



South Africa @work

Newsletter of the South African Consulate General in New York City

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Excerpts from President Mbeki's Briefing at the World Economic Forum Meeting

Millennium Africa Renaissance Program

The MAP program is a declaration of a firm commitment by African leaders to take ownership and responsibility for the sustainable economic development of the continent. Our starting point is a critical examination of Africa's post independence experience and acceptance that things have to be done differently to achieve meaningful socio-economic progress, without which it would not be easy to achieve our historic task of improving the lives of our people.

Our program contains a vision, perspective and the outlines of a plan for the redevelopment of Africa. It clarifies our objectives and approach to development projects that are going to be appraised, further developed and negotiated with our partners in Africa and the rest of the world

during the next few months.



We have developed the outlines of a concrete program of action that is multi-faceted and priority areas it would cover include:

- Creating peace, security and stability, and democratic governance without which it would be impossible to engage in meaningful economic activity;
- Investing in Africa's people through a comprehensive human resource strategy;

- Harnessing and developing Africa's strategic and comparative advantages in the resource based sectors to lead the development of an industrial strategy;
- Increasing investments in the Information and Communication technology sector without which we would not be able to bridge the digital divide;
- Development of infrastructure including transport and energy and
- Developing financing mechanism

The objectives we want to achieve through its implementation include the acceleration of efforts to eradicate poverty on the continent and to significantly increase new investments by mobilizing both domestic and esp-

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Africa Growth and Opportunity Act

The Africa Growth and Opportunity Act authorizes a new US trade and investment policy toward Africa. It promotes increased trade and economic cooperation between the United States and eligible sub-Saharan African countries for an eight-year period beginning October 2000. The key elements of the Act and the benefits that it extends to sub-Saharan African countries in terms of the textile and clothing sector are:

- The lifting of all existing quotas on textiles and apparel products from the countries
- Duty/quota free US market access for sub-Saharan African apparel made from fabrics not available on the US or Africa
- Duty/quota free treatment for apparel made in Africa from US yarn and fabric

- Duty/quota free treatment for knit to shape sweaters made in Africa from cashmere and some merino wool as well as apparel produced in Africa from silk, velvet, linen and other fabrics not produced in commercial quantities in the United States
- Duty-free and quota free US market access for apparel made in Africa with African/regional fabric and yarn fabric and yarn. Such imports, however are subject to a cap (limit) ranging from 1.5 to 3.5% of the multi-billion dollar US apparel import market over an 8-year period. African apparel imports made with African/yarns currently total about US\$250 million. Under the cap, these imports could increase to US\$42 billion over a period of 9 years. Normal MFN duties would be levied on apparel over the cap.

- Allows African countries with an annual GNP of US\$1,500 and below to use third country fabric inputs for four years. This special investment incentive for the poorest African countries is aimed at providing a market stimulus to economic development for areas with little existing industry.
- Provides an average 17.5% duty advantage on apparel imports in the US market. This Would provide African countries with a competitive edge over many other major suppliers. It provides nearly a billion dollars in duty savings.

Under NAFTA Annex 401, the following types of fabric and yarns have been found to be unavailable in the United States in

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Millennium Africa Renaissance Program (from page 1)

cially foreign savings.

Participating African leaders would form a compact committing them to the program and a Forum of Leaders who would make decision about sub-programs and initiatives and review progress on its implementation. Every attempt will be made by the forum of leaders to be inclusive of all countries that agree to the elements of the compact.

The plan envisages both Africa wide and regional initiatives. Conflict prevention and eradication of infectious diseases are examples of programs that will be continental in scope. Economic development initiatives like the development of agriculture and agro-industries, economic infrastructure, promotion of competitiveness and economic integration will be managed at regional or sub-regional levels.

Another continental initiative would be the development of regulatory frameworks for key sectors like telecommunication and en-

ergy. The Africa Connection (the telecommunication strategy for Africa already agreed to) is a case in point. The adoption of the Africa plan will accelerate implementation work of this project.

African governments are already working together on conflict prevention and resolution. The organization of African Unity has taken firm resolution to discourage usurpation of power and military coups and has taken concrete action to resolve conflicts in many parts of the continent.

