



POLITICAL & INDUSTRIAL RELATIONS FAX

REPORT-BACK FROM OVERSEAS ROADS HOW

I recently visited emerging-market fund managers in London, Canada and on the East and West Coast of the USA. The following observations should be useful:

- Emerging-market fund managers' main concern is **GROWTH**. It ranks higher than either political stability or the issue of a two-thirds majority for the ANC.
- The priority accorded to growth is driven by concerns over the high levels of **unemployment**. This is seen as potentially destabilising and a source of possible unrest in future.
- Fund managers are looking for a "**commitment to growth**" from the government. For this reason, our theme of structural adjustment as motivated in our last report was well received.
- The proof of the pudding is, however, in the eating. SA will be closely watched for progress with the variables as discussed in our reports. There is some **scepticism** on whether the government will deliver.
- In many cases this scepticism is fuelled by what one can call Afro-pessimism. Negative developments in Africa is bad news for SA. It is generally feared that SA will be affected through "contagion". SA will have to distinguish itself by pursuing different policies.

Regarding the private sector, the following observations:

- The **trek to London** by SA institutions is seen as great for shareholders and bad for the country. It is generally perceived as a motion of no confidence by business.
- The London trek raises the old rule: if locals do not wish to invest, why should foreigners? Linked to this, are the numerous stories about South Africans "arriving with suitcases full of money". The view is that South Africans are creating their own **capital flight**.
- Some fund managers expressed the concern that primary listings in London will result in SA forming a smaller part of the emerging market index, and consequently **less money will be allocated** to this market.
- **Control structures** (like N-shares and pyramid companies) are increasingly unpopular, period. Control must be exercised through performance. If not, fund managers will increasingly tend to stay away. (See also my accompanying report on the World Bank conference on developments in emerging markets.)

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