FOREIGN TRADE ; IMPORTS (F)

1995

New investigation into maize import tariffs

LOUISE COOK

THE Board on Tariffs and Trade would start a fresh investigation into maize import tariffs for the new marketing season, which would begin in May, board sources said yesterday.

"Since the maize marketing system is going to change, the board decided not to hand its recently completed report on the proposed maize import tariff to Trade and Industry Minister Trevor Manuel, but to relaunch the investigation."

Meanwhile the board had received tariff recommendations from the Animal Feed Manufacturers' Association, the country's largest consumer of yellow maize, and from the National Maize Producers' Organisation (Nampo). T4F ~~MAIZE~~

The animal feed association had asked the board for a zero tariff while maize was traded at a world price level of $109 a ton, and a 5% tariff if international prices dropped below this level, association spokesman Hansie Becker said.

Nampo GM Giel van Zyl confirmed that the organisation had also recommended a tariff to the board, but declined to disclose the extent of import protection asked for.

Sources said the board had previously turned down a 36% tariff request by Nampo. BD 13/1/95

The Argus

Car prices may go up as imports loophole is closed

ARG 13/1/95

74F

HENRI du PLESSIS
Motoring Reporter

THE government is set to close a loophole in motor industry regulations which has allowed imported cars to be brought in to South Africa at competitive prices.

This is expected to affect the popular Hyundai range of Korean cars as well as more expensive models such as BMW's M3s and Cabriolets — and prices are expected to rise as a result.

From July, manufacturers who were importing cars under the semi-knocked down definition will have to meet new requirements or face punitive tariffs, says a motor industry source.

This coincides with a general reduction in tariffs — from 80 to 65 percent — on completely built up imports in line with international tariff agreements.

While most manufacturers made use of the loophole to bring more expensive vehicles onto the South African market at competitive prices, Hyundai based its whole operation on it, believing that the international General Agreement on Tariffs and Trade (GATT) would ensure its future business security here.

Sources in the industry say Toyota South Africa led the campaign to have the loophole blocked because the company had lost a considerable percentage of sales to the new Korean range.

But all local manufacturers are expected to welcome the step as they have to conform to a required minimum of local content and heavy tariffs on imported parts and products.

Until now, Hyundai has escaped heavy tariffs by importing semi-knocked down cars into Botswana, assembling them there and bringing them into South Africa on the back of the Southern African Customs Union agreement, which includes a tariff exemption on products from certain neighbouring states.

Hyundai could not be reached for comment.

NEWS

Pact gets Competition Board nod

Millers' cartel to fight cheap flour imports

Star 25/1/95

74F

BY ROSS HERBERT

Millers of wheat are banding together to form a temporary cartel to fight imports of flour made from cheap foreign-grown wheat, and the Competition Board has given the pact its blessing until November 1.

The pact, say bakers and flour traders in other Customs Union countries, is a serious threat to their businesses and will lead to higher bread prices in neighbouring countries.

"It's very bad, not only for me but for South Africa, Botswana and the whole Customs Union. Bread prices are going to go up," said Johan Vercueil, owner of Indian Ocean Botswana, which trades in flour between Botswana and South Africa. He maintains the pact will result in a surplus in SA and drive down the price farmers receive.

On Monday, members of the National Chamber of Milling agreed in principle they would not engage in cross-border trade in milled wheat with any Customs Union country. General manager Jannie de Villiers said the aim was to prevent dumping of flour milled in Botswana, where mills could buy wheat at prices 20 percent below the price South African mills pay.

The agreement, which has not yet been approved by all millers, follows recent bread price hikes, which some allege were due to collusion.

Competition Board chairman Dr Pierre Brooks said the agreement was "under the law, prima facie, unlawful". However, he said the board had granted an exemption to the millers because of extenuating circumstances.

He said wheat producers had applied for protective tariffs of 66 percent against imported wheat. The tariffs, which have not yet been set, should take effect in November.

Millers have agreed to buy 90 percent of their wheat from South African farmers at prices set by the Wheat Board. The remaining 10 percent could be imported tariff free.

Tiger Oats executive director Hamish McBain said: "As much as 50 percent of the locally produced wheat is produced uneconomically. It would probably be better for the country to import that wheat, but I don't think you can just throw a lot of producers to the wolves overnight."

Reduce tariffs, says Norwegian trade delegation

74F

APR 28/1/95

IMPORT regulations in South Africa should be simplified and tariffs and surcharges reduced to bring it into line with international standards, Norwegian Trade and Shipping Minister Grete Knudsen has said.

Addressing representatives of the South African fishing industry yesterday, she said Norway's fishing industry had decided to give "special attention" to the South African export market.

Norway currently exports 90 percent of its fish catch to the European Union. Exports to South Africa, mainly canned sardines, are minuscule.

Mrs Knudsen, who is leading a business delegation to South Africa to explore trade and investment opportunities, said the group had had successful meetings with politicians and business representatives from many sectors of South African industry.

Torben Foss, director-general of the Norwegian Fishing Ministry, said Norway looked forward to the removal of high import surcharges and increased co-operation between fisheries research institutes in Norway and South Africa.

Another Norwegian trade delegation would visit South Africa from April 24 to 28.

Trade and Industry Ministry Trevor Manuel said South Africa paid tribute to the sacrifices of the Norwegian government and people, who had ended trade relations during the sanctions era.

"Now is the time to strengthen the bonds between Norway and South Africa," said Mr Manuel. — Sapa.

SA ports face congestion crisis

(74F)

CT 2/2/95

JOHANNESBURG. – South African ports are faced with a severe congestion crisis following a rapid increase in import volumes and industrial action at the container terminal here.

The South African Chamber of Business proposed yesterday a crisis workshop be held to address problems of container congestion at the Durban and Johannesburg container terminals.

The chamber said several thousand containers were stacked in Durban awaiting transfer to the City Deep terminal in Johannesburg.

The bottleneck was the result of an increased flow of imports into the Durban port and industrial action by drivers at City Deep, it said.

Over 1 000 containers of export cargo could not be placed on vessels due to the inland congestion, the chamber said.

Also, shipping lines may introduce a congestion surcharge on cargoes moving through Durban.

"If this happens, the rest of the country's ports may be treated the same way," it said. – Sapa hundred people at Johannesburg Hospital. Health Minister Nkosazana Zuma, right,

Pictures. ROBERT BOTHA

Maize import tariffs to replace permits

~~3 MAIZE~~ 74F

LOUISE COOK

TRADE and Industries Minister Trevor Manuel was expected to announce maize import tariffs, replacing the old import permit system, before the end of April after renewed investigations by the Board on Tariffs and Trade.

Investigations into tariffs, to be introduced for the first time, would take into account the clashing interests of maize producers and buyers, a board spokesman said this week.

The Animal Feed Manufacturers' Association (AFMA), SA's largest consumer of yellow maize, had asked the board for a system which would enable millers to benefit from low-cost international maize. The National Maize Producers' Organisation (Nampo) preferred a tariff system that would give farmers greater protection against cheap imports.

Nampo director Kit le Clus believed the AFMA proposals would depress local prices too much.

