



## **MEMORANDUM N° 141/2011**

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### **SUMMARY:**

- ONE) – AUSTRALIAN MINERS INVEST 20 BLN USD IN AFRICA - Page**
- TWO) – RUSSIA RECOGNISES LIBYA'S TRANSITIONAL COUNCIL – Page 2**
- THREE) - LIBYAN CAPITAL HAS FOOD AND FUEL BUT NO WATER, SAYS EU TEAM - Page**
- FOUR) - EU COMMISSIONER ISSUES STERN WARNING TO LIBYA REBELS - Page**
- FIVE) – CHINA TO ATTEND LIBYA MEETING IN PARIS - Page**
- SIX) – UPSET SOUTH AFRICA TO SHUN PARIS CONFERENCE ON LIBYA - Page**
- SEVEN) – LIBYA REBELS DENY OIL DEAL WITH FRANCE - Page**
- EIGHT) – CHINESE INVESTORS LOOK FOR MORE SOUTH AFRICAN GOLD DEALS - Page**
- NINE) – TUNISIA: GULF INVESTOR PLACES A BET – Page**
- TEN) – GROWTH IN SOUTH AFRICA? - Page**
- ELEVEN) – MICROFINANCE: WHAT ROLE IN AFRICA'S DEVELOPMENT? - Page**
- TWELVE) – TRADE-NAMIBIA: NO PROGRESS ON ACCESS TO EUROPEAN MARKETS – Page**
- THIRTEEN) – WISHFUL THINKING SOUTH SUDAN SEEKS ALTERNATIVE TO NORTH OIL PIPELINE - Page**

## **ONE) – AUSTRALIAN MINERS INVEST 20 BLN USD IN AFRICA**

Investment by Australian resources companies in Africa has increased to 20 billion U.S. dollars and further investment is expected to follow, Australian Foreign Minister Kevin Rudd said on Wednesday. About 230 Australian resources companies currently hold more than 650 projects in 43 African countries and territories.

According to Australian Special Minister of State Gary Gray, around 20 companies and 100 projects had been added since the beginning of 2011 alone.

More than 40 percent of all overseas mining projects held by Australian-based companies were in Africa and billions of dollars of further investment was in the pipeline, Rudd said. "Australian resources companies have well and truly discovered Africa," Rudd told the Africa Down Under conference in Western Australia's Perth on Wednesday via videolink. "Foreign direct investment to Africa increased from 9 billion AU dollars (9.61 billion U.S. dollars) in the year 2000 to 62 billion AU dollars (66.19 billion U.S. dollars) in 2008, almost as large as China relative to GDP (gross domestic product)," he said. "And despite all of this, Africa's commodities boom is just starting," he added.

Rudd predicted mining exploration activity was set to surge in Africa. "Australia is at the forefront of this exploration and investment, and there is opportunity to expand this even further," he said.

## **TWO) – RUSSIA RECOGNISES LIBYA'S TRANSITIONAL COUNCIL**

Russia recognised the National Transitional Council (NTC) as Libya's legitimate authorities on Thursday, moving to increase its influence in postwar reconstruction and protect its economic interests in the oil-producing North African nation. "The Russian Federation recognises the National Transitional Council as the current authorities and takes note of its declared reform programme, which calls for the development of a new constitution, the holding of general elections and the formation of a government," the Russian Foreign Ministry said in a statement (Reuters)

