

- Update on trade and investment

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SA Deputy President to visit Ireland



Deputy President Phumzile Mlambo-Ngucka will travel to Ireland this month with a delegation comprising a number of ministers and deputy ministers. During the two-day stay in Ireland, the Deputy President intends to meet with a range of people including representatives of government, business and the higher education sector. ISABA, The Irish South African Business Association will co-host a conference in

conjunction with the South African Embassy to profile key sectors and highlight lessons South Africa might take from the Irish economic success. Those key sectors to be addressed are namely: (1) ICT (2) Business Process Outsourcing (3) Tourism (4) Agro-Industry (5) Construction and World Cup 2010.

The session will be chaired by Andy O'Callaghan, President of the Irish South African Business Association and Partner at

PricewaterhouseCoopers and will take the format of an open forum discussion. An invitation to attend is extended to all ISABA members. The session will run from 15h00 - 17h00 on Wednesday 15th November at The Four Seasons Hotel, Dublin 4. For further information, please contact Elizabeth O'Herlihy - elizabeth.ohherlihy@ie.pwc.com / 01 704 8872.

SACU-EFTA Agreement in Parliament

Cape Town - A free trade agreement concluded last year between the European free trade area (Efta) and the Southern African Customs Union (Sacu) was tabled in parliament yesterday with the aim of having it ratified in time to come into effect on January 1st. It will be phased in over nine years, but once it is fully implemented, substantially all trade between the parties will be duty-free. The Europeans did have ambitions to include binding agreements on what they call "new generation issues" - services, government procure-

ment, intellectual property, investment and competition - but the final agreement only covered commitments in trade and goods. Efta consists of European countries who stayed out of the EU. It includes Iceland, Liechtenstein, Norway and Switzerland. Sacu includes Botswana, Lesotho, Namibia, Swaziland and South Africa. The deal is the first free trade area negotiated by Sacu under the new Sacu agreement. In tabling the agreement before parliament for ratification by both houses, the depart-

ment of trade and industry said the southern African states offered the Europeans roughly what had already been offered to the EU with some marginal alterations to take care of the sensitivities of the four non-South African countries.

Medium Term Budget Policy

Investec reports that a budget surplus, of 0.5% of GDP, is estimated for 2007/08, which means that the MTEF is estimated to essentially run a balanced budget. Indeed, Treasury indicates that due to the large cash balances accumulated the amount of bonds currently planned to be issued this year and over the medium-term will be cut back. This can of course be argued as far too stringent for a country with SA's socio-economic needs. However, significant (and ongoing) revenue overruns make this possible, while the fiscal stance is expansionary with substantial additional expenditure tabled. In particular, the focus remains growth-orientated, with the previous three-pronged approach aimed at social delivery, job creation and investment in SA's fixed and human capital unchanged. Particular mention was made of the planned strengthening of the criminal justice sector and expenditure ahead of the world cup.

The Medium-Term Budget Policy Statement contained no information on tax relief, capital liberalisation or bond issuance. In fact, due to the lack of details the MTBPS is rather bland, while consequently heightening the importance of next year's Budget. By continuing to balance fiscal prudence and rising expenditure needs, the mini-Budget plays to the bulk of the electorate and will reinforce SA's perceived high standing in capital markets but, once again, does not do much to stimulate foreign direct investment or corporate activity.

Construction is fastest growing Industry

The construction industry would need to double its output if the Accelerated and Shared Growth Initiative for SA (Asgi-SA) targets were going to be met, Public Works Minister Thoko Didiza told delegates at a construction conference held in Durban recently.

Spending on public infrastructure as a percentage of gross domestic product is expected to rise to 6,4% in 2008-09 and "planned investment covers all construction sectors at annual growth rates ranging from 12% in household infrastructure to 21% in roads," she said.

South African Association of Consulting Engineers president Webster Ndodana said co-operation between industry stakeholders was critical because of the R410bn that needed to be spent on infrastructure over the next 3-10 years.

Treasury deputy director general Andrew Donaldson said construction was the fastest-growing industry in SA last year and this year, a trend expected to continue for the next few years due mainly to rising spending in real terms on a variety of government projects.

He said SA was spending more than it was producing but that economic growth statistics over the next few months might be higher than expected. The recent, unexpected R30bn windfall in tax receipts was evidence of an underestimation of the strength of the economy, he said.

Key priorities for next year's budget were funding for stadiums and facilities for the 2010 World Cup; housing, electrification, water, sanitation and other community facility spending; road; rail; research and development; energy; skills

development; strengthening the criminal justice system; spending on education; health and welfare; and increasing amounts allocated to local government, he said.

Nedcor Group chief economist Dennis Dykes said it was unrealistic to expect strong economic growth in the short term due to capacity constraints induced by decades of insufficient fixed investment in sectors such as transport, electricity, the public sector and in skills development.

Didiza said the introduction of a register of contractors had reduced the time to award contracts from as much as six months to 60 days and less. More than 600 contractors had improved their grading status over the past six months and 80% of them were black-owned small and medium sized enterprises.

SA does U-turn HIV/Aids Strategy

The Irish Times reported recently that the South African government has signalled a change of heart in its HIV Aids policy. This change was first apparent in September when Deputy President Mlambo-Ngucka was appointed to head up the national Aids strategy.

Over the weekend of 28th / 29th October, the Deputy President held a ground breaking meeting with non-governmental organisations expressing support for their efforts and unequivocally stating that the government – in accordance with international norms – believed HIV caused Aids.

In addition, she has agreed to reconvene the country's co-ordinating committee on Aids which has not met in a year because of the conflict between government and civil society groups. She

has also signalled the government's intent to make ARVs (anti-retrovirals) more accessible to the poor and has acknowledged the need for improved education and prevention measures.

This comes against the backdrop of Trevor Manuel's mini-budget announcement at the end of October that the government will be spending close to R2,3-billion on its HIV/Aids programme by 2010.

It was also announced that a total of R49-million unspent on last year's health budget is to be rolled over to the remainder of the current year to be spent on HIV/Aids programmes in the Western Cape and Gauteng.

Upcoming Events



IRELAND VS SOUTH AFRICA

15 NOVEMBER 2006, LANSDOWNE ROAD

ISABA IN CONJUNCTION WITH HOWARD EUROCAPE WILL HOST A PRE-MATCH LUNCH WITH SPECIAL GUEST SPEAKER KEITH WOOD AND FRIENDS TO PROVIDE COMMENTARY IN ADVANCE OF THE GAME (KICK OFF @ 17H00)

VENUE: ELM & OAK ROOM, JURY'S BALLSBRIDGE, DUBLIN 4

PRICE: €100 (ISABA MEMBERS & MEMBER GUESTS); €150 (NON MEMBERS)

THE GAME WILL BE SCREENED IN THE ELM & OAK ROOM FOR THOSE WHO DON'T HAVE TICKETS. THERE WILL ALSO BE A POST-MATCH RECEPTION

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Upcoming Events

Wednesday, 15th to Thursday 16th November Visit of Deputy President of South Africa

Ms Phumzile Mlambo-Ngcuka

Friday 1st December

WORLD AIDS DAY CONCERT

Phoenix Park

2006 Subscription Reminder

2006 subscriptions have gone out recently. Please ensure payment is made as soon as possible.

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