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US will not reopen Sacu trade deal talks

May 12, 2009

THE US government said yesterday it would not revive talks on a free trade agreement with southern African countries. Free trade negotiations with Southern African Custom Union (Sacu) members SA, Botswana, Lesotho, Namibia and Swaziland, which began in 2003, were suspended in 2006 amid disagreement over the scope of the agreement and alleged US reluctance to make concessions.

For Sacu member countries, the free trade agreement would have built on existing market access to the US. Yesterday, US Trade Representative Ron Kirk said the Obama administration would not revive the Sacu free trade agreement, and would instead focus on implementing separate agreements. The US is SA's biggest export market, and third-largest source of imports, according to the Department of Trade and Industry. SA has benefited from the US's Generalised System of Preferences that allows certain products to enter the US duty-free. Through the Africa Growth and Opportunity Act (Agoa), an initiative of the Clinton administration, South African clothing and selected textile products enter the US market duty-free.

"After four or five rounds of negotiations it became increasingly apparent that we were approaching this through very different lenses," Kirk said. The US government would concentrate on the trade and investment development co-operation agreement that was signed in July of last year. The agreement is a formal mechanism for the US and Sacu to conclude a range of interim trade- related agreements. The US trade representative at the time, Susan Schwab, said that agreement would provide a framework for the US and Sacu to work towards a free trade agreement "in the long term". Assistant US Trade Representative for Africa Florizelle Liser is expected to hold discussions with South African officials this week on last year's agreement.

"SA is by far the largest beneficiary of trade under Agoa, if you take away the petroleum exports," Kirk said. "Still, there is a lot of room, a tremendous amount of room, for growth." Kirk led the US delegation that attended President Jacob Zuma's inauguration at the weekend. The change in the government "is perhaps an opportunity to have a new start to what can be an improved and strengthened bilateral relationship between the US and SA," he said. "There is a great foundation here already. There are over 600 US businesses invested in SA."

Peter Draper of the South African Institute of International Affairs said yesterday the US government's move did not come as a surprise "for a number of reasons". These, Draper said, included the widening gap between the parties. "The gap was just too big." Draper said that explained the US government's eagerness to pursue the trade and investment development co-operation agreement. "The environment

is not conducive to a full free trade agreement," Draper said. Draper said the collapse of the free trade agreement was a blow to Sacu member countries. With Bloomberg
http://www.businessday.co.za/articles/topstories.aspx?ID=BD4A997798

Standard Bank, ICBC to fund Botswana power plant
May 12, 2009
Standard Bank and Industrial and Commercial Bank of China (ICBC) will finance the expansion of a coal power station in Botswana for $825-million over 20 years, Standard Bank said on Tuesday. Standard Bank, which is 20 percent owned by ICBC, said the firms would also provide a $140-million bridge finance facility for Morupule B Power Station in eastern Botswana.

The deal is the first major transaction between Standard Bank and ICBC, and was backed by a guarantee from Botswana's ministry of finance. "There is little doubt that had it not been for our strategic partnership with ICBC, we would not have been able to undertake the funding of a project of this scale," Standard Bank Chief Executive **Jacko Maree** said in a statement. "Our partnership with ICBC has opened a unique financial services gateway between Africa and China and this project will hopefully the first of many that are in the pipeline." The $1.6 billion Morupule coal power station is part of Botswana's strategy to secure power supply by expanding the existing generating capacity as well as improving the southern African country's self-reliance.

The power station will have four 150 MW units and will be a coal-fired and air-cooled power plant. ICBC's client China National Electric Equipment Corporation has been awarded a $970-million contract to supply and build part of the power station.
http://www.engineeringnews.co.za/article/standard-bank-icbc-to-fund-botswana-power-plant-2009-05-12

IDC receives €60m from EIB to finance SMEs
May 12, 2009
South African development finance institution the Industrial Development Corporation (IDC) has received a €60-million credit line from the European Investment Bank (EIB) to finance private sector small and medium-sized enterprises (SMEs) in the industrial, resources and services sectors. "This credit could not have come at a more opportune time when the cost of raising funds is extremely high, given the market volatility and the liquidity crisis. We are particularly pleased that this loan will further enhance our commitment to development finance and addressing market failures," IDC CEO **Geoffrey Qhena** said.

He added that the funds would be directed at projects that promote economic growth and job creation, while also being environmentally and socially sustainable. "This loan is a strong signal of the EIB's commitment to supporting the private sector and encouraging the creation of employment in South Africa," EIB vice-president responsible for lending operations in South Africa **Plutarchos Sakellaris** commented. He added that EIB was confident that it could help to stimulate the South African financial markets by diversifying the IDC's funding base and enhancing the provision of finance to SMEs.

