

CHAPTER 6

AUSTRALIA'S TRADE AND INVESTMENT WITH SOUTHERN AFRICA

SADC's trade objectives

6.1 SADC is particularly interested in developing economic growth and promoting self-sustaining development on the 'basis of collective self-reliance, and the inter-dependence of member State'.¹ To achieve its aims, SADC claims that it shall:

- (i) harmonise political and socio-economic policies and plans of member States;
- (ii) mobilise the peoples of the region and their institutions to take initiative to develop economic, social and cultural ties across the region, and to participate fully in the implementation of the programmes and projects of SADC;
- (iii) create appropriate institutions and mechanisms for the mobilisation of requisite resources for the implementation of the programmes and operations of SADC and its institutions;
- (iv) develop policies aimed at the progressive elimination of obstacles to free movement of capital and labour, goods and services, and of the peoples of the region generally among member States;
- (v) promote the development of human resources;
- (vi) promote the development, transfer and mastery of technology;
- (vii) improve economic management and performance through regional cooperation;
- (viii) promote the coordination and harmonisation of the international relations of member states;
- (ix) secure international understanding, cooperation and support, mobilise the inflow of public and private resources into the region.²

1 Exhibit No. 68.

2 *ibid.*

Australia's trade policy

6.2 Australia supports SADC and is interested in encouraging its success. Australia's principal trade policy with Southern Africa is to promote economic reform and capacity building both to improve the material conditions of Africans and to encourage the development of viable export and investment markets for Australia.³

Overview of trade with SADC

6.3 Two-way trade between Australia and the SADC countries last financial year was worth approximately \$1.4 billion (see Table 6.2). Australia maintains a small but growing surplus with SADC. Agricultural products such as meat, grain, animal oils and vegetables as well as minerals and metals dominate our exports. Manufactured exports are growing as well. For example, the export of passenger motor cars has grown from \$2.6 million in 1991-92 to \$25 million in 1995-96; computers and office machinery from \$938,000 to \$1.8 million over the same period; and telecommunications exports rose from \$2.6 million in 1991-92 to \$13.79 million last financial year.⁴ Of the SADC countries, Australia's most substantial trade relationship is with South Africa; trade with Mauritius and Zimbabwe is also significant.

6.4 Australia imports resource-based and agricultural products from SADC. Particular examples include unmanufactured tobacco, paper and paper products, fertiliser, pig iron granules, silver, platinum and crude petroleum. Total SADC imports to Australia have shown continued growth over the last five financial years.⁵

6.5 The Committee acknowledges that Southern Africa is never going to be as economically significant as South East Asia or North East Asia for Australia. However, the Committee believes that there is potential for growth, and that a number of niche markets can be developed (see Chapter 7).

Investment flows

6.6 Foreign direct investment in Sub-Saharan Africa was estimated at US\$2 billion in 1995, down a third from 1994 levels.⁶ Comprehensive data on investment flows to the SADC region are not easily obtained. However, foreign investment in South Africa declined sharply in the late 1980s under the apartheid-related sanctions. Zimbabwe also experienced negative direct investment flows in the late 1980s. Table 6.1 outlines net foreign investment across SADC countries.

6.7 It was widely acknowledged in evidence to the Committee that the likelihood of growth in Australian trade and investment in SADC depends on the success or otherwise of the South African economy.⁷ Tables 6.2, 6.3 and 6.4 illustrate Australia's trade with individual SADC countries over the past three years.

3 DFAT, Submission, p. S265.

4 DFAT, Submission, p. S450 & p. S1131.

5 *ibid.*

6 World Bank, *World Debt Tables 1996, Vol. 1.*, p. 171.

7 See for example DFAT, Submission, pp. S266 & S443; and Austrade, Submission, p. S163.

Table 6.1 Net Direct Foreign Investment in SADC Countries (US\$million)

Country	1970	1989	1990	1991	1992	1993	1994
Angola	0.0	200	-335	665	288	302	350
Botswana	0.0	42.2	95	-8	-2	-287	-48
Lesotho	0.0	13.4	17.0	8	3	15.0	19.0
Malawi	9	0.0	0.0	0.0	0.0	0.0	1.0
Mauritius	2	36	41	19	15	15	20
Mozambique	0.0	3	9	23	25	30	33
South Africa	n/a	6.8	-4.7	-8.1	-5.0	-7.6	6
Swaziland	0.0	75.1	39	79	69	49	46.0
Tanzania	0.0	6	0.0	0	12.0	20.0	0.0
Zambia	-297	164	203	34	50	55	60
Zimbabwe	0	-10	-12	3	15.0	28.0	35

Sources: World Bank, *World Debt Tables 1996, Vol 2; Country Tables*; and IMF, *International Financial Statistics*, June 1996

Table 6.2 Australia's Trade by SADC Country, 1995-1996

Country	Exports A\$'000	Imports A\$'000	Total A\$'000
Angola	9,352	0	9,352
Botswana	3,065	0	3,065
Lesotho	4,856	35	4,891
Malawi	218	9,090	9,308
Mauritius	86,087	1,786	87,873
Mozambique	7,136	33	7,169
Namibia	2,131	3,966	6,097
South Africa	772,094	432,541	1,204,635
Swaziland	1,171	506	1,677
Tanzania	16,963	3,983	20,946
Zambia	6,804	467	7,271
Zimbabwe	31,317	15,384	46,701
Total	941,193	467,792	1,408,985

Source: Exhibit No. 66, and DFAT, Submission, pp. S1130-1152.

Note: Due to the effect of rounding, not all totals in Tables 6.2, 6.3 and 6.4 tally exactly.

Table 6.3 Australia's Imports from Southern Africa (A\$'000)⁸

Country	1991-92	1992-93	1993-94	1994-95	1995-96
Angola	0	18,614	0	0	0
Botswana	78	0	0	3	0
Lesotho	147	141	71	47	35
Malawi	11,851	8,011	8,704	7,541	9,090
Mauritius	4,861	2,277	1,666	1,667	1,786
Mozambique	762	18	0	17	33
Namibia	1,067	2,010	1,938	2,949	3,966
South Africa	113,525	191,631	267,779	302,191	432,541
Swaziland	2,746	1,913	1,066	605	506
Tanzania	783	619	894	2,146	3,983
Zambia	1,243	426	201	1,362	467
Zimbabwe	13,120	8,897	12,888	29,836	15,384
Total	150,182	234,558	295,208	348,365	467,792

Table 6.4 Australia's Exports to Southern Africa (A\$'000)⁹

Country	1991-92	1992-93	1993-94	1994-95	1995-96
Angola	754	160	1,018	870	9,351
Botswana	407	1,624	4,715	1,099	3,065
Lesotho	6	83	41	1	4,856
Malawi	1,260	492	275	176	218
Mauritius	59,209	61,317	69,969	74,702	86,087
Mozambique	16,769	11,142	5,706	8,714	7,136
Namibia	2,981	959	176	704	2,131
South Africa	226,144	334,487	350,064	566,346	772,094
Swaziland	5,430	174	138	148	1,171
Tanzania	4,320	8,889	7,346	3,867	16,963
Zambia	1,623	1,839	1,988	1,357	6,804
Zimbabwe	8,126	7,787	11,395	7,432	31,317
Total	327,029	428,953	452,832	665,416	941,193

8 Exhibit No. 66; DFAT, Submission, pp. S1130-52.

9 ibid.