## **THREE) - LIBYAN CAPITAL HAS FOOD AND FUEL BUT NO WATER, SAYS EU TEAM**

The Libyan capital Tripoli has enough fuel for the short term and food supplies are starting to get through, but there is no end in sight to a water shortage there, a crisis report from the European Union's humanitarian office (ECHO) said on Thursday. Fuel at Zawiya refinery, 50 km (30 miles) west of Tripoli, appears to be enough to meet the main transport and energy needs for all of Libya in the short term, according to the document, which is not publicly available but was obtained by Reuters. The overall availability of fuel remains problematic but should be resolved soon, it said. A tanker with 30,000 tonnes for the supply of power plants arrived in Tripoli on Monday. The chairman of Libya's National Transitional Council (NTC), Mustafa Abdel Jalil, said last week that there was a "great quantity" of food at the refinery. But the NTC has also asked the World Food Programme to help it buy 250,000 tonnes of gasoline. Food shortages persist in Tripoli, with the main problem being a lack of capacity to unload cargo, including 11 cargoes with more than 61,000 metric tonnes of wheat flour waiting in Tripoli's port, the ECHO crisis report said. "The shortage of drinking water is the predominant problem even though the coping mechanisms of the population prove to be better than anticipated," it said. Forces loyal to ousted leader Muammar Gaddafi have choked off Tripoli's water supply and water engineers have not yet managed to reach the pumping stations at Jebel Hassouna, 700 km (435 miles) south of the capital, which are now in the hands of forces loyal to the NTC. The International Committee of the Red Cross has offered its plane to fly the engineers south but the flight is still awaiting security clearance, the ECHO document said. "The problem of shortage of drinking water in

Tripoli and other towns in the western part of Libya remains acute as there is no solution in sight for the resumption of water supply through the Great Man-Made River (GMMR)," it said. The Great Man-Made River is a vast pipeline network that brings water to coastal cities from beneath the Sahara desert. To combat the water shortage, aid agencies are rushing to deliver water by truck and by ship, but if the problem persists, public health will be endangered, the ECHO document said. (Reuters)

#### **FOUR) - EU COMMISSIONER ISSUES STERN WARNING TO LIBYA REBELS**

La commissaire européenne [Kristalina Georgieva](#) a mis en garde jeudi contre des exactions en Libye, déclarant que l'UE "n'accordera pas une confiance sans réserves" au nouveau pouvoir, dans une interview à la radio nationale bulgare. "Si de nouvelles effusions de sang commencent en Libye, nous nous y opposerons. L'attitude de l'UE à l'égard de ceux qui ne respectent pas la loi sera la même que celle à l'égard de Mouammar Kadhafi", a déclaré la commissaire à l'Aide humanitaire. L'ONG Human Rights Watch avait rapporté le mois dernier des pillages, des incendies criminels et des mauvais traitements de civils perpétrés par certains rebelles. Mardi une autre ONG, Amnesty International, a évoqué des cas de mauvais traitements, notamment de personnes suspectées d'avoir combattu au sein des forces loyalistes, en particulier des noirs et des Africains sub-sahariens. Mme Georgieva a fait part de son "inquiétude du point de vue humanitaire". "L'UE accepte le nouveau pouvoir en Libye, mais la confiance en lui ne sera pas sans réserves", a-t-elle insisté. "Nous observons avec attention les changements en Libye. C'est la meilleure façon d'aider le peuple libyen", a-t-elle conclu. L'Union européenne a rappelé mercredi la nécessité de respecter le droit international et les droits de l'homme, alors que le Comité international de la Croix-Rouge (CICR) a fait état de "centaines" de prisonniers, dont des mercenaires, détenus par les rebelles libyens. (AFP)

#### **FIVE) – CHINA TO ATTEND LIBYA MEETING IN PARIS**

China said it would send a vice minister to a conference in Paris aimed at mapping out Libya's future and stressed again Thursday that the United Nations should play a leading role in rebuilding the country. Traditionally opposed to humanitarian interventions, China has been less supportive of the one-time rebels battling to oust Moammar Gadhafi than France and other Western countries such as Britain and the United States. French President Nicolas Sarkozy personally invited China to send a delegate to Thursday's meeting when he made a short stopover in Beijing a week ago. China has appeared reluctant to join Western nations in rebuilding Libya, but Foreign Ministry spokesman Ma Zhaoxu said that Vice Foreign Minister Zhai Jun would attend. "China supports the efforts by relevant parties in restoring stability and promoting the smooth transition of power in Libya, and is willing to join the international community and play an active role in rebuilding Libya in the future," Ma said in a statement. China had previously criticized the NATO-led air campaign against Gadhafi's forces and refused to condemn the dictator. China is a big investor in Libya, with 26 Chinese companies taking on an estimated \$20 billion in business. Many of the projects were only half-completed and no estimates have yet been issued as to losses, given the scale of the fighting and widespread looting. On Thursday, the flagship newspaper of the ruling Communist Party repeated calls for the United Nations to take the lead in post-conflict arrangements in the oil-rich North African country. "As a permanent member of the Security Council, China has full reason to stress the leading role of the United Nations," said a commentary in the People's Daily. (AP)

