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BONDS - FINANCIAL LOANS TO SA

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23 Aug 91 14:15 No. 002 P. 02

Story #174895 Printed by TRAN (\$F1311) on 23aug91 at 14:14:46

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S. AFRICA SET TO ISSUE PUBLIC EUROBOND - BANKERS

By Andrea Shalal-Esa

BONN, Aug 22, Reuter - South Africa will unveil its first public bond issue next week after six years of self-imposed exile from international capital markets, banking sources said.

The issue for the Republic of South Africa will total 150-200 mln marks, and will be lead-managed by Germany's biggest bank, Deutsche Bank AG (DBKG.F), the sources told Reuters.

The republic has already begun emerging from international isolation, refinancing expiring bonds in private placements to the tune of over one billion dls in the past two years.

Bankers say these low-key issues have been well-received, but banks -- wary of rekindling anti-apartheid protests -- have been hesitant until now to participate in a public issue.

Yet South Africa now wants a splashy issue to re-establish its respectability, and is willing to pay a premium to guarantee a success, banking sources said.

"The time has come," said one banker close to South Africa, noting the path to a reemergence on the international scene had been cleared after the U.S. lifted sanctions in July and Denmark agreed to fall in line with its EC partners earlier this month, paving the way for the EC to lift its trade ban in October.

An official announcement is expected on August 28.

Despite its behind-the-scenes jockeying to win the lead, Deutsche Bank is keeping the news under wraps, a fact other Frankfurt bankers do not find surprising.

"South Africa is very interesting but remains sensitive politically," said one banker at a large German bank.

Deutsche spokesman Hellmut Hartmann declined comment, but said South Africa had made real progress in dismantling apartheid laws in the past year.

If the first public issue succeeds, other borrowers like Transnet, an umbrella group for the country's public transport systems, Electricity Supply Commission Ltd (ESKOM), the national electricity utility and the Department of Post and Telecommunications are sure to follow suit quickly.

"They have already set up an unofficial waiting list," said one banker. "I'm sure it will go quickly after the first one."

"Since it is the first bond issue after the debt standstill in 1985, it was decided the government would do it itself," said one banker close to South Africa. A second government bond could be issued as early as March 1992, he said.

South Africa has plenty of internal capital, but its external resources dried up after the 1985 standstill on repayment of 14 billion dls of outstanding foreign debt.

The standstill is expected to be renegotiated in 1993.

According to a South African Chamber of Business report, the country needs some 30 billion dls to develop the long-ignored infrastructure in the black areas of the country.

Eurumoney magazine, noting South Africa raised 1.07 billion dls in 1984, its last full year on the market.

to develop the long-ignored infrastructure in the black areas of the country.

Eurumoney magazine, noting South Africa raised 1.07 billion dls in 1984, its last full year on the Eurmarket, predicts annual borrowing could soon reach four billion dls.

The exact terms of next week's issue will be set after presentations to top bankers in Zurich, Paris and London, which begin on Thursday, the sources said. "They want to see the response before finalising the conditions." Top brokers in those three cities will also be underwriting the issue.

To remove investors' lingering ethical qualms about taking up South African paper, the proceeds from the first bond will be earmarked for "development projects," the sources said.

This means the government will build housing and schools for black South Africans, who have succeeded in dismantling apartheid laws, but still cannot vote in their own country.

Subsequent issues are likely to be more commercial in nature.

Some bankers are still a little worried about the market's reaction to the first public deal. "South Africa has abolished apartheid, but there are still big risks," said one. "They are still sitting on a racial powder keg."

"I would definitely warn people against too much euphoria," said another, citing a setback in foreign investment after last month's news of state "slush fund" payments to the political foes of Nelson Mandela's African National Congress, the Zulu Inkatha Freedom Party.

E.L.T.S.A

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FINANCIAL TIMES

S Africa prepares ground for public Eurobond issue

By Simon London

23/8/91

THE South African government is making presentations to institutional investors and bankers in Germany next week, preparing the ground for its first public Eurobond issue since 1985.