6.8 In looking at the trade statistics for individual SADC countries it is apparent that there are substantial year to year fluctuations in the volume of trade, due particularly to varying demands for agricultural products such as grain.¹⁰ Australian trade with the region has tended to be more concerned with commodities rather than services or high technology products. However, in recent years there has been an increase in the export of manufactured products (eg. mining equipment and systems, agricultural machinery, telecommunications equipment) and these types of items now constitute over 35 per cent of Australia's exports to SADC.¹¹ There are a number of niche markets in the services/technology area, however, that have the potential for further development and these are discussed in greater detail in Chapter 7.

Key African trading partners

South Africa

6.9 The end of apartheid and the lifting of sanctions against South Africa has heralded a new direction for the economic community that is developing in Southern Africa and for countries interested in trade with the region. Because of the imposition of trade and financial sanctions, bilateral relations between Australia and South Africa were severely limited during the 1980s and the early 1990s. The lifting of the last remaining sanctions in September 1993 allowed for the expansion of commercial contact between the two countries. Since that time, there has been a growing interest on the part of Australian companies in participating in the South African market, and Australia's annual exports to South Africa have increased by an average 30 per cent per year since 1991.¹² In calendar year 1995 exports jumped 53 per cent to \$660 million from the previous year, and imports from South Africa rose 27 per cent to \$365 million over the same period.¹³ The figures for financial year 1995-96 show the same growth trend (see Tables 6.3 and 6.4).

6.10 South Africa is now Australia's largest export market among the SADC countries, and indeed in Sub-Saharan Africa, and it is the fastest growing of Australia's 35 top trading partners, although from a comparatively small base.¹⁴ Australian exports to South Africa in 1995-96 totalled \$772 million. The five major exports are aluminium; meat and offal; leather; passenger motor vehicles; and animal oils and fats. South African exports to Australia totalled \$482.5 million last financial year, and included fertilisers; paper and paperboard; pig iron and ferro alloys; iron and steel; and aluminium.¹⁵

6.11 Direct foreign investment in South Africa was R29.2 billion by the end of 1993. The five biggest foreign direct investors in descending order are the United Kingdom (R11.2 billion), Germany, the United States, Switzerland and Luxembourg (R2.3 billion). In comparison, by the end of 1993, Australian direct investment was R182 million, or 0.6 per cent of total direct foreign investment in South Africa.¹⁶ Austrade has estimated that by mid-1995 Australian direct investment in South Africa was about R320 million, with Australian

10 DFAT, Submission, p. S451.

11 Austrade, Submission, p. S1173.

12 DFAT, Submission, p. S857.

13 Elliot, G., 'South Africa beckons Australian exports', in *Financial Review*, 23 May 1996, p. 54.

14 Exhibit No. 71, p. 5.

15 DFAT, Submission, p. S466 and pp. S1143-45.

16 DFAT, Submission, p S847 and pp. S1143-45.

direct investment in the Southern Africa region as a whole estimated to be about R1.3 billion.¹⁷

6.12 South African investment in Australia climbed rapidly from \$68m in 1987 to some \$437 million at 30 June 1993, placing South Africa as the 16th biggest foreign investor in Australia.¹⁸ Since then, South African investment has declined to A\$263 million.¹⁹

6.13 Trading links between Australia and South Africa have been enhanced with the establishment of the Australia Southern Africa Business Council, and its counterpart in South Africa, the Australian South African Business Association, based in Johannesburg.

6.14 South Africa is seen by many as a natural entry point to the SADC region. Austrade, for example, identified South Africa as 'the gateway for Australia to the region.' It claimed that:

South Africa is already a regional power-house and, given the reasonably smooth and peaceful transition of power that has occurred, has the potential to be by far the dominant economic force in Sub-Saharan Africa. Arguably it is the logical gateway for Australian companies to develop markets throughout the region.²⁰

6.15 This view was supported by Mr Colin Butler, President of the Western Australian chapter of the ASABC. Mr Butler saw South Africa as being an important player in Australia building trade relations with other less economically developed SADC countries:

...we think South Africa is the key and that everything we can do to establish the political and economic stability of South Africa will impact on the whole region.²¹

6.16 Mr Butler however, did sound a note of warning:

One thing we must bear in mind in terms of trade is that southern Africa is not going to be a high windfall. You have to see it in a different context to the Asian countries. In Asian countries there is a fast growing emergence of a middle class and, therefore, you have a higher GDP, whilst in the countries of southern Africa there is a much poorer population. Often when you go there and talk to them, you find that they are looking for aid not trade.²²

17 DFAT, Submission, p. S860.

18 DFAT, Submission, p. S466.

19 DFAT, Submission, p. S1239.

20 Austrade, Submission, p. S163.

21 Butler, Transcript, 4 October 1995, p. 321.

22 *ibid.*

The South African economy

6.17 It has been argued that South Africa is the only real 'stand alone' economy in the Sub-Saharan region and possesses a 'first-world' transport, banking and telecommunications infrastructure. South Africa's GDP is seven times higher than the average GDP per capita for the Sub-Saharan region as a whole. In 1995, its GDP was US\$163 billion, approximately one-third of Australia's.²³ The South African import market is valued at over US\$40 billion, and in the view of Austrade 'provides exporters with the critical mass necessary to develop a proper regional strategy and hence the opportunity to exploit the potential of the rest of the region.'²⁴

6.18 In summary, the South African nation:

produces	42% of Africa's industrial output;
generates	60% of Africa's power;
produces	75% of Africa's iron and steel;
mines	40% of Africa's minerals;
carries	65% of Africa's total freight;
produces	40% of Africa's food;
drives	40% of Africa's cars; and
uses	40% of Africa's telephones. ²⁵

6.19 The South African economy has a number of natural advantages: the country is rich in natural resources, has a good infrastructure, a well established corporate sector, low foreign debt and a free financial press. The economy has grown in real terms from 1993 and that growth is expected to continue. However the economy is not without problems. It faces the challenge of recovering from years of inward looking economic policies that saw a decline in productivity and output. South Africa also has a narrow export base, large sections of the population are unskilled and uneducated, unemployment is about 45 per cent and a significant number of highly skilled South Africans have emigrated during the past 20 years. In addition, the high cost of remedying the social and economic injustices of apartheid will place an additional burden on the Government.²⁶ The Government has set a target of 6 per cent annual economic growth to attempt to create 400,000 new jobs by the year 2000; this would in effect mean a doubling of the current growth rate.

6.20 The South African Chamber of Business (SACOB) estimates that the informal business sector employs about a quarter of the country's economically active population, and the informal sector is continuing to grow.²⁷

6.21 While economic dominance of the formal sector remains with the white community in South Africa, some change has occurred. In 1994 it was estimated that black-controlled companies accounted for less than half of one per cent of total equity of the Johannesburg Stock Exchange. By 1996, that stock had increased to 10 per cent and

23 Austrade, Submission, p. S1176.

24 *ibid.*

25 *ibid.*

26 DFAT, Submission, pp. S835-36.

27 Cheary, M., 'South Africa's Street-corner Capitalists', Reuters, 11 June 1996.

companies such as New Africa Investments, with holdings in banking, insurance and media, are playing a significant role in South Africa's economy.²⁸

Reconstruction and Development Programme

6.22 The South African Government is under considerable pressure to meet the heightened expectations of the black majority, and deliver the economic benefits that many hoped would come to the population following the end of apartheid. The economic success of South Africa is vital, not only for its own population, but also for the future economic prosperity of the region as a whole. As the ASABC noted:

If it occurs that South Africa is successful in the next five to ten years economically in terms of giving its people the benefits of modernisation, then the whole region will go well because of the power of South Africa in the whole region; they are all dependent upon South Africa.²⁹