The EIB has, to date, provided the IDC with four credit lines, totalling €165-million, for private sector small businesses in South Africa. The European Bank, in 2007, signed an declaration with the South African government, pledging financial support to the country until 2013. It expected to lend up to €900-million to the country between 2008 and 2013.
http://www.engineeringnews.co.za/article/idc-receives-60m-from-eib-to-finance-smes-2009-05-12

$563bn needed for African power projects over next 25 years – study
May 12, 2009
Sub-Saharan Africa is in "dire need" of additional power generation capacity and would have to invest about $563-billion over the next quarter of a century to avert a looming crisis, new research shows. In a presentation released on Tuesday, Frost & Sullivan energy and power systems analyst **Moses Duma** argued that an additional 270 GW would be required over the next 25 years, notwithstanding the current slowdown in demand as a result of the global economic crisis. Demand for electricity was still expected to continue to outstrip available capacity for the foreseeable future, with the long-term growth rate in power demand forecast at 4,4% yearly over the period.

Other key drives could include: regional integration efforts, which would increase the prospect of electricity trading; the financial resources, both internal and external, being set aside for rural electrification; sound prospects for continued economic growth, albeit at a slower rate in the near term; and the availability of energy feedstock, from hydro and geothermal, to gas, coal and other renewable sources. But several challenges could slow down the development of a healthy electricity market, Frost & Sullivan cautions. There was limited funding available for new projects and a dearth of critical skills. Decision-making processes were often slow and cumbersome, while lead times were a chronic challenge when it came to power investments.

Nevertheless, Duma argued that the region offered significant opportunities for foreign investors, with many countries seeking to partner with the private sector in new-build programmes. In Nigeria, for instance, it was hoped that independent power producers (IPPs) would supply 6 000 MW by 2015. There were already four IPPs operating in Tanzania, while South Africa's policy was for 30% of the country's power needs to be supplied by IPPs, through power utility Eskom, by 2030.

The Democratic Republic of Congo's hydro capacity was massive, but constrained by political and funding challenges, while Angola planned to spend $8-billion on its power infrastructure over the next seven years and had the ambition of supplying surplus capacity into the so-called Southern African Power Pool. "The significant growth in power demand and the level of political stability in key African countries makes them a lucrative investment destination," Duma averred.
http://www.engineeringnews.co.za/article/563bn-needed-for-african-power-projects-over-next-25-years-study-2009-05-12

Sexwale resigns as executive chair of Mvela Group
May 12, 2009
Newly appointed Minister of Human Settlements (formerly known as Housing) Tokyo Sexwale has officially resigned as executive chairperson of Mvelaphanda Group, the group announced on Tuesday afternoon. There had been concerns that it may have constituted a conflict of interest had he remained on in the role given his new ministerial post.

Mikki Xayiya, who is the current deputy executive chairperson of Mvela, has been appointed as executive chairperson with immediate effect, the group said. Commenting on Sexwale's resignation, Xayiya said: "It is with reluctance but understanding that we release Tokyo from our board. We appreciate the need for him to return to public service, full in the knowledge that his legacy will live on in the dealings and continued value growth of Mvela Group. He brings with him vast knowledge and experience which we know will benefit the country as a whole." -- I-Net Bridge
http://www.mg.co.za/article/2009-05-12-sexwale-resigns-as-executive-chair-of-mvela-group

Private equity firms flexible in volatile markets

May 12, 2009

PRIVATE equity firms have proven to be dynamic, flexible and responsive in volatile markets, according to the results of Deloitte's Private Equity Survey released today. This had enabled them to respond to changing market conditions, the survey found. "The financial crisis and declining valuations should provide significant opportunities for private equity firms to acquire assets at attractive prices once expectations between buyers and sellers converge," said Sean McPhee, leader of the Private Equity Group at Deloitte.

South Africa and the local banking sector had proven to be resilient but had not been immune to the global economic crisis. The survey found that the "de-coupling" theory, where emerging markets would "de-couple" from the developing economies, had proved to be a myth. "The credit crisis has had and will continue to have far-reaching implications for all economies, with the landscape being changed forever," McPhee said.

According to the survey among investment professionals in the private equity industry, 40% of respondents expected the overall economic climate to decline, 33% to remain the same and 27% expected the economic climate to improve. Despite global uncertainty and the anticipated difficulty in raising funds, 62% of respondents were planning to raise a new fund over the next 12 months. "In a world where competition for capital is increasing, this is going to be incredibly tough but respondents are under no illusion, with 76% acknowledging this challenge," said Greg Benjamin, Deloitte corporate finance manager. According to McPhee, South Africa was still the favourite choice as a geographical source of raising capital followed by the US (29%) and then Europe (20%).