Deutsche Bank, the biggest German bank and favourite to win the mandate for a public issue, is hosting presentations of institutional investors in Frankfurt on August 28. Representatives of the South African ministry of finance will be present.

However, a senior Deutsche Bank official said that no decision has been made on the timing or size of a public bond issue.

South African government-backed borrowers such as the Department of Post and Tele-

communications and Transnet, the railways group, have been active in the private placement markets of Germany and Switzerland this year.

The Centre for the Study of the South African Economy in London estimated that South African borrowers have raised about \$300m from this source in the first half of this year.

However, almost all of these funds have been used to refinance the redemption of outstanding bond issues made in the early 1980s.

There has been no public bond issue by a South African borrower since 1985. The government has said that it would like to make a big, public bond issue in the name of the Republic of South Africa and would like to raise new money.

Bankers said that the lifting of US sanctions against the country in July made it possible for institutional investors to participate in a public issue. The involvement of large investment institutions would be vital to ensure the success of a public issue in the region of DM150m to DM200m.

They also noted that political sensitivities remained great.

For example, some of the biggest borrowers in the international capital market, such as the Province of Ontario and Ontario Hydro will not deal with banks which have trading links with South Africa.

Deutsche Bank Capital Markets lead managed the last Eurobond issue by Ontario, a C\$500m deal, in June.

Proctor's bonds 23/8/91

South Africa will unveil its first public bond issue next week after six years of self-imposed exile from international capital markets. Banking sources said the issue will be lead-managed by Germany's biggest bank, Deutsche Bank.

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Reference -

EUROBOND MARKET SET TO WELCOME S.AFRICA'S RETURN

By Paul Keller

LONDON, Aug 22, Reuter - News that South Africa is poised to return to the fold as a publicly-listed eurobond borrower after six years' absence prompted guarded optimism among European and U.S. syndicate managers here.

"I would expect a deal for South Africa to be quite well received," said one operator at a U.S. bank who declined to be named. "Partly due to rarity value and also, European banks and investors have maintained their relationship with the country."

The Republic of South Africa issue will total 150-200 mln marks, market sources told Reuters (6DET).

The euromark deal, to be launched next week, is led by Deutsche Bank AG, market sources told Reuters. South African officials, however, said it was premature to discuss the deal.

Syndicate managers based in London said the country faced a gradual process of rehabilitation as a eurobond issuer, after several years of political exile.

"Essentially, South Africa wants to go back to the markets it is most familiar with and see how those issues are received and trade," said Manfred Schepers, director at Swiss Bank Corp. "If those deals are successful, clearly people will become more confident and the investor base will grow from there."

At launch, the euromark bond is expected to get a seven to 10 year maturity and be priced at a significant margin over German government debt, market sources said. "South African country risk is ranked very highly among the non-OECD country risk," noted Schepers at Swiss Bank Corp.

The Republic has already made sorties into the international markets, refinancing maturing bonds in private placements to the tune of over one billion dlr in the past two years.

These low-key issues have been well-received, but banks -- wary of the political implications of lending to South Africa -- have been hesitant until now to participate in a public issue.

Off-shore South African accounts, Swiss retail investors and some German corporate clients are the most likely buyers of South African eurobond offerings, dealers said.

"We think there will be a lot of takers for South African paper in marks and eventually in dollars," said one syndicate executive at a U.S. house.

If the first public issue succeeds, other borrowers like Transnet, the country's public transport systems group, Electricity Supply Commission Ltd (ESKOM), the national electricity utility and the Department of Post and Telecommunications are poised to follow suit.

However, some syndicate managers warned that the country would be unwise to deluge the eurobond market with debt too quickly.

"I think it would be premature to talk about South Africa launching a eurodollar bond," said an official at a major U.S. new issues house.