6.23 Central to any improvement of the social and economic conditions of the population is the Reconstruction and Development Programme (RDP), briefly mentioned in Chapter 4. It has been described by the GNU as:

...an integrated, coherent socio-economic policy framework. It seeks to mobilise all our people and our country's resources toward the final eradication of apartheid and the building of a democratic, non-racial and non-sexist future.³⁰

6.24 The formulation of the RDP was carried out in consultation with non-government organisations and research organisations. The RDP contains six basic principles: an integrated and sustainable programme; a people-driven process; peace and security for all; nation-building; linking of reconstruction and development; and democratisation of South Africa.³¹

6.25 Apart from its commitment to providing much-needed housing for some two million South Africans, its priorities in 1995 were as follows:

- A primary school nutrition scheme
- A 'Culture of Learning' project to improve school conditions and guidance to schools
- Public works
- Building of rural clinics
- Extension of municipal services
- Urban renewal.³²

6.26 While progress is being made in providing basic services for communities in South Africa, the program (along with the government) is coming under increasingly heavy

28 Bryson, D., 'New South Africa more than talk for black entrepreneurs', AAP, 4 October 1996.

29 ASABC, Transcript, 6 September 1995, p. 77.

30 ACTU, Submission, p. S122.

31 ACTU, Submission, p. S128.

32 DFAT, Submission, p. S353.

criticism because progress is very slow. The RDP has also been criticised as attempting to provide for the needs of too many different sections of the community and secondly, that it is going in too many directions for satisfactory progress to be made. In addition, some business sector managers feel that the government's priorities focus too strongly on social aspects and not enough on growth and wealth creation.³³

6.27 One problem with the government's implementation of the RDP is in its expectation that local communities are equipped to handle such large scale projects. The government wants people to develop and maintain their communities through the aid of the RDP. It does not want to appear highly interventionist in its implementation nor is it able to afford long term maintenance of the many projects operating across the country. While much of the work will inevitably fall to the recently elected local councils, the RDP is a massive undertaking for any government, particularly a fledgling one vulnerable to mismanagement and corruption in the socially volatile post-apartheid era. A lack of appropriately skilled local and regional managers is likely to result in poorly distributed and mismanaged funding. With the South African government relying on international donors to support the RDP over the next few years, poor project management will not be well received.

6.28 Promotion of local community development also means that the government is encouraging small and middle-sized businesses to seek a place in the building, construction and service sectors of these communities. Limited capital and inexperience put these fledgling businesses at risk. There does not appear to be any provision for the training and support of small business enterprises as part of the RDP.

6.29 In giving evidence, Dr Dorward suggested that:

The RDP... is predicated on the creation of a black small business class. It is seen by the South African government, in conjunction with private enterprise, as being the vehicle for development in employment in South Africa. What they are arguing is that in terms of that there should be encouragement given to the creation of black enterprise at a whole range of levels right down through. For example, much of the housing schemes are predicated on the creation of employment and business opportunities for blacks in the construction industry. On the whole, that is what has happened, because it has not been big corporate construction industries who have gone in and set up these sorts of projects; they have created service sites and then black enterprise has been encouraged to do it. That is the basis.³⁴

6.30 Dr Dorward argued that the ministry is having great difficulty in getting funds out to these projects. As a result, projects are increasingly lagging behind. He believed that the South African bureaucracy is not geared up to respond to the RDP at the local level.³⁵ In giving evidence, Community Aid Abroad (CAA) lent support to Dr Dorward's argument by claiming that:

33 *RDP News. Newsletter on the Reconstruction and Development Programme.* Issued by the South African High Commission, September 1995, p. 6.

34 Dorward and Geddes, Transcript, 15 September 1995, p. 135

35 *ibid.*

At the current time, there is a major blockage within the reconstruction and development program because of the rules that were put out for the RDP which required significant local interest in development in townships, which is not there. The skills and business interests are not there, so the RDP has almost ground to a halt because of the lack of capacity, particularly within townships, to enable the RDP housing program, for instance, to go ahead.³⁶

6.31 A number of submissions indicated that Australia is well placed to partner middle level South African businesses, particularly in the areas of human resource training, health and communications. These are outlined further in Chapter 7. The Committee supports the principles of the RDP in terms of its aims for democratic governance and in its attempt to provide basic services for all its people. It is concerned, however, that without appropriate training, many small and middle businesses will fail through lack of experience and financial support.

6.32 The Committee also recognises the importance of the RDP's trade potential for Australia and encourages Australian businesses to develop regional knowledge through organisations such as Austrade and ASABC.

6.33 The Committee recommends that:

12. Australia, as part of its assistance to South Africa, include training for small and medium businesses.

Land issues

6.34 Under apartheid, 87 per cent of South Africa's land was owned by whites, who made up 12 per cent of the population. It is estimated that at least 3.5 million blacks were evicted from their land and moved to 'homelands'. The task of redistributing land is a continuing problem for the South African Government and the economy. Initial plans were to redistribute 30 per cent of the land within five years, but to date little has been achieved. Up until 1997 the Government will accept legal claims for land lost back to 1913, and already 6,000 claims have been lodged. One land claim is on 20,000 hectares of the Kruger National Park.³⁷

6.35 One scheme being watched carefully by the South African Government and white farmers is that by South Africa's largest sugar company, Illovo Sugar Ltd., which has started selling cane fields to black farmers. The land sale program includes subsidies and training for the new black farmers. As of June 1996, a total 1600 hectares have been sold to 20 black farmers.³⁸

South Africa as competitor

6.36 The question of South Africa as a competitor in some of Australia's main export markets, including in areas such as coal, wool and iron ore, was raised in a number of submissions:

36 Community Aid Abroad, Transcript, 29 September 1995, p. 217.

37 'Tribe Claims Part of Kruger National Park', AAP, 9 August 1996.

38 Dellios, H., 'Black Sugar Farmers Get a Taste of Land-owning', in *Chicago Tribune*, 10 July 1996.

Australia and South Africa are competitors, not complementary economies, both dependent upon external capital investment. In the past year, South Africa has made significant inroads into what were hitherto Australian markets...³⁹

6.37 Although there are areas in which Australia and South Africa will compete, it is also true to say that there is a degree of complementarity in the two economies, as acknowledged by the then Minister for Trade, Senator McMullan in an address to a conference, *Africa and Australia: New Visions*, held in August 1995. DFAT's opinion was that:

With sanctions lifted, Australia can expect some increased competition from South Africa in our traditional markets...This threat should not be exaggerated, however....Australian export industries in most areas of competition (possibly excepting fruit) have a significantly greater share of world production and are generally considered more efficient. Either country has some products and regions in which it enjoys competitive advantages...⁴⁰

Mauritius

6.38 Until the 1970s the economy of Mauritius was largely dependent on sugar, which accounted for up to 60 per cent of its foreign exchange earnings, and tourism. Adopting an export-led strategy, Mauritius moved towards greater industrialisation in the early 1970s, creating an Export Processing Zone and expanding low-technology labour-intensive industries, especially labour intensive textile and garments manufacturing for export. Clothing now accounts for 50 per cent of its exports (sugar for 30 per cent).⁴¹ Mauritius is now entering the second phase of its industrialisation, and is attempting to diversify its economy, developing Mauritius into a financial, business and trading hub in the region. With a significant income per capita, and an import market worth US\$1642 million, Mauritius is a promising market for Australian goods and services.⁴²

6.39 Mauritius is Australia's second largest export market, after South Africa, in the SADC region and has shown steady growth. Australian exports to Mauritius in 1995-96 totalled \$86 million. Major exports were milk and cream products; meat and offal; wool; cheese and curd; and vegetables. Imports from Mauritius in comparison were an extremely modest \$1.78 million,⁴³ and included sugars; crude vegetable materials; and clothing. Trade in services is expanding, particularly in education and tourism.