Another important prerequisite is a partnership with the rest of the world, especially the developed countries, multilateral institutions and (global and national) private sector players. We have already engaged western political leaders and we feel confident that is considerable goodwill and commitment to our program for them.

In a world where perceptions irrespective of the reality appears to be everything we would have to give significant attention to counter the erroneous legacy of Afro-pessimism. We see a clear role for the many foreign business people who have profitable

ties with Africa.

For a range of complex reasons African countries (with a few notable exceptions) have weak states. An essential step in the implementation of the program would be to strengthen capacity of these states. We see the need to capacity with the support of developed countries, the private sector and multilateral institutions.

The focus of the program is not increased aid but increased investments in viable infrastructure and business opportunities. Targeted aid and technical support to address capacity constraints and urgent human development priorities would also be required.

Participation will be open to all African countries prepared and ready to commit to the underlying principles guiding the initiative. We intend to brief all African Heads of State over the next few months. Our aim is to be as inclusive as possible. Thereafter substantive consultations with leaders of the developed countries and multilateral institutions would take place.

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Africa Growth and Opportunity Act (from page 1)

commercial quantities:

Fine count cotton knitted fabric, Linen, Silk, Cotton velveteen, Fine wale corduroy, Harris tweed, Lightweight high thread count polycotton woven fabrics, Lightweight high thread count broad woven fabric for shirting;

All of the above yarns/fabrics will qualify as unavailable under the Africa Bill and, therefore, will receive duty-free treatment outside the cap.

In addition to the above, third country findings and trimmings can be used without losing duty-free eligibility, provided they do not exceed 25% of the cost of the components of the apparel. Example of findings and trimmings are sewing thread, hook and eyes, snaps, buttons, bow buds, decorative lace trim, elastic strips and zippers. The bill also contains a de minimis exception that permits up to 7% of the weight of the article to consist of yarns from other than the United States or Africa without affecting the eligibility of the article for duty free access.

Before any African country can qualify for duty-free access, it must be certified by the US administration to be in compliance with the conditions of eligibility specified in the final version of the Act, which state that a country –

Has established or is making continual progress toward establishing

- A market based economy
- The rule of law, political pluralism and

the right to due process

- The elimination of barriers to US trade and investment
- Economic policies to reduce poverty
- A system to combat corruption and bribery
- Protection of international recognized workers rights, including eliminating abusive forms of child labor

- Does not engage in activities that undermine US national security or for foreign policy interest; and

- Does not engage in gross violation of international recognized human rights or provide support for acts of international terrorism.

Generalized System of Preferences

Under the final terms of the Africa Act, duty free treatment of imports from Africa under the US Generalized System of Preferences (GSP) is extended through to September 30, 2008. This 8-year extension of the GSP program applies on to imports from African countries that are determined to be in compliance with the conditions of eligibility. This long-term extension of the GSP for Africa should provide greater stability and predictability of the duty free status of imports from all the developing countries will continue to depend upon Congress' annual renewal of the GSP.

The Act also authorizes the President to extend duty free treatment under the GSP to a variety of products imported from Africa

that were not previously eligible under the GSP, including footwear, luggage, handbags, leather work gloves, leather apparel and watches. Before any of these products can become eligible under the GSP, the President must determine that they are not import sensitive.

For inquiries, please contact Consul Cobs Pillay at the South African Consulate General at tel. (212) 692-2428 fax: (212) 856-1576.

PRESIDENT MBEKI'S SPEECH PRAISED BY MARKET

South African economists welcomed a pledge by President Thabo Mbeki on February 9 to focus on ways of boosting sluggish growth.

A call for national unity by President Thabo Mbeki in his annual state of the national address also went a long way towards soothing investor concerns which had helped push the rand to a new record low against the dollar earlier in the day, they said.

Please note that the President's full speech is available on the South African Consulate General's website <http://www.southafrica-newyork.net> or could be obtained from the Consulate by calling (212) 692-2440.

