people continue sandbagging precautions. "We've lived with this so long," said a tearful Margaret Lindemann, whose

### Newsmakers

#### Yeltsin official slain



MOSCOW — Viktor Polyanichko, President Boris Yeltsin's hand-picked administrator for the state of emergency in south-western Russia, was assassinated in an ambush on Sunday. He was driving with Major-General Anatoly Koretsky, who was also killed.

#### Priest stole from charities

MELBOURNE — A Roman Catholic priest pleaded guilty yesterday to stealing about \$4.25 million from charities to pay for a lavish lifestyle. Father Vincent Kiss (61) appeared on seven charges of theft between 1984 and 1990.

#### Pope to demand obedience

ROME — The Pope's upcoming encyclical on morality, six years in the making, will demand unquestioned obedience on moral teaching from bishops, theologians and rank-and-file Roman Catholics. It does not deal specifically with issues like birth control and abortion.

#### Rafting across Pacific

TOKYO — British explorer Tim Severin (52) left Japan on a bamboo raft yesterday for a non-stop Pacific crossing intended to prove that Chinese mariners could have reached North America more than 1,700 years before Columbus.

#### Diana snaps back

LONDON — Princess Diana yelled at a photographer who snapped her and her sons leaving a Leicester Square cinema yesterday after watching Jurassic Park, the freelancer said. Diana left the princes, sprinted 10 metres to photographer Keith Butler and shouted: "You make my life hell," Butler said.



# In defence of the universally unloved ERM

Biday 4/8/93

**SIMON WILLSON**

air the other side of the argument — for there is one, even though it will be drowned out in the next few weeks' celebration.

For one of the dominant sounds among the anti-ERM wassailers at their groaning trestle tables will be the scoffing and gobbling of people who can suddenly **both** have their cake and eat it.

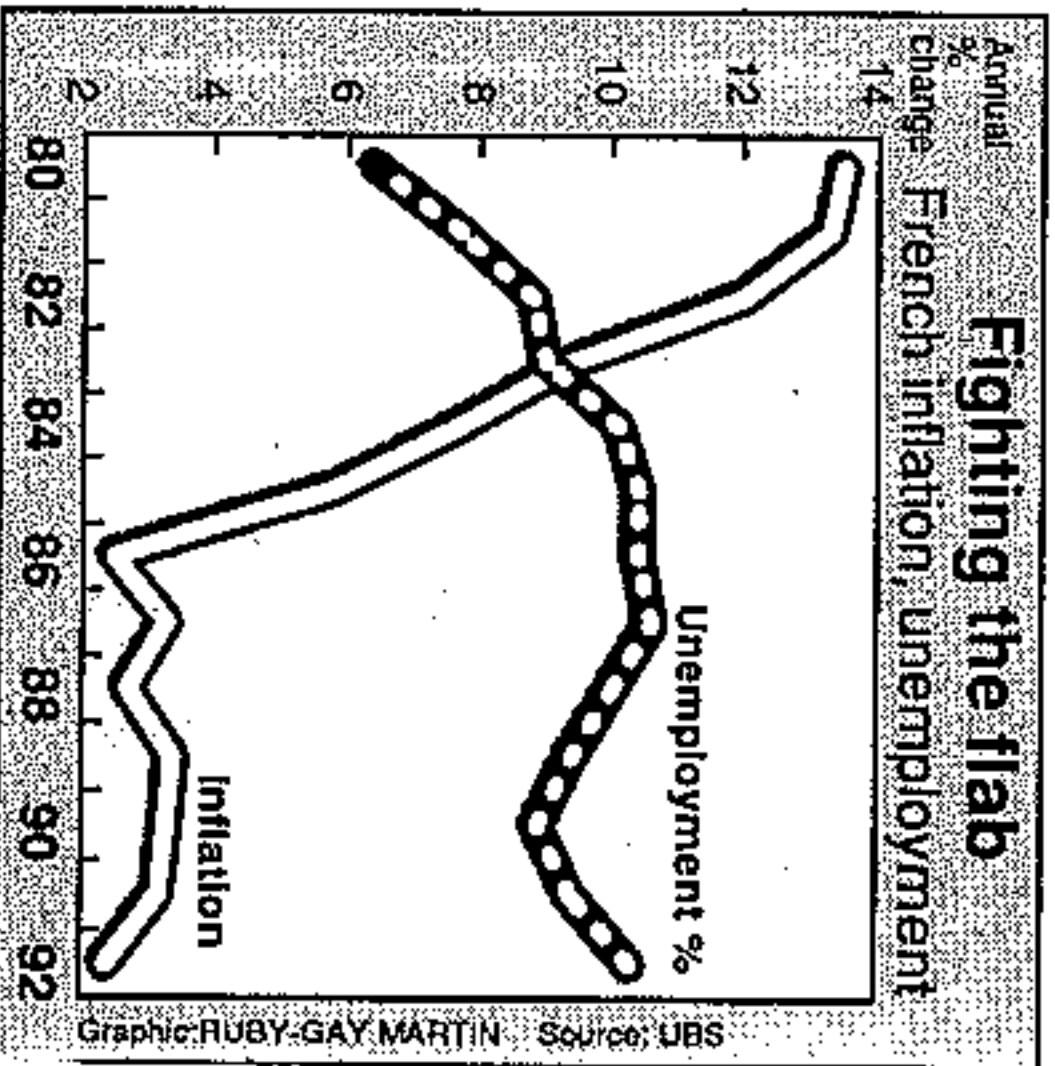
The ERM is an important part of the gradual move towards European economic and political union. But associated with the ERM-based attempt to reduce volatility between

AN UNPOPULAR economic policy is not necessarily a wrong one. But anyone trying to make that point about the European exchange rate mechanism (ERM) after its effective dissolution this week is probably fighting a lost cause.

An attempt to defend the toxically unpopular ERM system at one of the many street parties being held all over Europe to celebrate its demise would invite dire retribution. The people hated it and governments were embarrassed in defending it, so it had to be neutralised.

By slackening the ERM trading ranges from 2.25% and 6% to 15% for member currencies except the Deutschmark and the Dutch guilder, the EC monetary authorities have emasculated the mechanism. It can no longer perform its intended function of disinflating and rationalising European economies and thus harmonising policies across the continent. Now it is every EC member for himself.

And yet the decision to abandon the old, hard ERM is being dressed up by its perpetrators as some great act of compassion, some merciful attention to the plight of Europe's poor and unemployed. It may be time to



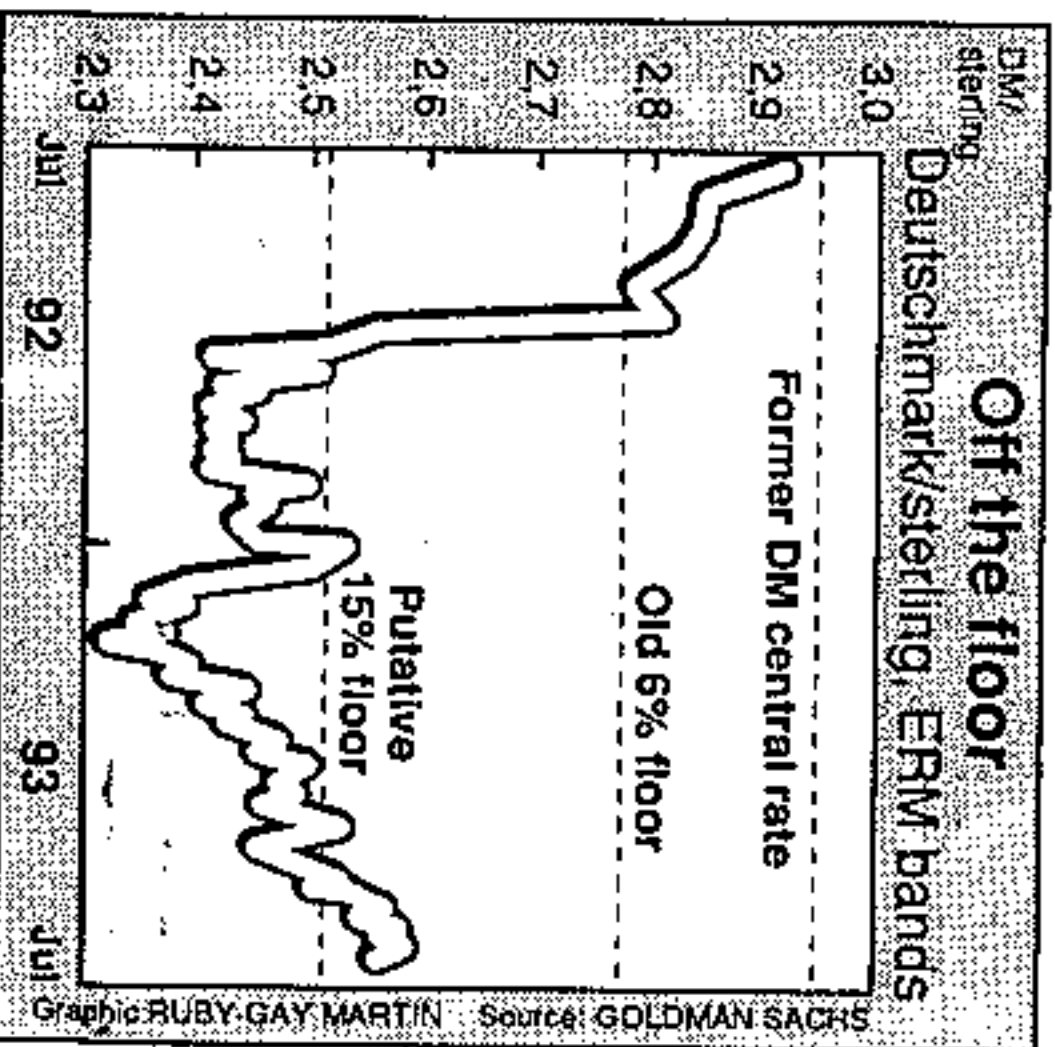
EC members' currencies are other economic provisions designed to promote European unity. The abolition of intra-EC exchange controls has freed capital movements between member states, while European single market provisions have done away with passports and customs posts and allow any EC national to live and work anywhere in the EC.

The European single market was the EC's biggest step yet towards becoming a United States of Europe — which neatly introduces a seldom-heard pro-ERM view. If unemployment is rising and output is falling in Nebraska or Idaho, no one seriously suggests these states set up cheap currencies and cut interest rates to prop up local activity. No, the citizens are free to use the absence of exchange control and of red tape between US states to travel and find jobs and a better living. In doing so, they will optimise the distribution of US economic resources.

So it is in the EC. Its citizens can move anywhere in the single market if their domestic conditions are un-

suitable. But why should they bother, when their governments can instead play beggar-my-neighbour by cutting interest rates and setting up cheap currencies? Thus individual EC members' economic imbalances can simply be wished away.

What the ERM has done for France is on display in the first chart. Soon after the ERM was established in 1979, the French economy became the last in the EC to experiment with socialism. After a disastrous few years in the early '80s which saw inflation soar, the disci-



pline of having to support a currency in the ERM came to the rescue and helped push the government into abandoning its socialist programme. That process was still going on up to the franc's effective flotation on Monday, as the present government moved ahead with its huge privatisation programme. Unemployment was at a record 11.6% in June, but that says more about the flabby French economy than it does about the stern requirements of the ERM. As the chart shows, French unemployment is perfectly capable of falling with the franc in the ERM — provided the necessary domestic policies are carried out.

But why endure the pain of rationalisation so that people can find jobs with the franc at 3.35 to the Deutschmark when, with a wave of the hand, you can simply move it to 3.50?

The second chart is an ironic portrayal of where sterling would be in the new ERM if its membership was no longer suspended. As the UK economy recovers, the chart suggests the pound could easily stay above a floor 15% below its old central rate of DM2.95. Why have there been no sackings and resignations of other EC finance ministers?

LETTERS



B/Day 4/18/93

# EC rethinks the ERM

PARIS — While Europe's exchange rate mechanism has been laid to rest by some, others, including officials and academics, are wondering how it can be revived or replaced. (SbA)

Although many Europeans would now agree that the recent crisis has exposed what British prime minister John Major called "fault lines" in the ERM, there is little appetite for a return to floating currencies.

"It is quite obvious that European development, growth and employment cannot cope with repeated (currency) crises," French prime minister Edouard Balladur said on Monday. He blamed the turmoil in the ERM on economic divergences among countries riveted together by fixed exchange rates.

"We must avoid in future a repeat of such a dichotomy between general economic prospects and the outlook for monetary policy. That is the key to the stability of the system and we remain very keen on re-establishing it," he said.

France had asked its EC partners to take stock in a few months and see what lessons could be drawn from the experience with the wider 30% ERM fluctuation bands imposed on Mon-

day to halt havoc on the currency markets.

The French franc fell more than 2% against the Deutschmark after the fluctuation bands were widened.

The men who founded the European monetary system in 1978, French ex-president Valery Giscard d'Estaing and former Bonn chancellor Helmut Schmidt, said the system had effectively been suspended, a move which ran against 25 years of Franco-German efforts towards European monetary union.

For Michel Coste, director of the Ecu Institute in Lyon, the lesson of the debacle is that the ERM must be based on joint management not only of currencies but of interest rates. He recommended specific budgetary mechanisms and an intervention fund to soften the blow of economic downturns, complemented by better use of monetary policy.

Economists said an obvious initial challenge would be to narrow the ERM fluctuation bands gradually until the old ranges of 2.25% and 6% were re-established. Simply reverting to the status quo would not be credible, even if the Bundesbank's monetary policy was more palatable to Germany's neighbours.

For Jean Pisani-Ferry, head of the CEPII think tank in Paris, the crucial question was how to share the role of anchoring the ERM so that the power and responsibility was no longer concentrated solely in Germany's hands.

French Economy Minister Edmond Alphandery made a grab for a share of Germany's monetary power in June by inferring the franc was as strong as the mark. He was promptly rebuffed by German leaders and the markets, thereby precipitating — in the eyes of some economists — the crisis that felled the ERM.

"The question of anchor is one we haven't found an answer for. But there'll have to be an answer before there can be any tightening of monetary links in Europe," Pisani-Ferry said.

The EC's monetary committee has already pointed to one reform that should help to stave off a repeat of the past year's nightmare on ERM street — a set of confidential indicators to flash a warning light whenever a currency rate gets out of line.

Tim Congdon of Lombard Street Research in London said the European Monetary Institute, due to start work on January 1, would be well suited to this task. — Sapa-Reuter.

● See Page 8

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# Europe surrenders the battle for ERM

The decision to allow most European currencies to float in 15 percent ranges was a blow to plans for monetary union, write **John Carvel** in Brussels, **Larry Elliott**, **Ruth Kelly** and **Mark Milner**

EUROPEAN Community central bankers and finance ministers gave up the desperate fight to save the Exchange Rate Mechanism from international speculators at the weekend when they agreed that all currencies apart from the German mark and the Dutch guilder should be left to float in new 15 percent bands.

The surrender — a crushing blow to plans for European monetary union — came after two days of crisis talks in Brussels failed to come up with a package to save the 14-year system in its present form.

Deep splits emerged in the often bitter negotiations, with Germany rounding on interference from EC president Jacques Delors and stoutly resisting attempts by France and other ERM members to bounce it into a cut in interest rates.

But ministers attempted to put a brave face on the climbdown, saying the new ERM bands were of limited duration in response to exceptional speculative movements.

Belgium was unhappy at the German and Dutch go-it-alone plan, but denied it was an embryo for the hard-

core of a two-speed process towards monetary union. French finance minister Edmond Alphandery said his country's monetary policy remained unchanged.

The size of the new bands means the ERM currencies are virtually free to float on the foreign exchanges, and should allow considerable scope to cut interest rates below those in Germany, thus easing recessionary pressures in Europe.

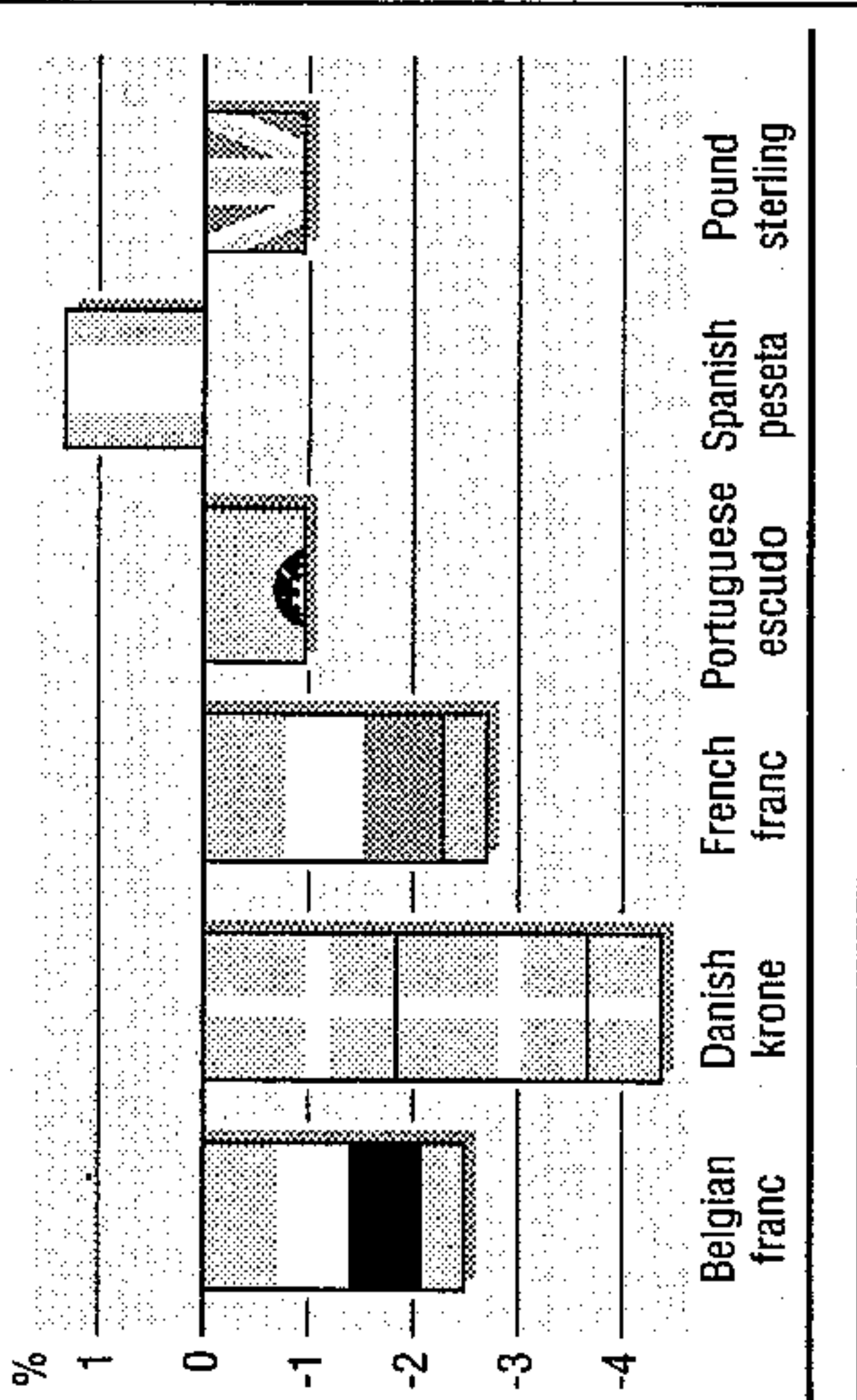
Ministers said that the decision would end speculative attacks that brought the ERM to its knees last week, but it sounds the death knell of the Maastricht plan to use the ERM to bring currencies closer and closer together.