6.40 There has been some Australian investment in Mauritius, primarily in textiles, handicraft and other tourist related fields. To date there are no business councils specifically linking Australia and Mauritius, although there is a proposal to establish an Australia-Mauritius Business Council.⁴⁴

39 Dorward and Geddes, Submission, p. S47.

40 DFAT, Submission, pp. S468-469.

41 *World of Information: Africa Review 1995*, op. cit., pp. 118-122.

42 Sutherland, Transcript, 4 October 1995, p. 256.

43 Exhibit No. 66.

44 Butler, Transcript, 4 October 1995, p. 316.

Zimbabwe

6.41 Zimbabwe has a wide range of natural resources, including significant mineral deposits, well developed infrastructure and a significant manufacturing sector. Agriculture remains the backbone of the economy, although drought affected agricultural production from 1990 until this year, causing a drop in the economic growth rate. Estimates are that the economy will now grow by up to 7 per cent with a more positive agricultural outlook.⁴⁵ Agricultural output is expected to grow by 18 per cent this year after a 12 per cent fall in 1995.⁴⁶ In addition, Zimbabwe is now facing increasing competition from South Africa for international investment. The Economic Structural Adjustment Program, introduced in 1990 has exacerbated a number of social problems, and with an annual inflation rate of 22 per cent over the last two years, pressure is increasing on the government for wage increases for government employees. Unemployment in Zimbabwe is now estimated at about 50 per cent, compared with between 20-30 per cent in 1980, creating further instability.⁴⁷

6.42 Australian exports to Zimbabwe totalled \$31.3 million in 1995-96, a significant increase on the previous year's figure of \$7.4 million. Major export items included animal oils and fats; plastics; glassware; measuring and checking equipment; and for the first time, ships and boats. Imports from Zimbabwe to Australia for the same period were \$15.38 million, a decrease on the previous year's figure of \$29.8 million, but when viewed over the longer term, the figures show a generally upwards trend.⁴⁸ Major items were tobacco; leather; and crude vegetable materials.⁴⁹

6.43 Australian companies have made significant investments in Zimbabwe, primarily in the mining sphere. The BHP/Delta platinum project, with a ZWD1.8 billion investment, is the largest single post-independence investment project in Zimbabwe.⁵⁰ The mine will employ about 2700 people (about 7 per cent of those employed in the Zimbabwe mining industry), and will have a significant impact on Zimbabwe's economy.⁵¹ Other major investors in Zimbabwe are China, the United Kingdom, the Netherlands and South Africa.⁵²

6.44 The Zimbabwe Australia Business Council was established in September 1994, with the objective of promoting two way trade and investment between Australia and Zimbabwe.⁵³ Activities of the Council include the dissemination of trade opportunities among members, lobbying on behalf of its members to eliminate 'distortions to two-way trade', and a series of seminars/lunches.⁵⁴

6.45 Zimbabwe has established the Zimbabwe Export Processing Zone Authority (ZEPZA), which will be responsible for establishing free trade zones within Zimbabwe. The EPZ legislation contains a number of incentives to encourage manufacturers of goods for export, however a number of policy issues, such as the proportion of a company's output

45 Chinaka, C., 'Squawks of dismay in Zimbabwe Economy', Reuters, 2 June 1996.

46 *ibid.*

47 Chinaka, C., 'Striking Zimbabwe Civil Servants Challenge Sacking', Reuters, 26 August 1996.

48 Exhibit No. 66.

49 DFAT, Submission, pp. S1151-52.

50 Austrade, Submission, p. S187.

51 BHP, Submission, p. S780.

52 DFAT, Submission, p. S430.

53 DFAT, Submission, p. S479.

54 *ibid.*

which must be exported to qualify for EPZ status, have to be clarified before the EPZs become operational.⁵⁵

6.46 The attractions of Zimbabwe were described in a submission from the Zimbabwe Ministry of Foreign Affairs:

The political stability, developed industrial infrastructure, the highly educated and trained workforce and an advanced financial sector makes Zimbabwe a most favourable destination for investment save for South Africa in the Southern African region. Besides, it has a highly developed infrastructure offering telecommunication network, road and rail network linking it to all SADC states, international airport and reliable energy services to mention a few.⁵⁶

Minor trading partners

Mozambique

6.47 Mozambique is one of the poorest countries of the world. Heavily dependent on foreign aid, its economic problems can be attributed to a combination of 'colonial policies, its protracted struggle for independence, many years of debilitating civil war; periodic natural disasters and economic mismanagement ...'⁵⁷

6.48 With a peace agreement and the first multi-party elections, however, it is hoped that political stability will create an environment for economic recovery. Mozambique has considerable mineral resources, and only some 5 per cent of its arable land is under cultivation. The government faces major problems in rebuilding the country's infrastructure. Unemployment remains high in both rural and urban areas, and this has been 'exacerbated by a crackdown on illegal immigrants by South Africa, historically an outlet for surplus Mozambican labour'.⁵⁸ The Government has sold off half of approximately 60 state enterprises and is offering special tax benefits to investors.⁵⁹

6.49 Within this context, Australian exports to Mozambique in 1995-96 were \$7.13 million; imports for the same period were a very slight \$33,000, comprised almost entirely of imports of spices.⁶⁰

Tanzania

6.50 In 1995-96 there was a major increase in Australian exports to Tanzania (up from \$3.8 million in 1994-95 to \$16.9 million in 1995-96). The increase was predominantly through the expansion in the 'confidential items of trade' category. Imports of Tanzanian

55 DFAT, Submission, p. S430.

56 Ministry of Foreign Affairs, Zimbabwe, Submission, pp. S1032-33.

57 DFAT, Submission, p. S334.

58 DFAT, Submission, p. S334.

59 Bryson, D., 'Change slow as Mozambique tries to rebuild after long war', AAP, 18 June 1996.

60 Exhibit No. 66; DFAT, Submission, pp. S1140-42.

goods totalled \$3.9 million last financial year, continuing a trend of modest increases. Fish, tobacco and vegetable textile fibres are the major items imported from Tanzania.⁶¹

Zambia

6.51 With an economy dominated by one commodity, copper, Zambia was until the mid-1970s one of the most prosperous countries in sub-Saharan Africa. With the slump in the world copper price the economy entered a downward spiral. Despite an austerity program, attempts to restructure the economy, and IMF involvement, the economy remains dependent on copper, and development in other sectors is limited.⁶²

6.52 Australian exports to Zambia in 1995-96 were valued at \$6.8 million, significantly higher than the four previous years. It remains to be seen if this figure is an aberration or the start of a sustained increase. Imports from Zambia for the same period were \$467,000. DFAT has characterised the prospects for growth in future trade as 'promising given the Zambian government's program of reform of the mining sector, foreign investment regulations and ongoing privatisation plans.'⁶³

Trading with Southern Africa

6.53 Australian companies have a number of advantages when looking at investing in Southern Africa, and in particular in South Africa. The business culture, accounting practices and legal system are very similar, and the language of business is English. In addition, many South Africans have relatives or friends in Australia, forming the basis for a potential network on which commercial relationships can be developed.⁶⁴ Business migration from South Africa to Australia has also been strong (see paras 6.110- 6.113).

