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U.S. Companies Quietly Returning to South Africa

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JOHANNESBURG, March 18 — The advertisement spread across two pages of a Johannesburg newspaper pictures a bottle of pharmaceutical capsules and the announcement: "Now Legally Available."

The product on sale is not a drug, but the Windows computer program from the Microsoft Corporation, the American producer of software that withdrew from South Africa in 1986 when an anti-apartheid boycott was gathering force. For years there was a gray

market in Microsoft products, but now the company is back, with a small office and an ad campaign that transforms the long taboo into a marketing come-on.

Although the African National Congress is still months away from lifting its injunction against doing business with the white Government, American companies are quietly drifting back into South Africa, most of them on

scouting expeditions, but some re-establishing their corporate beachheads in Africa's most promising market.

Already the waning of South Africa's infamy has brought formerly illicit American brands like M&M candies, Tampax tampons and the Compaq Computer Corporation. For the first time since sanctions were introduced, the number of American companies doing direct business here rose last year, from 106 to 119, according to the Investor Responsibility Research Cen-

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U.S. Exports To South Africa

\$2.5 billion



Source: U.S. Commerce Department

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ter, a Washington-based group that monitors compliance with sanctions. For the first time, American exports to South Africa have surpassed their pre-sanctions levels.

So far, however, the big producers, whose dollars and jobs South Africans hope will help pull them out of a deep economic slough, are keeping a wary distance. Economists and businessmen agree that even though the stigma of South Africa is disappearing, chronic violence, political confusion and deep doubts about the economic policies of a future government will deny the country any quick windfall from its new respectability.

"They worry about strikes," said Michelle Cohen, executive director of the American Chamber of Commerce in Southern Africa. "They worry about the violence that is disruptive to busi-

The A.N.C. is not yet ready to lift its ban on trade with Pretoria.

ness. They worry about prescriptive laws. Above all, they worry about whether there will be a free market."

"Unless the new government has the answer to those economic questions, we can forget about investment," said Thami Mazwai, editor of the black business magazine *Enterprise*. "Between now and, say, 1996, only gamblers will come in."

The major exodus of American business began in 1985 when foreign banks froze new credits to South Africa. The next year Congress voted over President Reagan's veto to restrict trade, investment and lending by American companies in South Africa. Scores of state and local governments enacted their own anti-apartheid statutes.

U.S. Exports Slowly Rising

The sanctions contained numerous loopholes, and to this day their impact on South Africa is hotly debated. But many American companies sold out and fled rather than face the wrath of shareholders or the loss of contracts with governments at home.

American exports to South Africa plunged from \$2.27 billion in 1984 to \$1.20 billion the following year, before

slowly creeping upward. Exports in 1992 were \$2.43 billion.

President George Bush repealed the Federal restrictions on trade with South Africa in July 1991, but 164 state and local governments in the United States still restrict business with South Africa, and anti-apartheid lobby groups have not let up their pressure.

The African National Congress, now alarmed about inheriting a country with a crippled economy, says it will urge the end of all economic sanctions when a date has been set for the first universal elections, and a transitional

council has been created to assure a fair campaign. This is expected about midyear.

The congress has given mixed signals about what companies should do in the meantime.

"I suppose I take the view, 'So what?'" shrugged Trevor Manuel, head of the congress's economic department, when asked how the congress feels about companies already opening shop in South Africa. Mr. Manuel said the congress is now more concerned with marketing South Africa as a future investment opportunity than with policing the vestiges of the anti-apartheid campaign.

Apple Computer Told to Wait

Before opening its office here, Microsoft got an informal nod of approval from congress officials, according to a Microsoft distributor. "The people I deal with in the A.N.C. have all kind of accepted that sanctions are gone and we need to move on and create jobs," said the distributor, Dana Buys of Work Group Systems.

But companies that have waited for an unambiguous, top-level signal from the African National Congress have been frustrated. Apple Computer Inc., which says it is eager to open an office here, met with the congress president, Nelson Mandela, last September, and was told to stay out of South Africa until the congress makes its formal announcement.

David de Jong, an independent distributor who handles Apple technology, grumbled that Microsoft's entry may have been smoothed by the fact that both the congress and its most important political ally, the Congress of South African Trade Unions, use Microsoft products, many of them donated by the company.

"They are prepared to give absolute if they receive sufficient benefits," Mr. de Jong suggested. He added that when he approached Mr. Mandela recently to ask about Apple's prospects, the congress leader wanted to know why Apple had not yet delivered the 100

Powerbook laptop computers Apple executives had promised the congress as a gift.

When the congress does call for the resumption of trade, it may discover that repealing sanctions is as cumbersome as imposing them. William Moses, senior analyst with the Investor Responsibility Research Center, noted that 50 cities, including New York and Los Angeles, have rules against giving contracts to banks or suppliers that do business with South Africa.

"If you sell gum or clothing, it's not going to matter to you that Los Angeles or New York won't buy from you," Mr. Moses said. "If you provide food for hospitals or schools, or sell photocopiers, or road-building equipment, it matters a lot."

Mr. Manuel of the African National Congress promised that when the time comes the congress will mount a lobbying campaign to revoke these sanctions, but, he said, "your legislative mill grinds slowly."

And if more militant black groups oppose lifting sanctions, or if some

anti-apartheid pressure groups in America insist on replacing the old sanctions with new conditions for South African investment, local governments may be confused.

Last November the congress issued a "platform of guiding principles" for companies that invest here after sanctions, including codes of conduct governing worker rights, affirmative action and environmental policies. To the alarm of American businesses, some lobby groups professing to speak for the African National Congress have

begun a push to have these guidelines enshrined in American statutes.

Mr. Manuel, the congress's chief economic spokesman, said any conditions on foreign investment in South Africa should be regulated by South African law and international treaties, not dictated by self-styled allies in America. "I understand the power of groups that have built South Africa as their life's work," Mr. Manuel said. "But we are now in transformation from anti-apartheid to pro-democracy. That process needs continuing support, but it is no longer the time for barging in on shareholders' meetings."

Such confusing signals have contributed to a wider uncertainty about the African National Congress and its intentions if, as expected, it wins the majority role in a new government.

Conversion From Socialism?

Although Mr. Mandela rarely talks any more about socialism and the need to nationalize industries, many businessmen wonder how deep the conversion goes.

"There's a kind of paradox really in the A.N.C.," said one executive whose company is contemplating a major project in South Africa. "There are those who are very welcoming toward investment, but then on the ground one encounters a more old-fashioned approach. When you get down to the oper-

ational level you find people aren't necessarily hearing what Mr. Mandela and others are saying."

The companies South Africa most hopes to lure here are big producers like the H.J. Heinz Company, whose food processing plants and canneries already employ 2,000 people in neighboring Zimbabwe. Heinz executives visited Johannesburg last June in search of potential partners, but backed away when negotiations on the country's political future broke down.

Edward Smyth, Heinz's vice president for corporate affairs, said the company is still interested, but before it moves again South Africa must have a multiracial government in place, and "they have to make clear what their rules are for investment and capital."

"There are a lot of other countries around the world that are very supportive and offer incentives," Mr. Smyth said, noting that two months after visiting Johannesburg the company spent \$300 million acquiring a food company in New Zealand. "A place like South Africa has to compete with the whole world, and take its chances when it can."