

Maputo and Pretoria *Market* increasing trade ties *South East* *26/9/89*

For the first time since Mozambique became an independent republic in 1975, this year's Maputo International Fair (Facim) saw South African exhibitors set up shop.

The Mozambican authorities may have refused to hoist the South African flag over the showground, but the ten South African businesses represented at the fair mid-September were able to display their goods carrying the "Made in South Africa" label.

While confirming that the South African firms represented at the fair had all received regular official invitations, Maputo officials have declined, however, to indicate whether next year's fair will see a repetition.

Observers in Maputo say the South African presence at the 1989 Facim is one of the most recent and significant signs that Mozambique and South Africa want to overcome their political differences to give rise to economic co-operation.

In July, the two countries signed a commercial agreement under the terms of which certain Mozambican products can enter South Africa and be granted "preferential treatment" compared with imports from other countries.

Under the agreement, renewable annually, Mozambique can export to South Africa 1,000 tonnes of fish (valued at \$992,000) and 1,000t of prawns (\$9m). Other exports include cashew nuts, citrus fruit, furniture, coconut oil, cigarettes, fibre-cement sheeting, tyres and inner tubes and works of art. These items will no longer be subject to South African import taxes and customs duties have been reduced to 3%. The Mozambican authorities say this agreement will increase the country's annual income by about \$19m and South Africa's position as the number one importer of goods from Mozambique will be further strengthened.

On the debt front, the Maputo government signed an agreement with the South African Reserve Bank in early September for the rescheduling of Mozambique's debt to South Africa, estimated at about \$14bn. Under the concessionary agreement, Mozambique has agreed to repay its debt over 20 years, with a 10-year grace period.

The South African government has also expressed readiness to help construct a new road to Maputo and develop tourism on some Mozambican islands. In addition to the aid Pretoria has already committed to the rehabilitation of Maputo port, it is looking at the possibility of rehabilitating the ammonia terminal at the port, through which South African ammonia is exported to Europe. African Explosives and Chemicals has asked the SA Department of Trade and Industry to provide development finance to build an ammonia factory near the natural gas deposits at Pande (see MINING). South Africa already has 60 companies operating in Mozambique. Anglo American is interested in the Moatize Coal Mines in Tete province.

South Africa has lifted its ban on Mozambican workers and 60,000 are estimated to be working in South Africa at present, providing one of the country's main sources of income, through their remittances home.

South Africa is also considering the possibility of investing in economic development projects in Mozambique - in the industrial, agricultural, health and professional training sectors - and is said to be

considering the supply of conventional military aid. Having already supplied military equipment for the protection of the Cahora Bassa powerline, Pretoria seems set to deepen its involvement in Mozambique and support the fight against the MNR rebels that it has actively backed in the past.

Under de Klerk, Pretoria is now emphasising a switch from military aggression back to the "Constellation" strategy promoted in the 1970s in terms of which economic ties will be promoted with the Frontline States to create a series of satellite client states under South Africa's economic domination.