61 DFAT, Submission, pp. S1147-48.

62 DFAT, Submission, p. S411.

63 DFAT, Submission, p. S476.

64 DFAT, Submission, p. S857.

6.54 Despite these apparent advantages, Austrade noted that

the trading environment in the Sub-Saharan Africa region is difficult and subject to rapid change. Nevertheless, the region has significant potential and should continue to be targeted by Australian exporters and Austrade...(Our) experience...shows that when offered, Australian products and services compete well against those of our major competitors.⁶⁵

6.55 Austrade identified the following critical factors that determine success or lead to failure in the region:

- the lack of market knowledge of Australian business and its products and services;
- a similar general lack of knowledge and interest in the region on the part of Australian exporters;
- the ability to apply and offer creative finance packages to support major capital goods exports;
- low levels of Australian aid to the region (approximately A\$30 million) when compared to the volumes coming from Europe, the USA and Japan; and
- a willingness to undertake Joint Ventures or Manufacturing Under Licence (MUL) agreements.⁶⁶

6.56 Austrade's strategy advocates a focussed approach to market selection and the adoption of product sector support. In recognition of the dominance of the South African economy, Austrade established a post in Johannesburg in October 1993 as the gateway for Australia to the region.⁶⁷

6.57 In addition to South Africa, Austrade has identified a number of target markets (Mauritius and Reunion, Ghana, Zimbabwe, Tanzania, Kenya and Ethiopia). The criteria used were best foreign exchange availability; relatively open economies undergoing economic and political reform; receiving good multilateral donor support; strongest Australian key client interest and commitment; offer best prospects for Austrade's targeted product focus; and where Austrade can cost effectively add value to its client's initiatives.⁶⁸ Austrade has also identified a number of industry sectors that in its judgement offer greatest opportunity for Australian exporters. These are each examined in greater detail in Chapter 7.

6.58 The long term nature of any involvement in the Southern African market was also stressed to the Committee:

65 Austrade, Submission, pp. S160-61.

66 Austrade, Submission, p. S161.

67 Austrade, Submission, p. S162.

68 Austrade, Submission, p. S172.

Successful penetration of the southern African markets will necessitate a commitment to long and medium term research and development. The majority of Australian companies persist in regarding the export market as a windfall for excess production, rather than investment and the sale of ideas and services. The economies of southern Africa parallel that of Australia and thus the scope is not in the sale of 'stuff' but in technology and joint ventures as part of their strategies for diversification into these new markets.⁶⁹

Constraints to trade

Business conservatism

6.59 Among the submissions and in evidence, Australian companies have been criticised for not taking a more aggressive or entrepreneurial approach to business exploration in Southern Africa. In evidence Mr Geddes, representing Dench McClean Associates, stated that:

It seems to be an Australian business culture that we are not as professional with our international operations as are the Americans, the Japanese and the Europeans.⁷⁰

6.60 Mr Geddes claimed that companies still do not do 'enough homework to find their right joint venture partners and set their business up properly so it has a long-term future.'⁷¹ In support of this argument, Dr Dorward suggested that Australia should adopt a longer term 'Japanese-style strategy' to support emerging small and middle-sized Southern African businesses.⁷²

6.61 Other evidence supports the view that Australian businesses are notably cautious in their exploration of foreign markets. The ASABC described most trade visits as a 'notebook rather than cheque book situation' in South Africa at the present time.⁷³ That is, while there is a lot of foreign interest in trade and investment in Southern Africa, companies are not committing themselves financially while political and economic instability remain.

6.62 Evidence from BHP suggests that there is a lack of appreciation of the lead time that a company such as BHP might take before committing themselves to the country. A representative from BHP stated that the company must do a lot of groundwork particularly in relation to the investigation of environmental issues and liaise widely with government officials and some UN agencies such as the World Bank. He noted that there were special issues and considerations, stating that:

A foreign company entering a country for the first time with the object of conducting business has to be relatively knowledgeable on the

69 Dorward and Geddes, Submission, p. S56.

70 Dorward and Geddes, Transcript, 15 September 1995, p. 131.

71 *ibid.*

72 *ibid.*, p. 129.

73 ASABC, Transcript, 6 September 1995, p. 70.

special social, cultural and even religious situation within that country.⁷⁴

Perceptions

6.63 Negative media reports of escalating crime and social and economic problems across Southern Africa are acting as deterrents to trade and investment. This is coupled with a poorly developed understanding of the diverse cultures and business practices of the region and reduces foreign market confidence in trade with the region. This notwithstanding, Austrade and the ASABC report significant increases in requests from Australian companies for market intelligence, particularly on South Africa and Zimbabwe. Conversely, there is a growing interest from South African businesses in obtaining information about potential suppliers in Australia.⁷⁵

6.64 Austrade suggested that it was difficult to stimulate a shift in thinking in companies primarily interested in exploring Asian markets. There is still the perception that Africa is a 'wild continent' and that initiatives such as the 'Look West' policy announced in early 1995 take time to take hold of the business conscious. Change in business thinking, they believe, takes considerable time.⁷⁶

6.65 From a slightly different perspective, Professor McPherson, Director of the Indian Ocean Centre at Curtin University, observed:

The impression I had about what I saw of foreign business people, per se, dealing in South Africa was that, in a sense, they still had a mental apartheid process. They thought they were comfortable in doing business with white business people but not necessarily in looking beyond the white business community.⁷⁷

6.66 Incorrect perceptions are not limited to the view of Southern Africa from Australia. Misconceptions about the nature of the Australian economy and its products still exist:

I think it is fair to say that, to some extent, perceptions of what South Africa can offer us and in South Africa perhaps some perceptions of the nature of modern Australia may need a little alteration...

We have noticed with some of the journalists coming here a rather old-fashioned approach, a lack of knowledge of where Australia has come in the last 20 years...⁷⁸

74 BHP, Transcript, 15 September 1995, p. 170.

75 Austrade, Transcript, Transcript, p. 25 August 1995, p. 32.

76 Austrade, Transcript, 25 August 1995, p. 41.

77 McPherson, Transcript, 4 October 1995, p. 272.

78 DFAT, Transcript, 25 August 1995, pp. 7 & 10.

6.67 The Committee recommends that:

13. Australia mount a public information campaign in Southern Africa aimed at highlighting the opportunities for business and other contact such as tourism with Australia.

6.68 Concerns over levels of violence were also seen to affect business decisions. As an example, the Western Australian Department of Commerce and Trade gave evidence about an assault on a member of a trade delegation who was visiting a hospital in South Africa in late 1994.⁷⁹ Australian families who were required to relocate because of work perceived the region as unsafe:

...When it comes to getting people to go over there and to live there to run the joint venture, usually the men themselves like it but the families have very severe reservations about living there.⁸⁰

6.69 On the other hand, this was not the case necessarily for businesses searching for markets. Qantas gave evidence that, for the airline, it did not appear to be an issue. They claimed that the growth in passenger numbers both in and out of the region over the past year does not suggest a concern among travellers about violence.⁸¹ However, continuing media reports of violent assaults against tourists in South Africa point to ongoing problems and are of considerable concern to the Committee.

Partnering

6.70 Despite the difficulties noted above, larger companies appear to have fewer problems in committing to joint projects in the region, and in developing exploration and joint venture contracts. For example, BHP with Delta Gold and Tubemakers' with Dorbyl Ltd, have successfully transacted joint ventures on quite large scales. The Australian Chamber of Commerce and Industry made the point that these larger organisations have no real need of support from government and business councils. They stated that these companies will go to Southern Africa 'of their own volition and will do the necessary business on their own, largely unaided.'⁸² They believe that smaller companies who are looking for niche market opportunities are the ones that require government and business council support and assistance.