The AFMA had asked the board to allow duty-free maize imports when maize traded on world markets at $109 a ton, and a 5% tariff if world prices dropped below that level.

Le Clus said Nampo would oppose the recommendations and would prefer duty-free maize imports being allowed only at world prices of $115 or more, $6 a ton higher than the price required by the AFMA.

Recommendations by Nampo included import duties that would fluctuate according to world prices.

Le Clus said the organisation proposed import duties of $11 a ton with world price levels between $105 and $115 a ton and $20 a ton when the international price ranged between $95 and $105 a ton. "On maize costing less than $95 a ton, a $34 import duty was proposed," he said.

The board published the recommendations in the latest Government Gazette and gave interested parties until the first week in March to respond. Manuel was expected to announce tariffs based on the board's recommendations by the end of April.

Maize imports and exports would be conducted according to the requirements of the World Trade Organisation once tariffs were in place.

The issuing of import permits, which had up to now made the Maize Board the only player, would lapse, the board said. BD 3/2/95

relatively stable for the past 10 years, and in many ... bers had shrunk because of natural causes.

'Pollution could force SA into nuclear power'

~~56~~ 68

MUNGO SOGGOT BD 3/2/95

SA WAS the world's second worst carbon dioxide polluter in proportion to gross national product after China, the Atomic Energy Corporation's Don Mingay said yesterday.

He told a Price Waterhouse business breakfast that increasing worldwide pressure to slow global warming would discourage SA from increasing dependence on coal-fired power stations, which produced carbon dioxide. Instead, it would import hydro-electricity from the Congo.

But there was a "strategic limit" to the amount of electricity a country should import, so it was likely SA would have to consider nuclear power.

Coal-fired power stations currently provided 92% of SA's electricity, while nuclear contributed 5%.

He said China released almost double the amount of carbon dioxide per unit of GNP of SA, while France produced the least, 10 times less than SA.

France sourced almost 85% of electricity from nuclear plants — evidence of the correllation between fossil fuel use and carbon dioxide emissions.

If SA became a signatory to the Framework Convention on Climatic Change — formed to address global warming at the Rio Earth Summit in 1992 — it would have to make an independent assessment of the impact of its carbon dioxide emissions on the environment. It would also have to produce plans to address the situation, which would encourage it to look at alternative energy sources.

Most of the increase in global power needed over the next couple of decades would come from developing countries, which unfortunately were least equipped to control energy waste releases.

arms

(Alternate director: C.M. Mobsby)

(74F) ~~MEAT~~

Stop imports, say farmers

PRETORIA. — The Transvaal Agricultural Union has called on the government to stop importing meat until the drought has broken.

"It is in the interests of the population as a whole that the authorities urgently offer support to those farmers who are suffering financially through the current drought crisis," the union said. ARGT 4/2/95

"The TAU demands that the authorities ensure meat imports are immediately suspended until the drought crisis has ended."

Farmers want meat imports halted

LOUISE COOK

THE Transvaal Agriculture Union called for higher meat prices for farmers during drought periods and slammed SA's participation in the GATT, which requires an end to protectionism among signatories.

Spokesman Nic Opperman said: "In times of surplus SA cannot export because there is no market for our meat overseas. But when we are hit by drought, it is unfair that local producers should have to compete against imported meat."

Asked where this left the consumer, Opperman insisted that producers were entitled to higher prices during drought periods, and said the meat industry needed protection "in the long run".

The Transvaal Agriculture Union called for an immediate halt of all meat imports until the current drought had passed.

The union said stocks had been depleted by the drought.

"The meat industry cannot afford (to slaughter) one more breeding animal. Imports have a devastating effect on prices of calves, cows and bulls — negatively affecting the stock farmer in drought areas."

The meat industry was currently being probed by the Board on Tariffs and Trade.

Board sources said it was not known when the investigation would be completed.

YURI THUMBRAN reports retailers have voiced their support for the import of red meat and chicken, ensuring that consumers can afford the products at competitive prices.

An OK Bazaars spokesman said if was "absolutely necessary" to import meat and chicken.

"SA consumers have been shell-shocked with the number of increases in food over the last year," he said.

MEAT (74F)

By importing meat and chicken, retailers would be able to supply consumers at a lower cost.

Because of high unemployment, many people could not afford food and meat that was becoming more and more expensive.

He said if it was necessary, a low import tariff should be in place to allow retailers to get products at a cheaper price from abroad.

He said importing meat and chicken would prompt local producers to get their house in order and give a better price to retailers.

The Red Meat Producers' Organisation has lobbied strongly against importation of sheep for slaughter from Australia and New Zealand.

Pick 'n Pay Western Cape GM Malcolm Simpson said imported meat had stabilised SA prices. Local meat prices were exorbitant, he said, and SA produce was being priced out of the market.

Import volume 'to rise 15%'

MUNGO SOGGOT

SA's imports would surge about 15% in volume terms over the next five years because of GATT, while export volumes would rise at a much slower rate of 5%, economists predicted at the weekend.

In addition, government would lose R600m over the next five years as a result of the tariff reduction programme, according to a study by the Industrial Development Corporation (IDC).

Transnet economist Mike Schüssler said the depreciation of the rand meant the value of imports could increase 45% over five years.

BD 6/2/95

The IDC noted SA exported mainly primary products — a market which was not growing as fast as manufacturing. SA's exports would grow about 5% in volume because of GATT and 30% in value over the next five years.

Schüssler estimated 40% of SA's current account deficit in the next two years would stem from the removal of SA's trade barriers in terms of GATT. The current account deficit would widen to about R4,5bn this year and R5bn next year.

The current account — the trade balance less net payments for services — usually goes into the red when robust economic growth boosts imports.

"Even without major economic growth SA will run a current account deficit for years to come," Schüssler said.

(74F)

☐ To Page 2

Import

(74F) BD 6/2/95

☐ From Page 1

The IDC's economic research and development department said the surge in imports stemming from GATT would cut the cost of imported inputs into products destined for export markets. Although some sectors would be hit, "the economy as a whole benefits from trade reform".

Schüssler said the phasing out of surcharges on imported goods into SA — ranging from 5% to 40% — which began last June had already contributed to a 19,2% increase in imports in the clothing sector for the year to August. Motor industry imports were up 36% for the same period.

Economists regarded the loss of tariff revenue to the fiscus as of little concern, noting that the increase in imports resulting from lower tariffs could offset some of the loss to government's coffers. "As the volume of imports increases, so will tariff income for the fiscus," SA Foreign Trade Organisation economist Linda Smith said.

An IDC analysis said government collected R2,6bn in duty income on R50bn worth of imports in 1993. The average duty rate was 20% and this would drop to an average 12% in 1999 in terms of SA's GATT submission. It estimated that while government collected R2,6bn in duty in 1993, the fiscus would collect R2bn at a 12% duty rate. But the amount could be more, as the replacement of quantitative import controls on agriculture with a tariff system would yield additional revenue.

BDb 12/95

New processes aid in the fight against imports

74F

GROWING concern in the packaging sector for import replacement and cheaper, environment friendly materials has led to the development of various new packaging and labelling processes by divisions of Consol Paper.