"A potential structural change is evident in the sources of these funds as more respondents are looking to other markets such as the Middle East and Asia to close their funding gap," he said. Over 50% of respondents envisaged investing all available funds in less than two years which was a crucial driver of the raising of new funds. Some respondents (47%) envisaged taking up to four years to invest their current fund. "It is these funds with their 'war chests' already in place that will be best positioned to take advantage of the opportunities that are expected to emerge from this cycle," McPhee said. Manufacturing and services industries remained favourites, as private equity participants focused on defensive sectors and businesses that were scalable and would benefit the most from the upswing.

The health care sector was experiencing some renewed interest, up to eight percent from five percent, the survey found. No respondents were looking to invest in start-up companies and seed capital while 18% of respondents believed that the attitude and understanding of institutional investors was worsening, which was the highest recorded in the survey. Nearly 60% of respondents expected that competition for new assets would decline, while 79% expected entry multiples to decrease. "This must represent a huge buying opportunity however, the big question is, when will the bottom be reached and will sellers' price expectations converge with buyers?" McPhee asked.
http://www.businessday.co.za/articles/topstories.aspx?ID=BD4A997924

New vehicle market confidence dips further

May 13, 2009

NEW vehicle market confidence has dipped further, vehicle financing group WesBank said today. Its latest Vehicle Sales Confidence Indicator illustrates that confidence levels have dropped to 4,2 in the second quarter of 2009, down 18% year-on-year. "The low score was undoubtedly influenced by seasonal factors, as April is traditionally a month that yields low levels of activity in the SA motor industry," WesBank said.

It noted that the 4.2 score was likely to be the lowest in the cycle and that market sentiment was anticipated to gradually improve. Respondents to its survey believed that credit-related factors such as bank approvals, the high cost of living, outstanding debt and the National Credit Act were the main drivers affecting activity levels. "Added to this, higher vehicle prices, generally weak consumer confidence and prevailing low trade-in values affect the negative sentiment that prevents customers from making purchasing decisions on big ticket items such as new vehicles," Wesbank said.
http://www.businessday.co.za/articles/topstories.aspx?ID=BD4A998731

Creating jobs is Davies's driving passion
May 13, 2009
CAPE TOWN — Newly appointed Trade and Industry Minister Rob Davies plans to give new impetus to the government's much-talked-about industrial policy, which he says will become the central pillar of economic policy. He has already had intense discussions over the past few days on what has to be done to enhance the scale of industrial policy. Davies said in an interview that emphasis would also be on deepening of south-south trade, addressing the current global economic crisis in a manner that developed local industrial capacity, and taking a more offensive stance towards multilateral trade negotiations.

Davies, who was promoted to minister from his former position as deputy, will be working closely with new Economic Development Minister Ebrahim Patel, with whom he shares a common history in the South African Communist Party. Job creation will be a shared and driving passion — as well as a belief in the importance of an adequately capacitated developmental state for SA. "The overall thrust of all our work will be around the theme of enhancing our capacity to deliver on industrial policy in ways that will meaningfully create and sustain decent work.

"I want to create an atmosphere in the country where people understand that industrial policy is going to be our key economic policy and that we are attracting the brightest and the best to come and work in this area in the department. I think the industrial policy goals are going to shape and unify all our work." Effective co-ordination across government departments would be the key to achieving this and Davies believed that Patel's new ministry would be crucial in ensuring that other departments followed through on tough industrial policy decisions affecting them. The Industrial Development Corporation's role would also be strengthened. On international trade, Davies said he would like to organise a major event later this year with China, India and Brazil and members of the Southern African Customs Union to formulate an agenda to promote south-south trade. This would provide a new paradigm for international trade negotiations over the next five years.

"Over the last few years we have been engaging defensively on proposals or issues which have been emerging from others. That is the case with the World Trade Organisation (WTO) and with the European partnership agreements to a very large extent. We have to continue to do that but we also have to be looking very carefully at the way the crisis is impacting on the world economy and the structural changes that are taking place. "The advanced developing countries such as India, China and Brazil are continuing to make headway and grow and could come out of the crisis quicker than some of the more traditional industrialised countries."

There has been some concern that Patel would push for a more protectionist trade policy, given his role in lobbying the government for import restrictions on Chinese clothing and textiles. But Davies said SA would continue with its pragmatic approach to tariff policy. “We don’t have an a priori high or low tariff policy. It is based on evidence. If the evidence takes us in the direction that there ought to be tariff increases — and we have WTO legal space — then everyone must understand that we will raise them and we must have the will and the guts to be able to do that.