#### **SIX) – UPSET SOUTH AFRICA TO SHUN PARIS CONFERENCE ON LIBYA**

L'Afrique du Sud, mécontente de l'intervention militaire de l'Otan en Libye, n'assistera pas à la conférence de Paris consacrée à la reconstruction du pays nord-africain jeudi, a annoncé le président sud-africain Jacob Zuma. "Nous sommes mécontents" de la façon dont la résolution 1973 de l'ONU a

été interprétée pour mener des frappes aériennes en Libye, a déclaré M. Zuma lors d'une visite d'Etat en Norvège. (AFP)

#### SEVEN) – LIBYA REBELS DENY OIL DEAL WITH FRANCE

Le représentant à Paris du Conseil national de transition, instance dirigeante de la rébellion libyenne, a nié jeudi que le CNT ait signé avec la France un document lui promettant 35% du pétrole libyen, dans une déclaration à l'AFP. Quelques heures avant le début d'un sommet consacré à la reconstruction de la Libye démocratique à Paris, le quotidien français Libération a publié une lettre datée du 3 avril à l'entête du "Front populaire pour la libération de la Libye" et adressée à l'émir du Qatar dans laquelle le CNT dit avoir signé un "accord attribuant 35% du total du pétrole brut aux Français en échange du soutien total et permanent à notre Conseil". "Je n'ai jamais entendu parler de ce front", a réagi Mansour Sayf al-Nasr, envoyé spécial du CNT à Paris. "Tous les documents, tous les traités valables sont signés CNT", a-t-il fait valoir, rejetant tout autre document comme non-valide. L'instance dirigeante de la rébellion libyenne n'est connue, depuis fin février, que sous le nom de Conseil national de transition. La seule référence à un "Front de libération" sur internet renvoie à cette lettre du 3 avril publiée ce jeudi par Libération. Interrogé sur la radio RTL jeudi, le chef de la diplomatie française Alain Juppé a dit "ne pas avoir connaissance d'une telle lettre". "Le CNT a dit très officiellement que dans la reconstruction, il s'adresserait de manière préférentielle à ceux qui l'ont soutenu, ce qui me paraît assez logique et juste", a-t-il ajouté, répétant ne pas avoir "connaissance d'accord formel". "Nous ne sommes pas les seuls. Les Italiens, les Américains sont là", a-t-il fait remarquer. Depuis Londres, le représentant du CNT Guma al-Gamaty a assuré que les futurs contrats sur l'exploitation du pétrole libyen seront accordés "sur la base du mérite et non par favoritisme politique". (AFP)

#### EIGHT) – CHINESE INVESTORS LOOK FOR MORE SOUTH AFRICAN GOLD DEALS

A consortium of Chinese investors currently making a R4.5 billion (\$642 million) bid for Gold One International, currently the lowest cost gold producer in South Africa, will be using the deal as a beachhead for further expansion in Africa. The consortium — comprising Baiyin Non-Ferrous Group Co Ltd (60 per cent), the China-Africa Development Fund (30 per cent) and Long March Capital Group (10 per cent) — has already acquired around 19 per cent of Gold One. The consortium is making an offer at 408c/share for Gold One, with the aim of ultimately securing a 60-75 per cent stake.

Part of the deal will also see Gold One shareholders voting on a proposed minimum capital injection of R1.05 bn (\$150 mn).

GoldOne president and CEO Neal Froneman said this week that the Chinese consortium took the decision to provide new capital as it supported the company's growth strategy. He said the new Chinese partners saw South Africa as a springboard into Africa. He said the Baiyen-led consortium has already indicated a willingness to inject further significant funds into GoldOne to pursue this strategy. "Our partners have an affinity for Africa and with the existing GoldOne management team being incentivised to stay on-board and pursue this strategy, we are well set to act upon the opportunities that we have identified," he said.