A drive by local packaging convertors and material suppliers towards an import replacement programme for metallised substrates is being spearheaded by Consol Paper's Metapak operation in the Interpak division.

Consol Paper MD Gert du Toit has invited all interested parties in the packaging convertors industry to work together in the development of locally metallised packaging materials.

A metallised substrate is a micro-thin layer of aluminium applied to paper or plastic film, while the paper can also be laminated to board.

"Metapak has the technology and experience to reduce our customers' reliance on imported metallised papers and films

"We have their support and believe this will bring long term benefits to the industry."

The company's recently completed R15m metallisation plant expansion is supported by new equipment to boost production capacity by more than 6 000t of paper and film a year.

Metapak GM Trevor Young says the extra capacity will not only meet growing local demand, but serve export markets developed over the past year.

"Metallised packaging is ideally suited to premium foods, biscuits, snacks, toiletries, cosmetics, beverages and tobacco products for good shelf appeal as well as the protective properties it provides to paper, board and film substrates.

"Gold, silver and a full colour range of finishes are available and substrates that include 120 micron films and 120gsm paper can be metallised at our Elandsfontein plant.

"SA Breweries is our largest customer and it is with their support that we have upgraded our metallisation plant to accommodate their move to metallised labels in line with world-class manufacturing requirements," says Young.

Its technical agreement with metallisation technology leader Schoeller & Hoesch of Germany enables the company to keep abreast of latest developments and meet environmental requirements — which is of growing importance to exporters.

In line with its Metapak sister company, Interpak Gravure has invested R13,5m to bring world-class labelling to SA by way of upgraded metallised labels.

Interpak Gravure MD Robb Legg says that apart from improving visual impact of a metallised label, which could have a paper or film base, advantages include better labelling on high-speed production lines, fully effective recycling and superior printing.

The company's new technical agreement with Schoeller Hoesch includes access to latest international information and technology of metallised papers and film.

Legg says further aesthetic opportunities became available this month with the installation of new embossing equipment at Interpak's Gauteng factory.

Imports and exports boom

Star 7/2/95 (74F)

BY ADAM COOKE

South African ports are under pressure following an unprecedented increase in imports and exports since the April election.

According to SA Chamber of Business infrastructural director Peggy Drodskie, the election brought a dramatic increase in both imports and exports.

"The Business Confidence Index is also consistently ris ing, as is the calibre of prospective visitors — they are becoming more and more high profile," she said.

Portnet media spokesman Pieter Smit said yesterday the latest figures for the trading month of December showed activities at ports had reached an all-time high.

He said that since October, figures for each consecutive month exceeded the previous record for the number of containers at ports around the country.

The 1994 total of 121 million tons of goods passing through South Africa's seven ports was up by 5 million on the previous year.

"We are expecting these figures to keep on climbing in the same fashion and we just hope our container terminals can handle the load," he said.

Smit said trade at Saldanha harbour on the Cape west coast had shown an improvement in trade of more than 80 percent in December compared with 1993's figures.

He said South Africa's main import was chemicals at 11 percent, followed by machinery and vehicles. The most important exports were coal at 50 percent, followed by iron ore and wood chips used in the paper industry.

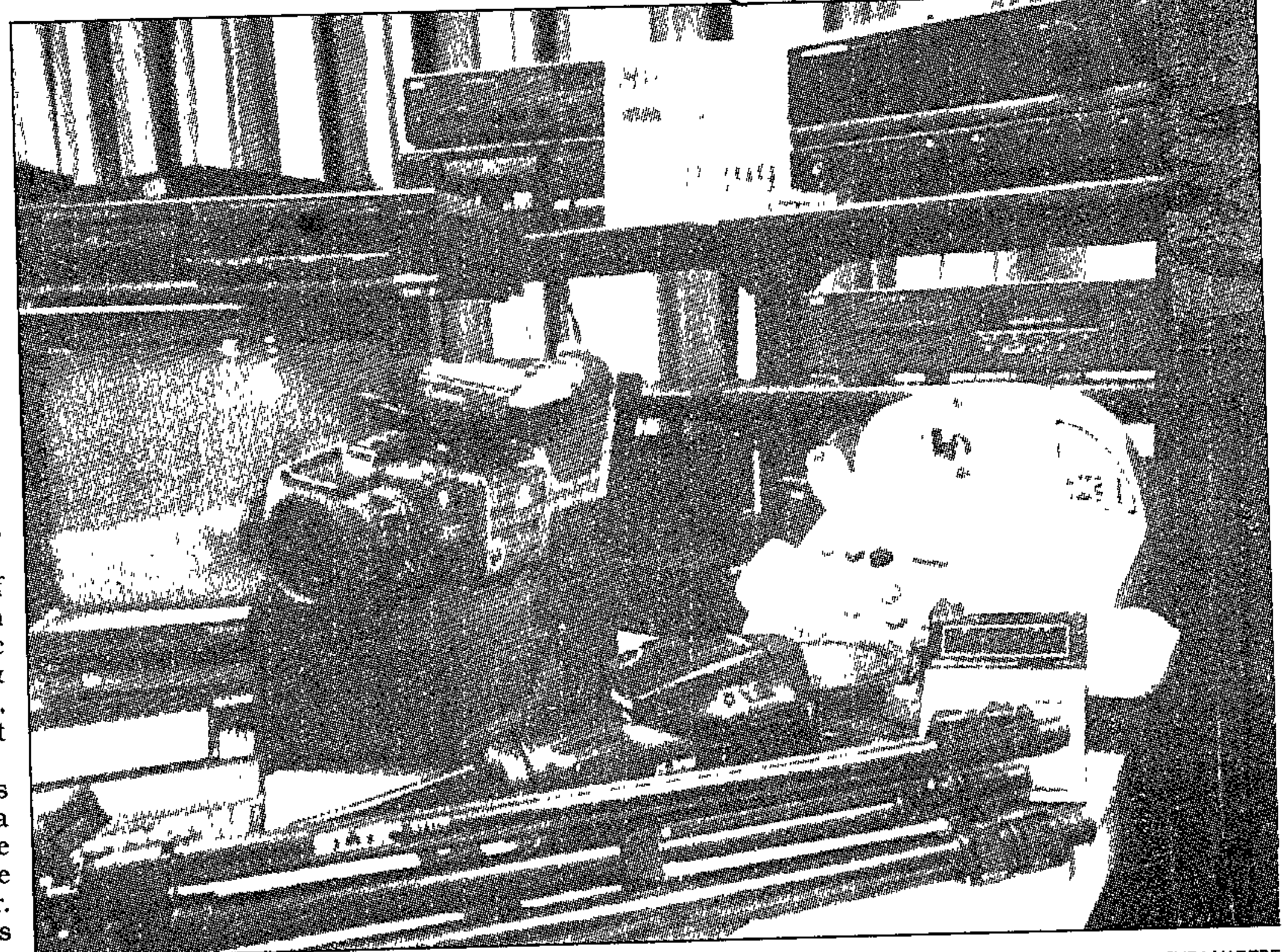
Work at the City Deep terminal in Johannesburg resumed yesterday. SA Rail and Harbour Workers' Union members went on strike last week.

