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EQUITY AND GROWTH THROUGH ECONOMIC RESEARCH (EAGER) TRADE REGIMES AND GROWTH

SOUTH AFRICA TRIP REPORT
August 1, 1995

The AIRD Group team that visited South Africa from July 20 through August 1, 1995 to initiate the EAGER/Trade project comprised the following: J. Dirck Stryker (Chief of Party), Lucie Colvin Phillips (Senior Advisor), and Daniel Ndlela (Regional Coordinator). The purpose of the visit was to work with USAID and South African decision makers, business leaders, and researchers to identify and prioritize the initial topics to be investigated during the project. The team was also to work, in collaboration with South African researchers, to develop proposals for specific research projects to be undertaken on these issues.

Our initial discussions with USAID made clear that the mission's priorities fit well with the EAGER project goal of developing the capacity of African researchers to respond to policy makers' needs with sound research related to economic policy issues. Given the complex political changes taking place in South Africa today, however, the team placed less stress than in other countries on developing a consultative process that would ensure this integration, since it was felt that only South Africans can decide how research under the project should be integrated into the policy-making process. Nevertheless, it was possible during our visit to identify existing institutional mechanisms for ensuring that the results of the research will be made available to policy makers and will contribute to the policy dialogue in South Africa.

The EAGER/Trade team agreed to work closely with the USAID program economist and private sector office throughout the project. USAID/Pretoria will be invited to participate in the selection of projects, read draft reports, attend conferences and workshops, and help disseminate results.

During its stay in South Africa, the team visited with South African government officials, business promotion organizations, private business leaders, officials of USAID, journalists, and researchers in universities, research centers, and public banking institutions. A complete list of those contacted is contained in Annex A.

POLICY MAKING AND THE RESEARCH COMMUNITY

The EAGER project is meant to improve the use of top quality economic research by African policy makers. One step in this direction is to consult them in advance about their research priorities. Another is to structure research projects and teams so as to strengthen working relationships between policy makers and local economists. Our first step, therefore, was to consult with policy makers, researchers, and USAID staff to obtain an overview of the existing dialogue between the research community and leaders in government, business, and labor. Policy makers were interviewed from the Department of Trade and Industry, the Industrial Development Corporation, and the Development Bank of Southern Africa. Researchers were consulted from two independent African research institutes, the African Institute for Policy Analysis and Economic Integration (AIPA) and the National Institute for Economic Policy (NIEP), and from the Universities of Cape Town, Western Cape, Stellenbosch, Natal (Durban) and Witwatersrand.

In the trade policy area links between university research economists and policy makers are perhaps closer in South Africa than in any other African country. Yet both groups have been operating in a relatively closed intellectual and economic universe still strongly marked by the years of apartheid and economic sanctions.

One nexus of government/university linkages lies in the relationship between the University of Cape Town, the government, and the trade unions. A group of researchers at the Development Policy Research Unit of the University of Cape Town initiated the Industrial Strategy Project four years ago at the request of the trade unions. The eleven volumes recently published have become an "economic plan" for the new South Africa from their point of view. The current Ministers of Trade and Industry, Labor, and the Reconstruction and Development Programme (RDP) were part of the project team, as were many of their newly appointed associates. The former head of the Trade Policy Monitoring Project at the University of Cape Town, for example, is now Chief Director: Industry Technology and Strategy in the Department of Trade and Industry. Others advise the Congress of South African Trade Unions (COSATU) and the Ministers of Labor and RDP.

During the last two decades the South African research community functioned in a closed and polarized world. Economists tended to publish largely in South African journals and had limited overseas contacts. Most of the research was done at predominantly white universities such as Cape Town, Stellenbosch, Natal, and Witwatersrand. University economists who actively opposed apartheid generally allied with COSATU and the ANC. Their international intellectual community comprised mainly third world leftists. Less politically active South Africa economists maintained a more neutral political profile. Today, these economists are farther removed from the centers of policy making and are anxious to formulate an alternative policy agenda. The head of the policy analysis unit at the DTI has indicated an openness to a full range of economic analytical approaches.