From the Desk of the Consul General



Dear Readers,

As President of the Society of Foreign Consuls' Ball Organizing Committee for 2001, I am delighted to inform you that preparations are well underway for our Gala which will take place

on Wednesday, June 6, 2001 at Pier Sixty, under the patronage of Nelson Mandela, former President of South Africa and Rt. Hon. Malcolm Fraser, AC. CH, Chairman, Care Australia and former Prime Minister of Australia. We are also very pleased to have the Mayor of New York City, Hon. Rudolph W. Giuliani, as our Honorary Chairman. We are also receiving letters of goodwill from Senators, State representatives and distinguished state and city dwellers.

I would like to thank the continuing support and commitment over the past two years of business institutions and people of this City. Our annual events have raised a total of more than \$470,000 to benefit the New York Special Olympics, St. Jude Children's Research Hospital and the Hole in the Wall Gang Camp, founded by Paul Newman for seriously ill children.

I am writing to invite your participation at this year's SOFC Gala to benefit the children's programs of Care International and the Nelson Mandela Foundation.

CARE works in more than 60 countries across Africa, Asia and the Pacific, Europe, Latin America and the Caribbean. Each year, CARE reaches million of children and their families in some of the world's poorest communities. CARE provides solutions that bring opportunity and hope. These include expanding access to basic education, improving health care and agricultural practices, supporting activities to generate income, promoting gender equity and strengthening local capacity through partnerships and training.

The Nelson Mandela Foundation, now on its fifth year, supports the works and concerns of the former South African President. A number of areas which the NMF focuses on include general diplomatic work, peace and conflict resolution, assistance with mobilizing support for the provision of schools and clinics to poor communities in South Africa, thereby improving the quality of education available in rural areas. In addition, a number of educational programs aimed at preventing the spread of HIV/AIDS have been undertaken.

Please spread the word about the Gala — and if you are able, donate a prize or buy a ticket (or a table!) and persuade friends and business asso-

ciates to do the same, the Society and I, would be very grateful.

On behalf of the beneficiary children, I would like to thank you for your time and consideration and I look forward to your favorable response. Please take a moment to fill out the forms, which is part of this newsletter, and return it as soon as convenient. For more details, please contact Mrs. Elle Berdy, Gala Secretary at the Australian Consulate on (212) 351-6516 or Mrs. Avic Tablante at the South Africa Consulate General on (212) 692-2432.

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On another note, I would like to share with you the content of a letter I wrote in reply to a question received on why South Africa does not override patents, in order to import or manufacture drugs to treat persons living with HIV/AIDS, which is, as you are all aware, an epidemic in South Africa.

"Your inquiry comes at a timely moment when the debate has begun to heat up again and this time the real issues of accessibility of medication for HIV/AIDS patients have become more central. It is a relief to my government that the real issue confronting us to tackling the virus is now finally being addressed—the accessibility and affordability of drugs to stem the debilitating effects and often death resulting from lack of drugs for the many individuals who cannot afford the cost.

We know how much these medications costs in the North/USA, \$10—\$15,000 per annum as your media reports pointed out, and what their potential costs can be (\$500—\$1,500 per annum), given an environment of cooperation. The epidemic is of catastrophic proportions. The disease has taken millions of lives all around the world and therefore the interests of profit (which are important for research and growth) must be balanced with those of stemming the tide of this epidemic).

You questioned why South Africa has not exercised the exemption provided under international law to override patents that protect drugs, in order to import of manufacture drugs to treat persons living with HIV/AIDS. We have and were stopped on our tracks.

In fact South Africa, as a member of the World Trade Organization, has already exercised the specific option you referred to which is provided under the TRIPS Agreement (Trade and Related Substances Intellectual Property Rights).

President Mandela signed into effect a law three years ago (the Medicines and Related

Substances Control Amendment Act 90 of 1997) that would allow South Africa to import designated drugs available cheaper elsewhere and to provide compulsory licenses to reproduce generic versions of such designated drugs in South Africa. These steps would have been taken under the auspices of the Minister of Health who would designate the necessary national emergency situations warranting this action.