Spoornet media relations officer Ian Bleasdale said it would take two weeks for the backlog of undelivered consignments to be processed.

High duties boost illegal market

(74F) WM(BM) 10-16/2/95

The high price of electronic goods has created a market for imports varying in shade from grey to black, **Reg Rumney** reports



Price wars: If it's cheap, who cares if it's illegally imported? PHOTOGRAPH: THEMBA HADEBE

ELECTRONIC goods in South Africa are not cheap and this is not just because a declining rand has persistently eroded our buying power over the last 10 years.

Compare the prices of hi-fi equipment in the United Kingdom — which unlike the United States is not known for massive discounting — with prices in South Africa.

Local distributors blame a set of high and complex taxes imposed on imported electronic and photographic goods. Andre Coetsee, CE of Frank & Hirsch, sole agents for Olympus, Aiwa, Nikon and TDK, disputes that hi-fi prices are high.

"Relatively speaking hi-fi has become more affordable. It is not a luxury good." Fifteen years ago, he says, the price of a good hi-fi could be compared to the price of a motor car. A good hi-fi system now costs less than R5 000.

Yet ordinary people believe prices are high, boosting the market for goods brought in outside official, and perhaps legal channels.

Those who sell "grey" or parallel imports maintain they are merely taking advantage of special offers, bulk buying and lower overheads to import brand-name products.

South African distributors who have sole licences for those brand-name products are concerned that they may be undercut by parallel importers when they have to carry the cost of marketing, and back-up in the form of spares and service departments nationally.

Understandably perhaps, the distributors have aggressively retaliated against parallel imports through means as various as legal action, refusing to service anything they have not imported, and repeated warnings to consumers about lack of service and the buying of dud products.

That aside, the question is: how can parallel importers bring in branded goods so cheaply?

Discount hi-fi retailer Len Segal, who runs Sounds of Sandton, stresses that he has good relationships with the local distributors but he does import parallel goods, and he would personally like to see the end of the grey market. But he has a business to run. "My obligation is to give the best possible value for money for my company to prosper."

It is hard, he says, to explain to clients why the item they have bought is available at a tenth of the price elsewhere. "Guys come up to us and show us something selling in the UK for £200 (around R1 120) that we are selling for R4 000.

"Someone along the way is making an awful lot of money."

Part of the problem is that South Africa is a small market. "Another reason is wholesalers who have had it good for many years and have become a little bit complacent."

Segal is adamant that the idea that parallel imports can't be serviced is a scare story. Sounds of Sandton, he says, gives warranties and services the products it sells.

The nub of the problem, most agree, is not with parallel imports but with complete or partial evasion of the complex system of import taxes that are loosely referred to as duties — actual duties, ad valorem taxes, and surcharges.

Brian Cape, vice-chairman of the Radio & TV Manufacturers Association and CE of Samsung SA, says the equality of price in TVs sold overseas and in South Africa is proof that the real advantage so-called grey importers have is import tax evasion rather than any other deal. "There is no way Samsung will sell to us at higher prices than to the UK." This is because there is virtually no duty on TV sets. VCRs are a very different matter. "The VCR duty, including ad valorem and surcharge is equivalent to 104 percent of the free-on-board price." The going ex-factory price for a VCR internationally, he says, is $170. By the time duties, freight costs, the importer's and retailer's margins, and VAT have been added, the price in your local store could be R2 422,50. Because duties have been evaded, the retail price of a smuggled VCR in would be R1 300. "They have a R630 advantage over a company like ourselves which pays the full duty."

Coetsee points out that duties and ad valorem taxes are supposed to protect the local industry — but none exists. The duty structure varies greatly, and is undoubtedly onerous.

For instance, the "centerpiece" of a hi-fi system, the tuner, tape deck and CD player, attracts an effective duty of around 116 percent of the landed cost. That is before the distributor or retailer's mark-up or VAT. Yet loudspeaker units attract a much lower rate of duty, and they are made in South Africa.

Even more irksome for the local distributors is that anyone can bring in up to R10 000 worth of electronic goods for personal use, declare it to customs, and pay a flat 20 percent, says Coetsee.

What he would like to see is a "level playing field". And under pressure from the global policeman of world trade, the World Trade Organisation, successor to the General Agreement on Tariffs and Trade (Gatt) this should happen, albeit gradually.

Like Coetsee, the RTMA would like duties cut — or a dedicated team to combat smuggling, aided by RTMA members. "We believe duties should be reduced to 15 percent. This would kill smuggled imports. And government would get more revenue from the few guys to remain legal." The volume of smuggling would dwindle, and customs and excise have an easier job. The consumer would benefit too, through a general reduction in the price of electronic goods.

Huge import duty plan for whisky shocks Scots

GARNER THOMSON
Weekend Argus Bureau

LONDON. — The Scotch Whisky Association is becoming increasingly alarmed about moves by South African brandy producers to have the import duty on Scotch whisky massively increased.

Four companies, including South Africa's largest wine exporter, have called for the duty on scotch to be increased by up to 500 percent.

Other imported spirits have also been targeted in the campaign. But, Hugh Morison, director-general of the Scotch Whisky Association has accused the organisers of "blatant protectionism". ARG 11/2/95

"There is no justification for this move," he said yesterday. "Brandy sales account for 45 percent of the spirits market in South Africa. Scotch takes only 16 percent of spirit sales.

"Following the recent completion of the Gatt international trade talks, import tariffs around the world are meant to be coming down. At a time when South Africa's winemakers are enjoying record export sales, there is no case for local brandy producers to increase their protection against competition from imported spirits.

"In seeking new markets for wine, South African producers must remember that trade is a two-way process."

Both the European Union and the British government have called on South Africa not to increase tariffs. Spirit producers from Europe, Canada and the US are banding together to lodge appeals to the South African government not to give in to the brandy producers' demands. (74F)

South Africa is the 10th largest export market for Scotch whisky. More than 23-million bottles, worth about R235 million, are exported each year.

Oil price

London oil prices were not received at the time of going to press.

(74F)

Zim pleads for textile tariff cuts

HARARE. — Zimbabwe asked SA yesterday for an interim tariff cut for its textile makers, brought to their knees after Pretoria slapped punitive duties on clothing imports in 1992.

Zimbabwe had made the request in response to concerns by its industrialists at protracted talks on a new trade agreement. — Reuter

CT 17/2/95

Sapoa, Cosab unite against rising crime

CT 23/2/95

By MAGGIE ROWLEY
Property Editor

THE South African Property Owners' Association is joining forces with Cosab to mount a major campaign against soaring crime rates, which is threatening business and the country's tourism potential.

Sapoa president Colin Steyn said yesterday that Piet Liebenberg, CE of Cosab had written to President Nelson Mandela calling for an urgent meeting to address the issue.

"While many in government have spoken out against the soaring crime rate we need government to take action and we need it now if it is not spiral out of all proportion."

Liebenberg and Sapoa CE Brian Kirchmann will spearhead the initiative on behalf of the interests they represent and invite other concerned bodies to join them in formulating a strategy and a united business front to insist that action is taken.