Apartheid's effects can also be noted in the relative scarcity of trained African research economists, particularly in the universities. Historically African universities were obliged to concentrate on teaching, though a few, such as the University of Western Cape and University of Natal (Westville), managed to generate some economic research. There are a few senior "leading lights", such as Bax Nomvete, who was trained before apartheid was fully applied and made his career in international civil service, but there is a serious generation gap. The generation that was subjected to "Bantu education" is that to whom South Africa should logically be looking for economic guidance today. But many leaders in that generation went into exile. Those who managed to get training in economics and who stayed in South Africa generally went into business, or more recently into government. Those who trained in the UK or the US are just now returning to South Africa, and are seeking to have their ideas and research methods accepted. Apartheid also left South Africa well behind the rest of Africa in closing the gender gap in high quality education for Africans.

POLICY-MAKING PROCESS IN SOUTH AFRICA

The formal decision-making process for trade policy is quite complex in South Africa. On the one hand, constitutional organs created for the transition process have overlapping functions. The Department of Trade and Industry has the lead for the executive branch. It must work in consultation with the Ministry of Finance, as every trade policy has budgetary implications. Similarly, it works with the Ministry of Labour to examine the consequences of policy and practice on the unions and the work force as a whole. The Minister of the Reconstruction Development Programme has until recently had an overall mandate to prioritize policies and spending among ministries, but the cabinet has just decided to retract some of that power. Parliament sees itself as setting the overall legal context for trade policy, but in fact it has had a minimal role thus far, partly because its attention has been focused on drafting a permanent constitution.

Much more significant has been a unique South African transitional institution, the National Economic Development and Labor Advisory Council (NEDLAC). Four chambers comprise NEDLAC: (1) Finance, (2) Labor, (3) Development, and (4) Trade and Industry. Business, organized labor, and government each appoint six members to each chamber, for a total of 18 members per chamber and 72 members in all. Every major economic policy measure must be debated and accepted by NEDLAC. Its deliberations are confidential, which may facilitate decision-making but leads to protests regarding lack of transparency.

A multitude of lobbies pressure NEDLAC members and DTI -- other government and parastatal interests, trade unions, producers' associations, export promotion agencies, and various NGOs. Bilateral and multilateral donors have a voice as well, but it appears less influential than in other developing countries. For example the International Monetary Fund plays virtually no role in South Africa and that of the World Bank has thus far been limited to undertaking a series of sectoral studies.

Given the importance attached to policy impact in the EAGER project, this will be an important element in the development of research proposals. Each research team will be expected to analyze the decision-making process in its area of interest and to propose a consultative process to ensure that its results enter fully into the policy dialogue.

TRADE POLICY ISSUES IN THE NEW SOUTH AFRICA

South Africa today stands at an important crossroad, both politically and economically. Much of the political energy of top leaders is still concentrated on ensuring a peaceful transition and the acceptance of a definitive democratic constitution. Trade policy is nevertheless a key factor in the ultimate success or failure of the transition. It is being debated daily, with the Department of Trade and Industry and NEDLAC trying to reconcile the competing demands of vested interests in industry and labor versus broader political pressures for consumer protection and rapid growth in jobs.

Complicating the policy debate is the legacy of apartheid, which left a large part of the population with low levels of education, literacy, and the means to earn a livelihood. There is a natural desire to overcome this deficiency as soon as possible through education , training, and a general upgrading of the work force. Yet this will take time and be very costly. In the meantime, the major question South Africa faces is whether this approach can generate the return to economic growth that the country desperately needs. Two critical issues are trade policy reform and economic cooperation.

Trade Policy Reform

South Africa has for years promoted economic activity behind high protective barriers, including both economic sanctions imposed by the rest of the world and high tariffs applied by the South African government. These have led to investment in import-competing productive activities by public enterprises, privately owned firms, and the Industrial Development

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Corporation (IDC), a large venture-capital parastatal. For four decades, starting during the Second World War, South Africa experienced sustained and diversified growth. Beginning in the early 1970s, however, the limited size of the domestic market and the increasingly high cost of doing business under the apartheid regime led to a sharp decline in investment and increased obsolescence of the capital stock.

Over the years, the dependence of the South African economy on exports of gold, platinum, and diamonds has led to overvaluation of the rand in relation to the exchange rate that would allow South Africa to maintain balance of payments equilibrium if it were more dependent on exports of agricultural and manufactured products.[1] In addition the protection against imports has resulted in further overvaluation, as well as a bias against exports and in favor of import-competing activities. As a result, many South African products do not appear to be competitive in neighboring countries or on the world market. To make them competitive, the government has had to rely on cash rebates to exporters under the General Export Incentive System (GEIS), a scheme that has been highly biased in favor of larger firms. This system is not sustainable, moreover, since South Africa's participation in the World Trade Organization requires its eliminating direct export subsidies.