Market pundits reckon parts or all of DRD Gold, SA's fourth largest gold producer, could be in the sights of GoldOne.

Gold One itself is on the acquisition trail, having made an offer this May to acquire gold producer Rand Uranium for R1.75 bn (\$250 mn) in cash. The acquisition would not only double GoldOne's production profile, but also diversify the company's resource base with some 40 million pounds of

uranium reserve. The GoldOne transaction is part of a recent thrust by Chinese investors into SA's vibrant gold mining sector. Earlier this month, China African Precious Metals (CAPM) pitched a R150 mn (\$20 mn) buyout offer for Pamodzi Gold Orkney (which was under provisional liquidation). This was on the heels of Wing Hing International proposing to invest up to R4 bn in a transaction involving the acquisition of unlisted Taung Gold, which owns two marginal (and currently dormant) SA gold operations.

## NINE) – TUNISIA: GULF INVESTOR PLACES A BET

Gulf investors aren't slow in looking for post-Arab Spring opportunities. Dubai's Abraaj Capital is one of the first private equity investors to bet on Tunisia since President Ben Ali was toppled earlier this year. The company acquired the North African private equity business of Amundi, a global asset manager owned by French banks Societe Generale ([GLE:PAR](#)) and Credit Agricole ([CRSU:PAR](#)).

Bankers say investor opportunities are now emerging in the post-revolution countries of the Middle East and North Africa, but the purchases are all about timing.

Egypt is also starting to attract interest from investors who are waiting for the right moment to pounce, they say.

Abraaj will now manage the \$161mn Al Kantara Fund and absorb the 11 staff members of Amundi's investment team, the company said Sunday in an e-mailed statement. The fund which has five investments in Morocco and Tunisia is a buyout and expansion capital fund that targets small and mid-cap opportunities. "During this transitional period in North Africa, we believe it is critically important to encourage SMEs as they serve as the key drivers of the region's new economic growth," says Tom Speechley Senior Partner at Abraaj.

The economies of both Morocco and [Tunisia are set to expand](#) next year, according to the International Monetary Fund. Morocco's economy is expected to grow 4.6 per cent next year from 3.9 per cent this year, while Tunisia is forecast to grow 5.6 per cent from 1.3 per cent this year, [according to the IMF](#).

Abraaj's investment comes hot on the heels of a number of intra-regional private equity deals in the Middle East. Earlier this month [Standard Chartered announced a \\$75mn](#) private equity deal in Saudi Arabia. Domestic bank merger and acquisitions deals in Qatar and Bahrain have also been announced this month.

## TEN) – GROWTH IN SOUTH AFRICA?

Some call it CIVETS; others call it BRICS. But whatever the grouping of emerging market darlings in which South Africa now falls, one thing is clear: As the biggest economy of sub-Saharan Africa (SSA), it is a country capable of catapulting the growth of the entire region.

But is South Africa at risk of losing ground in SSA's "economic renaissance" to China and the other growth-hungry BRIC markets of Brazil, Russia and India? That question was posed in a recent [analyst note](#) from Deutsche Bank. While South Africa is "in many ways predestined" to be the main trade, investment and political partner for its fellow SSA countries, write the Deutsche Bank analysts, it could easily be lulled into complacency while the other BRICs — and perhaps even the

other CIVETS markets of Cambodia, Indonesia, Vietnam, Egypt and Turkey — gain a greater toehold in the region.

That's said, South Africa's trade with the region has been rising slowly but surely. Last year, SSA accounted for 12% of South African trade — up from 4% in 1990, and higher than the 2% to 5% of total trade for China, Brazil and India and 0.2% for Russia, Deutsche Bank reports. (Although in absolute terms, the bank point out that bilateral SSA trade with China is four times as big as bilateral SSA trade with South Africa.)