Steyn said Cosab and Sapoa would be holding a national workshop to get input from business and other concerned bodies and together try and arrive at solutions to the massive problem.

"But in the end it is up to government to act and act firmly."

Steyn stressed it was not just white middle class people or business being affected.

"People regardless of race, creed or colour are victims of this appalling culture of crime developing in South Africa. The time has come for business to take steps, to implement strategies in order to combat the ever increasing lawlessness prevalent in South Africa."

Compounded the crime problem, he said, was the rising number of illegal immigrants who were unemployed and a solution to this problem also needed to be found.

SA develops key mine support system

CT 23/2/95

JOHANNESBURG. — South Africa has reaffirmed its position as a world leader in mining technology with the development of a revolutionary fibreglass support system capable of withstanding underground pressures exerted in deep level mines.

A statement issued by the developers yesterday said the new system, which included a much larger load spreader for hydraulic props used to support the hanging walls of stopes, was likely to provide increased protection for miners against rockfalls resulting from seismic activity.

A Verwoerdburg-based consulting firm, MMS, was commissioned by Anglo American's Western Deep Levels to develop the new headboards which improved the effectivity of hydraulic props. — Sapa

SA's November mineral exports

CT 23/2/95 (74F)

JOHANNESBURG. — The following shows preliminary figures for South Africa's exports of gold, coal, diamonds, platinum group metals, silver, chromite, copper, lead, manganese ore, zinc, uranium ore and cobalt for November 1994, received here yesterday from the Minerals Bureau of the Department of Mineral and Energy Affairs.

The commodity is followed, unless otherwise stated, by the export volume for November 1994, then in brackets the export volume for October 1994 and November 1993, then export value for November 1994 in rands and dollars.

The rand/dollar conversion uses the central Reserve Bank's average exchange rate for November of 28,25 US cents to the rand.

Gold: Production (export volume not available) 48,424kg (51,863/51,368kg), R2,124bn ($600m).

Platinum group: 14,361kg (5,108/6,108kg), R451m ($127,4m).

Silver: 25,072kg (10,528/18,758kg), R11,42m ($3,22m).

Coal: 3,921 million tons (3,423/4.082 million tons), R335,01m ($94,64m).

Diamonds: Production (export volume and value not available) 805 789 carats (995 913/843 159 carats).

Chromite: 46 233 tons (42 837/18 889 tons), R9,35m ($2,64m).

Copper: 6 694 tons (7 766/6 819 tons), R57,61m ($16,27m).

Lead (metal-in-concentrate): 10 131 tons (8 937/15 436 tons), R11,05m ($3,12m).

Manganese ore: 93 190 tons (97 364/57 433 tons), R24,94m ($7,04m).

Zinc (metal-in-concentrate): 2 514 tons (October 1994 production 6 928/November 1993 exports 2 549 tons), R2,55m ($720 375).

Manuel and meat board in tariffs row

(74F)

JOHN DLUDLU (2) MEAT

A ROW over import tariffs on meat has erupted between Trade and Industry Minister Trevor Manuel and the Meat Board after Manuel turned down a request by the board for an urgent duty increase.

Manuel slammed the board's request as "suggestive of the old protectionist, closed economy approach which government is trying to steer away from". The board responded by accusing Manuel of lacking an understanding of the red meat industry.

Manuel issued a statement saying the board had asked that tariffs for lightly salted meat be increased urgently. He could not agree to "an ad hoc change", especially as the board's proposal would increase the price of imported meat by at least R4,97c/kg. "It is not clear how the closing of the particular loophole will provide cheaper meat to the consumer as the Meat Board suggests." BD 21/2/95

He said it was not possible to consider requests for ad hoc adjustments on tariffs for specific red meat, as the Cabinet had already asked the Board on Tariffs and Trade to investigate the tariff dispensation of the red meat industry.

But Reuter reported the board had claimed consumers were losing out on the benefits of reduced red meat prices because a few importers were importing treated mutton for their own financial gain without passing on the benefits.

Board spokesman Pieter Kempen said it was untrue that its proposal would lead to a R4,97c/kg increase. "It will only increase it by 60c/kg."

He said this discrepancy showed that the Minister lacked understanding of what was happening in the red meat industry.

"We are also not talking about salted meat. That was changed last year and the Minister agreed to it. All we want is for government to close a loophole."

While the proposed 60c/kg increase in duty would not directly benefit the consumer, it would close the loophole through which a few importers were gaining an advantage from the current dispensation.

Kempen said the tone of Manuel's statement indicated it would not be worthwhile to make further representations, but the board would issue a statement today.

74F

Imports continue to dent surplus

CT, 28/2/95

By AUDREY D'ANGELO
Business Editor

RISING imports — to be expected with the continuing upturn — pushed SA's trade surplus down by R647m to R1 043bn in January, compared with R1,6bn in December.

Imports rose to R6,797bn after a seasonal dip to R6,23bn in December. They were 49% higher than in January last year.

Exports slipped to R7,84bn from R7,92bn in December. But they were 38% higher than in January last year.

SA Foreign Trade Organisation (Safto) economist Linda Smith speculated that an apparent drop in oil imports could be due to greater transparency which had caused them to be transferred from the unclassified sector to minerals.

"This explains the increase in this (the minerals) category," she commented.

"The reason given for this reclassification was that oil imports need no longer be secret.

"One wonders when category 19 will reappear — the category dealing with trade in arms.

"It is peculiar that the oil trade is no longer secret but arms are still unclassified — particularly given the fact that extensive coverage is given to events such as South Africa's bid to sell Rooivalk helicopters to the UK."

Economists said they were happy with the January trade figures. But Nick Barnardt, economist with stockbroking firm Ed Hern, Rudolph, said he expected imports to continue to grow while the outlook did not look good for exports of farm produce by volume and of gold, diamonds and platinum by value.

"These account for 50% of exports. This means we cannot expect exports to continue to grow this year."

Pointing out that "invisibles" such as freight and interest costs account for R1,5bn of foreign exchange a month, Barnardt said that if the trade surplus remained R1bn a month the deficit on the current account would be only R6bn.

If, however, the surplus fell to R0,5bn "the deficit will rise to R12bn and we shall no longer be able to refer to it as 'only'".

Southern Life economist Sandra Gordon said records showed the trade surplus was normally smaller in January.

"The month on month figures for exports look disappointing but they are significantly higher than those for January last year. It looks as if we are getting the benefit of higher negotiated contract prices."

Linda Smith said high import levels could be expected to continue this year. But they would probably not reach the level of 1994 which pushed the balance of payments (BoP) into a deficit late last year.

Star 28/2/95 74F

Rising imports depress trade surplus

The monthly trade surplus fell [illegible]47 million to R1,043 billion in January as imports resumed their upward trend and exports dropped, Customs and Excise figures show.

Imports rose to R6,797 billion (R6,23 billion last December), but were below the R7,32 billion in November.

Exports were muted, declining slightly to R7,84 billion from R7,92 billion in December.

The trade surplus was down from December's R1,69 billion and the surplus of R1,136 billion in January last year.