Unfortunately, forty (40) pharmaceutical companies filed suit against the South African Government in early 1998 prohibiting it from implementing the Act. The basis of the litigation was the potential future risk of violation of the companies' intellectual property rights and the protection offered by the South Africa Constitution and the Patents Act against such infringement.

It is worth noting that the companies suing the South African Government are all subsidiaries of holding companies based in the USA and Europe. That lawsuit has been pending in the South African courts for the past three years as a result of repeated requests from the litigants for extension to prepare their responses.

South Africa has implemented a structured program to address the HIV/AIDS epidemic. The four pillars of this program is based on prevention, care and support of persons infected and those affected by HIV/AIDS, and research to improve the quality of care.

The treatment component necessitated that the government addressed a major cost driver, namely expensive drugs.

The efforts of the South African Government to provide access through its own research and possible acquisition of generic versions to make HIV/AIDS medication affordable to its citizens has been construed as killing the US/European market while the sole intention of the government is to provide affordable medication to the millions who will need it daily.

As you well know, the nature of the disease requires sustainable solutions. This life threatening disease requires that the many millions of people living with HIV/AIDS stay on medication daily for the better part of their lives. That requires a more strategic approach to drug provision.

The court case is now in progress in South Africa and there have been further developments to the debate as you may have read in various media.

Regards,

Thami Ngwevela
Consul General

New Budget shifts to Growth and Investment

South Africa's 2001/02 budget will focus more on promoting economic growth and strengthening investment. Speaking in Parliament today, Finance Minister Trevor Manuel said the Budget was always about finding a balance between several broad objectives, but the balance has decidedly shifted towards growth and investment. Mr. Manuel announced the revised budget framework allowed for substantial additions to the baseline projections for the next three years.

These included:

- additional allocations of R16 billion proposed for provinces to strengthen social service delivery and other priority needs ;
- More than R7.8 billion supplementary infrastructure investment and maintenance program is proposed, part of which will go to repair flood damage in poor areas;
- More than R2.6 billion is proposed in support of local government restructuring and delivery of basic services. Mr. Manuel said the budget framework also accommodated several spending proposals not yet allocated to departmental votes
- A further 85 million in 2001/02 and R100million in 2002/03 for repairs to flood damaged infrastructure in national departments
- R1.2 billion for rehabilitation of flood damaged provincial infrastructure, of which R600 million is expected to be spend in 2001/02
- R120 million in 2001/02 for short term poverty relief measures, including interventions in response to cholera outbreaks
- Amounts of R300 million in 2002/03 in R313.5 million in 2003/04 for targeted HIV/AIDS interventions
- An amount of R3.75 billion for provincial infrastructure spending over the next three years.

Of the supplementary amounts available to national departments over the next three years for infrastructure, the Minister announced that:

- R863 million is set aside for police stations, courts and prisons
- R580 million will go for water supply and sanitation projects, particularly in areas affected by cholera
- R390 million is for key infrastructure projects in support of industrial development
- R100 million is for the refurbishment of South African Rail Commuter Corporation rolling stock
- R50 million will go to complete the new Lubombo road linking northern

KwaZulu Natal, Swaziland and Mozambique and

- R80 million is allocated for the development of emergency call centers by the communications department.