“I don’t think an a priori policy towards tariff setting is what a developing country such as SA needs, and it also does not take account of changing circumstances.” Davies said he would also motivate deeper debate within the Southern African Customs Union, the Southern African Development Community and the African Union on how to achieve regional integration.
http://www.businessday.co.za/articles/topstories.aspx?ID=BD4A998612

US urges emerging powers to open markets

May 13, 2009

Big emerging countries such as China, India, Brazil and South Africa must do more to open their markets to secure a new global trade deal, the United States trade chief said on Wednesday. US Trade Representative Ron Kirk, who took up his job in March, was speaking after two days of intense talks with US trade partners at the World Trade Organisation (WTO), and said his reception could not have been better.

Kirk said both he and President Barack Obama were committed to reaching a deal in the WTO's long-running Doha round. "We see it not only as a critical component of what the president believes should be an overall worldwide response to the current economic crisis, but it's also critical to the sustenance of many of our least developed countries," he said. But he told a news conference -- in a clear message to the big emerging powers -- that a deal required more than participation by the US. In his talks, Kirk met representatives of more than half the WTO's 153 members, including African and Latin American countries and the European Union -- the biggest US trading partner -- as well as with WTO Director General Pascal Lamy.

Unbearable pain

Kirk said the economic crisis was hurting nations like China and the US but causing unbearable pain to the poorest countries, who Washington believes should not be asked to make further sacrifices to reach a deal on Doha. With the US market already fully open to 98% of goods from least developed countries, their next opportunities would come from the big emerging countries, who should open up their markets to create a "win-win-win" deal, he said. The Doha round was launched in late 2001 to help poor countries prosper through more trade in food, goods such as cars and clothing, and services like telecoms and banking.

But to sell a deal back home, US negotiators will need to point to new opportunities for American businesses too, and the former Dallas mayor said a Doha deal would have to bring meaningful gains in market access for all countries. He said the US did not want to throw away the work that had gone into the Doha talks over the past seven years, but clearly the process was not working, and Washington is looking for new ways forward. One possibility under consideration is to drop the effort to agree on a general formula for cutting tariffs and subsidies, known in trade jargon as "modalities", and go straight into "scheduling" -- negotiating cuts in import duties and other moves on a bilateral basis. Kirk did not rule this out.

It would have the advantage of letting US businesses -- whose support is critical to getting a deal pushed through the US Congress -- see quickly what they are getting, but is likely to be resisted by developing countries who fear they could be strong-armed into a deal. Kirk's visit was part of a trade policy review by the new White House, and he is expected to give details of his thinking in a keynote speech on Monday at the US Chamber of Commerce. He professed delight with his reception, the "frank, candid but useful" talks and the enthusiasm of US partners at the new administration's willingness to re-engage with the world. The trade review should be seen as part of that process, he said to dispel fears that Washington could come out with new demands.

Christopher Wenk, senior director of the chamber of commerce, said that by visiting the WTO ambassadors early in his tenure, Kirk had sent an important signal. "Hopefully his trip has built up enough goodwill among our key trading partners to consider whether we need to pursue a new way forward to achieve a successful outcome to the Doha Round," he told Reuters.

Kirk reiterated the administration's support for Russian membership of the WTO, but said the next moves were up to Moscow -- including reversing its import ban on US and Canadian pork, imposed after the outbreak of H1N1 influenza known as swine flu. Kirk said there was no scientific evidence that eating properly prepared pork could expose people to the flu, and warned other WTO members not to exploit legitimate health worries for financial gain through pork import bans that added to protectionist pressures when trade is already slumping. – Reuters
http://www.mg.co.za/article/2009-05-13-us-urges-emerging-powers-to-open-markets

Busa asks 'who will do what' in new govt
May 14, 2009
Business Unity SA (Busa) on Thursday called for certainty in the business environment following the establishment of the new administration. "What we've had recently is not a Cabinet reshuffle -- new departments have now been created. "Business needs to know who will do what -- it needs to know which door to knock on," Busa deputy CEO Raymond Parsons told the Steel and Engineering Industries Federation of SA's annual conference in Johannesburg.

He noted that South African business wanted predictability and certainty on which to base its decisions. It also required clarity on the new government appointments. However, Parsons said he believed clarity would soon be provided by President Jacob Zuma. "When the Polokwane conference took place, the economy was growing at 5%, but the global crisis has turned the situation around," he said. This meant that opportunities had to be revisited, options narrowed and issues reprioritised. He stressed that South Africa now had to make fewer mistakes when considering policies, as "mistakes could be costly in the present environment". Turning to the global financial crisis, Parsons said South Africa was a victim of a situation not of its own making.
http://www.mg.co.za/article/2009-05-14-busa-asks-who-will-do-what-in-new-govt

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