Japanese and North American banks' reluctance to get involved in South African fundings to date, the syndicate source added, might prove a major stumbling block for issues in most major currencies, apart from euromarks.



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PRESS RELEASE >>> PRESS RELEASE >>> PRESS RELEASE >>> PRESS >

23 August 1991

Immediate Release

PUBLIC BOND ISSUE EFFORTS CONDEMNED

Anti-apartheid pressure group **End Loans To South Africa (ELTSA)** to-day condemned attempts by German-based Deutsche Bank to organise the first public bond issue to South Africa since anti-apartheid resistance forced the debt crisis in 1985.

Deutsche Bank is reported to be hosting presentations for potential investors in Frankfurt on 28 August in an attempt to gain support for a public bond issue. A spokesperson for Deutsche Bank indicated that a road show is being organised in a couple of cities to present the latest developments in South Africa in preparation for a possible re-entry into international capital markets. She refused to exclude the possibility of a new loan. The involvement of large institutional investors is considered essential to ensure the success of a large public issue in the range DM150-200m.

An ELTSA spokesperson stated "A premature public bond issue could take critical pressure off De Klerk at the very time that Inkathagate has proven he cannot be trusted. Once a bond issue is made it cannot be withdrawn. An increase in South Africa's access to international capital markets now, before transitional arrangements including an Interim Government have been agreed, could stall the entire negotiating process." ELTSA is calling on institutional investors not to become involved prematurely in new loans to South Africa.

President: Richard Harries, Bishop of Oxford Chairperson: Cosmas Desmond

BACKGROUND:

The drying up of new loans to South Africa since 1985 is widely believed to have played a crucial part in forcing President De Klerk's decision to release Nelson Mandela, unban political organisations and commence talks-about-talks with the African National Congress (see ICABA 12 available from ELTSA). The UK Government Foreign Affairs Select Committee recently concluded that the reluctance of banks to continue loans to South Africa has been 'a powerful lever for change'.

As a result of restricted access to international capital markets since 1985, South Africa has had to run an enormous trade surplus on its balance of payments current account in order to obtain foreign currency to cover existing obligations. Although South Africa has been able to reschedule and refinance some existing debt and government-backed borrowers such as Department of Post and Telecommunications and Transnet are reported to have been involved in the private placement markets of Germany and Switzerland, it has still been unable to achieve a new public bond issue. The ability to raise a public bond issue on the international capital markets would represent a breakthrough for South Africa. ESCOM, the state owned electricity corporation, has recently opened an office in Frankfurt in its attempts to obtain new loans.

The involvement of large institutional investors would be essential to the success of a sizable bond issue over DM150m. The Gramm Amendment, which is blocking access to IMF lending for South Africa, is still in place in spite of President Bush's decision to lift the Comprehensive Anti-Apartheid Act (CAAA) last month.

Details: David Craine Tel: 071-708-4702 or 081-961-4391/ Fax:708-5751

SATURDAY STAR

Johannesburg,
24 August 1991

**Telo-
fax**

SOUTH AFRICAN REPORTS

From **WORLD CAMPAIGN**

Date **26/8/91**

pages **2**

BUSINESS DAY, 23 August 1991

Tambo is chancellor

ANC national chairman Oliver Tambo will be installed as chancellor of Fort Hare University on October 19. He graduated from the university, where he met ANC president Nelson Mandela, in 1941 with a science degree.

BUSINESS DAY, Johannesburg, 23 August 1991

SA is targeting ① European finance

ANDREW GILL

SA IS poised for an official return to European capital markets with a public issue of government stock expected by London bankers later this year. Government is also expected to release details of a R330m rollover of government debt next week.

The bankers believe government will be the first SA borrower to go for a public issue of its stock since the debt standstill in 1985. The SA Housing Trust is rumoured to be next, followed by Eskom.

Government sources said yesterday the Finance Department would be releasing details of a DM200m loan rollover with Germany's biggest bank, Deutsche Bank, on August 28. In recent years, rollovers have been kept secret.