Manuel allocated R8.3bn for tax relief

Government has allocated a further R8.3 billion for income tax relief to ensure that all South Africans share in the successes of fiscal discipline. Presenting the 2001/02 budget in Parliament, Finance Minister Trevor Manuel said before this year's tax proposals government put R25billion back into the pockets of individuals through tax relaxation. He said over the past five years considerable attention had been given to improving the structure of the South African tax system and the system of revenue administration. These were critical to the government's fiscal and macroeconomic policy initiatives, he said. He added that the two systems were important building blocks on the path to sustainable economic development and for a better life for all South Africans. "We are making good on the pledge we made to taxpayers; "pay your taxes now and everyone will pay less in future", the Minister said. He said the personal income tax reductions accrue mainly to workers earning below R80,000 a year and improve the equity of the overall tax system. This, he said, had been achieved by raising the primary rebate by 8.9% and changing the tax brackets ensuring sizeable benefits for lower and middle income tax payers. The Minister said workers earning less than R23,000 would now pay no personal income tax and a worker earning R70,000 would pay about 12% less tax. In his State of the Nation address, President Thabo Mbeki indicated that government would explore the feasibility of "reducing the cost of labor without reducing workers' wages. "In the 2001/02 Budget, R600 million is set aside for a wage incentive to encourage job creation by reducing the cost of hiring new workers and offering learnerships," he said. He said over the next couple of months, the South African Revenue Services (SARS) and the National Treasury would develop a tax measure that is both economically efficient and simple in administration and compliance. Mr. Manuel said the tax exemption on interest and dividend income was raised by R1,000 to R4,000 for people under 65 and to R5,000 for tax payers aged 65 and over. He said this would provide further tax relief to those living on modest fixed-interest and dividend incomes. "Investment in strategic industrial projects that promise significant direct and indirect benefits to the South African economy are critical to placing South Africa on a higher sustainable growth path," the Minister said. He added that his department and the Ministry of Trade and Industry agreed to set aside R3 billion over the next four years for incentives targeted at industrial projects, including job creation. He said government would continue to support small businesses, which are key engines of job creation. He mentioned that the tax privileges for small businesses were extended to al-

low for immediate deduction of investment expenditure in manufacturing assets, in which the investment was made, would cost R40 million. (*news24.co.za*)

Budget Highlights

- *Economic Development and Job Creation*
- *Poverty Alleviation*
- *Skills Development*
- *Ensuring Safety and Justice*
- *Equity and Social Development*

Economy

- The economy grew by about 3% in 2000 and is expected to grow by 3.5% a year over the next three years
- Government is well set to meet its target for CPIX of between 3 to 6% in 2002, with inflation expected to fall steadily throughout 2001
- The positive effects of recent international agreements and competitiveness of the rand will boost both export growth and inward investment
- The restructuring of state assets, especially the initial public offering of Telkom in 2001, will increase foreign direct investment
- The real effective exchange rate is projected to stabilize after its depreciation during 2000.

On The Spending Side Over The Next 3 Years

- R7.8 billion increased infrastructure spending directed towards repairing flood damaged infrastructure, new investments in school building, roads, water and sanitation projects and rural development initiatives
- R16 billion in additional money to provinces to strengthen social service delivery and enhance the capacity of provinces to deal with HIV/AIDS.
- R4 billion to the criminal justice sector for an improved salary dispensation and other efficiency enhancing initiatives.
- R2 billion to administrative departments including SARS aimed at improved tax administration, and Home Affairs to technical capacity
- R2.6 billion additional to local government for infrastructure and to support the provision of free basic services

On Tax

- Personal income taxes have been cut, putting R8.3 billion back into the pockets of low and middle-income taxpayers
- R600 million has been allocated for a wage incentive to encourage employment and learnerships
- R3 billion has been allocated over the next 4 years for investment incentives for strategic industrial projects

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- An accelerated depreciation regime is proposed for small businesses
- The annual interest and dividend income exemption is raised by R1.000
- Tax on illuminating paraffin has been removed to lower fuels cost, especially for the rural poor.
- A diesel concession is proposed for primary producers to lower their input costs and enhance competitiveness.

Privatization

To be privatized:

- Telkom (IPO later this year),
- Eskom
- Transnet
- Spoornet
- Denel
- Alexcor
- R18bn budgeted for this year, mainly from Telkom

Social Development

- During the past year, we also made new advances in what must continue as a sustained offensive against poverty and underdevelopment
- By December 2000 the cumulative total for houses completed or under construction was 1,129,612 while subsidies allocated amounted to 1,323,205. During the year 2000, 397,019 electricity grid connections to homes were made
- The cumulative figure for the supply of clean water provided through the Community Supply Program was increased a hundred fold from 62,249 in 1995 to 6,495,205 by November 2000
- 412,000 new telephone lines were installed in the financial year 1999 to 2000 and 127 clinics built in the year 2000
- In the period from 1994 to November 2000, 917,220 hectares of land was handed over to new black landowners through the government's redistribution and restitution processes. 37,396 households benefited from the land redistribution process.
- Statistics South Africa also reported that, according to its October Household Survey released in July 2000, during the period 1996 to 1999, total employment increased from 9.3 million to 10.4 million, representing a net gain of 1.1 million jobs.
- It is also interesting to note that the Bureau of Market Research of UNISA reports in its categorizations that between 1995 and 2000, real personal disposable income of Indians increased annually by 2.8%, the figure being 2.7% for Africans, 2.1% for coloureds and 1.1% for whites.