Trade policy barriers and government regulations

6.71 ASABC identified three main difficulties that were encountered by companies investing in South Africa. The **first and second** issues are the absence of a double tax treaty and the general (high) level of taxation. Australia has agreements regarding the double taxation of income with thirty-five countries. The overall aims of Double Taxation Agreements are:

- to prevent the double taxing of income received in one country that is a party to an agreement by a resident of the other country also a party to an agreement; and

79 Western Australian Dept of Commerce and Trade, Transcript, 4 October 1995, pp. 258-59.

80 Austrade, Transcript, 25 August 1995, p. 41.

81 Qantas, Transcript, 6 September 1995, pp. 110-111.

82 ACCI, Transcript, 29 September 1995, p. 191.

- to prevent tax evasion or avoidance by international tax arrangements by transfer of information between the taxation authorities of the countries that are parties to an agreement.⁸³

6.72 In their submission, ASABC noted that the present timetable for completing the double tax treaty between Australia and South Africa was 1997-98. They believed that this time schedule was unacceptable in a business sense and would inevitably lead to a loss of tax revenue 'through artificial and contrived means designed to facilitate normal business activities.'⁸⁴

6.73 The Department of Foreign Affairs and Trade listed as one of its strategic trade priorities the completion of negotiations on double taxation and investment protection agreements, to 'encourage Australian investor confidence in South Africa.'⁸⁵ DFAT also included in this strategy that the level of exposure of the Export Finance and Insurance Corporation (EFIC) be increased.

6.74 The **third** issue raised by ASABC relates to the inability to repatriate profits except through third country means. In giving evidence, the business council stated:

...the simple fact is that if you are going to be double taxed - and bear in mind that the taxation rates are high in South Africa - it is not just a question of income tax, of course; it is a question of withholding tax on royalties, retaining of funds....With exchange controls there are some issues there about repatriation of profits.⁸⁶

6.75 Government scrutiny of new investment proposals results in very slow processing procedures in South Africa. While investment opportunities are clearly there, much of the business is channelled through the RDP, and obtaining local approvals and development land are particularly difficult obstacles for foreign investors to overcome because civic council and local municipal laws are still developing.⁸⁷ While limitations in local infrastructure hold up business growth in certain areas, some countries' regulatory government arrangements are perceived by investors as overly complex and inhibit investor activity rather than promote it.⁸⁸

6.76 Signs of co-operation on some trade issues are appearing across the region but resolving some of the important trade and investment issues outlined above are problematic for SADC. In giving evidence, the Australian High Commissioner to Zimbabwe, Mr Sibraa stated that:

...I am a little bit disappointed that they are not moving more quickly on the issue of tariffs and trade within the region, but it is very

83 Baker, P. 1994. *Double Taxation Conventions and International Tax Law. A Manual on the OECD Model Tax Convention on Income and on Capital of 1992*, 2nd edition, London: Sweet & Maxwell, pp. 10-11.

84 ASABC, Submission, p. S764.

85 DFAT, Submission, p. S469.

86 ASABC, Transcript, 6 September 1995, p. 69.

87 ASABC, Transcript, 6 September 1995, p. 71.

88 DFAT, Transcript, 29 September 1995, p. 185.

sensitive and I think a number of the countries fear that they are going to be swamped by South Africa.⁸⁹

6.77 In August 1996, SADC leaders signed four protocols, including one on trade. While it does not contain significant detail on time frames for tariff reduction, what rates will apply and what products will be covered, a SADC technical group is conducting a six month sector by sector analysis to develop the protocol.⁹⁰

6.78 In its supplementary submission to the inquiry in September 1996, the Department of Foreign Affairs and Trade advised that negotiations were currently proceeding on the double taxation agreement, and that it would be signed when those negotiations are complete.⁹¹ The department subsequently advised that three technical matters were outstanding and that it hoped the agreement would be signed in July 1997.

6.79 The Committee agrees that a Double Taxation Treaty between Australia and South Africa should be completed as soon as possible. It also believes that more negotiations should take place between the Australian government and SADC on issues relating to existing regulatory practices across the region that are inhibiting foreign investment.

6.80 The Committee recommends that:

14. (i) **Australia bring forward the timetable for conclusion of a Double Taxation Treaty and an Investment Protection Agreement with South Africa; and**
- (ii) **Australia encourage normalisation of currency and exchange agreements and harmonisation of regulatory and other requirements within SADC countries.**

Assistance to Australian business

Austrade

6.81 As of 1 July 1995, administratively within Austrade the Southern Africa region has been part of the 'Middle East/Indian Ocean' region, one of a number of regions into which Austrade's international network is divided. Australia has two A-based staff in Johannesburg. Sub-posts in Mauritius and Kenya are managed by locally engaged staff and they report directly to the Senior Trade Commissioner in Johannesburg.⁹² Australia has no A-based representation in Zimbabwe, although it funds one locally engaged officer within the High Commission to work on trade issues.

89 Sibraa, Transcript, 29 September 1995, p. 186.

90 DFAT, Submission, p. S1165.

91 DFAT, Submission, p. S1128.

92 Austrade, Transcript, 25 August 1995, p. 31.

6.82 While the general opinion of witnesses was that individual Austrade staff did an excellent job,⁹³ concern was expressed that overall Austrade's resources in Southern Africa are inadequate:

The staff in these officers are hopelessly over stretched. As a result, many good opportunities are not realised. If Australia is serious about looking west, then Austrade should be beefed up. This does not necessarily mean more Austrade offices. Why not consider a specific trade role for the diplomatic missions in the continent, and appoint someone with trade expertise in each of them. Another idea would be to sub-contract some Austrade functions to private companies...⁹⁴

6.83 Austrade's view was that, with limited resources, it allocates staff on the basis of existing markets and client demand:

...If you look at Austrade as a whole and the total resources it has, it is a very difficult thing to carve it up in a way that is going to suit everybody.⁹⁵

and

The bulk of the work of our Johannesburg office relates to South Africa itself...we are client driven. That is what the clients are asking us to do...(O)ut of our Johannesburg office we are not spending a lot of time on those other surrounding markets. It is not that because we do not think they are important, it is just that the clients are saying to us, 'We have got more urgent concerns for you right here'.⁹⁶

and

The people in South Africa itself are so tied down with dealing with the volume of work that is hitting their desk there, that they do not travel a great deal.⁹⁷

6.84 The Committee was concerned that current Austrade resources in Southern Africa were insufficient to develop the market potential that exists in the region as a whole. While the Committee agrees that the more significant markets should be adequately resourced, it is also equally valid to argue that markets are best developed by having representation on the ground in that country; expertise is then built up about the markets that exist in that country. If work pressures and lack of resources mean that a comparable level of knowledge about markets in surrounding countries are not developed, it is likely that any queries about trading prospects in those countries are channelled into the market that is best known. In effect other potential markets are not opened up. It could be argued that representation in South Africa,

93 See, for example, Sutherland, Transcript, 4 October 1995, p. 253; Butler, Transcript, 4 October 1995, p. 320.

94 Macpherson Consulting Group, Submission, p. S810.

95 Austrade, Transcript, 25 August 1995, p. 34.

96 Austrade, Transcript, 25 August 1995, p. 35.

97 Austrade, Transcript, 25 August 1995, p. 38.

Mauritius and at a lower level in Zimbabwe has resulted in greater net trade with those countries.