However, Finance deputy director-general Estian Callitz would not disclose details of the deal. He said a loan was maturing later this year and negotiations were under way to have it rolled over.

Reuters, quoting banking sources, reported from Bonn yesterday that the government issue would total DM150.2m and would be lead-managed by Deutsche Bank.

Callitz said it was premature to speculate about a rollover, let alone a new issue. Finance director-general Gerhard Croeser is in Zurich, apparently testing the water for a public issue of RSA stock.

BUSINESS DAY, 23 August 1991

DP may be at patriotic front conference

PATRICK BULGER

THE DP would consider taking part in a proposed patriotic front conference, DP leader Zach de Beer said yesterday.

The patriotic front is being set up to press government to accept an elected constituent assembly to draw up a new constitution.

De Beer, who recently led a DP delegation that held talks on the conference with the PAC leadership, said the DP would consider an invitation if it were issued.

He said while the DP did not back the idea of a constituent assembly in the form it was being proposed, the party would have to consider any proposition in the light of its long-standing commitment to a national convention.

PAC national spokesman Barney Desai said yesterday the PAC was impressed with the DP's interest in the PAC's idea of participation in the conference being as broadly based as possible.

Desai said the bottom line for participation in the conference — which will take place in about a month's time — was acceptance of a constituent assembly elected on the basis of one man, one vote.

A PAC delegation this week met a delegation from the ruling Bophuthatswana Democratic Party which undertook to convey conference details to its principals.

UJA vows out gracefully at glittering hotel function

exclusive finding because Mr Morobe could not be found

UDF secretary-general Popo Molefe said his most memorable incident in the UDF was when the entire UDF leadership was arrested and he and publicity secretary Patrick "Terror" Lekota had to operate underground.

"We strolled the streets of Johannesburg dressed in overalls as delivery truck assistants and walked into flashy buildings to do UDF work."

The most exciting event was organising the 1985 conference of the UDF from underground and addressing the meeting dressed in overalls before being elected into office and promptly

man, Anti-apartheid Movement secretary Abdu Minty, lawyer Priscilla Jana and members of the ANC national executive committee.

The Canadian, Japanese and British embassies sent messages of support to the dissolution function.

Asked what his most memorable event was in the UDF, Mr Morobe said it was controversy around the advertisement placed in the newspapers calling for the unbanning of the ANC — known as the "Chris Ball affair" after the former First National Bank MD.

Mr Morobe said he watched television news on the run one night and heard the judge who was investigating the affair say he could not make a con-

THE United Democratic Front was finally consigned to history at a glittering cocktail function in Johannesburg last night.

Former acting publicity secretary Murphy Morobe said the affluent hotel venue was symbolic of the victories of the UDF. "At the height of repression in the past we used to meet in the basement of the Carlton Hotel. So it is fitting that we hold the farewell on top of the hotel — 30th floor — so that the world can see."

The occasion was attended by many prominent figures, including acclaimed academic Professor Ali Mazrui, advocate George Bizos, cleric Dr Beyers Naude, detainee activist Dr Max Cole-

disappearing again

Giving the dissolution address, Mr Molefe said the UDF had firm principles of accountability and consultation with the masses. He hoped those who had been integrated into the ANC would carry these principles to that organisation.

The credit for the victory in the liberation struggle should be handed to the masses, and not the leadership, said Mr Molefe.

Although the organisation had been dissolved, the acronym UDF would remain indelible in the minds of many South Africans within and outside resistance politics, he said. — Sapa.



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President: Richard Harries, Bishop of Oxford Chairperson: Cosmas Desmond



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MESSAGE/INSTRUCTION:

premature

financial sanctions

large external SA economy & cash
process

32 million

4½ whites

1m Indians

2.8m Coloureds

$\frac{2}{32}$

9

2.3m Blacks = 83%