As long as exports of mineral products continued to grow in relation to South Africa's need for foreign exchange, overvaluation of the rand did not pose much of a problem. But now that South Africa has emerged from its period of political and economic isolation, there is a need to restructure the economy in a more outward-looking direction and to increase and diversify exports. This is all the more important because of the decline in gold exports. Production is down thirty percent over last year and diminishing returns are expected from this industry in the future.

South Africa is currently seeking a viable diversified export strategy. There is consensus that tariff barriers must come down and that the highly complex structure of import taxes needs to be simplified. In addition, the entire export incentive system, including the GEIS, the duty drawback scheme, and the practice of granting import tax exemptions, needs to be radically reformed so that there is less of a drain on fiscal resources, less discrimination against small and medium enterprises, and much greater transparency.

These steps may not come quickly or easily. The protected industries protest each invasion of their market. Labor unions reinforce their lobbying strongly, fearing the loss of existing jobs in non-competitive industries. The new jobs potentially created by a restructured economy are an abstraction to union leaders, with no political clout compared to existing members whose jobs are threatened.

The second major issue in the South African economy is thus the labor market. After years of a racially determined wage differential, African wages in South Africa began bridging the racial gap in the 1970s and 1980s. According to the research of Julian Hoffmeyer at the University of Natal (Durban), this was mainly in response to labor shortages that emerged in the 1970s, capping four decades of rapid growth.

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[1]This is the familiar "Dutch Disease" problem that has been applied to countries that have experienced substantial growth of petroleum exports. This has led to a rise in the prices of domestic "nontradable" goods and services, including labor, relative to the price of tradables.

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The pressure for continued real wage increases, however, is now mainly political. Neither employment demand nor increases in productivity have grown apace. The number of jobs in industry has stagnated for twenty years. Base wages in South Africa (defined as the minimum paid daily agricultural or urban manual labor) are R10 to R13 per day ($US 2.77-3.61) in rural areas and R20 to R30 ($US 5.55-8.33) in urban areas. In labor-intensive industries such as clothing, without tariff protection South Africa would be competing with countries such as Madagascar and Bangladesh, where base wages are under $1 per day. Wages in the geographically contiguous SACU and SADC countries are also substantially lower than in South Africa, which results in a drain of both skilled and unskilled labor into South Africa. Yet labor productivity in South Africa is quite low by international standards.

Partly because political parties were banned whereas African trade unions were allowed to function for many years, the unions have gained substantial political power. They only cover about one-half of the work force, however, leaving out many of those employed in smaller enterprises and informal sector activities, as well as those who are unemployed. To the extent that the unions are successful in raising real wage rates in the unionized sector, this inhibits the expansion of employment and leaves a large part of the labor force unemployed or underemployed. This problem is especially acute, given the distortions that have existed in the capital market that have encouraged the use of capital-intensive techniques of production.

Some economists and union leaders, particularly those associated with the Industrial Strategy Project (ISP), propose universal unionization of the labor force and national collective bargaining as a solution to the dual labor market. They suggest closing the productivity gap through massive training programs and productivity-enhancing technology. These proposals carry considerable political weight and are likely to be implemented to the extent that resources are available. In some industries this should permit South Africa to carve out markets in relatively high quality products in both regional and overseas markets. This should result in some increase in employment and reduction in income disparities.

Nevertheless, this strategy is unlikely to make a severe dent in employment or to seriously alleviate poverty for many years. The government is currently grappling with a substantial budget deficit, and a rapid expansion of African training and education programs will enormously increase the level of recurrent expenditures required to pay teachers. Without a corresponding increase in the tax base, this would imply growing budget deficits, crowding out of private investment, and rapidly rising inflation. An increase in the tax base, however, will require that more emphasis be placed on policy reforms that will contribute more directly to economic growth. This will also lead to greater employment, especially in labor-intensive industries such as construction, tourism, and some manufacturing activities.

These potential economic consequences of the ISP approach are understood on a practical level by many government officials, yet it is not clear which vision will prevail. A presidential announcement this week declared that the government emphasis would be on growth, driven by reduced tariff protection, more rapid privatization of parastatals, investment incentives, job creation and action against unfair monopolies (Sunday Times, July 30, 1995). Yet during the same week, in an effort to protect the local poultry industry, the DTI reclassified spiced chicken imports from an 8c/kg category to a 313c/kg category and added a new 27 percent ad valorem duty (Ibid).