In any case, it's easy to see why investors — from South Africa and beyond — are drawn to SSA. According to a World Bank analysis published in June, the economies of SSA (excluding South Africa) rebounded briskly following the downturn of 2008-2009, delivering one of the fastest growth rates among developing regions in 2010 at 6%. More growth is likely, with the World Bank forecasting 5.9% and 6.6% growth in SSA (excluding South Africa) in 2011 and 2012, respectively, the latest turmoil in the U.S. and Europe notwithstanding. And it's not just the region's oil exporters — such as Angola, Congo and Gabon — that are booming. Growing global demand and rising prices for other commodities are fueling the economies of Zambia (which is a big exporter of copper), Liberia (rubber), and Burkina Faso, Benin and Mali (cotton).

But as the World Bank notes, "There is more to the [SSA] growth story than the developments in commodity prices." While SSA's natural resources and energy are the biggest destinations for sub-Saharan foreign direct investment (FDI) by value, they are outflanked in terms of the number of new FDI projects. Investors are tapping into a range of sectors, enticed by the improving regulatory regimes of some countries, promising economic growth rates, fast-growing populations and a rising middle class, according to the World Bank. Among the promising sectors are telecoms, retail and retail banking — areas that play to South Africa's strengths.

In terms of telecoms, MTN, the giant South African telecom firm, announced plans recently to invest \$1 billion in Nigeria (SSA's biggest mobile phone market) and \$150 million in Zambia, amid a buoyant SSA market overall, where an estimated 40 million new mobile cellular subscriptions were added last year. Standard Bank, one of the country's top four banks, increased its nondomestic Africa activities from 6% in 2000 to 9% in 2009, and today is present in 16 other African countries with nearly 1,200 branches across the continent. In retailing, Shoprite Holdings, owner of South Africa's biggest supermarket, began expanding northward 15 years ago and now has more than 200 stores in 15 other African countries, including Nigeria — Africa's second-largest economy, with a population of 155 million, three times more than South Africa.

Though small relative to the other BRIC powerhouses with an economy of around \$350 billion, South Africa can use its regional reach as a big advantage over rival SSA investors, according to Wharton management professor [Witold Henisz](#). In a Knowledge@Wharton [article](#) published earlier this year, Henisz noted that like Turkey and Indonesia in their respective regions, South Africa offers investors opportunities for growth beyond its borders and for "reverse learning" about regional business approaches (as opposed to the traditional models honed in Western markets).

What's more, South Africa itself stands to benefit from the region's growing attractiveness to foreign investors, including those from the BRIC markets. For example, China's Ganzhou Qiandong Rare Earth Group entered into a joint venture in July to build a rare earth processing plant in South Africa's Western Cape province with Great Western Minerals Group of Canada, which had bought out its South African partner a few months earlier. At the time of the deal's announcement, Great Western's CEO Jim Engdahl [told Reuters](#) that by working with Ganzhou Qiandong, the firm will have access to "the most advanced technology in the rare earth world."

But the growth opportunities north of its borders are what may give South Africa's investor community the greatest cause for optimism these days. Aside from the huge uncertainty stemming

from the recent global economic turmoil, there are plenty of home-grown headaches, including seemingly endless wage disputes. As in previous years, the wave of strikes rolling across the country in recent weeks seems to have spared no sector, as local unions demand inflation-busting pay increases “that threaten to deter investment and worsen the staggeringly high 25% unemployment rate,” as [Bloomberg](#) reported on July 25. According to the news agency, workers won average pay raises of 5.2 percentage points over the inflation rate last year, and 3.2% in 2009 — more than in a host of other countries, including BRIC member Brazil. Tomorrow, Knowledge@Wharton will publish an interview with Ebrahim Rasool, the South African ambassador to the U.S., about South Africa’s role in the continent’s economic renaissance

## ELEVEN) – MICROFINANCE: WHAT ROLE IN AFRICA’S DEVELOPMENT?

The honeymoon with microfinance is over. Since the idea of lending small sums of money to poor people was pioneered by Grameen Bank in Bangladesh, the approach has been taken up by many non-governmental organizations, donor agencies and the United Nations as an essential part of their poverty-reduction efforts. Microfinance has provided countless people with access to financial services. But over-indebtedness of microfinance clients in Andhra Pradesh has recently led to numerous suicides and a political crisis in India’s fifth-largest state. And controversy has swirled in Bangladesh around Mohamed Yunus, Nobel laureate and founder of the Grameen Bank. Together, these events have generated a backlash for microfinance.