Foreign Trade Organisation (Safto) economist Linda Smith said yesterday that on a seasonal basis imports and exports were typically depressed.

"They tend to start off the year fairly low. The bulk of expenditure (on imports) and revenue (from exports) results in a bulge of trade, which generally occurs in the middle of the year."

She said high import levels could be expected to continue this year, but probably not at the levels of 1994, which pushed the country's balance of payments into a deficit late last year.

The higher level of imports and exports in January compared with R4,548 billion and R5,684 billion respectively in the same month last year indicated improved economic performance domestically and in the markets of main trading partners.

Imports of machinery and equipment, which largely fuelled SA's high import bill last year, were three percent down in January, compared with the last quarter of 1994.

However, Smith noted last month's machinery imports were still significantly higher than those of January last year.

"This reflects the sustained improvement in domestic activity over the last six months."

She said it appeared Customs and Excise had re-classified oil imports from the unclassified category (secret or strategic goods, including armaments) to the minerals category.

The other unclassified goods and balance of payments adjustments category showed a R10 million rise in imports, while the imports of minerals category rose to R489,4 million.

Smith said the base-metals category had been dissapointing. Base metals, mainly iron and steel, exports of R798,6 million in January were significantly lower than levels of the last few months of 1994. — Sapa.

Steel imports up as demand rises

BD 2/3/95 (74F)

MARCIA KLEIN

HIGHER steel imports and a drop in exports pointed to an upturn in the SA economy and the concurrent improvement in local demand for steel products, industry and market sources said yesterday.

A sharp rise in steel imports and a significant drop in exports contributed to the erosion of the trade surplus in January. The trade surplus shrunk to R1,04bn from R1,69bn in December.

Industry and market sources said this indicated the economy was growing and that local demand was on the increase. This trend was expected to continue.

Analysts said the drop in exports reflected the fact that steel manufacturers were supplying much more steel to the local market where the profit margin was higher. Steel producers were cutting out some low-volume specialised products, which had small markups.

The importation of those specialised products was reflected in the increase in metal imports.

Iscor group manager, public relations Neels Howatt said the trends reflected the increase in local demand as well as Iscor's cutback on less profitable products and focus on the more profitable ones.

In the six months to December, total steel exports were 1,184-million tons, compared with 1,502-million tons in the six months to December 1993.

In the 1993 calendar year, steel imports totalled 73 000 tons, representing 2,1% of the total steel used locally. In 1994, imports rose to 123 000 tons, or 3,5% of total steel used locally.

Analysts said it was doubtful that the decline in exports reflected any reaction to the phasing out of the general export incentive scheme (GEIS).

Sources said steel exporters were the major GEIS beneficiaries, gaining 19% extra income from the scheme.

Howatt said that in the financial year to June 1994, Iscor received R130m from GEIS. "But the aid we gave to secondary exporters in the same period was R260m."

Iscor received the incentive, but tried to help local secondary producers to be competitive overseas, he said. As Iscor lost the GEIS incentive, it would not continue to support secondary industries to the same extent because they would not lose all export incentives.

Sources said GATT would not allow for any direct export subsidy to replace GEIS. But small and medium-sized exporters could get benefits like pre-shipment financing of exports, research and development aid or help with promotion and marketing.

Scheme to bring in Australian sheep

Import plan threat to farmers

74F

Star 6/3/95

BY NIKKI WHITFIELD
CONSUMER REPORTER

Plans to import live sheep from Australia have met with opposition from local meat producers who fear they might be forced to abandon sheep farming if the venture is successful.

Another worry is that new diseases could be introduced to South African flocks if as many as 55 000 sheep are shipped across in a move by the newly formed United Meat Traders' Association to combat mutton shortages and bring down meat prices.

Venture

Commodities manager of the Red Meat Producers Organisation Fritz de Jager said the future for local farmers looked bleak if the plan took off and became a long-term venture.

And if producers were forced to abandon sheep farming and wipe out their flocks, the implications for the pharmaceutical industry — responsible for supplying dips and medicines to keep sheep healthy — would also be negative, De Jager said.

"There is a meat shortage, but this can be combated by importing fresh and frozen meat. Last year 36 000 tons of mutton was imported, which almost levelled out the shortage.

"Fresh meat can also be imported at the same tariff as frozen meat, chilled at a temperature of minus 3deg which keeps it fresh and also allows it to [illegible]ture and become a well-nurtured product.

"Why damage the trust of the local farming and pharmaceutical industries and risk introducing new diseases when shortfalls can be made up via imports?"

De Jager also expressed concern over the transportation method of live sheep. Nearly 38 000 sheep will be shipped from Australia initially if the plan is approved by the Minister of Agriculture Kraai van Niekerk.

The animals would have to be closely monitored and have fresh air, water and feed if they were to be moved humanely, De Jager said.

But United Meat Traders' Association spokesman Shabeer Hoosen said it was not the organisation's intention to put local farmers out of business and claimed the demand for meat at lower prices was growing.

"Masses of South Africans do not own fridges, and the retail industry is also demanding fresh meat. The shortage of fresh meat is affecting abattoirs, and in particular the Cato Ridge abattoir."

He said if the Cato Ridge abattoir was forced to close its doors, the whole meat industry would be affected.

Should the import go-ahead be given, however, the utmost care would be taken to prevent Australian sheep from bringing over diseases.

"Australian health requirements are very stringent and no animal with a disease or history of disease is allowed to be imported. Once the sheep arrive at Durban harbour they will be transported to Cato Ridge in sealed trucks and kept in quarantine until slaughtered."

Hoosen said Australia had special vessels for importing sheep which were air-conditioned, and veterinarians and stockmen accompanied the animals to ensure they arrived at their destination in good health.

Importers turn to airfreight

ET (BR) 7/3/95

74F

Airlines have gained from congestion at South African ports and the Spoornet container terminal at City Deep, Johannesburg, as companies freight urgently needed goods in by air.

Ulrich Ogiermann, Lufthansa's GM, cargo, for southern Africa, said: "There has been a tremendous growth in incoming cargo for Johannesburg, and a backlog has built up.

"We introduced a second weekly freighter in November to cope with the upsurge.

"The increase started in June last year. Exports sent by air are also booming."

A Singapore Airlines spokesman said: "We always carried small quantities of machinery, auto parts, textiles and electronic goods.

"Now we are carrying large quantities because people say they cannot get goods quickly enough by sea." — Business Report Staff

SA imports could double in 5 years

(74F) ST(BT) 12/3/95

By ZILLA EFRAT

THE introduction of the General Agreement on Tariffs and Trade (Gatt) could double South Africa's growth in imports over the next five years, says Transnet economist Mike Schussler.

He says South Africa already has a tendency to import in growth years. However, imports will be further encouraged by the lowering of import duties over the next five years and the elimination of surcharges in line with international Gatt requirements.

He forecasts a general rise in import volumes because tariffs should average about 15% over the next five years. In rand terms, this could be closer to 45% as a result of an expected decline in the rand's value.