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It is also very important to encourage South Africans to agree on indicators and monitor the impacts of the measures adopted. South Africa cannot afford economic stagnation and increased unemployment at this crucial stage in its political transformation. It is very important to develop widespread understanding of the relationship between economic policies and trends, and to make timely corrections in unsuccessful approaches.

Regional Economic Integration

For the countries of East and Southern Africa regional integration has, for many years, formed an alternative to expand their markets beyond the domestic market, generating economies of scale and externalities from exports. Historically there have been a large number of regional integration groupings in the region. Those that are currently of particular importance to the economy of South Africa are the Southern Africa Customs Union (SACU), the Southern African Development Community (SADC) and the Common Market for East and Southern Africa (COMESA).[2]

Southern African Customs Union (SACU)

SACU was established in 1910, at which time it replaced an earlier union agreement that had been established in 1895 between South Africa and what is now Botswana, Lesotho, and Swaziland (BLS). SACU was later extended to Namibia (then South West Africa) when the territory was seized from Germany in 1915. The current SACU Agreement came into force in 1969 after the BLS countries became independent. A parallel agreement that existed between South Africa and the 'independent' homelands (Transkei, Bophuthotswana, Venda, and Ciskei) has now expired following the coming to power of a democratic elected government in South Africa.

SACU boasts of well integrated goods and factor markets and a functioning common external tariff (CET) and common excise tax. The proceeds of the CET, predominantly collected by South Africa, are paid into a Consolidation Revenue Fund and the funds are shared in proportion to the shares in total trade. Following a 1969 revenue sharing formula, the BLNS get a disproportionately higher share of the revenue as compensation for the diversion of their imports from lower cost third countries to higher cost South African sources and for leaving trade, industry, and fiscal policy decisions entirely to South Africa.

The SACU common external tariff was until the early 1990s in the range of 1-100 per cent, with an average import duty of 16 per cent. However, after all import charges are included, the average rate was 22.5 per cent. There is a large number of tariff lines, numbering 11,739 (UNCTAD, TRAINS database, Geneva, 1994).

Until the installation of the democratic government in South Africa, there were many burning issues which made it imperative to renegotiate the current SACU agreement. Negotiations are currently underway between South Africa and the BLNS countries. The issues that are on the agenda for renegotiation include:

[2] Though South Africa has become a full member state of SADC, it has opted not to join COMESA.

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- lack of consultation and the need to change decision making procedures within SACU, including decisions on fiscal, trade, and industrial policies of member states;

- detrimental price raising effects of the current arrangement on the economies of the small SACU member states;

- delays in disbursing revenue to the BLNS countries;

- review of tariff levels of SACU member countries, including the CET in the context of other multilateral trading agreements. For example, the World Trade Organization, to which all the member states of SACU belong, requires that contracting parties apply the agreed tariff and non-tariff concessions to all other contracting parties in a non-discriminatory manner (Umesh Kumar, 1994: 51).

Southern African Development Community (SADC)

SADC is a successor organization of the Southern African Development Coordination Conference (SADCC) established in 1980 with nine member states: Angola, Botswana, Lesotho, Malawi, Mozambique, Swaziland, Tanzania, Zambia and Zimbabwe. Namibia became the tenth member after gaining independence in 1990. The objectives of SADCC were to reduce economic dependence, particularly on South Africa, and to promote and coordinate regional cooperation among member states.

In August 1992 SADCC was transformed into the Southern African Development Community (SADC). The main objective of SADC is to enshrine the objectives of regional economic cooperation and integration. The other objectives of SADC include:

- commitment to establish a development community within the region;

- promotion of interdependence and integration of national economies for the harmonious, balanced, and equitable development of the countries of the region;

- agreement to cooperate in the areas of food security, land and agriculture, industry, trade, investment, and finance;

- development of policies aimed at progressively eliminating obstacles to the free movement of capital and labor, goods and services, and the peoples of the region.

SADC is currently developing a Trade Protocol that will attempt to reconcile the often conflicting trade agreements that exist within the region.