Should development practitioners now abandon efforts to bring financial services to the poor? Or should they seize on the interest generated by the recent troubles to reassess the strengths, weaknesses and potential of microfinance? Such a reassessment may be pertinent in Africa, where poor people’s access to formal financial institutions remains limited.

Incomes in poor households are typically low and irregular. Poor people need to smooth consumption flows or finance larger expenditures, but they generally lack access to banks and other formal facilities. Traditional financial institutions shy away from this market because they are unaware of it or because they deem it unprofitable.

Poor households and individuals have difficulty proving their creditworthiness because they lack clearly defined property titles and other acceptable collateral. They seek loans from informal moneylenders or draw on savings, options that are costly and risky.

The Grameen Bank, founded by Mr. Yunus in 1976, lent small amounts of money to villagers organized in voluntary groups. The critical innovation that allowed it to overcome the lack of collateral and grow rapidly was the “joint-liability condition.” Group members committed to support any member struggling to repay a loan, to avoid all members losing access to future loans. Built on the close social bonds within communities, the scheme sets incentives for those involved to admit new members carefully and to monitor and support each other, relying on peer pressure to ensure timely repayment.

Since then Mr. Yunus’s idea has spread all over the world, covering a much broader range of financial services for the poor. Microfinance — rather than just microcredit — includes savings and even insurance services for poor households. By 2007 more than 150 million clients worldwide had used the services of microcredit institutions. More than 100 million of them were among the poorest in their societies.

Despite microfinance’s global reach, the majority of its clients remain in Asia. In Africa the sector is growing quickly, but from a comparatively small base. At the end of 2008, microfinance institutions in sub-Saharan Africa reached 16.5 million depositors and 6.5 million borrowers.

With rapid growth comes closer scrutiny. Yet it has proven difficult to measure the actual impact on poverty. Proponents often rely on case studies and anecdotes. This has prompted leading scholars to conclude that “strikingly, 30 years into the microfinance movement we have little solid evidence that it improves the lives of clients in measurable ways.”[1]

Recent and well-publicized cases of over-indebted households and interest rates approaching those charged by loan sharks have contributed to a more critical view of microfinance — and of microcredit in particular.

There is also a more fundamental critique. Some argue that channelling scarce resources into unproductive micro-enterprises in the informal sector may actually be detrimental to sustainable development and industrialization. This is because tiny businesses contribute little to building an economy's productive capacities, or to its structural transformation.

A recent study by the UN Office of the Special Adviser on Africa suggests that now is a good time to reassess the role of microfinance in Africa's development.[2] Drawing from experience elsewhere, it seems clear that on its own cannot fundamentally transform African economies held back by many structural constraints. Yet providing a whole range of financial services to the poor — including credit for small and micro-enterprises, savings facilities, insurance, pensions, and payment and transfer facilities — is clearly desirable and can contribute to the achievement of the Millennium Development Goals.

Africa has seen an increase in such services in recent years. Microfinance institutions offer a variety of products. Where such institutions do not reach, traditional and informal providers — such as the *tontines* in Cameroon, the *susus* in Ghana and the *banquiers ambulants* in Benin — continue to serve the poor. Their informality limits their potential to expand their activities, however, and they often charge high rates.

The spread of mobile phones in particular has transformed the sector, extending it to previously unbanked areas in Cote d'Ivoire, Ghana, Mali, Senegal and elsewhere. Most famously, Kenya has seen the world's most rapid growth in the use of "mobile money." Launched in 2007, the service known as M-Pesa by the end of 2010 had more than 13 million customers able to use their mobile phones to make payments and transfer money. Customers can now earn moderate interest on mobile bank accounts. Farmers can insure their crops against adverse weather conditions, with payouts made directly to their mobile accounts if weather conditions indicate crop failure.