Luxembourg's finance minister, Jean-Claude Juncker, said: "It will stop and break the speculation. If you change the system to 15 percent, speculation makes no sense. You have to take into consideration only the fundamentals."

The new loose arrangement — which compares with the old 2.25 percent range for all currencies except the Spanish peseta and the Portuguese escudo, which had 6 per-

## The fall and rise

How currencies have fared against the German mark since Friday.



cent limits.

The British Chancellor Kenneth Clarke ruled out early re-entry into the ERM for the pound, even though the new system would be flexible enough to accommodate sterling after its devaluation last year.

Philippe Maystadt, Belgian finance minister, and chair of the weekend talks, said: "The decision has been taken to increase temporarily the obligatory marginal intervention threshold."

"Anyone can intervene before the threshold but the obligatory thresh-

old is raised to 15 percent."

He said no set date had been fixed for reviewing these arrangements but there was a review procedure in the Maastricht treaty, which said reconsideration should be given to exchange rates before the beginning of Stage Two of monetary union on January 1.

Germany and Holland's bilateral move was bitterly opposed by the Belgians, who favoured solidifying links between the mark, the guilder and the Belgian franc as a precursor to monetary union.

The Iberian countries also bridled at the prospect of being left as part of a rump ERM based on the French franc and said they preferred to leave the system altogether.

France urged greater flexibility from Germany, calling for the mark to be allowed to fluctuate over a wider range against other currencies. The French were also seeking at least a nod from the German authorities that lower interest rates were on the way.

But Germany gave a lukewarm response to the French call for a deal that would save the face of the anti-devaluation Balladur administration, and rounded angrily on Jacques Delors' suggestion that the mark should leave the ERM for a cooling-off period of several weeks or months.

Tension at the talks was heightened by comments from France's former foreign minister, Roland Dumas, who said "Anglo-Saxons" were speculating against the French franc in a deliberate drive to stop European integration. He also said the new, conservative French government had contributed to the crisis by cutting interest rates too quickly and offending Germany.

He added: "You have to look at who profits from the crime. I think there is on the part of the Anglo-Saxons in particular a determination to see European construction stopped."

S&A WMB-12/8/92



# Exchange rate fiasco leaves EC in crisis

(56A)  
WMM 13-19/8/85

Chris White in Brussels  
and Larry Elliott

**B**ITTER divisions over the future of Europe emerged from an emergency meeting of the European Commission called last Friday to assess the damage to plans for monetary union caused by the effective scrapping of the exchange rate mechanism (ERM).

Only two countries — Belgium and Ireland — were in favour of stage two of the Maastricht blueprint for a single currency going ahead as planned on January 1 next year.

And although the commissioners put on a brave face in public, sources were privately warning that capitulation to the speculators a fortnight ago had pushed Europe to the brink of a two-tier currency sys-

tem.

In an atmosphere of recrimination and blood-letting, they said there was a real chance of Germany forming the heart of a small group of two or three countries on a fast-track to monetary union, with the rest left behind.

The official response to the currency crisis was given by Sir Leon Brittain, who said: "European Monetary Union is not going to go away; there is too much support for it. If it goes away there will be protectionism."

Henning Christopherson, the Danish commissioner responsible for budgetary affairs, warned of the dangers of a two-tier solution, and criticised Britain's cautious approach to monetary union. Mr Christopherson said it was too early to resurrect the Treasury's

proposals for a common currency based on a "hard ecu".

The atmosphere was further soured because neither of Germany's two commissioners, Martin Bangemann and Peter Schmidhuber, turned up for the meeting.

Belgium, which is running Europe's largest public sector debt, is desperately fighting to keep its own franc and that of Luxembourg shadowing the DMark.

Meanwhile it was revealed last week that France's vain defence of the franc against international speculators wiped out its foreign currency reserves and has left it deeply in debt to the Bundesbank.

*Le Monde* reported that the cost of the support operation totalled about 300 billion francs (£33 billion). If those figures are true, the French authorities are well over

150 billion francs in the red.

The gaping hole in the French government's finances — far worse than Britain's after Black Wednesday — was seen by analysts as part of the reason for the Balladur administration's initial reluctance to cut interest rates. It eventually responded on Monday by a cut of 0.25 per cent in money market rates, which caused the franc to fall a centime against the DMark to Fr 3.5085.

France borrowed money from the Bundesbank when the franc was at about 3.43 to the German mark, the bottom of its old ERM band, and is obliged to repay the debt at this rate.

If the franc depreciates substantially on the foreign exchanges this will make the debt a much heavier burden. — The Guardian



# Bid to secure trade treaty with Europe

Bl Day 17/8/93

56A

GRETA STEYN

SA is to revive efforts to secure a trade treaty with the EC during European Commission vice-president Leon Brittan's visit to the country this week. Similar negotiations last year failed to get off the ground.

Brittan, who plays a key role in formulating and implementing EC external trade policy, arrived yesterday at the invitation of Trade and Industry Minister Derek Keys. Keys said: "Any negotiations that may take place between SA and the EC in the field of trade will inevitably be led by Sir Leon in the EC group. He is, therefore, one of the most important political figures in Europe today."

It is understood that SA has sought an agreement which will promote two-way trade through equity investment. It is envisaged that European companies establish second-stage industrial plants in SA. An example would be the provision of more stainless steel and relatively less nickel and ferrochrome. Such plants could be European-owned or joint ventures with local partners. The envisaged agreement, which would take a phased approach, would allow European industry to shed manufacturing processes which are still protected.

A second aspect of a possible agreement would be joint European-SA participation in development projects in neighbouring countries with both parties involved in project management and procurement.

Keys said Brittan would meet President F W de Klerk, Foreign Minister Pik Botha, ANC president Nelson Mandela, Inkatha Freedom Party president Mangosuthu Buthelezi and private sector leaders.

Any SA-EC deal would require ANC support and it is understood that ANC input will be sought during Brittan's visit.

Keys said recently that SA was probably one of the very few countries which did not have a treaty of some kind with the European market. "We would like to have one . . . and be in some productive and creative association with the European market which is a natural partner. I am sure they had very good reasons last June for sending me away but there were other reasons as well — they were very busy with eastern Europe, which is obviously an area of much greater concern for them."

Keys was in Brussels in June last year to begin preliminary negotiations so that the groundwork would be done for a new government, but he described the visit as "unsuccessful".

The EC has always been one of SA's major trading partners, in spite of sanctions. As one of the largest global trading blocs, the EC accounts for about 50% of world trade and about 34% of SA's two-way trade. The combined operations of the EC and the European Free Trade Area makes Europe a larger consumer market than the US and Japan.

SA has a mission in Brussels but has been excluded from the EC's free trade and association agreements. SA is also excluded from the Lomé Convention which gives African nations preferential access to the European market.

It is understood that SA has emphasised the advantage that stronger links with SA would hold for European involvement in the southern African region.

# SA making new effort to get EC trade treaty

Own Correspondent

56A ~~56B~~

JOHANNESBURG. — South Africa is to revive efforts to secure a trade treaty with the EC during the visit to South Africa this week of the European Commission vice-president, Sir Leon Brittan. Similar negotiations last year failed to get off the ground.

CT 17/8/93

Sir Leon, who plays a key role in formulating and implementing EC external trade policy, arrived yesterday at the invitation of Trade and Industry Minister Mr Derek Keys.

## Leon Brittan arrives in SA

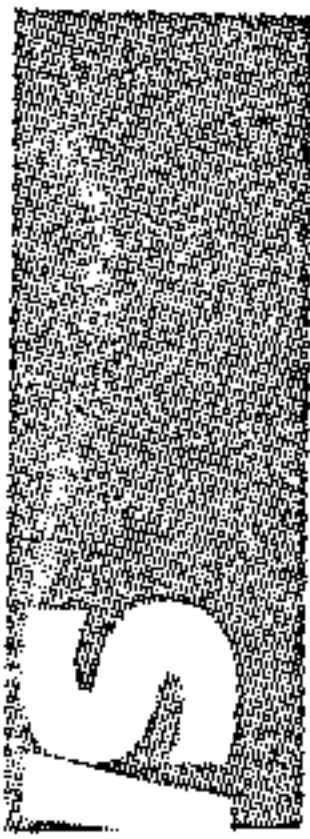
*Sowetan 17/8/93*  
SIR Leon Brittan, vice-president of the Commission of the European Community, has arrived in South Africa for talks with political and business leaders, the Minister of Finance said yesterday.

Sir Leon, who plays a cardinal role in formulating and implementing EC external trade policy, was invited to South Africa by Minister of Finance Derek Keys. He will meet President FW de Klerk, Minister of Foreign Affairs Mr Pik Botha, African National Congress president Mr Nelson Mandela, Inkatha Freedom Party leader Chief Mangosuthu Buthelezi and executives from the private sector.

— *Sowetan Reporters and Sapa.*

(S6A)





SADF 'must help level playing fields'

Star 17/8/93

# Peace force viable - Meiring

BY NORMAN CHANDLER  
DEFENCE CORRESPONDENT

A peace force to contain violence and be representative of all political groupings was viable, the Chief-designate of the SA Defence Force, General Georg Meiring, said in Pretoria yesterday.

In addition, the SADF would, in the run-up to April's election, continue to assist in "levelling the playing fields" so that there was a minimum of intimidation and a maximum of freedom of movement at the polls.

Meiring, who is due to take over from General Kat Liebenberg on November 1, said the SADF had made proposals regarding a peace force to the technical committee of the multiparty Negotiating Council in Kempton Park.

He told a media briefing

## THE defence force must not be directly involved in politics, but must minimise intimidation, says general.

As part of the security forces, the SADF had a duty to the country, which it served as an apolitical force.

"The SADF will not be directly involved in the election process ... I think we must be seen to have enforced stability but not be said to be guilty of intimidation during the elections. There is a very fine balance in terms of security actions between doing too much and too little action," Meiring said.

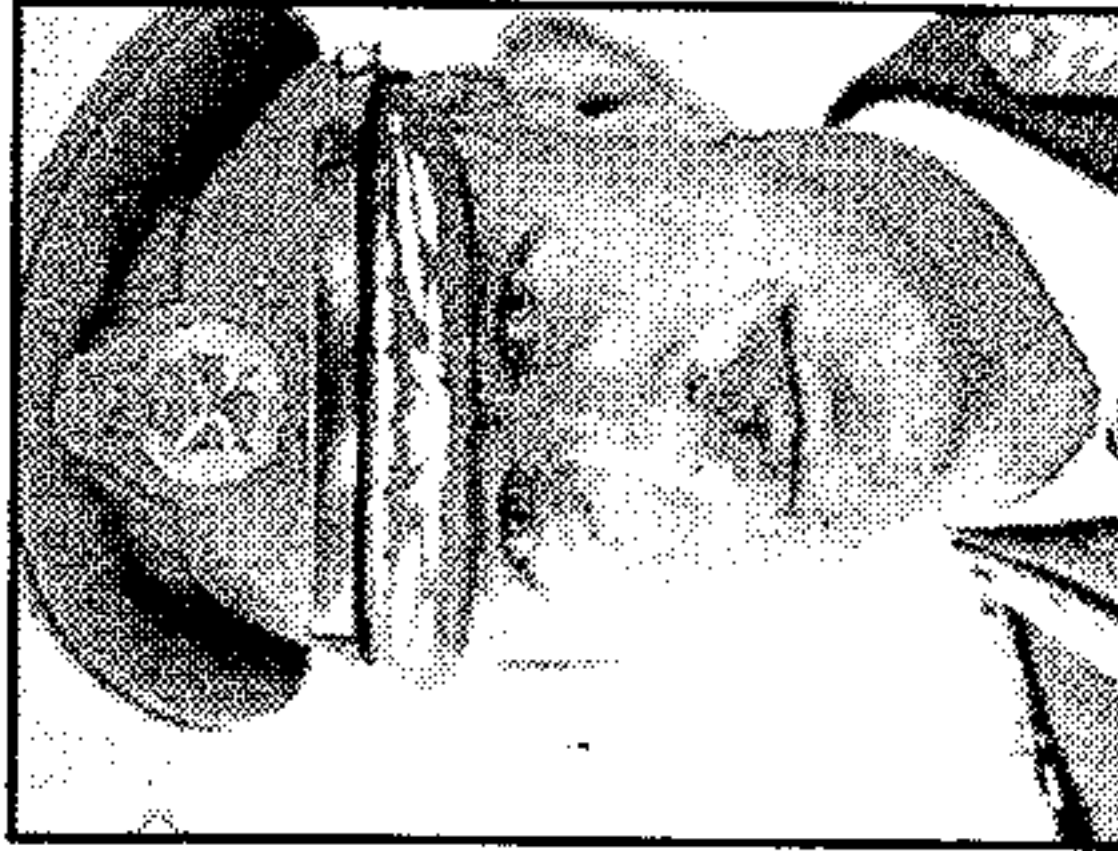
The SADF also did not want to continue operations in East Rand townships for longer than was necessary.

Under his management - which is to straddle the period between the existing government and the installation of a new administration - the SADF would build on three pillars: the maintenance of an apolitical character, continuing to rely on part-time forces,

that talks were continuing "and to say too much about it at this stage would be pure speculation". He added: "I think it (a peace force) can be done ... of course it is a political decision."

Meiring said he believed the major component of the force would have to come from the SAP and the SADF, with additional manpower from participants at the multiparty talks.

Stability in the country was the defence force's major concern, he added.



Georg Meiring ... does not foresee major changes.

and the retention of high standards.

Meiring said that if the SADF took sides in political developments, "then we may as well be a Bosnia or a Somalia".

## BRIEFLY

Star 17/8/93

### EC Commission official in SA

Sir Leon Brittan, vice-president of the Commission of the European Community, has arrived in South Africa for talks with political and business leaders. Brittan, who plays a cardinal role in formulating and implementing EC external trade policy, was invited to South Africa by Minister of Finance Derek Keys. — Sapa. (SbA)

### Council in charge

An agreement which appoints Midrand Town Council as administrator of neighbouring Ivory Park was signed during a short ceremony in the informal settlement yesterday. — Staff Reporter. (SbA)

### Choir cancels

The American Boy Choir has joined a host of foreign artists in cancelling performances in South Africa because of continuing crime and

# SA ties with EC under discussion

B/Day 20/8/93

EUROPEAN Commission vice-president Sir Leon Brittan was hearing views from "all parties" on what they desired from SA-EC economic co-operation, he said yesterday. (SBA)

Interviewed in Johannesburg, he said formal negotiations to arrive at an agreement would begin only once the transitional executive council (TEC) was in place. But if the TEC was established in as short a period as envisaged, his visit to SA would have been put to good use.

He had met the National Economic Forum (NEF) for discussions which had focused on trade. The forum had expressed the desire for an economic co-operation agreement with the EC. The exact nature of an agreement had not been discussed, but there had been "an exchange of views".

The forum had also asked for Brittan's assessment of economic revival in SA's main trading partners. Brittan told the forum that he expected Europe to move out of recession into modest growth that would be perceptible by the middle of next year.

The precise nature of an economic co-operation agreement, if there was one, would depend on whether SA wanted to be seen as a developing country. The EC regarded SA as "an

GRETA STEYN

economy in transition."

Asked if there would be strings attached to a trade agreement, he said: "Any trade agreement has to be mutually beneficial."

He said the EC would be happy to start formal talks on a form of co-operation as soon as possible. It was not a prerequisite for SA to have a regional trade accord in place before discussions on a EC-SA economic co-operation pact could begin.

Brittan said: "We are watching with intense interest and concerned support the negotiations taking place and as soon as a leap is taken forward will be ready to talk about economic co-operation." He also wanted to convey the EC's readiness to assist the democratisation process in a practical way. Europe would modify its aid programme, and, with the election in mind, would help with voter education and registration, observing elections and "hopefully" discouraging violence through its presence.

Europe's "enhanced and modified" aid programme would include more emphasis on small business development. Aside from the main political players, Brittan would also be meeting representatives from SA's major corporations.

## EC to boost new SA government

MICHAEL MORRIS (56A) (2000)  
Political Correspondent

A MAJOR European Community conference is to be held in South Africa next year to give the new democratic government a post-election political and economic boost. ARG 24/8/93

Plans for this high-profile gesture by one of South Africa's most important trading partners have been well received by the government and the ANC, according to diplomatic sources.

Finer details are being worked out.

Focusing on political and economic co-operation, aid and investment in Southern Africa, the conference is expected to give the new South Africa a critical injection of confidence and send a positive signal to potential international investors.

The conference will bring together representatives from all 12 EC countries, the governments of the frontline states, and key figures in the new South African government and development agencies.



## EC plans to hold conference in SA

JOHANNESBURG. — A major EC conference will be held here next year to give South Africa's first democratically-elected government a political and economic boost, diplomatic sources said.

Plans for this high-profile gesture by one of SA's most important trading blocs have been well received by the ANC, the sources said.

Focusing on political and economic cooperation, aid and investment in Southern Africa, the conference is expected to give SA a crucial injection of confidence and send a positive signal to potential investors.

It is expected to bring together representatives from all 12 EC countries, the governments of the Frontline Southern African states and key government figures. The conference would most likely be held in the middle of next year.

Arrangements are expected to be discussed this week between visiting German Minister of Economic Cooperation Carl-Dieter Spranger and senior government and ANC officials. Spranger is visiting SA as a guest of Finance Minister Derek Keys.