South Africa Keeps S&P Rating

South Africa kept its investment-grade rating from influential credit rating group Standard & Poors, which believes the country can attain growth of 3% - 4% in the next decade. The current, unchanged rating is high enough to attract foreign institutional investment flows. S&P is convinced Government is determined to stick to an orthodox economic policy framework and structural reform. Privatization is expected to accelerate and State debt is tipped to fall. A pick up in privatization would boost the growth rate, which could reach between 3% and 4% in the next decade, against the average of only 1.3% in the Nineties. (www.news24.co.za)

Privatization Deadlines Set

The restructuring and privatization of State assets will be accelerated this year, with Telkom, Eskom, Transnet (and its M-Cell interests), Denel, Safcol and Alexkor high on the list of priorities.

The was revealed in a briefing on March 6 by Public Enterprises Minister Jeff Radebe at a joint session of Parliament's portfolio and public enterprises select committee.

Radebe announced various deadlines for the finalization of certain phases at each State-owned organization. According to him, the R18bn revenue from privatization budgeted for this year will be achieved easily. "We are certain that we'll make more than this."

The bidding process for the sale of the State's 24% stake in Transnet-held cellphone company M-Cell should be finalized by the end of May. A notice on the bidding process would be issued soon and the department was discussing the structure of the transaction with international advisers, said Radebe. (www.news24.co.za)

Daimler Chrysler plans South African expansion

Daimler Chrysler (DC) is embroiled in extensive restructuring that could cost 35,000 jobs worldwide but still announced a vote of confidence in South Africa. DC said from Germany that it would have to reduce its number of workers worldwide and close certain plants but expected its South African operations to expand.

Chairman Juergen Schrempp said DC was pleased with developments at its South African plant and the right-hand-drive Mercedes Benz C class series manufactured in East London was of good quality. Schrempp said the DC plant in South Africa was not only performing well but was the only DC plant worldwide that had already successfully integrated Mitsubishi in its works. (www.news24.co.za)

Events Calendar

Matchmaking Opportunity Exhibition

14 - 17 October 2001
Sandton Convention Center
Johannesburg, South Africa

The Matchmaking Opportunity Exhibition is the premier event on the South African Business Calendar and will run from the 15th to the 17th of October 2001 at the Sandton Convention Center in the heart of the business capital of South Africa. The Matchmaking Opportunity Exhibition is a unique and focused business forum aimed at creating a platform in Africa for business trade and provides the ideal networking climate for companies to interact with the key decision makers in the South African business environment. The Matchmaking Opportunity Exhibition will form part of the South African Business Week, which will promote both local and international trade. The exhibition is held in tandem with the Annual South African Chamber of Business (SACOB) Convention.

For more information, please contact Babs Engelbrecht, Sales Executive at tel. 011 27 11 794-5511, fax 011 27 11 794-5811 or by email sacob@rai.co.za

Hugh Masekela

26 and 27 April 2001
Showtimes 8:00 pm and 10:00 pm
Sounds of Brazil (SOBs)
204 Varick Street at West Houston
New York City

South African Soul Hugh Masekela has always been a social commentator speaking on life and the struggles in Africa. In all of his music there is a rapid rhythm section that creates this hypnotic groove you can feel. This Africa pop-jazz music can only be explained as an intricate play between the upbeat guitars, mesmerizing percussion, and Hugh's phenomenal horn and vocal talents. Tickets are \$20 in advance, \$22 at the door.

For more information and tickets please call SOBs at (212) 243-4940, fax: (212) 645-1703, email info@sobs.com or visit their website

www.sobs.com