6.85 The Committee recommends that:

- 15. Austrade review its current staffing allocation to Southern Africa with a view to appointing an A-based officer to have responsibility for those countries covered by the Australian post in Zimbabwe.**

South African trade representation in Australia

6.86 The ASABC noted in evidence to the Committee that much of their work related to inquiries from companies in South Africa seeking information about the Australian market:

...we do not have any commercial representation in Australia from the South African side, which means that our council is the natural point of call....

The South African Department of Trade and Industry...is the first point of contact, but we get a lot of local inquiries within the country on Australian trade and investment...

We certainly do get referrals from the Australian trade representatives as well, but those are more qualified referrals.⁹⁸

6.87 In the course of the inquiry the Committee was pleased to learn that a Trade Representative position had been appointed at the South African High Commission in Canberra.⁹⁹ The Committee believes that the appointment of a trade officer in Australia will assist the growth and diversification of trade between Australia and South Africa and commends the South African Government for this initiative.

Grants and Loans

6.88 Austrade has provided financial assistance to exporters through three schemes:

- Export Market Development Grants (EMDG) Scheme
- International Trade Enhancement Scheme (ITES)
- Innovative Agricultural Marketing Program (IAMP).

6.89 The EMDG Scheme provides financial incentives in the form of taxable grants, based on eligible expenditure for such overseas activities as market research and development, representation, advertising and the promotion of Australian export sales as the objective. In 1993-94 EMDG grants worth \$195 million were made,¹⁰⁰ of which \$4.4 million was paid to claimants involved in southern Africa.¹⁰¹ The Australian Government has announced that the eligibility criteria for EMDG is to be tightened and the scheme capped at

98 ASABC, Transcript, 6 September 1995, pp. 70 & 73.

99 DFAT, Submission, p. S1128.

100 Austrade, Submission, pp. S180-81.

101 Austrade, Submission, p. S1025.

\$150 million from 1996-97, with the maximum grant level decreasing from \$250,000 to \$200,000.¹⁰²

6.90 ITES provided low interest loans or advances to companies with the potential for substantial expansion and development in export markets. Under ITES firms were able to receive three year, low-cost funding with deferred repayment terms over three years. In 1993-94 \$47 million was committed under the scheme,¹⁰³ with only a 'very small' amount allocated to companies involved in Southern Africa.¹⁰⁴ The scheme has now been discontinued.¹⁰⁵

6.91 IAMP provided assistance to producers, processors, manufacturers and marketers in the rural sector to enhance foreign exchange earnings or to increase production of import replacement goods. During 1993-94, \$7.5 million was made available under IAMP to fund 21 projects.¹⁰⁶ Austrade advised that funds from this source for companies involved in Southern Africa was 'from recollection...non-existent.'¹⁰⁷ This scheme has also been discontinued.¹⁰⁸

6.92 The low take-up rate among businesses involved in Southern Africa of the EMDG scheme should be investigated by Austrade to determine if it is lack of knowledge about the scheme that has stopped access, or whether eligibility conditions are somehow disadvantaging Australian companies dealing with Southern Africa.

6.93 The Committee recommends that:

- 16. Austrade conduct a study on the publicising and implementation of EMDG with special reference to Australian companies trading with Southern Africa.**
- 17. Austrade produce a brochure for Australian companies interested in trading with Southern Africa, setting out basic information about the market, and assistance available to potential exporters.**

Regional trade fairs

6.94 Austrade advised that its Johannesburg office participated in two formal trade promotion activities during 1995-96 - Electra Mining '95 and the South Africa International Trade Exhibition (SAITEX), held in November 1995. Austrade will again participate in both in 1996. Austrade also participated in 'Interbuild 96', a building and construction exhibition held in Johannesburg in August 1996. In addition, Woodlands Exhibitions of Brisbane organised 'Australia on show', an exhibition of approximately 60 companies in Johannesburg in April 1996.¹⁰⁹

102 *Budget Paper No. 1, 1996-97*, pp. 3-22, 3-35; and *1996-97 Budget Related Paper No. 1.7: Foreign Affairs and Trade Portfolio*, p. 92.

103 Austrade, Submission, p. S181.

104 Austrade, Transcript, 25 August 1995, p. 36.

105 *Budget Paper No. 1, 1996-97*, pp. 3-22.

106 Austrade, Submission, p. S181.

107 Austrade, Transcript, 25 August 1995, p. 36.

108 *Budget Paper No 1, 1996-97*, pp. 3-22.

109 Austrade, Submission, p. S1181.

6.95 Concern was expressed that Australia had not participated, for a number of years, in the Zimbabwe International Trade Fair (ZITF), an annual event held in Zimbabwe's second largest industrial centre, Bulawayo. Austrade participated in ZITF from 1988 to 1991, when it withdrew 'due to the declining number of participating companies caused mainly by the tightening of Zimbabwe foreign exchange controls.'¹¹⁰ An Austrade officer visited the fair in 1995 to assess its potential for attracting future Australian participation, but felt 'that Australian participation would not be supported at this stage.'¹¹¹

6.96 The Zimbabwe Australia Business Council has also supported Australia's participation at the Zimbabwe International Trade Fair.¹¹²

6.97 The Committee believes that it is important that if trade with countries in Southern Africa other than South Africa is to develop, that Australia take advantage of whatever promotion opportunities exist. The Committee supports Austrade participation in the ZITF, with continued involvement to be reviewed after two years.

6.98 The Committee recommends that:

18. Austrade participate in the Zimbabwe International Trade Fair in 1997 and 1998, and review the degree of business interest after that period.

Trade missions

6.99 In December 1993, Special Trade Representative John Button led an Australian trade mission to South Africa. Minister for Trade, Senator McMullan led an Australian business delegation to Zimbabwe, South Africa and Mauritius in late March 1995. The delegation included representatives of Australian companies across a range of industry sectors. Western Australia has also been active in sending trade missions to Southern Africa. A number of parliamentary delegations from SADC countries (e.g. South Africa, Zimbabwe, Namibia) visited Australia during 1995 and included in their discussions a trade component. The Zimbabwe Minister for Industry and Commerce, Dr Murerwa led a trade delegation to Australia in October 1995.

6.100 A further trade delegation went to South Africa in May 1996 to participate in an 'Australia Week' program run by the Australian High Commission; Austrade has just completed a series of seminars around Australia on the subject of 'South Africa: A Gateway to Sub-Saharan Africa'; and in December 1997, South Africa will again be a feature market at the National Trade and Investment Outlook Conference (NTIOC). In addition, South Africa and Zimbabwe are both to conduct trade and investment missions to Australia in late 1996.¹¹³ These, and reciprocal visits by Minister and senior officials, all seek to raise the profile of Australia and the SADC countries.

Australia-Southern Africa Business Council

6.101 The Australia-Southern Africa Business Council Inc (ASABC) was formed in 1990 and has since developed into a national organisation with state-based organisations in

110 Austrade, Submission, pp. S185-86.

111 Austrade, Submission, p. S1197.

112 ZABC, Submission, p. S793.

113 DFAT, Submission, p. S1128.

New South Wales, Victoria, South Australia, Queensland and Western Australia, a membership of some 450 corporate and individual members and a national secretariat.¹¹⁴ The ASABC's objectives are to promote and encourage commercial and business relationships between Australia and Southern Africa.