## Call for Economic Security Council (SIA)

LORIENT, France. — European Community chief Jacques Delors yesterday called for an umbrella international organisation — an Economic Security Council — to be set up to watch over the world economy. CT 30/8/93

Delors, president of the EC's executive Commission, told a seminar in this French Brittany port existing world organisations had failed to respond to the challenge of modern economic interdependence.

He also said the EC was a "house in danger" and needed new impetus to spur moves to greater European union.

International bodies dealt with their own sector without a global view of monetary, financial, trade, social and environmental problems, while the much vaunted summits of Group of Seven top industrial nations were just "a mountain that gave birth to a mouse".

"This is why I favour setting up an Economic Security Council that would regularly take stock of the world economy". — Sapa

# UK 'treason' trial over Maastricht

LONDON. — Britain's Foreign Secretary Mr Douglas Hurd and former Treasury minister Mr Francis Maude are to be reported to magistrates for treason next week in a bizarre last-ditch bid to derail the Maastricht Treaty. **CT 6/19/92**  
Northumberland businessman Mr Rodney Atkinson and Mr Norris McWhirter of the Freedom Association intend to report the two British signatories to the treaty on six counts of treason.

Magistrates at Hexham, where Mr Atkinson lives, have been notified to receive the legal challenge in court on Thursday. Mr Atkinson and Mr McWhirter hope to prompt a judicial review that would raise the constitutional questions again. **SLP**  
Mr Atkinson said Mr Hurd and Mr Maude could be accused of treason because the treaty would "destroy" key parts of the British constitution.

He feared Britain could be threatened with war by other European states if it tried to get out of a future federal union. The six counts include an accusation that Maastricht makes the Queen a citizen of a foreign power, contrary to the 1795 Treason Act, and that it would allow non-Britons to vote in elections, contrary to the 1700 Act of Settlement.  
• A challenge to the treaty on similar grounds is under way in Germany.



# Queen "deposed" by Maastricht

LONDON. — Prosecutors are to examine claims that British Foreign Secretary Mr Douglas Hurd committed treason by making the Queen a subject of Europe when he signed the Maastricht treaty.

Opponents of the treaty on European Community union told a court yesterday that the signing of the accord had violated ancient laws, including the 1795 Treason Act.

In all they cited seven breaches of laws going back as far as the Magna Carta in 1215.

The challenge to the treaty's legality by businessman Mr Rodney Atkinson and right-wing activist Mr Norris McWhirter is the latest in a series of so far fruitless attempts to scupper the treaty. It was signed by the Queen herself last month.

The challengers said that under Maastricht Queen Elizabeth would become a citizen of the European union, subject to its taxes and thereby effectively deposed as sovereign.

If Mr Hurd and former junior treasury minister Mr Francis Maude are found guilty, they could be hanged. — Sapa-Reuter

# EC moves to dismantle border posts

SLAWM 10-16/91/13

## John Carvel in Brussels

LEADING civil servants from the justice and foreign ministries of the nine EC governments in the Schengen club are putting what they hope will be the finishing touches to plans for dismantling border controls between their countries on December 1.

At the monthly meeting of Schengen's secretive "central group", officials from Germany, France, Spain, Italy, Belgium, Netherlands, Luxembourg, Portugal and Greece are this week expected to debate one of the final potential stumbling blocks.

Last week French interior minister Charles Pasqua circulated a letter to his counterparts stipulating a new requirement before the frontier posts can come down.

He said each country must be allowed to appoint "liaison officers" at each others' main ports and airports. These will check that the removal of

passport controls on internal travel within the Schengen area does not permit drug traffickers and illegal immigrants to leak through the external frontier with the rest of the world.

Schengen officials believe this new demand will be accepted, allowing the free movement of people without passports across much of western Europe for the first time in modern history.

The idea originated in a protest movement in the spring of 1984 by lorry drivers angered by long queues at internal frontiers. The French and German governments responded with the Sarrebruck accord, agreeing gradually to reduce control of people crossing the Franco-German border.

A year later they joined with the Benelux countries to sign the Schengen accord — a declaration of intent to abolish internal frontiers. The deal was named after the Luxembourg village on the Moselle River which the

negotiators were passing by boat when agreement was reached. The plan matured into the Schengen convention of June 1990.

The Schengen arrangements should have been overtaken by an EC-wide deal to abolish the internal borders. The 1987 Single European Act envisaged free movement of people throughout the Community by the beginning of this year.

But Britain, Ireland and Denmark have so far refused to accept that this obliges them to eliminate passport controls on people travelling within the EC. The European Parliament is threatening to take the European Commission to court for failing to make them do so.

It also became clear this week that British police forces will be denied access to the Schengen computer information network on European criminals and aliens until Britain agrees to remove passport controls.

## Germany set to house EC bank

BRUSSELS. — Germany is now certain to be the site of Europe's fledgling central bank, authoritative Community sources disclosed yesterday. (SIA) CT 4/9/93

Bonn will house the European Monetary Institute, which is to be created by January 1 next year — despite objections from Britain.

The choice of Germany, to be confirmed on October 29 at a special EC summit here, will unsettle British Conservative MPs. Though many believe the planned single bank and currency now lack credibility, the location is being seen as an uncomfortable symbol of German monetary dominance in Europe. — The Telegraph



Star 16/9/93

## EC backs Harare's land reform policy

Harare — The European Community declared its commitment to land reform in Zimbabwe yesterday, saying that unbalanced reporting had whipped up hysteria about the government's intentions. **SbA**

The EC representative in Zimbabwe, Michael Laidler, said donors and

the Zimbabwean government should work together to dispel the "misapprehensions" about land acquisition.

The EC agreed with land reform but was concerned that apprehension about its implementation, due to "misreporting" overseas, would affect the flow of investment capital. — Sapa.

BRUSSELS. — European Community farm and foreign ministers sealed a farm trade deal yesterday to meet French political objectives without forcing wholesale reworking of a US/EC accord.

EC Trade Commissioner Sir Leon Brittan said the deal boosts chances for a broader agreement under the auspices of the General Agreement on Tariffs and Trade (GATT).

Under the deal, worked out in some 12 hours of talks, the EC's executive Commission will hold discussions with the United States and other trading partners to reach

a world farm trade agreement acceptable to all.

It underlined the need for the 12-nation bloc to remain a food exporter and to retain its position in the world agricultural products market.

The compromise contained several of the "buzz" words France needs to persuade opponents at home it is winning concessions.

While it made few specific commitments, it nonetheless secured the main French objective of rallying EC support.

"We got what we wanted," said French Foreign Minister Alain Juppe, who had earlier said the future of Europe was at stake.

Brittan, who has steadfastly opposed a reopening of the US/EC accord to cut subsidised farm ex-

ports, will conduct the talks with the US and others.

The deal is designed to give a political boost to France, now under intense pressure from a powerful farmers' lobby, while not actually unravelling the hard-won US/EC agreement.

It came in a bout of last-minute deal-making between France and Germany. Complaints from Brittan

# 'Draw' ends EC trade impasse

that an original French-German deal risked unsettling Washington were apparently assuaged.

Ministers were quick to note the agreement did not call for a renegotiation of the so-called Blair House pact that France has opposed so vehemently.

British Foreign Secretary Douglas Hurd dubbed the agreement a "draw".

US President Bill Clinton has refused to reopen the accord and warned that French demands could torpedo broader talks to liberalise world trade being held under GATT. — Sapa-Reuter

59 CT 229 12

# EC plan to normalise ties

BRUSSELS — The EC's executive commission proposed yesterday that the EC should normalise relations with SA in three phases as SA moves towards democracy.

EC Co-operation Commissioner Manuel Marin said the community would support SA inclusion in programmes of the World Bank and IMF as soon as a transitional executive council is set up. *Biba*

Under the commission's plan, EC countries would then drop all remaining economic sanctions against SA once the council was fully operational, and the community would establish a permanent delegation in SA.

In the third phase, the European Commission would propose a comprehensive system of political, trade and economic relations with SA after the first democratic election scheduled for April next year. *30/9/93*

Marin said the process of normalising relations with SA should take place "in response to the acceleration of the process towards democracy itself". *(56A)*

The commission's proposal is expected to be endorsed at a meeting of EC foreign ministers in Luxembourg early next week.

It follows approval by the SA parliament last week of a Transitional Executive Council to prepare for next April's elections.

The EC has already ended most economic sanctions against SA, but some still remain.

Last year the community ended embargoes on oil deliveries to SA and on imports of SA gold coins, iron and steel.

But the commission is remaining neutral on whether the new SA should seek its links with the EC individually or through regional African organisations.

Marin said that the commission agreed yesterday that the choice should be left to a "democratically elected" SA.

Nelson Mandela, president of the ANC, arrives in Brussels next Wednesday for a two-day visit to EC headquarters.

Malaysia plans to send a ministerial trade mission to SA next week.

Primary Industries Minister Lim Keng Yaik said yesterday he and 19 government officials and businessmen would leave on Sunday for a 17-day tour of SA, Tanzania and Kenya.

He said they would try to sell Malaysian palm oil and other goods. — Sapa-AFP-Reuter.

short for Zimbabwe

NEWS IN BRIEF





# EC lifts <sup>(22)</sup> <sup>(S/A)</sup> military <sup>CTG 10/93</sup> ban on SA

Own Correspondent

JOHANNESBURG. — Foreign Affairs welcomed yesterday's EC decision to lift its ban on military contacts with South Africa, but said there were no immediate plans to appoint military attachés to the 12 EC nations.

EC foreign ministers meeting in Luxembourg lifted their ban on the exchange of military attachés and other international defence and security contacts.

However, they postponed lifting sanctions on the exchange of civilian nuclear technology and a ban on sales of sensitive material to the SAP and armed forces, although these could be lifted next month.

● The UN General Assembly is to vote on Friday on a draft resolution lifting economic sanctions against South Africa, UN spokeswoman Ms Cynthia Henry said yesterday.

effective remedial action.

## Charges dropped against students

KATHRYN STRACHAN and MARIANNE MERTON

THE State yesterday dropped all charges of public violence against 149 Wits University students allegedly linked to last month's disruptions on campus — but the administration vowed it would press ahead with its own disciplinary proceedings.

The charges were dropped in the Johannesburg Magistrate's Court because of insufficient evidence. **SbA**

Wits University vice-chancellor Robert Charlton said the administration was disappointed that the State had not proceeded with the cases, but this did not amount to an acquittal. New charges could be laid after the completion of the university's disciplinary hearings. **b110193**

The charges of misconduct within the university had been instituted following intensive investigations by the university, which were separate from those conducted by the SAP. Investigations against students who had committed acts of misconduct were continuing and further charges could be brought, Charlton said.

The Wits hearings against 20 students, to be heard by a retired judge and senior advocates, are due to start on Monday.

SA Students' Congress (Sasco) southern Transvaal president Peniel Mashele said the administration "should have learnt something" from the State's decision to withdraw charges. **SbA**

"There is no point in the university continuing with disciplinary action because there is no evidence against us," he said.

Mashele warned that further protests would follow if the administration continued with disciplinary proceedings.

AECI 40% of the company.

## EC lifts defence contact ban

STEPHANE BOTHMA

FOREIGN Affairs welcomed yesterday's EC decision to lift its ban on military contacts with SA, but said there were no immediate plans to appoint military attaches to the 12 EC nations. **SbA**

EC foreign ministers meeting in Luxembourg lifted their ban on the exchange of military attachés and other international defence and security contacts with SA.

However, they postponed lifting sanctions on the exchange of civilian nuclear technology and a ban on sales of sensitive material to the SAP and armed forces, although these could be lifted next month.

Foreign Affairs spokesman Awie Marais said appointments of military personnel to positions in Europe by the Defence Ministry would take their natural course.

The EC's move came after a call from ANC president Nelson Mandela — who

meets EC leaders in Brussels tomorrow — for an end to SA's economic isolation.

Sapa-AP reports that top EC foreign affairs official Hans van den Broek this week presented EC ministers with a plan to "normalise" trade with SA. **b110193**

He proposed phasing in trade concessions and an accord to free trade after a new government took office. EC ministers reacted favourably to his plan. Officials were expected to report back on its feasibility at their next meeting. **(SbA)**

Meanwhile, Sapa reports that Foreign Minister Pik Botha said Ireland and SA would upgrade diplomatic relations to ambassadorial level, and Canada's new ambassador to SA, Marc Brault, presented his credentials to President F W de Klerk.

## Voksfront resolves to disrupt elections

DIRK VAN EEDEN

PRETORIA — The Afrikaner Volksfront in the northern Cape has resolved to disrupt the April 27 elections — with the blessing of the organisation's head office.

Northern Cape regional chairman Peter Stanz said yesterday his board had decided on Saturday that the election "would not take place". CP MP for Kuruman Jan Hoon had proposed the resolution. **SbA**

Detailed plans would be submitted to the Volksfront directorate this month. **b110193**

Volksfront director Gen Koos Bischof attended the meeting and supported the resolution. In Pretoria, Gen Tienie Groenewald condoned the resolution, saying no members of the Concerned South Africans Group (Cosag) would take part in

the elections.

Sapa reports that he said there was no talk of a rift in Cosag and today's summit of its leaders would concentrate on working out "alternative methods" to reach their goals. "We are strongly against the election ... and will oppose it."

The Volksfront's northern Cape region includes Kimberley, Namaqualand and Prieska. In last year's referendum more than 40% voted against reform. **SbA**

Stanz said the Afrikaner people of the northern Cape wanted the land they already possessed to be included in the Volksfront's proposed volkstaat.

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# Mandela appeals to the EC to back development

BRUSSELS — ANC leader Nelson Mandela asked the EC yesterday to increase investment in SA and called for stronger trading links with the 12-member bloc.

Mandela, in Belgium for a two-day visit, said SA needed the help of the EC, SA's biggest trading partner, to create a new, democratic country.

"One of the most important ingredients for success will undoubtedly be the deepening of co-operation and partnership between SA and the EC," Mandela told a group of European parliamentarians.

The EC's 12 member countries represent more than 40% of SA's total external trade and Mandela said trade between the two countries should be allowed to grow.

He told the development conference organised by the Association of West European Parliamentarians for Southern Africa: "At present, SA is one of a relatively small number of countries which have extensive trading relations with Europe but no special trading arrangements.

"We hope the EC will see its way clear to removing obstacles that might exist in the way of trade be-

between our two regions.

"We also hope the EC will facilitate the economic integration of our region by admitting products whose components originate from all southern African countries as per the rules of origin of the Lomé convention.

"We would benefit from exporting more to Europe, and Europe would benefit too, not only through access to an efficient, reliable supplier, but because SA imports more capital goods and intermediate products from the EC than from any other region.

"The EC will undoubtedly get a major dividend out of our development," he said. (S6A)

Earlier, in an address to a joint assembly of the European Parliament and African, Caribbean and Pacific (ACP) countries linked to the EC, Mandela called for more foreign companies to invest in SA.

"We would expect the companies of Europe and all over the world to do all they can to set up relationships with the emerging black business community," Mandela said, and added that resources were also needed ahead of April's elections.

"Many people have never voted before. We want to reiterate our appeal to the EC to step up the process of monitoring (the elections)," Mandela told the meeting, which gave him a standing ovation after his speech.

SA's ambassador to the EC Neil van Heerden said Mandela had put across the correct signal to the international community and the EC.

"There has been a period of reticence and it is very important that we break this. Mr Mandela's call (for more investment) is a very powerful one," Van Heerden said.

SA was considering its future relations with the EC, but had not decided yet whether to form a separate association with the EC or to forge links via the ACP grouping.

"It's clear that minds have not yet been made up where the best option lies for SA," Van Heerden said.

Belgian Foreign Minister Willy Claes said the EC would begin dialogue with the new Transitional Executive Council in SA when it came into force. Belgium currently holds the rotating six-month EC presidency. — Sapa-Reuter.



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# Mandela goes a'wooing and wins over EC

SLA  


ARCT 9/10/93

**GARNER THOMSON** in Brussels  
 and **ANTHONY GARVEY** in Dublin

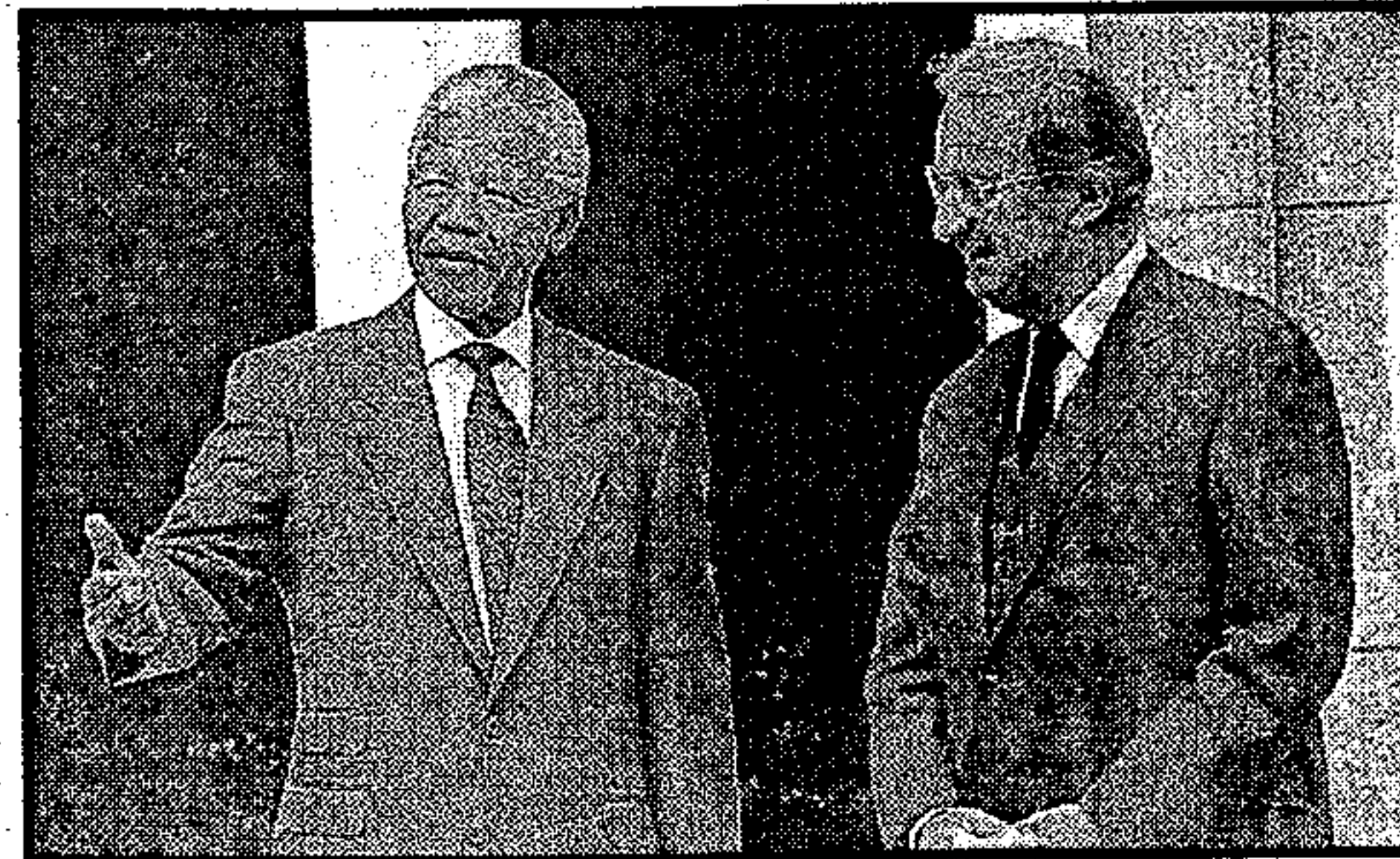
ANC leader Nelson Mandela has completed a two-day "wooing visit" to Belgium and the European Community with promises that the EC will significantly raise the level of funds for South Africa next year.