Common Market for Eastern and Southern Africa (COMESA)

COMESA is successor organization of the Preferential Trade Area for Eastern and Southern African States (PTA), established in 1982 with the objectives of developing a program of trade liberalization and facilitation, improvement of physical infrastructure in the region, and

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the development of agriculture and industry. At its inception in 1982 the PTA visualized, the creation of a common market and, eventually, an economic community.

In January 1992, in accordance with the PTA Treaty, the governments of the PTA member states signed a treaty establishing the COMESA. COMESA has now come into effect and taken over the various PTA institutions after ratification by 11 member states. The main objectives of COMESA are set out in Article 3 of the COMESA Treaty. They include attaining sustainable growth and development; promoting joint development in all fields of economic activity and programs to raise standards of living; cooperation in creating an enabling environment for foreign, cross border, and domestic investment; and cooperation to promote peace, security, and stability among member states.

In Article 4, the member states enter into specific undertakings in order to achieve the aims and objectives of the Common Market in the following areas:

- trade liberalization and customs cooperation;
- transport and communications;
- industry and energy;
- monetary affairs and finance;
- agriculture;
- economic and social development.

Issues Facing the Integration of the Southern African Economies

South Africa is currently involved in a number of regional and international multilateral and bilateral economic cooperation schemes. Besides being a founder member of SACU, in August 1994 South Africa became the eleventh member of SADC. South Africa has opted, however, not to join the other regional economic community - COMESA - whose membership spans countries from the SACU member states (except Botswana), the SADC member states, the east African (including Zaire) states, and Indian Ocean Commission member states.

South Africa is currently renegotiating the SACU agreement with the other member states - the BLNS countries. Until that renegotiation process is completed, South Africa will be careful not to conclude any other multilateral or bilateral trade agreements. Article 19(1) of the current SACU agreement, in fact, prohibits a contracting party, without the prior agreement of other contracting parties, from entering into a trade agreement with a third country, where concessions on the duties in force within the customs union area are granted to the third country. In the interpretation of this article, South Africa does not find joining SADC in its present form contradictory to Article 19(1), as this does not mean granting any tariff concessions. In its present context, SADC is therefore safe for SACU members to join, though it seems possible that the SADC Trade Protocol may be in contravention to Article 19(1).

With regard to COMESA, its Article 56 permits member states to maintain or enter into preferential agreements with third party countries, as long as those agreements do not impede or

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frustrate the objectives of the Treaty and that any concession, privilege, or favor given to a third party be extended to other members of COMESA on a reciprocal basis. Even this provision of COMESA does not seem to contradict Article 19(1) of SACU. A recent review of the COMESA Treaty by the Development Bank of Southern Africa (DBSA) concludes:

> "As COMESA will be a common market rather than a customs union, it is unlikely that any arrangement with a third party country will offer greater preferences. For example, if South Africa were to join COMESA, the Malawi, Zimbabwe and Mauritius preferences are unlikely to contravene the COMESA Treaty, or require South Africa to grant additional preferences to the other members of COMESA..." (Leora Blumberg, July 1994:24)

However, conflicts between COMESA and SACU still exist. Article 56 of COMESA may mean that SACU members grant duty-free treatment to all member of COMESA. Other problems arising out of the multifaceted entry into regional economic groupings by South Africa will arise from the later's current agreement with the World Trade Organization and its negotiations with the European Union. The fact that South Africa is treated as developed country under the GATT agreement may cause problems.

TOPICS FOR RESEARCH

This initial prospection visit revealed widespread interest in at least two broad topics that should lead to fundable research projects. These include (1) an assessment of South Africa's comparative advantage in a number of key sectors and (2) an analysis of South Africa's position vis-à-vis the various schemes for economic cooperation and integration.

South Africa's Comparative Advantage

The preceding analysis has indicated the complexity of assessing South Africa's comparative advantage in production for export, whether to neighboring countries or to the world market, and for the domestic market. Among the numerous factors to be considered are

1. the long-run equilibrium rate of exchange after taking into account the dismantling or reduction of import barriers and the long-term prospects for mineral exports;

2. the functioning of the labor market and, in particular, the opportunity cost of labor in the face of powerful trade unions and the large number of workers who are not full employed;

3. the important role that transportation costs play given long distances to overseas markets and the fact that many of South Africa's trading partners are landlocked;

4. the obsolete nature of much of South Africa's technology, resulting from low levels of investment for many years and the possibilities that exist for upgrading that technology through new investment;

5. the advantages that South Africa accrues because of its superior transportation and telecommunications infrastructure, its well developed financial and insurance markets, and

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the other institutions that are important in facilitating trade , especially in comparison with other African countries;

6. the substantial upgrading of the work force through training and education that is likely to take place over the next few decades and the effects that this will have on labor productivity;

7. the fact that South Africa is committed to joining the World Trade Organization (WTO) and reducing its levels of protection over the next five to eight years;

8. the impact that the latest GATT agreement and the formation of regional trade preference areas will have will have on world product prices over the next few decades.