Still, microfinance institutions in Africa lack the capacity to match the needs of the poor. They suffer from structural weaknesses. The support services for them are of uneven quality, if they exist at all. And supervisory and coordinating bodies often have only limited resources.

African governments, in cooperation with external development partners, could therefore play a fundamental role in consolidating and sustaining the microfinance sector by providing appropriate policies and regulatory and legal frameworks. They can also protect the poor and build confidence by establishing refinancing institutions and deposit insurance schemes.

It is unreasonable to expect microfinance to fundamentally transform African economies. And it cannot replace progressive social and economic policies for structural transformation, poverty reduction and job creation. But in light of the continent's persistent poverty, it can play an essential part for the foreseeable future in providing basic financial services to the poor, and thereby help advance Africa's development goals.

## **TWELVE) – TRADE-NAMIBIA: NO PROGRESS ON ACCESS TO EUROPEAN MARKETS**

Weariness surrounds the negotiations on an Economic Partnership Agreement (EPA) regulating trade access between Southern Africa and the European Union (EU).

Early September trade officials of the seven-member (Southern African Development Community) SADC-EPA bloc will meet to finalise the agenda for talks with the EU later that same month. The last real engagement of the two parties was in November 2010 and since then it has gone quiet around the EPA. "Support from the side of the EU has dissipated. There is markedly less interest from Brussels this year to push the process. The EU is frustrated by the little progress made and currently focuses more on Asian countries," observed Paul Kruger, a researcher at the Trade Law Centre for Southern Africa in Cape Town, South Africa.

For the past decade the EU has been putting in place EPAs with the 79-member strong African, Caribbean and Pacific (ACP) group of states to meet the World Trade Organization's (WTO) demand for reciprocity in world trade.

Last year countries decided to leave a divisive interim EPA (IEPA) behind and focus on concluding a full trade deal instead. But in doing so, the parties are renegotiating the IEPA article by article, while also bringing new concerns to the table – a time-consuming exercise.

A final agreement will prescribe reciprocal liberalisation of tariff lines and continued duty and quota free (DFQF) access to Europe's high-yield markets. Annexes to the EPA text will outline different schedules for various countries, reflecting their wide-ranging stages of development.

South Africa, whose preferential trade is covered by a separate Trade Development and Cooperation Agreement (TDCA), is using the EPA talks to get even better access for their products.

The TDCA, when fully implemented in 2012, will open 86 percent of South Africa's market to the EU. Conversely, the EU will liberalise 94 percent of its market for products from South Africa.

"In order to get additional advantage from signing up to an EPA, the South Africans are looking at securing better access for agricultural products from the region, but the EU has had difficulty in convincing its member states to agree to this," Kruger said.

"South Africa sent a list of proposals regarding tariffs lines and market access for agricultural products. The EU took five months to respond and now the parties will have to discuss the offer on the table," said Ndiitah Robiati, director of the Agricultural Trade Forum in Windhoek, Namibia.

South Africa's increased dominance in the talks once again puts a break on the negotiating process. Botswana, Mozambique, Lesotho and Swaziland have signed the IEPA and are ready to move forward. Angola is a mere observer in the talks and though Namibia previously refused to sign, the country has indicated that most of its concerns have been met.

"There are a number of ongoing unresolved issues in the EPAs, but Namibia's particular concerns seem largely addressed," said Robiati.

The debate now largely focuses on technicalities, such as Namibia's 200 nautical miles Economic Exclusive Zone (EEZ) - a zone beyond and adjacent to the territorial sea of a coastal state.

"Normally this zone is just 12 nautical miles wide and the EU wants to understand the implication of Namibia's territorial claim for trade," said Robiati.

Major policy space concerns, such as the Most Favoured Nation (MFN) clause, that automatically extends preferential trade agreements between SADC and third parties to the EU, seem to have been toned down. "Namibia is now merely committed to consult the EU on this on a case by case basis," Robiati said.