Mr Mandela met European Commission president Jacques Delors and development commissioner Manuel Marin for "extremely warm" one-hour talks yesterday which looked at EC funding in the run-up to the April 27 elections and in the longer term.

Commission officials said later: "Mandela has spoken of the transitional arrangements and the timetable for the elections. He said the timetable would be maintained despite the non-participation of Inkatha and the parties on the extreme right.

"There are a number of obstacles and there are only six months and enormous tasks to complete. Out of the 28 million population, 20 million have the right to vote. And of them 18 million have never voted before."

"Delors and Marin expressed their determination to



■ **ROYAL MEETING:** ANC chairman Nelson Mandela meets Belgium's new monarch, King Albert, at the royal palace in Brussels yesterday.

meet the date for the elections and to make them as open and transparent as possible. Marin promised the commission would provide funds and its experience gained in other developing countries," the officials said.

The commission has already committed 5.2 million ecu of funds in an effort to establish the democratic process in South Africa. Part of this is going to an independent

electoral forum being established by Catholic bishops.

Further EC commitments will be made on training 20 000 voting instructors to help educate the 9 million rural voters. The commission has worked on similar projects in a range of developing countries, officials added.

The money will come from the EC's 90 million ecu 1993 budget for helping deal with the aftermath of apartheid. In

the longer term, significantly larger sums for economic development will be proposed by the EC, but details were not discussed yesterday's talks with Mr Mandela.

However, one item not on the agenda was EC funding of training for the police and army. This area is strictly outside the scope of the EC's budget, though individual member countries can make their own contributions.

The three men spoke of the longer-term improvement of the South African economy and of the southern Africa region in general. The commission is keen to see a regional economic and trading area there along the lines of its own common market.

There is a strong recognition by the commission of South Africa's weaknesses and the deterioration in its agriculture, industry and service sectors. However, the commission sees its infrastructure as more developed than that of its neighbours.

Mr Mandela left the commission's headquarters for the award of an honorary doctorate from the Free University of Brussels. Earlier, he had an audience with the new monarch of Belgium, King Albert.



# UN lifts curbs and EC pledges SA aid

Star 9/10/93  
JUST two weeks after the green light from Nelson Mandela, the United Nations yesterday agreed that economic sanctions be lifted, the European Community announced an immediate aid package for South Africa and Barbados announced it is to ask the Commonwealth to lift all remaining sanctions against South Africa. (S6A)

The UN move opens the way for South Africa's readmission to the organisation after almost 20 years.

Most sanctions will be lifted immediately, but an oil embargo will be maintained until the Transitional Executive Council becomes operational.

The General Assembly resolutions imposing economic sanctions on Pretoria were not binding on UN members, but their lifting has great symbolic value, signalling acceptance by the 184 member-states that South Africa is well on

● TO PAGE 2.

## Sanctions lifted

Star 9/10/93  
● FROM PAGE 1.

the way to a multiracial democracy.

"The transition to democracy has now been enshrined in the law of South Africa," yesterday's resolution said.

"All provisions adopted by the General Assembly relating to prohibitions or restrictions on economic relations with South Africa and its nationals, whether corporate or natural, including the areas of trade, investment, finance, travel and transportation, shall cease to have effect as of the date of the adoption of this resolution," it added.

The embargo on oil, oil products and investment in the South African oil industry would be lifted "as of the date that the Transitional Executive Council becomes operational", it said.

In Brussels, the European Community announced it would immediately step up economic and financial aid to South Africa, particularly to assist in the run-up to the election.

EC spokesman Xavier Monne said the community was to make \$6.5 million (R22 million) immediately available for voter education.

He was speaking after a meeting at the headquarters of the European Commission, the executive arm of the EC, between Mandela and commission president Jacques Delors.

After talks with President F W de Klerk in Cape Town, Barbados Prime Minister Lloyd Sandiford said on the steps of Tuynhuys that Barbados and other Commonwealth countries "stand ready to work for the development of a non-racial, democratic South Africa".

— Own Correspondent and Sapa-Reuter-AP.

(S6A) (S6A)



ST Times 10/10/93

## EC wants SA to join convention

EUROPEAN Community chiefs have promised ANC leader Nelson Mandela they will try to find a way to include South Africa in the EC's major development treaty — the Lomé Convention.

Mr Mandela told EC Commission

President Jacques Delors and EC Development Commissioner Manuel Marin on Friday he wants a democratic SA to join the Lomé Convention, a trade and aid accord which links 69 developing states to the 12 EC states. (SbA)

## City seminar on EC trade

TOP local and visiting academics will present a seminar tomorrow on the vital trade links between South Africa and the European Community, hosted by the South African Institute of International Affairs. (SbA)

Professor Martin Holland from New Zealand and Swedish Professor Walter Carlsnaes will provide information on future prospects of SA-EC relations and how internal developments in the EC may affect these.

The afternoon seminar is being held at the BP Cinema Complex. For details phone 247-7948.

CT 12/10/93

# European union a step closer

(56A)

CT13/10/93

BERLIN. — Germany's Constitutional Court dismissed an appeal against the Maastricht Treaty yesterday, issuing a long-awaited decision that clears the way for a closer European union.

Germany was the last of 12 European Community members to ratify the treaty, and the approval of the court allows implementation of the agreement to establish closer economic, monetary and political ties in the European Community.

The court's decision also means the treaty, approved by Germany's parliament, will not have to be renegotiated.

The appeal against Maastricht was made by the left-wing ecological Greens Party and Mr Manfred Brunner, a member of the liberal Free Democratic Party.

Mr Jacques Delors, president of the trading bloc's executive agency, said in a statement that the court decision should enable the community to move out of a "period of waiting and gloom".

EC Foreign Affairs Commissioner Mr Hans van den Broek said the treaty would not by itself foster closer EC cooperation in foreign policy, said spokesman Mr Nico Wegter.

The Maastricht Treaty, signed by EC leaders in December 1991, was to have gone into effect last January, but resistance by voters in Denmark and some other countries delayed its approval.

The accord calls for a common foreign, security and eventually defence policy, and a joint central bank and single currency by 1999.

The treaty is now likely to take effect on November 1.

The Belgian government, which now holds the EC's rotating presidency, immediately confirmed that it will host a special summit of the community's leaders in Brussels on October 29 to begin implementing the accord.

Mr Delors said the Maastricht Treaty should give the EC "a new momentum so necessary to fight against economic stagnation and unemployment, as well as reinforce the security of the continent". — Sapa-AP



# EC moves to link industry with SA

JOHANNESBURG. — The European Community is to send a team of specialists to South Africa to investigate industrial co-operation, the Department of Trade and Industry said Friday.

This follows Finance Minister Derek Keys's two-day visit to EC headquarters in Brussels where he met the European Commission's vice-president for Industrial Affairs, Dr Mar-

tin Bangemann.

A department spokesman said experts from different departments of the European Commission were expected to visit the country shortly to examine prospects for industrial cooperation between the EC and South Africa.

"I am highly satisfied with the willingness on the part of the European Community to

(56) ARC 16/10/93  
give further substance to its recent announcement concerning the normalisation of its relations with our country," Mr Keys said.

The EC lifted remaining economic embargoes against South Africa following African National Congress president Nelson Mandela's call three weeks ago for the international community to lift sanctions imposed on Pretoria. — Sapa.

# EC delegation to boost trade

CT/8/10/93

(24) (56A)

BRUSSELS. — A European Commission (EC) delegation will visit South Africa soon to examine future trading links, Derek Keys, Minister of Finance and of Trade and Industry, said on the weekend.

Keys, in Brussels for a conference on future EC-SA links, told a news briefing the main aim of the EC visit would be to investigate future industrial co-operation between SA and the 12-member bloc.

"This development will support and facilitate the furthering of investor confidence in South Africa," he said.

Keys, in Europe on an investment drive, met the EC's Trade Commissioner Leon Brittan on

Thursday to discuss a future economic pact with the EC, which accounts for about 40% of SA's foreign trade.

One option proposed by ANC leader Nelson Mandela last week would be to link SA to the EC via the African, Caribbean and Pacific countries (ACP), which are grouped together under an accord called the Lome Convention.

But Keys said he would prefer a separate, direct agreement with the EC outside of the Lome convention.

"For a number of reasons, a decision to join Lome would be the slow and difficult way to create an association with the EC."

"We don't see why we should not have a separate agreement. It would be much quicker and less complicated," he added.

# Rift over ties with EC

A SPLIT has emerged between the government and the ANC over the country's future relationship with the European Community. *S Times 17/10/93*

ANC president Nelson Mandela told EC chiefs this month that he favoured South Africa's speedy integration into the Lomé Convention, a trade-and-aid deal linking the EC with 69 developing countries including all South Africa's neighbours. *(56A)*

However, Finance Minister Derek Keys said in Brussels on Friday that his preference was for a simpler two-way agreement between the EC and the first democratic South African government.



ARG 9/11/93 (SBA) ~~(SBA)~~  
EC to send observers for April election

BRUSSELS. — European Community foreign ministers have decided to send a dozen observers to South Africa's election in April.

The observers will be drawn from EC staff and representatives of the 12 community member states.

The ministers, meeting here last night, also said remaining EC sanctions would

be lifted once the transitional executive council was functioning. The sanctions concern nuclear supplies and "sensitive" police equipment.

The decisions were taken within the framework of the new joint foreign and security policy operative since the EC formally became the European Union on November 1. — Sapa-AFP.

## EC to send 12 for SA election

BRUSSELS. — European Community foreign ministers have decided to send a dozen observers to next April's election in South Africa.

The ministers, meeting here late on Monday, also said remaining EC sanctions against Pretoria — concerning nuclear supplies and "sensitive" police equipment — would be lifted once the Transitional Executive Council was functioning. — Sapa

~~3043~~ 304A  
CT 10/11/93



*EC to provide R50-m for district health projects*

# Good medicine for SA

Star 24/11/93  
(56A)

**PACKAGE is aimed at empowering communities and improving primary health care services**

**■ BY DAVID ROBBINS**  
HEALTH WRITER

The European Community is willing to plough as much as R50 million into district health projects in South Africa.

These are seen as crucial to combat the country's deepening health crisis, which was highlighted this week by the Delmas area typhoid outbreak.

The European offer was discussed at a workshop in Broederstroum late last week.

It was suggested that pilot projects be supported in rural and urban areas, including homelands and rapidly spreading informal settlements.

The money will be channelled through the Kagiso Trust to the Health Systems Trust, which will manage the pilot programme.

According to Hazyzi Sibanyoni, manager of Kagiso's health programme, the Europeans have already given R2 million for the setting up of the programme.

"For the actual projects they have offered a minimum of R15 million — and up to R50 million, depending on the quality of the proposals that we come up with. The process is on the move."

The time factor is being seen as increasingly important.

"We don't have time for more research and for programmes that are not part of the strategy for removing obstacles in the way of district-based primary health care," said David Robb, manager of the Alexandra Health Centre



**Filthy . . . conditions in Boteng township near Delmas, where a typhoid epidemic is raging.**

PICTURE: JOAO SILVA

north of Johannesburg.

"History in the form of Kempton Park and regional negotiations is slipping through our fingers, and we must use the European money to get some districts up and running."

District health is a system whereby communities are empowered to cater to their own

needs. It has been widely and successfully applied in other Third World countries in the past decade.

Robb noted that a new government would have little opportunity of changing the 1994-95 health budget, which has already been prepared and which reflects the current trend of only about 15 percent

being spent on primary care. The remainder is spent on secondary and tertiary care.

"This means that only in 1995-96 can any changes begin to be made to the way the money is spent. I don't know whether millions of our people will be able to wait that long."

Huib Cornelije, a Dutch therapist who has worked in Boteng

phuthatswana and Sandton's Alexandra township for the past decade, warned that "there's too much vested interest" against district health and primary care.

"In my experience, the biggest resistance comes from health professionals. And also from health academics, too many of whom are being fund-

ed to re-invent square wheels."

Health Systems Trust director Dr David Harrison noted that the experience of other countries, such as Nigeria and Thailand, suggested that pilot district health projects were of lasting value only when they constituted the first wave of implementation of a national system.



# EC can't agree on <sup>(56n)</sup> unemployment crisis

6/12/93

BRUSSELS. — European Community finance ministers met at the weekend to sketch out plans to fight surging unemployment and declining industrial competitiveness in preparation for the biannual EC summit.

The 12 member states are in broad agreement on where the problem lies, but there is little consensus on how to create jobs or make European companies stronger.

Germany, Britain and the Netherlands recently succeeded in neutering efforts by the commission, the EC's executive arm, to set out explicit targets for reducing interest rates and for creating 15 million jobs by the end of the century.

A German spokesman said yesterday

his country could not accept such specific directions on interest rates.

However, Belgium, which holds the rotating six-month EC presidency, has proposed strengthening the watered-down macro-economic guidelines.

Commission president Jacques Delors was also due to provide the ministers with a summary of his long-awaited white paper, which maps out a long-term strategy for bolstering Europe's economy by financing pan-European infrastructure projects among other measures.

The proposal, which was requested by EC leaders at their last summit in Copenhagen, was adopted by the commission yesterday morning.

# Draft deal presents EC farmers with \$800m bonus

CT 7/12/93 (5A)

PARIS. — European Community farmers stand to reap a \$700-\$800m bonus in extra grain exports over the next six years under an outline US-EC farm trade deal drafted in Brussels yesterday, French officials said.

If finally approved, the draft deal would spare farmers deep cuts in subsidised exports before the 1995 French presidential election, a key political aim of Gaullist Prime Minister Edouard Balladur's government, diplomats said.

It would also shield the Community's

Common Agricultural Policy — the system by which the EC subsidises its farmers — from legal challenge by the United States under the General Agreement on Tariffs and Trade for nine years.

The big winners would be French wheat farmers who led a violent rural revolt against last year's Blair House US-EC accord on agricultural trade and have managed to get it changed.

EC meat and poultry producers would also gain from a change in the reference period for calculating export

cuts. But sugar, maize, rice and olive oil producers would suffer, experts said.

The key change was to make the 1991-92 season the reference period for calculating export cuts instead of the 1986-90 period set by Blair House, officials said.

Altering the benchmark period would allow the EC to export more than eight million tons of additional grain over six years, helping it to draw down stocks that currently stand at 22 million tons, officials said.

While the ultimate export limit for 1999-2000 would remain unchanged at 23.4 million tons, cuts would start from the 1991-92 level of 33 million tons instead of a 1986-90 average of 28 million tons.

In addition, the EC would be able to dispose of part of its mountain of surplus grain by subsidised sales and as food aid before the GATT accord came into force, the sources said.

The switch would also benefit the United States, especially for subsidised vegetable oil exports, which increased

sharply between 1990 and 1992, a French official noted.

By contrast, European feed grain, rice, olive oil and sugar producers, whose exports were higher over the 1986-90 period than in 1991/92, would be put at a disadvantage.

Final details of the arrangement were still being worked out between US and EC negotiators, and the extent of reciprocal European concessions on industrial products such as paper, wood and electronic goods was still under discussion, officials said.

French and US sources gave different interpretations of arrangements on market access for agricultural products reached last weekend.

French sources said the negotiators had agreed in principle to aggregate market access by sector but Washington would get specific quotas for its exports of fruit, poultry, pork and cheese.

Calculating on a sectoral basis would be an advantage for EC meat, wheat, flour and poultry producers, but a disadvantage for maize producers.

# Gatt: Subsidies stall talks

**BRUSSELS.** — After marathon talks, the United States and the EC yesterday solved their dispute over government payments to farmers but could not agree on subsidies to European movie and aircraft industries.

The partial accord left the trading powers still short of a deal that would pave the way for conclusion by a December 15 deadline of 116-nation Uruguay Round of world trade talks.

"We are disappointed, but not discouraged," said US Trade Representative Mickey Kantor after hours of talks with his European Community counterpart, Sir Leon Brittan.

"We have made real progress on a number of the most important issues that remain between us," Kantor said.

Brittan added: "We have made so much progress and there is so much at stake that it simply cannot be possible to believe a deal of this magnitude is not going to be reached."

Later yesterday, both negotiators were heading to Geneva, the headquarters of the General Agreement on Tariffs and Trade, which sponsors the world trade talks.

France, which previously vowed to block any accord it did

not like, toned down its voracious opposition to cutting subsidy payments to farmers. French Foreign Minister Alain Juppe said the new deal on farm subsidies was "substantially modified" from an earlier EC-US agreement that France had rejected.

"Decisive progress has been made," Juppe said of the farm issue.

Kantor said his talks with Brittan hit snags over European subsidies for films and TV programmes and support for the aircraft industry. "No Uruguay Round will be finished unless these issues will be resolved," he said. — Sapa-AP

⑤ ACT 8/12/93



# EC-US deal as Third World left in cold

ST 10/12/93 (SFA)

deadline for agreeing lines, negotiations today as developing an EC-US deal that continued over Euro-broadcast industry, even the European

the European Commission ministerial delegations. Tokyo is furious because it did not lead to electronics, which the General Agreement on Tariffs and Trade (GATT) is expected to boost global

income by more than \$200bn per year. In another troubling sign, the European Community said it would only have time to conclude import tariff negotiations with the biggest 20-25 developed nations, which account for the remaining 10% of global commerce. As a result, even if the so-called Uruguay Round countries who will be uncertain what they might gain from it.