6.102 In both its submission and in oral evidence before the Committee, the ASABC noted that as a voluntary organisation it has from time to time had to limit its activities to fit within its scarce financial resources. It noted that it has 'been under severe pressure from a huge rate of growth in its membership. The pace has quickened since the removal of sanctions against South Africa.'¹¹⁵ While acknowledging that the Australian Government has provided substantial support in kind, and encouragement, it argued that financial support from Australian Government sources has been particularly thin. It sought the provision of limited Australian Government funding to underwrite some of the costs of future trade and investment development.¹¹⁶

6.103 One specific proposal from the ASABC was for assistance to create a central database:

...we receive a lot of trade inquiries...and all the councils throughout Australia do as well. We are looking to create a central database...It involves a computer network being established...(and)... we could disseminate trade inquiries around the country that we receive.¹¹⁷

6.104 The Committee noted the difficulties facing the ASABC and supports the concept of developing such a data base, particularly as the cost is a comparatively modest \$65,150.¹¹⁸ However, the Committee was reluctant to make a recommendation that government assistance be given in this area. The Committee believes it would be more appropriate that the ASABC either seek corporate sponsorship for such a project; or alternatively explore ways in which assistance in kind (eg. a secondment from a public service training program) could be arranged to advance this project.

Western Australian Department of Commerce and Trade

6.105 Western Australia plays a significant role in Australia's trade relationship with the countries of Southern Africa. During 1994-95, Western Australia exported goods valued at \$102.1 million while importing \$67.5 million from the SADC countries. In 1994-95, the total value of WA's exports to Southern Africa comprised 15 per cent of Australia's exports to the region. South Africa accounted for 88.5 per cent of the value of WA's trade with the region, with the next largest trading partners being Mauritius (9.2 per cent) and Zimbabwe (1.7 per cent).¹¹⁹

6.106 Western Australia has the largest proportion of the total population born in South Africa of all the States and Territories in Australia, and the third largest in number of persons born in South Africa. The proportion of population constituting persons born in South Africa

114 ASABC, Submission, p S753.

115 ASABC, Submission, p. S763

116 *ibid.*

117 ASABC, Transcript, 6 September 1995, p. 75.

118 ASABC, Submission, p. S1052.

119 WA Dept of Commerce and Trade, Submission, p. S1000.

was double the national average during the 1991 Census.¹²⁰ This has meant that there is a considerable population base on which networks and links can be established.

6.107 The Deputy Premier of Western Australia led a mission to South Africa, Zimbabwe and Mauritius in November 1994. As a result of that mission the following agreements were reached:

- the signing of a Memorandum of Co-operation between the Mauritius Marine Authority and the Fremantle Port Authority;
- the signing of a Memorandum of Understanding between the Water Authority of Western Australia and Mauritius; and
- an agreement with the Gauteng Province of South Africa to establish Business Enterprise Centres to assist small business in that province.¹²¹

6.108 Western Australia has also developed an *Indian Ocean Trade Strategy*, as part of which it has, in conjunction with the Commonwealth Government, assisted with the establishment of the Indian Ocean Centre at Curtin University; established an Indian Ocean Desk within the Department of Commerce and Trade; and jointly organised and hosted the International Forum on the Indian Ocean Region (IFIOR) held in Perth in June 1995. The WA Department of Commerce and Trade has also developed a *Trade Through Aid* strategy which seeks to assist Western Australian firms and public sector organisations in a range of sectors gain access to international aid funds sources from AusAID as well as international multilateral organisations.¹²²

6.109 The Committee was impressed with the focus given by Western Australia to developing its markets in the Indian Ocean region, and in particular in Southern Africa, and acknowledges the major contribution being made by WA in developing the Indian Ocean Rim concept. Western Australia, with its long-standing focus on the Indian Ocean region, provides an example of a number of innovative arrangements.

120 WA Dept of Commerce and Trade, Submission, p. S1006.

121 WA Dept of Commerce and Trade, Submission, p. S1003.

122 WA Dept of Commerce and Trade, Submission, pp. S1004-1005.

Business migration from Southern Africa

6.110 Of the SADC countries, South Africa is the only significant source country for business migrants from Southern Africa to Australia. Pretoria is among the top three overseas posts processing Business Skills Category (BSC) applications. Since 1990-91 applications have increased almost four fold. In 1993-94 151 applications in the BSC category (covering 629 persons) were lodged in Pretoria. That number dropped the following year, to 76 applications (331 persons) partly in response to political developments in South Africa. Last financial year saw an increase again in applications (121).¹²³ The Department of Immigration and Ethnic Affairs anticipated that:

Structural change in the South African economy resulting in a changed business environment is expected to fuel future interest in business migration. In addition, social factors such as endemic violence are not perceived to have been alleviated by the improved political climate, and the privileged sections of South African society, from which most business migrants come, feel very much threatened by the increasing demands of the black community for access to opportunities and government services previously denied them, such as higher education.¹²⁴

6.111 South Africa is also a significant source country for people entering Australia under the Employer Nomination Scheme (ENS) or Labour Agreements (LA). In the last two financial years, the figures for entry were 70 and 83 visas issued under ENS and 6 and one visa issued under the LA category.¹²⁵

6.112 In November 1995, a new short stay temporary business visa was introduced, for business people wishing to stay in Australia for periods of less than three months. For the period November 1995 to June 1996, 2,860 visas of this type were issued by the Australian High Commission, Pretoria. A new long stay temporary business visa was also introduced in August 1996 for business people entering Australia for periods of three months to four years. The Department of Immigration and Multicultural Affairs estimates that around 125 applicants (350 persons, including dependents) will be issued with visas from southern Africa this financial year under this category.¹²⁶

6.113 The influx of business migrants to Australia from South Africa has obvious benefits for Australia-Southern Africa trade. As DIEA noted

most are looking to trade back into the Southern African markets they know, and move quickly to set up their business activities on arrival in Australia. An already well established South African business community, combined with similar business practices and their English language ability, allows for an accelerated entry into business activities in Australia.¹²⁷

123 DIMA, Submission, pp. S770 & S1245.

124 DIEA, Submission, p. S770.

125 DIMA, Submission, p. S1245.

126 DIMA, Submission, pp. S1245-46.

127 DIEA, Submission, p. S770.

Trade and development assistance

6.114 Austrade clearly expressed the link that it sees existing between development assistance and trade:

For many African countries the key engine of growth and development is the large aid and assistance commitments by both (the World Bank and the United Nations)...The level of Australia(n) business interest in project opportunities is high and Austrade's activity in the region...has a key role to play in identifying opportunities and in tracking and supporting Australian organisations pursuing project opportunities.¹²⁸

6.115 As noted above, the Western Australian Department of Commerce and Trade has developed a strategy to maximise business access to aid funding. The Department argued that:

The aid programmes funded by the aid agencies represent more than just a market for Western Australian goods and professional services. For many organisations, winning aid funded contracts will assist them develop an export orientation, establish an international reputation, develop new products and services, expand markets and establish joint ventures.¹²⁹

6.116 Although the Western Australian strategy is focussed on the Asian region, it acknowledged that the Southern African region was one which should be 'investigated more closely for participation by Western Australian organisations.'¹³⁰

6.117 The Committee supports the general concept of Australian companies seeking to maximise their access to international development funds allocated for provision of goods and services. The Committee believes there is merit in the Western Australian approach of targeting specific sectors and maximising the impact that can be made. The relationship between aid and trade is discussed further in Chapter 8.

128 Austrade, Submission, p. S74.

129 Exhibit No. 43, p. 1.

130 *ibid*, p. 3.