But while the Europeans can afford to be accommodating to the smaller Southern African Customs Union (SACU) states, in South Africa it finds an industrialised trade partner.

"There is no way Brussels will grant South Africa the same access as the others," said Namibian independent trade analyst Wallie Roux.

The different approach towards South Africa causes friction in SACU. "Differences between the EU's stricter approach to South Africa and the other SACU members are a sticking point, exactly because all these states are in one customs union," said Roux.

So the same incongruence that existed under the TDCA will continue under the EPA. "The process of integrating the tariff lines of the TDCA in the EPA is almost complete, there are 10 or so tariff lines outstanding," said Roux. "There are also other trade obstacles flowing from this definition of parties, like cumulation issues." "Cumulation relates to BLNS (Botswana, Lesotho, Namibia and Swaziland) countries using South African products as a basis or component for their own exports to the EU. This is currently not allowed. It's basically a backdoor the EU wants to keep closed to prevent South Africa from channeling their products through the BLNS. "It raises the question why the EU can act as a homogenous bloc, while countries in the SACU are approached on different levels," Roux explained.

Another major headache is geographic indicators, which refers to the branding of products by their geographical origin, such as "Champagne". In the EU Champagne can only be used for sparkling wine that comes from the Champagne region of France.

"South Africa has now said it will abide by WTO rules regarding geographic indicators, arguing that what the EU proposes is not yet law," explained Roux. The WTO rules regarding geographic indicators are looser than the EU's.

Other outstanding issues include the position of South Africa on infant industry protection and export taxes which, according to Robiati, are slowly being solved. All in all 2011 seems a continuation of the ambiguity surrounding the EPA while players rapidly lose interest.

Roux said: "It seems the EU is expanding the negotiation agenda, instead of solving the existing problems."

"Ultimately Southern African countries risk losing their DFQF access. It's a concern that even the countries that signed an IEPA are not implementing it. Possibly the EU is delaying the process so they can have more leverage, since in the end it all comes down to WTO compatibility," said Kruger noting that meanwhile the private sector is holding its breath. "Sectors like the tobacco industry really don't want their markets cut off."

"A mini-waiver has been given, which will buy states some more time to conclude the negotiations," said Robiati. "This gives some breathing room, but all it takes is one non-ACP country, like Panama or Indonesia, to make noise at the WTO."

### **THIRTEEN) – WISHFUL THINKING SOUTH SUDAN SEEKS ALTERNATIVE TO NORTH OIL PIPELINE**

South Sudan is exploring alternatives to transporting its oil through North Sudan, as the two countries face a stalemate over dividing up oil revenues, a government official said on Thursday. South Sudan took 75 percent of the 500,000 barrels a day of oil production when it became independent on July 9, but only the north has a pipeline and a port to export the oil. Last month, North Sudan halted an oil shipment from landlocked South Sudan in a dispute over customs fees. "We are having conversations. We are looking to the alternatives," Pagan Amum, secretary general of the ruling southern Sudan People's Liberation Movement (SPLM), told Reuters at a mining industry conference. "Meanwhile, we believe if Khartoum accepts a deal, it would be in the interests of both Khartoum and the South," Amum said. Experts have said southern plans to connect to a pipeline in east African neighbour Kenya are years away, but Amum indicated that an alternative through East Africa would be more economical than paying the \$32 per barrel fee that Khartoum has demanded for future use of its oil facilities. Amum said the South Sudan government was not open to raising its current customs fees to North Sudan, which stand at \$4 per barrel for old fields and \$7 per barrel for new fields. South Sudan has asked the African Union to find a compromise after rejecting the \$32 proposal. "There's a lot of interest from companies from the Western world... the pariah nature of the Sudanese system made it politically and

morally difficult or embarrassing for Western companies to be engaged," Amum said. Sudanese oil flows mainly to Asia, with China buying more than half of total volumes. South Sudan's production is dominated by Chinese and Indian companies, which have been marketing their crude themselves so far. Earlier this year, South Sudan also signed a deal with trading house Glencore to help it market crude, but a dispute between various officials has threatened to derail the agreement (Reuters)

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