Senior US Treasury officials were in Geneva and faced unanimous opposition to proposals that would allow the United States unlimited rights to tax foreign companies at a different rate from local ones. Critics say there is no point in opening US markets in services like transportation and tourism if foreign companies will then face big tax bills. Washington has stressed it has no plans for tax hikes.

Earlier yesterday in Seoul the country against imports. It was the first official confirmation that Seoul had bowed under US-led pressure. Japan is expected to make an announcement, said Soon Sung Cho, chairman of the unification and international affairs committee of South Korean National Assembly, acting as spokesman for the lawmakers.

The United States also is under fire for trying to limit trade concessions regarding foreign banking and securities to countries that make comparable market opening offers in their financial services sector. This goes against GATT's principles of equal treatment, and has angered Southeast Asian and Latin American countries that fear they will be shut out of US markets. — Sapa-AP

As a result, even if the so-called Uruguay Round countries who will be uncertain what they might gain from it.

The deadline is the last day President Clinton can send a proposed GATT agreement without amendments. Since the US economy is so important in world trade, the US deadline has become a critical one for the GATT talks as a whole.

In a sentiment echoed by other developing countries withdrawing offers to cut import barriers if it

received no further concessions from the US and EC. Brazilian ambassador Luis Felipe Palmeira Lara warned he might be forced to scale back market-opening to the US and EC.

Meanwhile, a group of South Korean and Japanese legislators gathered outside GATT headquarters and vowed to fight against rice imports.

There have been almost daily demonstrations in South Korea and Japan against rice imports.

Memoriam/  
Zeitzeit/  
VSSER

# Trade talks reach stalemate

(56A) CT3 12/92

GENEVA. — World trade talks appeared stalemated yesterday because of a bitter fight between the United States and the 12-nation European Community over aircraft subsidies and movies.

Peter Sutherland, head of the General Agreement on Tariffs and Trade, issued a last-ditch appeal for the trade giants to put aside their differences so that a seven-year effort to rewrite the rules of world trade could be concluded before a midnight Wednesday deadline.

Sutherland called the clash a "matter of grave concern".

"The world cannot wait forever," said Sutherland.

He said there was no possibility the talks could be extended past the deadline, which is set by a US law allowing President Clinton to negotiate only until then — an agreement that cannot be amended.

Earlier yesterday, Sir Leon Brittan, the EC's trade representative, said the 116-nation effort to lower global trade barriers was in danger because of the negotiating deadlock with the US.

"We have a bit of a crisis on our hands on a wide range of subjects, not just one or two," Brittan said.

"They still haven't resolved the problem," said Richard

Self, one of the chief US negotiators, as he emerged from the US trade mission late yesterday.

But he indicated that the gap was narrowing.

"No, no, that's a bit apocalyptic," he replied when asked if the differences would torpedo the entire world trade talks.

After a day of fruitless discussions on Saturday, Brittan and his US counterpart, Mickey Kantor, resumed talks yesterday. However, Brittan left after less than an hour, saying there were "a lot of problems to be solved".

Kantor said the two sides remained divided on aircraft

subsidies and films but added, "negotiations are always difficult".

Japanese Foreign Minister Tsutomu Hata, who also met with Kantor yesterday, supported Sutherland's view that there was no question of extending the negotiating deadline. Hata returned yesterday to Tokyo to brief Japanese Prime Minister Morihiro Hosokawa on the eve of a crucial parliamentary debate on opening Japan's rice market.

A US trade official, speaking on condition of anonymity, said yesterday was likely to be "pivotal" to this latest effort to bring seven years of negotiations to an end. — Sapa-AP



# US, EC conclude Gatt deal

(56A)  
CTTS/12/93

GENEVA. — The world's two biggest traders, the United States and European Community, reached agreement yesterday on differences that had blocked the largest-ever trade deal.

The two struck the compromise after an all-night session by US trade representative Mickey Kantor and his EC counterpart, Sir Leon Brittan. The weary negotiators announced their package in a late morning news conference.

Prolonged bickering by America and the Europeans had hindered progress by more than 100 other nations seeking a new General Agreement on Tariffs and Trade by today's deadline.

The new GATT package, seven years in the making, is designed to expand the global economy by lowering duties on imported goods, opening foreign markets and revamping outdated world trading rules.

As the US and EC negotiators talked through the night, Gatt printing presses were already rolling on a 400-page draft of the accord.

Determination was high among negotiators from around the world trying to stave off exhaustion during non-stop bargaining a day before today's deadline.

As details of the US-EC accord were released, however, it appeared the two sides were unable to resolve all of

their sticking points.

Kantor told reporters that Washington and Brussels had "agreed to disagree" on the contentious issue of subsidies to European filmmakers and barriers to US entertainment companies seeking better access to markets across the Atlantic.

Kantor indicated the US entertainment industry would not be covered by the new Gatt accord.

American movie companies want greater freedom to do business in Europe. But Europe, especially France, fears an even bigger invasion of Hollywood blockbusters will devastate its film industry and corrupt its culture.

If an agreement is reached by today, President Clinton can send a Gatt package to congress that can only be approved on a take-it-or-leave-it basis. Otherwise, amendments and revisions by legislators could delay, even block, passage.

● The trade deal was welcomed by farmers' leaders in Britain yesterday even though it will accelerate the trend towards fewer farmers producing less food throughout the EC.

Farmers face a double challenge from increased imports of non-EC food, resulting from lower import tariffs, and reduced EC subsidies which help them export — or "dump" as non-EC competitors describe it — their surpluses on to world markets. — Sapa-AP, The Telegraph Plc



BRUSSELS. — As the year changes at midnight tonight a giant trading bloc — the European Economic Area (EEA) — linking the European Community (EC) and neighbouring EFTA will be born, setting the stage for an enlarged EC in a year's time.

"The EEA has become a reality. In a period of severe economic difficulties the EEA is an encouraging ray of hope in that it is expected to promote substantial economic growth," EC External Relations Commissioner Hans van den Broek said.

The EEA, the world's biggest trading zone, will extend the EC's single market to five out of seven of the EFTA (European Free Trade Association) countries — Austria, Finland, Iceland, Norway and Sweden.

But although it is expected to bring real economic

# World's biggest trading zone forms

benefits in an area stretching from the Arctic to the Mediterranean and covering 372 million consumers, it is seen by four of the five as being but a stepping stone to full EC membership.

"The single market is not a diversion but a tailor-made preparation for the Community," Austrian Economy Minister and current EFTA chairman Wolfgang Schuessel told a recent news conference.

"It is important for both the EFTA and the EC because it ensures that single market rules will apply for all western European countries in the

same way," Johannes Koroma, managing director of the Confederation of Finnish Industry said.

Austria, Finland, Norway and Sweden all started negotiating EC membership in 1993 and hope to spend New Year's Eve next year crossing its threshold.

If they do, that will leave only Iceland, and maybe tiny Liechtenstein which hopes to join shortly, in the EEA.

But European Commission President Jacques Delors has said he sees that EEA as a way of integrat-

ing eastern European countries into the European trading scene.

And officials warn the January 1, 1995 target date for EC membership is ambitious. Tough negotiations remain for early 1994 for all four applicants and they all have to get backing for membership from their electorates in referendums.

The EEA will in particular provide more competition for public procurement contracts and in the banking and insurance sectors, several industrialists said.

But they said the deal is limited in that it does not extend to agriculture and does not remove border controls between the different countries.

Austria complains that some of its products will continue to receive tougher treatment than those from eastern Europe.

But Per Ludvig Magnus, a director general with the Norwegian Trade Ministry, said the EEA would provide a more stable framework for Norwegian industry and mean that Norwegian companies would not have to relocate to the EC to compete.

The remaining EFTA country Switzerland will not take part in the EEA after its people voted against membership in a referendum last December. — Sapa-Reuter

E. E. C. - 1994.

EUROPEAN ECONOMIC COMMUNITY

Jan. — DEC.

## Successful SA election an important EC objective

TIM COHEN

THE success of the SA election was an important foreign policy objective of the EC and its positive impact would "reverberate around the globe", Greek ambassador Pericles Tsamoulis said yesterday. *BIDAY 26/11/94*

Announcing the commencement of the activities of the EC's election unit, Tsamoulis said the success of the SA election was crucial for the consolidation of democracy in the southern African region. *(SbA)*

European Elections Unit head Jacob de Ruyter said the EC planned to field 322 observers who would report afterwards on whether the election was free and fair.

The observers' mandate was to observe rather than supervise the election and they would therefore not seek to interfere, even if things seemed to be going awry, De Ruyter said. The EC hoped that through its involvement it could help create confidence and assure the transparency of the electoral process, thereby providing domestic and international credibility for the outcome.

The EC had allocated R43m to aid the election process, pushing its donor budget for SA this year to almost R400m. Tsamoulis said it was not EC policy to contribute to political parties and it had not decided whether it would contribute to the fund for financial assistance to political parties.



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# Police man admits lie in Sisulu shoot-out case

28/11/94

A POLICEMAN involved in a car chase and shoot-out with bodyguards escorting ANC deputy president Walter Sisulu admitted in the Rand Supreme Court yesterday that he had asked a colleague to lie in a statement after the incident.

SUSAN RUSSELL

Lt/Sgt Allan Kruger said he asked Sgt Mike Mills to say he had seen a blue light on Kruger's police vehicle immediately after the incident. He had asked Mills to do this after hearing allegations that he had known Sisulu was in the other car and had tried to kill him.

Kruger was testifying at the inquest into the death of bodyguard Ismael Moloane, who was a passenger in the vehicle leading Sisulu's three-car motorcade on the Soweto highway on July 18 last year.

Moloane's vehicle overturned after an exchange of fire with the police car. Other bodyguards involved have told the court there was nothing to identify the vehicle, which began following them, as a police car, and that they did not see a blue light or registration plates on it.

Sisulu's bodyguards also testified they believed Sisulu to be in danger when the car followed their motorcade. They said warning shots were fired at the unidentified vehicle after it twice tried to draw parallel with the maroon BMW in which Sisulu had been travelling.

According to the police, Kruger and a colleague were on the lookout for stolen cars when the motorcade passed them. They followed the convoy, verified the registration of the grey Mercedes at the rear with radio control and were trying to get the number of the BMW when the incident occurred.

Kruger said he realised the occupants of the crashed car were not robbers only at the scene of the accident. Mills, who arrived on the scene after the crash, made

a statement that he saw a blue light on Kruger's car. Kruger said he and Const Stephanus van Rensburg put the blue light on their car after coming under fire. He did not notice whether it was flashing because he was concentrating on the suspect vehicle, as well as shooting and driving.

He realised the light was not working after he stopped. After hearing the allegations made against him, Kruger realised he was in trouble and told Mills to make the statement. The policeman told the court he was sorry for what he had done.

"I wrongfully thought it would strengthen our case because there was so much evidence against us." However, Kruger denied that his car was not bearing number plates on the date of the incident. This would have been a contravention of SAP regulations.

# SA soldiers could be peacekeepers in Africa

HARARE — Military experts want to reform SA's army for a future peace-keeping role that SA's national peace-

# EC rejects Kagiso Trust bias claims

28/11/94

LINDA ENSOR

LONDON — The EC would continue to channel funding for SA development projects — about R424m this year — mainly through the Kagiso Trust despite objections from European parliamentarians who felt the trust was biased towards ANC-oriented groups, EC official David Lowe said yesterday.

Of the funds voted for the EC's special programme for SA this year, about R385m would be used for development and R39m for the election, said Lowe, EC development commission secretary principal administrative officer for southern Africa. The commission had investigated the situation and found no evidence that the funds had been politically misused.

A centre-right group of EC parliamentarians has raised questions in the Europ-

ean Parliament about funding the SA National Civic Organisation, pointing to allegations that the organisation has been involved in intimidation and violence. Among their concerns was the difficulty that organisations without ANC backing had in getting funding.

International Society for Human Rights director Robert Chambers said EC funding was one-sided. None was given to the Inkatha Freedom Party.

Lowe, rejecting claims that only ANC-affiliated bodies received EC funding, said the only Inkatha had complained about bias. The EC, he said, had assured Inkatha that nothing prevented non-governmental organisations from getting EC resources.

# Royal Navy returns to SA

Own Correspondent

CAPE TOWN — Cape Town is famous in the annals of Britain's Royal Navy as a recreational port and with the arrival yesterday of two Royal Navy warships putting an end to 27 years of apartheid isolation, the city can expect more visits.

Cape Town is a "first-class recreational port" and more Royal Navy vessels would travel miles out of their way to call there in future, said HMS Norfolk captain James Parowne, after docking in the Victoria Basin yesterday.

The HMS Norfolk's 180-member crew, including 16 female Wrens, lined the decks as the frigate entered port to a 21-gun salute and cheerful resounding greeting from Signal Hill.

The £130m anti-submarine frigate, the flagship of the Royal Navy's frigate fleet, is in Cape Town on a four-day goodwill visit and is accompanied by support vessel RFA Grey Rover.

She carries 32 vertically launched

nearly all duties on board. Parowne said: "It is delightful to have them. They are very good workers and are given no softer creature comforts. I can't see why we went for 1 000 years without them."

Both vessels will be open to the public tomorrow and Sunday between 1pm and 5.30pm.

They will set sail on Monday at 8am for a one-day visit to Simon's Town before resuming their journey to the Falkland Islands as relief patrol vessels.

Retired naval officers have followed an old tradition and extended offers of hospitality to the crew of the visiting British warships.

Offers of meals, scenic drives, rounds of golf and trips to the winelands have been made by members of the Naval Officers' Association of Southern Africa.

Honorary secretary of the association Ian Rankin said it was a tradition "from



# EU delegation in SA

JOHANNESBURG. — South Africa and the European Union would thrash out this week an arrangement to govern the country's economic relations with the European common market, Finance Minister Derek Keys said yesterday here.

Addressing a stockbrokers' annual conference, he said the EU delegation, which arrives today, would meet with the country's main economic

(SBA) CT16/2/94  
players to decide on "the sort of association we should have with them".

Mr Keys said the EU had a similar scheme to the US's general system of preferences (GSP) which the South Africans would be pursuing.

The US's GSP, which SA has been invited to apply for, provided access to over 4 000 tariff items at a lower duty than is typically enforced and "represents a real shot in the arm" he said.



in Johannesburg last week, is to encourage another money-spinner and so the leather com-

market.

# Crucial talks for European Union

CF 2/12/94 56A

**BRUSSELS.** — The European Union is entering a crucial week of talks which could make or break plans to expand to 16 members taking on Austria, Finland, Norway and Sweden on January 1.

Unless negotiations are completed by March 1, it would be practically impossible for the EU to admit the bloc from the Mediterranean right up beyond the Arctic Circle and to Russia's western border.

Diplomats said failure would undermine the Union's credibility to help the needy eastern European countries by welcoming them into the EU's ranks later.

Although none of the eastern European countries has formally applied for membership, all have made clear they have set their sights on joining.

The Mediterranean islands of Cyprus and Malta are also in the queue for membership.

Diplomats said Sweden and Finland were more advanced in their negotiations than Austria and Norway, both of which had serious problems to iron out. The EU says the four must be admitted at the same time.

Minister Ulf Dinkelspiel told reporters...

They will then meet ministers from the four countries tomorrow to prepare the ground for a marathon negotiating session from Friday to Monday, which diplomats said would probably yield results only close to a midnight February 28 deadline.

"It is going to be a very tough week or 10 days," Swedish European Affairs Minister Ulf Dinkelspiel told reporters...

EU foreign ministers, under increasing pressure to reach a compromise with the four prospective new members, meet today to hammer out their stand on crunch issues like fisheries, farming and regional policy.

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# Suncrush earnings up but volumes fall

CF 2/12/94 182

**JOHANNESBURG.** — Higher income from investments enabled soft drink bottler Suncrush to overcome lower volumes and report a 16% rise in earnings to 25.5c (22c) a share in the six months to end-December.

The Natal-based company reported 7% higher turnover of R317.4m (R296.7m), and lifted its operating income 8% to R53.1m (R49.1m).

Chairman Robin Hamilton said Suncrush had struggled to achieve turnover growth. Volumes were down about 3% over the period, but he hoped this was the end of the downward trend. The increase in turnover reflected a price increase in January 1993, an increase in excise tax and VAT.

Higher income from investments and lower net interest paid saw pre-tax income rise 20% to R57.3m (R47.8m).

Income after tax rose 17% to R34.8m (R29.9m), and after taking into account its share of associate temporary attributable profit was 28% higher at R38.1m (R29.9m).

Trading earnings were marginally down at 19.7c (19.9c) a share, and investment earnings were nearly three times higher at 5.8c (2.1c) a share. An 18% higher interim dividend of 4c (3.4c) a share was declared.

Hamilton said trading had been volatile from month to month. Although the cyclical nature of trading conditions was not unusual, the severity of conditions was.

Commenting on no-name brands and house brands, he said they were in a certain sector of the market, mainly in upper income areas.

In Suncrush's sectors, no-name brands had a market share of less than 2% of the total. In addition, he said the bottlers' response was not properly geared up yet.

The company's share has been sluggish since it announced a one-for-50 share split in July last year. The share gained 15c or 1.8% on Friday to close at 825c off a February 1993 high of R10 and a May low of 800c.

Commenting on prospects for the full year, Hamilton said he hoped the interim results were a good indication of what was going to happen in the second half.

Dalys, which holds just more than 50% of Suncrush's share capital, reported earnings of 19.7c (16.8c) a share, and declared an interim dividend of 19c (16.4c) a share.

CAPE TIMES

Senders bound by their terms

Senders bound by their terms





# SA blocked from aid <sup>(56A)</sup> CT 18/5/94 convention

Own Correspondent

BRUSSELS. — President Nelson Mandela's new government has been snubbed by its neighbours — just one week after his presidential inauguration.

Efforts by diplomats to attend this week's meeting in Swaziland of European Union (EU) ministers and representatives of 70 developing nations have been blocked. The meeting of the African, Caribbean and South Pacific members of the Lome Convention will discuss future co-operation between South Africa and the EU.

SA diplomats asked to attend as observers and were taken aback when this was refused. A European Commission spokesman confirmed yesterday that the request was turned down at the insistence of some Southern African states, worried that an increase in aid for SA would be at their expense. They have already made it clear that they do not want SA to join the Lome Convention.

But EU foreign ministers said this week they were determined to start negotiations on a new trade, aid and political agreement with SA.