The Gatt secretariat has estimated that South Africa's average tariff reduction will be about 40%. The largest falls in duties, however, will be in the motor vehicle and clothing and textiles sectors.

Mr Schussler says as a result of this — and as local content programmes fall away — motor industry imports could double in rand value and rise about 35% in volume terms over the next five years.

Over the same period, Gatt will also open up the clothing and textiles market — one of the highest protected sectors in the SA economy. Imports here could rise by about 22% in volume and by around 60% in value.

The phasing out of some Gatt-unfriendly surcharges began in the middle of last year and the effects on South Africa's import figures can already be seen.

According to Mr Schussler, clothing and textile imports in 1994 were up 25% over 1993 while machinery imports grew 46,5%.

For the same period, imports of chemicals were 27% higher and those for the motor industry jumped by 28%, enjoying three record months between June and August.

The benefits for the consumer over the five-year Gatt phasing-in period is that prices should generally be 25% less than they would have been without Gatt — that is if the rand does not decline by more than 2,5% a year over the period. If the rand falls by 5% a year, prices will be only 12,5% lower, says Mr Schussler.

Prices are expected to increase more slowly in products such as clothing, electrical equipment, agricultural goods (assuming normal rainfall years) and motor vehicles.

With imports growing, Mr Schussler expects South Africa's current account deficit to climb from about R3-billion in 1994 to about R4,5-billion this year and R5-billion next year.

He believes that 40% of this rise may be attributable to Gatt and the rest to GDP growth and South Africa's tendency to import consumer goods.

Mr Schussler also forecasts that Gatt will boost South Africa's exports by about 7% in volume and 30% in rand value over the next five years.

Most of the country's exports remain in the slow growing primary goods market with only 24% consisting of manufactured products. Nontheless, markets will open as countries drop their quota systems.

For example, the European Union and Japan have high quotas on base metals and coal. Indeed, the European Union's quotas on minerals are equal to a tariff of 45%.

As markets open, Mr Schussler expects SA agricultural products, like fruit, to do well abroad. Countries have to cut their export subsidies by 21%, a move which will make SA products more competitive.

One of the major benefactors of Gatt should be the manufactured foods sector. Its input costs from the agricultural sector will fall as quotas disappear and are converted into tariffs.

Animal groups in outcry over plan to import sheep

74F ST 19/3/95

By DIANA STREAK

SOUTH AFRICAN animal rights groups have objected to "inhumane" plans to import live sheep by sea from Australia to Durban.

The SPCA national council and the South African Veterinary Association (Sava) said they opposed the plan on humanitarian grounds, and Sava has called on the authorities not to allow the importation of the sheep.

"Deaths at sea occur largely because of starvation — the sheep will not eat," said SPCA executive director Marcelle Meredith.

She said deaths also occurred from a variety of diseases and injuries suffered during transport and loading.

Sava president Professor Gareth Bath said overcrowding, trampling, injuries, exhaustion, thirst, hunger, diseases and death would be "real and unacceptable dangers" to the sheep.

Democratic Party agriculture spokesman Errol Moorcroft said the party opposed the move as well, particularly as any shortfall in red meat could be made up by importing frozen meat.

He said the party also objected to the shipping of animals under conditions that were "unacceptably cruel".

There was also a serious danger of importing disease, and he said he was not satisfied that quarantine facilities were adequate.

The Meat Board said it would not oppose the move provided the Directorate of Animal Health gave assurances that no diseases, parasites or viruses would be imported into the country.

The recently formed United Meat Traders' Association wants to import up to 55 000 sheep to South Africa to make up the shortfall in local meat supply and to cater to the Muslim market.

The association's chairman, Dade Hlope, said a delegation would first travel to Australia to meet officials of the Australian Livestock Corporation.

The first shipment would comprise about 38 000 sheep valued at R6-million and, "if all goes well", the number would increase to 55 000, valued at R9-million.

Association spokesman Shabeer Hoosen said he was confident the association would be granted a permit by the Director-General of Animal Health as it had met all the requirements.

Meanwhile, a ship's navigator who served on a livestock ship spoke this week of his disgust at conditions under which thousands of sheep destined for slaughter in the Middle East countries were transported.

During a visit to Cape Town from his home in Britain, Peter Newton said the suffering of the sheep had caused him to quit after three voyages from Australia to the Middle East aboard a Lebanese-owned livestock carrier, the Danny-F, in 1988.

He said the 160 000 sheep had to be converted from eating grass to eating pellets but often, because they were loaded before they were ready, they starved to death during the two-week voyage.

Dead sheep were lifted out of the pens every day and the number increased as the ship passed through hotter climes.

He said the incident that finally spurred him to quit occurred when the Danny-F arrived at the Saudi Arabian port of Damman one afternoon.

"The wind had died down completely, the humidity went up to 99 percent, but they wouldn't allow us to berth until the evening."

Repeated requests to allow the ship to dock so the sheep could be offloaded were refused, and 2 500 sheep collapsed and died in just half-an-hour.

"It was a nightmare. We were steaming around for hours outside and when we finally got alongside we couldn't run the sheep because they won't walk over a dead sheep's body.

"We wanted to get them on the quay as quickly as possible for more air so we were down in the pens trying to push the dead sheep to one side. After that night I said 'that's it'."

Mr Newton said the smell was terrible as the animals lived in their excrement for the entire journey.

Sheep imports could improve meat supply

MEAT LOUISE COOK (74F)

BD 20/3/95

MEAT supplies could improve next year if a bid to import slaughter stock from Australia succeeds.

The United Meat Traders' Association, representing black stock farmers, would spend R6m to obtain 38 000 sheep for slaughter from Australia by June, spokesman Shabeer Hoosen said.

"We will apply to the Agriculture Department next week to grant a special permit to import the live sheep for slaughter by June."

The Red Meat Producers' Organisation, representing 26 000 stock farmers, would oppose this, asking the Board on Tariffs and Trade to introduce an import tariff on live animals, GM Gerhard Schutte said.

The association's move would "wreck the local meat industry" because Australia would in effect be dumping products in SA. "At the moment there is no tariff on the importation of live animals. But the organisation will draw up proposals on the 22nd of this month to apply for a tariff from the board."

Schutte said the organisation was not opposed to importing fresh meat, but live animals would spread disease among local livestock. It was impossible for the authorities to excercise proper control.

Hoosen said the move would ensure that abattoirs such as Cato Ridge and Chamdor, facing closure because of stock shortages, could carry on with their operations.

The importation of any live animal was illegal unless stringent health and hygiene requirements, set down by the Agriculture Department, were met.

It was expected the import permit would be granted by Agriculture Minister Kraai van Niekerk, sources said.

NEWS

Decision on permit set to take some time

(74F)

Outcry over sheep import application

Star 21/2/95

BY NIKKI WHITFIELD
CONSUMER REPORTER

An application for a permit to import live sheep from Australia will be lodged with the Directorate of Animal Health tomorrow, despite a nationwide outcry from animal rights groups and sheep farmers.

Shocking descriptions of conditions that sheep are forced to suffer while travelling long distances at sea have been outlined by the animal welfare lobby.