There is a particular need to assess where South Africa's future comparative advantage lies with respect to exports to neighboring countries and to the world market. Once this is understood, the analysis must identify the factors that stand in the way of the realization of this advantage, whether these be related to trade and exchange rate policy, transportation and telecommunications policy and infrastructure, mobilization of investment finance, establishment of training programs, or participation in WTO and regional schemes for economic integration.

Regional Economic Cooperation

The current picture regarding regional economic cooperation is far from clear. An agreement with the World Trade Organization has been reached, which establishes a schedule for trade policy reform over the next eight years. Although opposed by some special interests within South Africa, this agreement nevertheless sets the framework for current negotiations with the other members of SACU and with the EU. Together these agreements will enter, along with past bilateral arrangements with other southern African countries, into the negotiation of the SADC Trade Protocol. Complicating this picture will be the adherence of other SADC member states to COMESA.

Although it is not possible at this time to describe in any detail the research that will be undertaken on this topic, it is clear that there will be a major need for research. Furthermore, it is important that the research be conducted not only in South Africa but also in other neighboring countries that form part of the network of interlocking schemes for regional cooperation. The EAGER/Trade project is an ideal vehicle for this research since it has been called upon or is likely to be called upon to work in a number of these countries: Zimbabwe, Zambia, Mozambique, Malawi, and Tanzania.

FUTURE ACTION

The team recommends that at least two research topics be selected for South Africa and that research proposals be prepared as described below. The first of these proposals will be ready for submission to the Technical Committee in the early fall. The second should be ready by the time of the Africa-wide conference on EAGER to be held in Nairobi after the first of the year. Each of these research projects will be conducted under the sponsorship of the Africa Institute for Policy Analysis and Economic Integration (AIPA).

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South Africa's Comparative Advantage

Directing the study of South Africa's Comparative Advantage will be Siphiwe Cele, who is an economist at the Development Bank of Southern Africa (DBSA) and a member of the Industrial and Trade Policies and Competition Sub-Group for Research on Economic Reform for Growth with Equity in South Africa, under the sponsorship of AIPA. He will be backed up by one of AIRD's staff members with extensive experience in the use the domestic resource cost/effective protection methodology that will be employed for the study. He will work with four more junior African researchers from the banking, business, and academic communities, as well as advisors from the government and universities.

The study will focus on a few sub-sectors in which it is believed that South Africa has a comparative advantage. It will conduct surveys among firms in these industries and will calculate measures of comparative costs and incentives under alternative scenarios regarding the structure and levels of import tariffs and export incentives. As part of this exercise, estimates will be made of the equilibrium exchange rate and the opportunity cost of labor under alternative scenarios regarding trade policy reform, future trends in mineral exports, the functioning of the labor market, and likely changes in labor productivity. The role of transportation costs will be carefully investigated. In addition, alternative technologies will be examined to assess their appropriateness for South Africa. Infrastructural deficiencies will also be identified. Finally, the study will assess the effect of future trends in world prices and the impact of alternative schemes for economic integration.

Regional Economic Cooperation

The Principal Investigator for this project will be Daniel Ndlela, Regional Coordinator for East and Southern Africa for the EAGER/Trade project. Dr. Ndlela has had extensive experience working on issues of regional economic cooperation in Southern Africa. He has worked on both SADC and PTA regional integration topics, and particularly on trade and industrial development in the region, including an assignment as Senior Regional Economic Advisor in the Economic Commission for Africa.

The details of the project will be worked out in cooperation with AIPA, which has Regional Economic Cooperation as its next major research theme. Current plans are for identification and preparation of the project to begin at the next meeting of the research sub-groups currently working on AIPA's program for Research on Economic Reform for Growth with Equity in South Africa. This meeting is scheduled to be held in Cape Town in late November.

List of Persons Contacted

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