"There is unanimity that the EU must make strong proposals to stimulate economic and political co-operation with SA," Belgian Foreign Minister Mr Will Claes said.

EU president Mr Theodoros Pangalos hoped that SA would participate in the Southern African Development Co-ordination Conference to form a new regional grouping. British Foreign Secretary Mr Douglas Hurd called for aid to continue to be administered through non-governmental organisations so as to avoid bureaucracy and waste.

# SA trade stimulus 'on the way'

□ European Union planning preference system for wide range of goods

TOS WENTZEL  
Political Staff

HUGE trade and development aid for South Africa is on the way from the European Union and the cabinet will soon decide on a strategy for negotiations with the EU on the deal.

Details of the EU's plans have been disclosed by European Community ambassador Mr Erwan Fouere, who was accredited as ambassador to South Africa earlier this year.

The EU proposals would cover economic and trade co-operation, including the extension to South Africa of a generalised system of preferences.

Development assistance programmes are also being stepped up.

At present South Africa is not covered by the benefits of the Lome agreement which go to 70 African-Caribbean-Pacific (ACP) nations which have just had an annual conference with ministers of the 12 EU countries in Mbabane.

The offer of beneficial trade agreements with the EU follows South Africa's transition to democratic government.

Mr Fouere said extension of the preferential system would provide for better access for certain South African products on the European markets.

At present Europe absorbed 40 percent of South Africa's exports.

The EU had reaffirmed its commitment to contribute in every possible way to the tran-

sition process, particularly as regards economic and reconstruction efforts.

"For this year alone the EU is allocating R440 million to development assistance in South Africa," he said.

This would go especially for education and training, rural development, health and projects relating to public administration.

The EU was also offering economic co-operation as far as medium and small-sized enterprises were concerned. This included soft loans, capital investment in training, market surveys and joint ventures with European concerns.

"Development assistance will include a regional component and attention to how South

Africa can relate with the rest of the Southern African community."

This issue would be addressed at a conference held in Berlin in the first week of September where EU ministers and other interested parties would meet.

There was interest in the regional aspect of the transition process and how Europe could contribute to strengthening co-operation between South Africa and its neighbours.

Mr Fouere said the new government had been offered various options covering trade and development assistance and it was now for it to decide on this.

Department of Foreign Affairs sources said a working

group which included representatives of trade and commerce, academics, the ANC and the department had completed a report on the strategy for talks with the EU. It covered a wide range of issues.

This included a system of preferences, market access, assistance with investment and special programmes on development aid.

Other issues were political dialogue on South Africa's regional role and technological co-operation.

This followed a visit to the union's headquarters by a subgroup on foreign affairs of the Transitional Executive Council.

A report had been submitted to the cabinet.

ARG 20/8/94



# Commitment on aid from EU wanted

GABORONE. — The Southern African Development Community (SADC) expects firm commitments on aid when it meets the European Union (EU) in Berlin next month, South African Foreign Minister Mr Alfred Nzo said yesterday.

"There was a perception that this meeting was merely going to be a meeting where we talk and say 'hello' and pack our bags and go," Mr Nzo told reporters at

the annual SADC summit.

"But some of us felt that this should not be the case. There ought to be concrete agreements we can follow up ... there will be a need for a follow-up to find out how far we have gone, are we indeed getting the assistance that we hoped for."

"The EU is a region that is in a position to help," said Mr Nzo. He said SADC foreign minis-

CT 29/8/94  
ters had prepared a report on the future of the Frontline States (FLS) for heads of state to consider, now that their anti-apartheid role was over.

"I think what's going to happen is that the former FLS hopefully are going to develop into an organisation that is going to look at political and security questions," Mr Nzo said.

He said it was in South Africa's interests to promote devel-

opment in its neighbours as a way of stemming the influx of foreigners looking for work and drug dealers "who have not come with good intentions"

(SbA) (SbA)  
"There is a vexing question of a flow of immigrants into our country, people who ... somehow have got the perception that once you enter Johannesburg you can pick up gold in the streets." — Sapa-Reuter

# European pact offer to foster growth

(SBA) APR 11/94

2/2/94

**TOS WENTZEL**

**Diplomatic Correspondent**

THE European Union is about to negotiate a wide-ranging mutual co-operation agreement with the Southern African Development Community.

South Africa joined the community last week.

The agreement will lead to the exchange of scientific, technological and cultural knowledge and experience. It also intends to encourage trade, investment and development co-operation.

A conference to decide on the agreement will be held in Berlin on Monday and Tuesday. Germany is at present chairman of the EU.

The conference will be attended by delegations led by foreign affairs ministers of the two regions.

At a Press briefing in Cape Town today German ambassador Hans-Christian Ueberschaer said this was the first time the EU had offered such a co-operation deal to a region in Africa.

It was meant to give moral and practical support to the relatively young SADC and to offer a partnership in knowledge and development over a wide area, including economic development, transport and communications, energy, education and training, health, environment and tourism.

The EU knew from experience that economic stability and development formed the basis for political stability.

It was hoped the proposed agreement could stimulate co-operation within the SADC and with the EU, eliminate the fragmentation of markets and counter the "Afro-pessimism" of the outside world.

Africa needed a success story and southern Africa was the only region where it could be achieved.

Co-operation and economic success would ensure political success in the region as an example for the rest of the continent.

# Berlin really wants to help us this time

■ Next week the countries of Southern Africa meet the European Union in Berlin to plan future relations. **ALAN HIRSCH**, (56A) director of the trade policy monitoring project in UCT's development policy research unit, explains the background to this conference. He chaired the South African delegation in negotiations with the European Union in Cape Town in June.

ON Monday and Tuesday high-level delegations from the members countries of the European Union and the Southern African Development Community (which now includes South Africa) are meeting in Berlin to discuss future co-operation. It is a meeting which marks South Africa's re-integration into the Southern African region and the enthusiasm of Europe to play a greater role in the restructured region.

It is doubtful whether anyone will be tactless and recall the last Berlin Conference, in 1884/5, which was held to divide Africa among the colonial powers of Europe. If the hype surrounding the current conference in Berlin's Reichstag is to be believed, the Europeans now intend quite the opposite: to help Southern Africa develop through its re-integration as a region.

The conference is the result of an initiative of German Foreign Minister Klaus Kinkel to coincide with Germany's six-month presidency of the European Union Council of Ministers. Some complain that it is yet another opportunity for South Africa's publicity value to be used for political purposes: Germany faces federal elections in October.

But the conference has serious intentions. Europe wants Southern Africa to stabilise politically and be accessible for European economic interests. The Germans, as the second largest investors in South Africa after the UK, have obvious real interests.

The conference could develop a framework for a long-term institutional arrangement between the EU and the SADC countries covering trade, investment, political dialogue, technical co-operation and development (read 'aid').

The SADC countries face a dilemma about whether or not the Berlin Conference should have substantive results. On the one hand, the countries of Southern Africa do not want to be ornaments in a relatively meaningless European ceremony. It seems that most members of the EU would like little more than that.

On the other hand, if substantive institutional developments come out of the meeting they could challenge the future of the Lomé Convention.

All the countries of Southern Africa, other than South Africa, are members of the Lomé Convention, which is an agreement between the EU and 70 former European colonies in Africa, the Caribbean, and the Pacific (ACP).

The ACP countries would seem to wish the generous

trade and aid provisions of Lomé IV to continue as Lomé V after 1999, whereas indications from Europe are that the EU would like to break up Lomé into a series of tailor-made regional arrangements with former Lomé members.

The establishment of a special relationship between South Africa and the EU therefore could act as a model for a post-Lomé arrangement.

Why this is a dilemma for the SADC countries is that it is not entirely clear whether a watered down Lomé V in 2000 would be preferable to a tailor-made Southern African arrangement. Southern Africa might get a good arrangement out of Europe because of our reasonably good economic prospects, but this is not certain. The countries of Southern Europe, with less to gain from a strong Southern Africa than the UK or Germany, might well see favours to the region as threatening their own interests.

There are other complications. What would be the effects of a Southern Africa-EU arrangement on South Africa's future relations with Europe?

Also, if there were to be political dialogue with the EU at a Southern African regional level, how would this affect proposals for a South African-EU political dialogue?

On balance, there is less to be lost through a Southern Africa-EU arrangement than to be gained. It is possible to have an arrangement which neither inhibits our neighbours' relations with Europe, nor ours, beyond those which we wish to alter.

The challenge is for the countries of Southern Africa to jointly formulate an approach to drive the process towards a useful regional arrangement with Europe. Without the SADC countries shaping and pushing the process, it won't happen, for two reasons.

Firstly, there is not much enthusiasm amongst the member states of the EU to take the process beyond the Berlin Conference. Other than Germany and the UK, they are not particularly keen to "privilege" our region.

Secondly, unless the region shapes the process, we will be left with an arrangement imposed by Europe that will not be "owned" by the region.

So Berlin 1994 might well help redress the damage caused by Berlin 1884/5. However, it is up to the countries of Southern Africa to make sure that the conference results in more than a few photo opportunities for European politicians.



# SA 'at cut-off point' for aid from EU

Own Correspondent

BERLIN. — The new, revised General System of Preferences (GSP) — the European Union's favourable tariff package for developing countries — which comes into effect next year — is likely to introduce a system of gradings within developing countries and SA may well not qualify.

A country's level of benefits would be linked to their level of development, and once they passed a predetermined cut-off point, their benefits would be withdrawn on the grounds that they no longer needed them. Initial calculations showed that SA

would be on the threshold of the proposed cut-off point, and hard bargaining over the next few months would be crucial to ensure that SA remained within the GSP net.

SA became entitled to current GSP benefits from Saturday, but this system lasts only until the end of the year when the new scheme takes effect.

In terms of a proposal by the European Commission, countries which benefited from GSP would be graded in terms of their level of development relative to that of the EC. Development would be measured in terms of income per capita and the level of manufactured exports.

Both variables would be scaled on the respective magnitude of the same EC variable, so that a zero value would imply that a country's development was on a par with that of Europe. The closer the value of the index to zero, the more similar the level of development of the country concerned to the EC would be. Korea was given a development indicator of minus 0.58, China -1.26, Chile -1.70 and SA -1.3, which is just within the cut-off point proposed by the EC.

The EC has proposed -1.2, and once developing countries reached this point they would no longer qualify for GSP benefits.

In terms of its grading, this would

exclude Korea, Singapore, Hong Kong, Malaysia, Brazil, Mexico, Thailand and Saudi Arabia, and their GSP benefits would therefore be phased out.

The rationale for the new system is to take account of the economic development of developing countries.

The EC has also proposed special incentives as part of the GSP package to ensure that beneficiary countries adopt sound economic, political and environmental policies, legislate for the protection of intellectual property rights, and combat drug trafficking. There would be a suspension clause to cover non-compliance.

# Germany welcomes SA's entry to regional community

DALE LAUTENBACH  
Foreign Editor

BERLIN. — South Africa's official entry into the Southern African Development Community has clearly made co-operation with this region a far more attractive and potentially workable proposition.

This has been acknowledged in the corridors of the SADC meeting with the European Union taking place in Berlin today and tomorrow.

Ambassador Harald Ganns, director for African affairs in the German government and chairman of the EU Africa Group, said: "It is clear that if South Africa was not going to be a member the whole thing would have fallen through."

He expressed delight that South Africa had become an official SADC member in time for this crucial conference, which is a get-together staged with attention-grabbing pomp

and ceremony, but with the understanding that a concrete framework for co-operation must emerge.

"The conference is not the objective in itself."

The intended signal, he said, was that Europe's co-operation with Africa should "go beyond food aid and refugees".

Mr Ganns emphasised that the Berlin conference was political in its very nature.

"It's not another develop-

ment conference; it's not a pledging conference."

No one should be in Berlin with a view to how many Deutschmark or dollars they could get out of it, he said.

To this end the demands made here today and tomorrow by the SADC member countries will be more important than the high-minded words of their joint declaration, expected tomorrow.

The declaration will merely

set the political framework for the real work that lies ahead.

Mr Ganns said one of the first areas of European experience on which the SADC could draw was that of its administrative abilities in regional integration. To this end he hoped the EU would be able to send experts to help in the running and refining of the SADC.

Southern Africa could also learn from the EU how best to remove trade barriers.

## Business Report

## Fears of demise of Lome accord

BERLIN. — The consolidation of ties between Southern Africa and the European Union at a high-powered conference which starts today has fuelled fears on the part of Lome Convention member states that the get together could be the beginning of their international demise.

(SbA) CT5/19/94  
Their fears are based on the fact there is a body of opinion within the EU and the European Parliament that the Lome Convention — a trade, aid and development contract between 70 African, Caribbean and Pacific countries (ACP) and the EU — should be dissolved when it enters its 5th phase in 2000.

"There is no certainty that there will be a Lome five," a source said.

Those opposed to the continuance of the contract argue that it is difficult for the EU to deal with such an unwieldy bloc of 70 nations, all at differing stages of development.

It would be preferable, they believe, for the EU to enter into contractual relations with regional blocs in Africa, the Caribbean and the Pacific along the lines of the Southern African regional association it is attempting to strengthen.

But the dissolution of the Lome Convention and the establishment of regions would not be in the interests of the ACP members states, some of the smaller of which rely on the muscle which membership of the association provides.

Small and impoverished Caribbean states, for example, would lose status and power if they were left to bargain alone within the EU as a region.



# SADC-Europe talks end with co-operation pledge

ARC 6/9/94

(S6A)

(3291)

BERLIN. — The European Union and a grouping of southern African states, including South Africa, agreed today to open a comprehensive dialogue on subjects ranging from politics and arms supplies to trade, aid and investment.

At the end of the first high-level meeting between EU foreign ministers and their counterparts from the Southern Africa Development Community (SADC), the two groups issued a joint declaration listing mutual objectives.

The statement offered support for democracy at all levels, a reduction of arms and arms exports in southern Africa, co-operation in trade and economic developments in the region and promotion of investment, particularly in manufacturing.

The declaration that con-

cluded the Berlin meeting also called for an increased political dialogue.

"The political dialogue between the European Union and countries of the southern African regions will consist of a regular exchange of views on general matters of foreign policy, particularly with a view to promoting peace and long-term stability in the southern African region," the declaration said.

To promote regional integration, the EU will offer exchanges of personnel, training, assistance and advice on organisational matters.

The two regions also agreed to promote trade co-operation without prejudice to the Lome Convention between the EU and African, Caribbean and Pacific nations.

The parties also said they



**SHOW OF UNITY:** Mr Kinkel with Mr Nzo, right, and Gasotwe Chiepe, left, from Botswana.

would make appropriate proposals to follow up the conference. But no timetable was set for subsequent sessions.

South African Foreign Minister Alfred Nzo had called for a follow-up report within two months.

The SADC was set up in 1980 in a largely unsuccessful bid by South Africa's neighbours to break their economic dependence on the then apartheid state and to provide backing for the ANC.

All 11 SADC foreign ministers attended the two-day conference, held at Berlin's Reichstag parliament building. But only five of the 12 EU foreign ministers were on hand — from Germany, Belgium, Luxembourg, the Netherlands and Portugal.

The SADC nations are Angola, Botswana, Lesotho, Malawi, Zimbabwe, Mozambique, Swaziland, Tanzania, Namibia, Zambia and South Africa. — Reuter.

# SADC, EU adopt framework today

From LINDA ENSOR

BERLIN. — The Southern African Development Community (SADC) wanted to set up a follow-up mechanism to ensure that decisions taken at this week's conference with the European Union were implemented as soon as possible, SA Foreign Minister Alfred Nzo said yesterday.

One of South Africa's key concerns was drug trafficking, which posed a serious threat to development, he said.

*ET 6/9/94*  
The conference of foreign ministers, opened by German Foreign Minister Mr Klaus Kinkel, ends today with the adoption of the Berlin Declaration outlining the framework for future co-operation between Southern Africa and Europe.

*(56A) (227A)*  
Mr Kinkel said the time was ripe for co-operation to move into a new phase.

"By so doing we shall also be contributing to peace and security throughout Africa."

The dialogue established would be directed primarily towards economic development, ensuring peace and security in Southern Africa, and promoting democracy and human rights.

Mr Nzo said the follow-up mechanism should be under SADC direction and consist of EU and Southern African representatives.

SADC council of ministers' chairman Mr Festus Mogae said the EU had the technology, capital and expertise to kickstart an industrial revolution in Southern Africa.

# Euro-SADC talks go beyond hopes of Berlin Declaration

ARC 7/9/94

DALE LAUTENBACH  
Foreign Editor  
in Berlin

56A  
cess over months, would satisfy most delegates.

**T**HE high-profile gathering of the European Union and the Southern African Development Community has gone the mile and produced results beyond the high-minded words of the Berlin Declaration it adopted.

"The people of southern Africa need immediate solutions," urged South African Foreign Minister Alfred Nzo, near the close of the two-day meeting at the Reichstag yesterday.

He told European colleagues that the South African government viewed the implementation of its Reconstruction and Development Programme "in a broader regional context".

"I would remind you that support to one (country in the region) is support to all."

It was a friendly push and ever so polite, but South Africa got its way and the conference that threatened to be a talk shop resolved that it should not end in words alone.

Backed by a good deal of corridor lobbying, Mr Nzo saw to that in his speech: "After consultation with our colleagues from other delegations I propose that this conference adopt a resolution establishing an *ad hoc* steering committee which will develop a strategy to achieve the objectives of the declaration."

He said it should work in close cooperation with the SADC Secretariat and the European Commission and submit a report on implementation strategy within two months.

Further, he proposed a regional conference on combatting drugs trafficking for early next year. This idea was well received and would, it was learnt, involve not only EU members but the United States too perhaps.

Another committee and another conference might sound like just so much more bureaucracy but even as the ministers were whisked off to a reception with the German president, southern African and European officials were meeting to formulate strategy.

Their work will culminate in a meeting at senior official level in Malawi in January or February next year, said SADC vice president Festus Mogae. SADC and EU foreign ministers will meet again later next year.

There was a real fear at the start of the conference that the impressive document called the Berlin Declaration and which has been refined in a consultative pro-

In itself it addresses most possible aspects of EU-SADC policy and cooperation and like most documents of this nature promises a follow-up. There was a suspicion though, particularly among the South Africans and the Germans, that such declarations needed something more concrete to carry them through to actual results.

There had been much insistence from other SADC members that new mechanisms were not needed. The sensitivities of South Africa as the newest but also now the strongest member of SADC are quite acute and the 10 members of SADC without South Africa have their institution to defend against the scrutiny of the newcomer.

On this Mr Nzo was equally firm: "I am aware of the concerns expressed in this room regarding the danger of duplicating structures in southern Africa. I also believe that there is agreement on the urgency to find solutions and to implement such programs as we may agree upon here. I hope that such early implementation will not be obstructed by disagreement on structures. The people of southern Africa need immediate solutions."

Among the areas of cooperation envisaged in the 14-point Berlin Declaration and around which the steering committee now has to formulate a concrete strategy are:

- Political dialogue in an effort to promote peace and stability in southern Africa;
- Regional integration on which the EU has offered to share its experience with SADC in technical and organisational matters;
- Trade and economic cooperation involving promotion but with prejudice to GATT or the Lome Convention;
- Private investment, small and medium sized enterprises and the promotion of the private sector;
- Development cooperation including regional planning and co-ordination for transport and communications, energy, education and training, health, food and agriculture and mining;
- Natural resources and the environment in recognition of the importance of the conservation of natural resources;
- Science and technology and the transfer of knowledge;
- Tourism;
- Cultural cooperation;
- The combatting of international crime including arms smuggling, illicit cultivation, drugs trafficking and consumption, money laundering and the dumping of toxic waste.



Own Correspondent

BRUSSELS. — The European Union has announced that it plans new trade concessions for South Africa from January.

This follows delays and confusion over an interim package of trade advantages which have still to come on stream.

Both sets of measures fall within the framework of the Generalised System of Preferences (GSP), which is a mechanism for offering tariff cuts to developing countries.

The EU offered South Africa a temporary set of trade concessions which were due to have come on stream at the beginning of August and will not last beyond December 31.

However, bureaucratic delays in Brussels, combined with attempts by the French and others to water down the concessions, resulted in the deal only just being finalised in Brussels.

"South African businessmen will not be able to begin to benefit from these concessions until we have received a reply to our offer from Pretoria," said an EU trade official. "We are still awaiting that reply."

He did however disclose that South Africa is to fully benefit from the revised GSP, which will begin from January 1.

Unlike the temporary deal, which will cover SA exports worth an annual R1,7bn, the new agreement will also extend to some agricultural products.

# EU firms up on SA trade concessions

56A

1802

CT 8/9/94

South African negotiators are keen to win lower tariffs for farm exports, and are likely to welcome the EU announcement.

However, they will be anxious to study full details of the new GSP framework, to ensure that it offers a full spectrum of tariff cuts.

Meanwhile, the revised GSP plan will still need to be approved by EU trade ministers before it can come into effect.

In another development, Malaysia, Hong Kong, China, Singapore and Saudi Arabia are among a number of states to lose some GSP trade concessions from the EUs because their economies are doing too well.

The products from which trade concessions will be withdrawn include textiles, chemicals, plastics, leather, wood, paper, shoes and electronic goods.

Countries which respect sound employment practices and care for the environment will receive additional tariff cuts under the GSP, but not before 1997.

# EU announces trade concessions for SA

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JOHN FRASER

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can come into effect.

In another development, Malaysia, Hong Kong, China, Singapore and Saudi Arabia are among a number of states to lose some GSP trade concessions from the EU they have enjoyed up to now.

This is because their economies are doing too well, and EU commissioners have decided that some products from these countries should no longer benefit from low tariffs.

The products from which trade concessions will be withdrawn include textiles, chemicals, plastics, leather, wood, paper, shoes and electronic goods. (SbA)

EU commissioners have also decided that countries which respect sound employment practices and which care for the environment should receive additional tariff cuts under the GSP.

However, these will not be offered until 1997.



# EU poised to sign SA framework accord

From JOHN DLUDLU

JOHANNESBURG. — The European Union was expected to sign a framework agreement with SA early next month which would include granting of soft loans to SA by the European Investment Bank, EU ambassador to SA Erwan Fouère said yesterday.

He said SA and EU officials were examining a draft of the framework agreement, which would establish an interim relationship between SA and the union.

"We're hoping to sign the agreement during (EU Trade Minister) Leon Brittan's visit to SA sometime next month. The date for the visit is currently being worked out by the union," he added.

The signing of the agreement would enable the EU to open the European Investment Bank's purse strings for SA.

56A ~~ET~~ ET 15/9/94  
The bank, one of the world's leading lending institutions, operated soft loans and financed infrastructural development projects which could boost government's reconstruction and development programme.

An EU delegation had recently visited the country to explore the feasibility of extending the EIB operations to SA, Fouère said.

In line with the EU's emphasis on regional co-operation, possible projects that could be funded included a regional power grid, and tourism and transport networks. Fouère said the bank would also fund projects without a regional slant.

"The extension of the bank to SA, hopefully next year, will send a positive message to international markets on the country," he added.

The proposed agreement would also pave way for talks on deeper-level long-term arrangements between the EU and SA, which sources expected to begin either later this year or next year.

The object of Brittan's visit would be to "emphasise the importance of the existing relationship" with SA, which covered trade and development aid, he said.

The EU was keen to assist SA in the interim phase to increase its industrial competitiveness, diversify exports of manufactured products and buoy the development of small to medium-sized enterprises which were critical to job creation, Fouère said.

The recent Berlin conference between the EU and the Southern African Development Community had set the tone for future regional co-operation and long-term arrangement with SA.



# SA hopes EU deal will furnish loans

B1 Day 15/9/94

JOHN DLUDLU

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# Agreement drafted on EU cash aid to SA

~~SA~~ (56A)  
Own Correspondent

BRUSSELS. — European Union officials are today due to unveil a new framework for future co-operation with South Africa — which should unlock hundreds of millions of rands in new European aid.

The European Commission is due to table the draft agreement, to be signed by both the 12 EU governments and the South African authorities. It is intended to formalise the growing ties between Europe and Pretoria. *CF 21/9/94*

In practical terms, the agreement will unlock new EU cash help for South Africa. It will provide the legal basis for multi-million rand loans from the Luxemburg-based European Investment Bank. It will also pave the way for a big boost in aid from the EU's development budget.

EU Trade Commissioner Sir Leon Brittan is planning a visit to South Africa next month, when he is expected to give a boost to the negotiations.

The draft agreement notes that both sides "desire to strengthen their relations with a view to promoting harmonious, balanced and sustainable social and economic development and, to this end, they hereby agree to step up co-operation in all areas within their respective spheres of competence".

# Manuel <sup>(56A)</sup> discusses <sup>20</sup> support <sup>CT 23/9/94</sup>

**BONN.** — South African Trade and Industry Minister Mr Trevor Manuel met yesterday with German counterpart, Mr Guenter Rexrodt, on future co-operation between South Africa and the European Union (EU).

Mr Manuel sought support for the speedy conclusion of an EU-South Africa co-operation agreement, arguing that South Africa was on the threshold of becoming an industrialised state and merited equal treatment.

Mr Rexrodt said a balanced agreement was in the EU's interest and promised Germany would pursue the matter.

Mr Manuel also asked that South Africa be struck from an export control list subjecting the sale of so-called "dual-use" goods to special authorisation.

Mr Rexrodt said he expected this matter to be resolved.

The ministers also discussed a proposed bilateral treaty for spurring foreign investment in South Africa, and updating an accord avoiding double-taxation.

● South Africa's economic importance will soon rise markedly, according to Deutsche Aerospace president Mr Jurgen Schrempp, who also said the company was encouraging the German government to boost support for South Africa's economic development.

— Sapa



# Co-operation with Europe closer

JOHANNESBURG. — A draft agreement to set a legal framework for co-operation between the European Union and South Africa is expected to be concluded today, the EU said yesterday.

A delegation of the European Commission is in South Africa to sign the agreement.

The EU said the agreement would emphasise human rights

and democracy, and enable the European Investment Bank to give loans in South Africa.

It would be formalised by European Commissioner for External Economic Affairs Sir Leon Brittan during an official visit to South Africa.

EU ambassador to South Africa Mr Erwan Fouere told a meeting convened by the SA Federated Trade Organisation

here yesterday the agreement would signal the EU's commitment to South Africa's political transition. *CT 4/10/94*

The EU statement said South Africa had been given preferential access to the European market for export goods valued at R1,7 billion, in addition to the 77% of South African exports that already entered the market duty-free. — Sapa *(66A)*

# New plan to boost business

SA, EU to sign far-reaching accord soon

(56A)

ART 8/10/94

TOS WENTZEL

FOREIGN investment confidence in South Africa soon will be given a major boost when an agreement between the European Union (EU) and South Africa sets out a legal framework for co-operation.

An EU delegation led by Foreign Trade Minister Leon Brittan is in South Africa.

The agreement then will be finalised and Sir Leon and Deputy President Thabo Mbeki will sign it next week.

The basic principles enshrined in the agreement include respect for human rights and the promotion of democracy.

It also provides for areas such as science and technology, the environment and medium- and small-sized business undertakings.

EU ambassador in South Africa Erwan Fouere said the agreement also recognised the importance of the regional dimension of South Africa's relationship with the EU.

This was a logical follow-up to the recent Berlin conference which called for a strengthen-

ing of co-operation in the South African region.

The consequence of this agreement would involve the opening of a further budgeting door such as the extension of the European Investment Bank's lending activities in South Africa.

The bank had an extremely high credit-rating in international financial markets.

Involvement of the bank in South Africa would send the right message to potential investors.

Foreign people would have more confidence about investing in SA if a bank with the reputation of the EIB became involved, said Mr Fouere.

Reuter reports from Johannesburg that Sir Leon, the EU's top economic envoy, described the accord as a landmark partnership.

It would seek to strengthen aid, trade and investment ties and open access to significant loans.

"It will support balanced and sustainable social and economic development and boost co-operation in all fields, growing in tandem with the interests of

the South African region as a whole and intra-regional co-operation," he said.

It would seek to act as a catalyst in freeing trade by encouraging investment by European companies in South Africa and vice versa, he said.

"One important reason we need such an agreement now is that, once signed, our European Investment Bank can begin its lending activities."

"More than R1 billion of potential lending to your country is in the pipeline," he said.

Sir Leon was addressing the EU Chamber of Commerce in South Africa during a four-day visit to sign the deal.

The EU is South Africa's largest trade partner and biggest foreign investor, although ties were strained by anti-apartheid sanctions prior to the elections in April.

The EU buys 40 percent of South Africa's exports and supplies 33 percent of what it imports in annual trade worth R63 billion.

It unveiled a package of trade concessions in August which widened duty-free access for South African exports, af-

fecting nearly 2 000 products and adding to the 77 percent of the sales to the EU which were already duty-free.

It also proposed to include South Africa in an overhauled general system of preferences concessionary trade scheme to be implemented next year.

Sir Leon urged the South African government to inform the EU as to how it saw future relations shaping up.

"Should South Africa opt for a bilateral relationship with the European Union, or look for other options?" he asked.

In recent months, he said, there was speculation about a possible association with the Lome Convention aid and trade agreement between European states and 69 former colonies in Africa, the Caribbean and the Pacific.

Mr Brittan spoke of enormous goodwill towards South Africa in Europe.

But, in spite of strengthening aid and trade ties, SA's economic fate was largely in its own hands.

The sooner steps were taken to dismantle trade barriers, the sooner benefits would be felt,

# EU gives Community Bank R5,4-m

Star 10/10/94  
■ BY PATRICK WADULA

European Union Trade Commissioner, Sir Leon Brittan together with the director of Kagiso Trust Eric Molobi and Community bank's chief executive officer Cas Coovadia, signed a contract on Friday giving the Community Bank R5,4 million from the EU on Friday.

"The contract makes a provision for the grant to be spread over two years and R2,1 million of the grant was transferred to Community Bank earlier this year," Coovadia said.

It was aimed at providing finance to low-income people "in a way that builds their capacity around banking and empowers them to own the Bank" Community Bank said.

Coovadia added that the financial support committed by the EU to the Community Bank foundation emphasises the development role the bank plays. "We view this contract as the beginning of an on going relationship between ourselves and the EU", said Coovadia, and trust that the EU will also continue to support key initiatives like Community Bank.

He added that they would certainly need EU's support for the next few years while consolidating efforts to reach sustainability.



R1-bn in loans possible

# Accord to bolster SA trade with EU

**PRIVILEGED**  
status with SA's  
biggest trading  
partner achieved  
in breakthrough

BY GLENDA DANIELS  
BRENDAN TEMPLETON  
and REUTER

More than R1 billion in potential loans from the European Investment Bank has been made available to South Africa after an agreement was signed at the Union Buildings in Pretoria yesterday between European Union External Economic Commissioner Sir Leon Brittan and Deputy President Thabo Mbeki.

The accord will bolster aid and give South Africa a privileged trading status with the EU. Many of the country's exports might also be exempt from EU tariffs.

The breakthrough accord follows last week's triumphant US tour by President Mandela during which the American government promised to increase aid to SA.

## Framework

President Bill Clinton gave his personal support to helping the country with its reconstruction and development.

Yesterday, Brittan, speaking at the end of a four-day visit, described the pact as a legal framework enabling the two sides to develop their relationship, while unlocking certain short-term gains for South Africa.

Mbeki said in a statement: "It will enable the EU to open specific budget lines and to develop general and specific co-operation programmes.

"It will simultaneously ensure that respect for human rights and the promotion of democracy remain at the forefront of EU-South African relations," he said.

The agreement was only the first step to-

wards building a permanent relationship between the EU and South Africa, Brittan said.

Mbeki said the country's future depended on good relations with the EU, South Africa's biggest trading partner.

The deal will also encourage reciprocal investment between South Africa and European countries. It envisages including South Africa in the EU's concessionary trade scheme which starts next year.

Brittan said he saw the new deal as a catalyst in freeing up trade by encouraging investment by European companies in South Africa and vice versa.

It also opened the way for the European Investment Bank to start lending to South Africa, he said, adding that more than R1 billion of potential loans were in the pipeline.

On Friday, Brittan signed a contract giving the Community Bank R5,4 million from the EU.

Referring to the accord signed yesterday, Brittan said on Friday that the longer-term relationship could be very broad, including trade, research, environment, industry, education and training.

"However, for this to happen, the South African Government must tell us as soon as possible how it sees future relations with the EU. Should SA opt for a bilateral relationship with the EU or look for other options?"

# Mandela, EU discuss future ties

(SbA)  
CT 11/10/94

JOHANNESBURG. — President Nelson Mandela met European Union (EU) Commissioner for External Economic Affairs Sir Leon Brittan in Pretoria yesterday to discuss future relations between South Africa and the EU.

An agreement on future relations was also signed earlier in the day.

An EU statement said Sir Leon told Mr Mandela the fact that the agreement came only five months after the new government was set up underlined the union's commitment to change in South Africa.

"To attract the foreign investment that is so sorely needed, however, it is also necessary to dismantle the controls and restrictions which characterise the siege economy," Sir Leon said.

The EU is South Africa's largest trading partner and the biggest donor of grants. — Sapa

# ANC alliance backs Nissen

By BARRY STREEK  
Political Staff

THE ANC-led alliance yesterday endorsed the ANC's Western Cape leader, the Rev Chris Nissen, to succeed Dr Allan Boesak as Minister of Economic Affairs in the province — after Mr Nissen had threatened to resign if not backed.

The ANC/SA Communist Party/Cosatu alliance's decision overturned the candidate sup-

ported by the ANC's provincial caucus, Ms Tasneem Essop, and the candidate supported by the ANC's women's and youth leagues, Ms Lynne Brown.

The move will prevent a leadership crisis for the ANC in the Western Cape — particularly as Mr Nissen only took over from Dr Boesak as provincial leader last month — but the tussle reflects other serious tensions, particularly in its provincial

caucus. Both Ms Essop, the ANC's chief whip, and Ms Brown, its education spokesperson, are members of the caucus, as is Mr Nissen, current Deputy Speaker in the provincial legislature.

Last week the caucus voted to support Ms Essop, who defeated Mr Nissen and Ms Brown, although its decision had to be endorsed by the ANC's provincial executive.

Mr Nissen then wrote a letter to the executive insisting that he take over Dr Boesak's Economic Affairs ministry.

He also said he would find it impossible to fulfil his leadership role unless given the post.

At the alliance meeting yesterday the SACP and Cosatu delegations both supported the ANC provincial executive committee decision to endorse Mr Nissen.

## Car kills five at bus stop

PRETORIA. — Five people were killed and seven injured yesterday morning when a car ploughed into commuters at a bus stop in Shanguve, north of here.

Police said the car suddenly swerved off the road and into the commuters.

Four men and a woman were killed instantly.

The driver, who was allegedly under the influence, was arrested and charged with culpable homicide.

The dead and injured were on their way to work. — Sapa

## Deal with EU could net huge loans for SA

From LINDA ENSOR

PRETORIA. — A landmark co-operation agreement, opening the way for more than R1 billion in potential loans for South Africa, was signed by the government and the European Union (EU) yesterday.

The deal will provide a framework for co-operation programmes and enable the European Investment Bank to extend its lending operations to SA.

Deputy President Thabo Mbeki and EU external economic affairs commissioner Sir Leon Brittan signed the pact at the Union Buildings.

Mr Mbeki said SA's future depended on good relations with the EU, which

was SA's largest trading partner, absorbing over 40% of exports.

Also, the EU programme for reconstruction and development in SA, together with those of its member states, accounted for over half of all foreign aid to SA.

The agreement was only the first step towards a permanent relationship between SA and the EU, Sir Leon said.

Negotiations on an agreement between SA and the EU which would cover all areas of co-operation, would start shortly, Mr Mbeki said.

Urgent EC meeting on SA millions — Page 2

### BUSINESS BRIEF

Gold (Ldm) (close)	\$391,05
Gold (NY) (close)	\$390,85
Dollar	CLOSED
JSE Overall Index	CLOSED
FT 100	3032,20
Dow Jones	3821,32
Nikkei	CLOSED





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ET 11/10/94 (56A)

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● Urgent EC meeting on SA millions —  
Page 2

# Urgent EC meeting on SA millions

From LINDA ENSOR

LONDON. — Senior European Commission (EC) officials and European MPs will be meeting this week to thrash out project proposals to ensure that the millions of rand allocated for South Africa by the European Parliament are spent before the end of the year.

Haste is vital because if the funds — estimated at about R80 million — are not committed to specific projects by the end of the current financial year, SA will forfeit its right to them.

Mr David Lowe, of the European Parliament's development committee, said yesterday the EC was confident the funds would be disbursed before the end of the year.

Back seat CT 11/10/94

He added that this would require feedback from the government on whether the projects identified were compatible with the Reconstruction and Development Programme's priorities.

Mr Lowe conceded that the government's delay in identifying projects had caused a problem, but said the EC understood this was partly due to the elections, which had used up much political energy.

Also, the assessment of development projects had had to take a back seat while the new government worked out its administrative structures.

● The Speaker of the SA Parliament, Dr Frene Ginwala, has accepted an invitation to lead a delegation to attend a session of the European Parliament in the near future.

# Emergency steps to distribute aid

BRUSSELS — The European Union is to make emergency plans to distribute millions of rands of European aid in SA.

This is because it can find no one in President Nelson Mandela's government to take responsibility for accepting the money.

The EU's aid budget for SA this year is about R550m, on top of R55m given for the elections.

Brussels officials complain that it has been impossible to find an SA ministry which will take responsibility for administering the EU aid. They are having to cast around for non-governmental agencies which have eligible projects.

If the money was not handed over before the end of November, EU budget rules would make it impossible to spend it next year.

"We have not yet finalised who is the minister responsible for co-ordinating European aid," said European Commission director for east and southern Africa Giovanni Livi.

"If the money is not committed before the end of November, it could be lost. . . .

"It is astonishing that five months after the elections, we have no commitment or involvement on the political level by the SA government.

"We want one minister who is our counterpart," Livi said.

Meanwhile, the EU has promised to help finance an education project at Vosloorus, near Johannesburg.

Originally the Italian government

13/10/94  
JOHN FRASER

agreed to sponsor the Vosloorus project, run by the Matla Trust. However, the Italians asked Brussels to take over some financing of the scheme.

Matla Trust executive director Billy Modise visited EU headquarters this week to press for aid and was given a positive response.

The EU would put about R5m into the project and Italy about R16m, Modise said.

The Vosloorus centre would provide training in skills such as sewing, brick-making, construction and carpentry. (56A)

LINDA ENSOR reports from London that Commonwealth secretary-general Emeka Anyaoku will attend a donors' conference on human resource development in Cape Town later this month.

More than 50 agencies are expected to attend the October 26-28 conference, sponsored jointly by the UN and the Commonwealth.

The goal of the conference, the Commonwealth Secretariat said yesterday, was to give SA's government an opportunity to present its reconstruction and development programme priorities to the international donor community.

The conference was expected to generate guidelines for determining priority areas; priority projects; and identify possible collaborative efforts between donor agencies and SA partners.



After restructuring of the cabinet departments were "meaningless".

# Food led st death

JIS. — A man gob-  
hot dog inside a  
market in re-  
to a shop-assis-  
threat to call  
then choked to  
on his hasty meal.  
ore employee told  
that Mr Robert  
had been causing  
urbance.

en she told him  
as going to call the  
he crammed the  
g down his throat  
walked out without  
g." police said.  
n police arrived  
2-year-old man lay  
scious in front of  
ore.

mergency medical  
tried to give Mr  
xygen and found  
hot dog stuck in.  
at. He later died.  
AP



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# City lawyer tells of mob attack

Crime Reporter

THERE was chaos in the  
city centre yesterday  
when 350 angry protest-  
ing fishermen attacked a  
city attorney, assaulted  
three policemen and van-  
dalised lawyers' offices  
in Long Street, fleeing  
with thousands of rands  
in goods.

Three men — shot and  
wounded when they at-  
tacked police outside  
Longwharf Building —  
were discharged from a  
city hospital and arrested  
in connection with tres-  
passing, public violence  
and assault.

Shaken attorney Mr  
Frikkie Erasmus said the  
group would have killed  
him if police had not  
helped him out of the  
building.

The fishermen claimed  
Mr Erasmus was withholding about  
R23 000 in trust money — but Mr Eras-  
mus said the money was in the bank in  
the Cape Town Harbour Community  
Trust's account.

Yesterday's incident is the latest in a  
string of violent incidents.

"As I came out of my office a man hit  
me on the head with a knobkerrie," Mr  
Erasmus said.



Picture: BENNY GOOL

**ATTACKED** ... City lawyer Mr Frikkie Eras-  
mus with the suit he claims was torn off his  
body during a demonstration by angry fisher-  
men at his offices in Long Street.

"They slashed my jacket off, slashed  
my trousers and stole my cellular tele-  
phone."

ANC MP Mr Tony Yengeni spoke to  
the fishermen and told police they  
would disperse if Mr Erasmus met  
them at the Food and Allied Workers'  
Union offices tomorrow.

The three arrested men, in their 40s,  
will appear in the Cape Town Magis-  
trate's Court today.

# European aid for SA at risk

(56A) CT 13/10/94

BRUSSELS. — The European Union is to make  
emergency plans to distribute millions of rands of  
European aid — because it can find no one in  
President Nelson Mandela's government to take  
responsibility for accepting the money.

The EU's aid budget for South Africa this year is  
around R550 million on top of R55m which was  
given for the election.

For the first time, Brussels has offered to channel  
some aid — amounting to tens of millions of rands —  
through the government. In the past, the EU had  
refused to work with the white-only administration.

However, Brussels officials say it has been impos-  
sible to find a ministry to administer the aid.

If the cash is not handed over soon, EU budget  
rules make it impossible to carry over to next year.

## Aid committee

"We have not yet finalised who is the minister  
responsible for co-ordinating European aid," Euro-  
pean commission director for East and Southern  
Africa Mr Giovanni Livi said.

"If the money is not committed before the end of  
November, it could be lost."

The SA government has set up a committee to  
evaluate all offers of incoming aid.

The committee, which includes representatives  
from the Finance Ministry and the Ministry Without  
Portfolio, is making an assessment of all aid, dona-  
tions and loans and assessing to what extent these  
fall in line with the RDP goals.

Mr Jay Naidoo, Minister Without Portfolio, and Mr  
Trevor Manuel, Minister of Trade and Industry, are  
overseas. — Own Correspondent, Staff Reporter

# Who will rid EU of R15m aid package?

SI Times

THERE is a new threat to a R15-million European Union aid package for South Africa. 6/11/94

The EU wants to channel some of its R550-million aid budget for SA this year through the Pretoria government.

The aim is partly to use the government as a partner in the aid process — in a way that was never contemplated with the previous governments.

However, Brussels officials are not prepared to release any funds until someone senior will take responsibility for the cash.

At one stage it looked as if a large share of the package might be lost because South African authorities could not decide on how to handle the problem.

Now most of the money will be channelled through non-governmental agencies, with R15-million set aside in the hope that the EU can still find a way to work with Pretoria (SA)

It seemed the row was over earlier this month when the SA government nominated an official in the Finance Ministry to take responsibility for channelling the aid from Brussels, but the EU turned down that plan.

The government then offered to set up a secretariat under Jay Naidoo, the Minister without Port-

By JOHN FRASER  
Brussels

folio, who is responsible for the Reconstruction and Development Programme.

However, this plan also met with resistance from Brussels officials.

They are still said to be insisting that Mr Naidoo or another minister should take direct responsibility for receiving the aid.

"The result is that R15-million of aid has been suspended — and may be lost. This could have an impact on the EU aid budget for next year," said a diplomat in Brussels.

"The European Parliament wants to increase EU aid for South Africa by a quarter, but if all this year's money has not been spent, there will be pressures to overturn the planned increase."

# EU aid donation to bypass govt

BRUSSELS — The European Union has abandoned efforts to channel part of this year's R440m aid programme for SA through government.

The union had been unable to work out who in government should handle distribution of the aid, and the money would now be channelled through non-governmental organisations, EU acting director of development policy Peter Pooley said yesterday.

In the future, the EU would want "a good deal" of its donation to go to government, Pooley said.

"We need a single channel, so we are not having to arbitrate between, say, the Minister of Housing who wants one thing and the Minister of Health who wants another thing."

The EU aid budget for SA for next year is expected to increase 25%, and Pooley said he hoped the problems encountered this year would soon be solved. Although government would

*B/Day*  
8/11/94  
Own Correspondent

be handling much of the aid in future, the union wanted to preserve some links with non-governmental organisations.

JOHN DLUDLU reports that an EU spokesman in Pretoria said yesterday that discussions on the allocation of next year's EU aid package were already under way.

Director-general in the office of the President Bernie Fanaroff said his department had never received any formal complaint about difficulties in channelling aid money, and called on the EU to formally advise government of any problems.

Government was expected to take a decision within the next few weeks on the country's long-term relationship with the EU, a government source said.

Apart from its direct aid pro-

gramme, the EU has also forged an interim trade preference agreement with SA under the Generalised Scheme of Preferences, expected to be worth around R1,7bn.

In October a framework agreement was signed enabling the European Investment Bank to start operating in SA.

In an interview at the weekend, EU ambassador to SA Erwan Fouéré said the union was waiting for SA to decide on its options.

He said the union had several bilateral instruments which could be used to increase SA's world competitiveness and emphasise regional co-operation among Southern African Development Community members.

However, trade sources said there was a growing body of opinion that SA needed a different arrangement, rather than existing frameworks. — © Telegraph plc.



# SA must try for EU's big league

Star 11/11/94

Six months after the installation of the new South African Government, its component parts are beginning to find common cause on how to approach the European Union (EU).

But the process still looks very slow.

To the suit manufacturer or timber farmer, the presently 12-strong and expanding EU represents South Africa's biggest export market and the only important question might appear to be "what kind of tariff reductions do I qualify for".

But for the departments of Trade and Industry, Foreign Affairs, Finance, Agriculture and for the Reconstruction and Development Programme (RDP), determining the nature of South Africa's relationship with the EU — and by implication with the 70 member states of the Lomé Convention in the ACP group (Africa-Caribbean-Pacific) — the problems range from political vanities to slimly disguised trade rivalries.

In October Deputy President Thabo Mbeki signed a co-operation agreement with the EU which opened the way for talks to begin in search of the nature of the formal and long-term relationship with the EU.

The agreement meant instant access to the European Investment Bank and qualification for access to the union's investment instrument, ECIP or European Community Investment Partners.

But those benefits accrued as part of what South Africa's ambassador to the EU, Neil van Heerden described as the "formal umbilical cord" established by the co-operation agreement.

It was also just the starting gun for official establishment of a unique SA-EU relationship, but nearly a month later that process remains in its infancy.

At the signing ceremony, EU commissioner Sir Leon Brittan said the ball was in South Africa's court: it had to decide what it wanted and come to Brussels with that opening bid.

But there's a lot of ball-in-court talk in these EU-SA circles. The indications now are that South Africa is about to return the ball to the EU side of the net.

The Cabinet has yet to bless this strategy, but South Africa's plan seems to be that it will send to the EU and the ACP members a request that they give an indication of how they see the relationship.

South African officials ac-

**SOUTH Africa's crucial relationship with the European Union is taking shape a little slowly. But a common position is growing, writes Foreign Editor Dale Lautenbach**

(SbA)

knowledge their lack of experience in dealing with the EU labyrinth and feel that by asking the other side to show their hand, they will be in a stronger position to respond accordingly.

There are those who would call this shadow boxing and remain concerned that South Africa must get on with it and sort out its own priorities as a matter of urgency.

## It's as well we understand it

The complexity of the European Union has earned it an intimidating reputation: it is a monster which The Economist described recently as "easier to lampoon than to understand".

Yet difficult as it is to identify a coherent power guiding its many tentacles, the EU is nonetheless a vast economic, political, military and cultural resource. Its many aid and development programmes can be of great benefit to South Africa and it is, after all, South Africa's biggest export market.

The major institutions of the EU are: The European Council (the political decision-maker), the European Commission (the executive which handles the day-to-day work), and the European Parliament (directly elected representatives from each country, the legislative power).

### European Council

The council is composed of ministers of each member country. Two or three times a year this council consists of the heads of state of each country, and is then referred to as the European Council.

For the rest of the time, the council usually meets once a month and is then composed of the ministers of foreign affairs of each country, or other ministers, depending on what is discussed. The council is then referred to as the Council of Ministers of the EU.

### European Commission

The commission is in a way the government of Europe. It is composed of 17 commissioners, nominated by their governments for four years. Each of the 12 member countries has one

representative, except for France, Germany, Italy and Spain, which each has two. They meet once a week in Brussels and have extensive powers to decide common policies, negotiate external accords, etc.

### European Parliament

The parliament is composed of 567 representatives, elected directly by the citizens of each member country. The number of representatives in the parliament varies according to the size of their country. Yet the deputies in the parliament represent political parties rather than countries. The parliament meets every month in Strasbourg, France, to discuss the important decisions and laws proposed by the commission to the council.

### EU and South Africa

To consolidate its efforts in the Third World, the EU has set up a joint structure between itself and 70 countries of Africa, the Pacific and the Caribbean (the ACP-countries). Permanent EU-ACP structures were put into place by the Lomé Convention, signed for the first time in 1975.

### Important dates:

**January 1 1995:** France takes over the presidency of the European Council and the Council of Ministers for six months.

**1996:** Intergovernmental conference to discuss the reform of the EU institutions.

**January 1997:** Monetary union to be completed.

**1999:** All citizens of the EU will start using the ECU currency. — Star Foreign Service.

EU ambassador to South Africa, Erwan Fouere is concerned that the present South African approach is putting too much emphasis on the mechanisms of the relationship rather than the objective.

"The objective is improved market access. Define that and then work out the mechanisms," he suggests.

A focus on the objective would be the fastest way to answer the question for the suit manufacturer or wood producer too; improved market access is all they are interested in.

But talk of mechanism drags in a whole political debate — Lomé. The Lomé Convention is in its fourth incarnation and lays out in mind-numbing detail the structure of trade and other relationships between the EU and the ACP countries.

It offers the best market access there is but, from a more cynical perspective, it's also a "poor man's club", to quote one South African official close to the negotiations.

The question that has dogged the new SA Government is "to Lomé or not to Lomé".

It seems that those who were inclined to full Lomé membership for South Africa were more influenced by the political considerations of solidarity with Third World neighbours, than the business of trade.

The convention is not a political club but it easily styles itself as one and the new South Africa was — and is — sensitive about breaking rank with its nearest and dearest neighbours.

Those internal differences have smoothed out now though and there appears agreement that convention associate membership is the way to go.

"We can help our region better if we are stronger," says Van Heerden who inclines towards the associate membership where solidarity is signalled by association, but where market access is tailor-made to South Africa's own situation.

Fouere agrees and is concerned that South African business does not yet have a "feel" for international markets; that its past seclusion has created a "culture of entitlement".

"They (world markets) won't come knocking on your door," he says.

Fouere urges the community to get out there and look for opportunities and to judge its (rather poor) quality and productivity against a wider world scale.



# Joint venture funds cleared

CT 24/11/94  
From LINDA ENSOR

LONDON. — The application of the European Union's joint venture financing scheme to South Africa came into effect last week and already applications for funds have been approved.

An initial once-off sum of one million European Currency Units (ECUs) (about R4,4m) was committed to South Africa pending its formal incorporation into the programme next year.

Head of the European Community Investment Partners unit Mr Tom Roe said that in terms of the joint venture, a European bank would open credit lines via a South African bank for black entrepreneurs to develop medium-sized businesses. (SBA)

Mr Roe said three other projects had been approved. (SBA)

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BRUSSELS. — The European Union will ratify the General Agreement on Tariffs and Trade on December 30, the foreign ministers meeting in Brussels agreed unanimously yesterday.

It will be signed in Geneva by the EU's envoy, Ambassador Jan-ierly Lng. *CT 20/12/94*

The next task for Sir Leon Brittan, the EU's external trade commissioner, having been Europe's key negotiator in the Gatt talks, is to ensure that the rest of the world is living up to its promises.

A six-month breathing space "to set the machinery in place" follows the signing up to the new World Trade Organisation. The deadline for implementation is next July.

● Meanwhile, the 18 rich creditor nations of the Paris Club have agreed to offer more generous debt relief to very poor countries to help jolt them out of a poverty trap.

Christian Noyer, the French treasury head who chairs the club, said

## EU sets date on GATT treaty *(5bA)*

some countries would now be able to have 67% of their debts written off, up from 50%.

Some may also get relief on all their debts, not just those payments falling due in a one- or three-year period. This is a highly significant move for the club, which previously granted such deals only to richer special cases like Poland and Egypt.

Noyer told reporters the new measures, collectively known as Trinidad Terms after the 1990 conference at which they were first proposed by British PM John Major, were a "new and important step in the strategy of debt treatment.

"What we want is that all these countries can take off as soon as possible," he said.



# EU deal leaves SA farmers out in cold

BO20/12/94 JOHN FRASER

BRUSSELS — SA's agricultural exporters face deep disappointment after European Union (EU) foreign ministers agreed yesterday to far fewer concessions than they had been promised.

(SbA) The Europeans — led by the protectionist French, Italians and Spanish — voted to offer lower tariffs on just one fifth of the agricultural products which had been under negotiation.

The lower tariffs come under a system known as the Generalised System of Preferences (GSP) and SA will get benefits for all industrialised goods, except iron and steel and coal products, from next year.

This is a big improvement on the agreement in August in which only a limited list of industrialised goods was covered.

But the range of agricultural tariff cuts, which also come into force from next month, will be a blow to SA producers.

Cut flowers, tobacco, honey, fruit juices and many fruits and vegetables are excluded from the deal.

British Trade Minister Ian Taylor admitted that the deal fell far short of SA's expectations "but at least SA has finally been brought into the fold".

Britain, Denmark and Sweden argued passionately for an improved deal for SA — but they were outvoted. There is now fear that the protectionist tendencies shown by the likes of France, Italy and Spain will rear up again, when SA seeks integration into the Lomé Convention.

# GATT "may help offset" EU produce tariffs, blow

(56A)

BD 21/12/94

EDWARD WEST

CAPE TOWN — The European Union's exclusion of SA vegetables and fruit from lower tariffs under the General System of Preferences (GSP) would be partially offset by the EU requirement to begin lowering tariffs under GATT next year, an industry source said yesterday.

The EU on Monday agreed to exclude fruit juices, many fruits and vegetables, tobacco and cut flowers and iron, steel and coal from the GSP.

The source said although exclusion from the GSP meant business as usual for SA fruit and vegetable exporters, next year the EU was likely to implement its first tariff reduction on agricultural produce in terms of GATT, which re-

quired a 20% reduction in tariffs over six years.

But SA's fruit and vegetable exports would be affected by government's plans to phase out agricultural GEIS benefits.

The source said GATT did not require a complete phasing out of agricultural GEIS benefits or agricultural incentives or subsidies, only the reduction thereof, such as the requirement of a 36% reduction in export incentives over a period of six years.

The disadvantage would be that while the EU was moving towards reducing high levels of subsidies and incentives to agriculture, SA was moving towards complete abolition.