Sheep for import have to be converted from eating grass to pellets, and since many are not given enough time to adapt to the change, deaths from starvation on ships are frequent.

Nevertheless, Shabeer Hoosen, of the recently formed United Meat Traders' Association, said yesterday his organisation would go ahead with the application to import sheep.

The association has plans to import up to 55 000 sheep to combat fresh meat shortages and bring down mutton prices.

Local meat producers and wool growers have come out strongly against the plan, fearing that demand for local products would decrease and that foreign diseases could be introduced into their flocks.

SPCA chairman says importing sheep by sea from as far away as Australia is 'a total disaster from a welfare point of view'

Marie Eekhout, chairman of the national council of the SPCA, said importing live sheep from as far away as Australia was a "total disaster from a welfare point of view".

"Because Australia is such a vast country, sheep could travel for four days before they're even loaded on to the ship. Loading and offloading also takes a long time, and then they'll still have to be transported from Durban harbour to their destination at Cato Ridge abattoir.

"And sheep are funny creatures. They're used to grazing out in the veld, and many don't take kindly to being fed pellets at sea. If they don't like the food, they won't eat it, and they'll starve themselves to death."

She said it was not unusual for on-board fatalities to reach 7%. Sheep also suffered from seasickness, frequently losing their balance. When the ship was not in motion, ventilation was also a problem.

Director of Animal Health Dr Paul Bosman said that because of the extreme sensitivity of the issue, it was likely to take a while for the application to be granted or denied.

"Ultimately, it will be the minister of agriculture's decision to give the application a yay or a nay," he said.

Department of Agriculture Director-General Dr Frans van der Merwe last week described the shipping of live animals over long distances as an "archaic method unsuited to modern times".

"The department cannot give this method its approval or support. Slaughtering animals close to their place of origin and transporting the meat while using modern refrigeration technology is more acceptable."

Hoosen denied claims that the project had been formulated chiefly to cater to Muslim needs, saying much of the demand for fresh meat came from the South African "masses" who did not own refrigerators.

"Should the permit be granted, we will send a delegation to Australia on a fact-finding mission to look closely into the business of importing sheep. We are the last ones who want to see the sheep coming into this country in anything but excellent condition," he said.

Australia seeks to step up exports to SA

BD 23/3/95

AUSTRALIA expects to unlock about A$100m in exports to SA in the next two years, Australian Trade Minister Bob McMullan said yesterday.

(74F)

In a statement released in Johannesburg, ahead of his visit to southern Africa until March 31, McMullan said these new export opportunities had been created by SA's political transition in 1994.

Senior Australian business leaders from the mining, engineering and telecommunications sectors will accompany McMullan on his visit to SA, starting on March 26.

His mission would also discuss possible joint venture opportunities with major SA corporations, such as Anglo American and Gencor.

Australia was also keen to promote itself as springboard for SA companies targeting South East Asia.

The Australian trade minister is also visiting Zimbabwe and Mauritius.

"The strategy seeks to take advantage of the large and growing markets of the Indian Ocean rim by developing a framework for cooperation among the countries," McMullan said. — Sapa-AFP.

Food import fees rise

(74F) Sowetan 27/3/95

LONDON — African countries will pay more for vital food imports because of the recently concluded GATT negotiations, the United Nations Food and Agriculture Organisation said yesterday.

The report, released by the Rome-based agency, said the General Agreement on Tariffs and Trade "will not halt the declining growth in world agriculture trade, or improve the lot of many low-income, food-deficit countries."

The so-called Uruguay Round of GATT took seven years to negotiate and was signed a year ago.

Because of the agreement, FAO said some poorer countries face higher prices for food imports as grain export subsidies are phased out, and the loss of preferential access for exports in many developed countries. The export preferences are being phased out because they are a disadvantage to other exporting nations.

FAO projected that developing countries in Africa will see their total import bill rise from R25 billion on average in 1987-89 to R42 billion by the turn of the century. Changes required by the GATT deal account for R2,4 billion, or 5,7 percent, of that projected total, the report said.

Total export earnings in 2 000 for developing African countries were projected at R42 billion, against R28.2 billion in 1987-89.

FAO expects that the tariff reforms will also cause a substantial rise in Latin American and Caribbean import bills to the end of the century, because of higher food prices. But it forecasts more than offsetting growth in their export earnings.

North America, Australia and New Zealand all stand to make trade gains during the rest of the 1990s because of the GATT accord, according to FAO. They will benefit from an expected increase in exports of cereals, fats, meat and milk. But Western Europe will lose, based on FAO's projections of lower exports of cereals, oil seeds, milk and sugar and increased imports of some of these products, as well as of fats, meat and tropical commodities. —*Sapa-AP*.

SA resists Europe's effort to destroy import barriers

CT(BR) 30/3/95 (74F)

The EC wants to trade freely with this country, without giving us the preference enjoyed by Lome convention members

By John Fraser
ARGUS FOREIGN SERVICE

Brussels — The South African government will try to delay European Union efforts to bring down South Africa's trade barriers.

This was signalled by the South African ambassador to the EU, Neil Pieter van Heerden, as the European Commission in Brussels announced its strategy for future relations with South Africa.

This includes partial membership of the Lome convention — the treaty linking the EU to 70 African, Caribbean and Pacific (ACP) states.

It also involves a separate trade accord between the union and South Africa, with the eventual aim of free trade.

European commissioners are proposing that South Africa should be given time to bring down its trade barriers, while Europe opens up its own market more swiftly.

However, the trade preferences that the EU offers under the convention do not have to be matched by the countries concerned, and that is why South Africa would have preferred to go along the Lome path.

The convention's advantages are predetermined and clear, whereas the separate trade accord's outcome is unclear, according to Van Heerden.

In a memorandum to the commission, Van Heerden said: "South Africa requires market access at the level afforded by the Lome convention to support its programme to restructure its industries and develop its competitiveness."

He said that for many key exports, Europe provided some of South Africa's competitors with more favourable access. If South Africa were to enter a free trade agreement with the EU now, efforts to restructure vulnerable and uncompetitive industries would be put in serious jeopardy.

However, European commissioner Joao de Deus Pinheiro said it would be impossible to give South Africa trade advantages under the Lome convention. He said such an approach would be in breach of Gatt trade rules.

"We have no doubt that if we sought a new waiver for a Lome convention that included South Africa, we would not get it," he said. "If we gave all the trade benefits to South Africa, this would have a perverse effect on some ACP countries."

South Africa's exports to Europe are worth half the current total of the ACP states' exports. However, the commissioner said he believed South Africa would benefit from Europe's "first coherent co-operation strategy".

"Ours is an ambitious plan, and reflects our determination to boost our relations with South Africa. South Africa is a special case which demands a special commitment.

"The European Union market will be opened much more rapidly than the South African market. Five years will be needed by some South African sectors."

However, the commissioner predicted "extremely difficult" negotiations with South Africa, particularly on agriculture.

Car imports loophole shut

MARCIA KLEIN

TRADE and Industry Minister Trevor Manuel has closed a loophole which had enabled imports of semi-knocked down (SKD) motor vehicles into the Southern Africa Customs Union to reach "alarming proportions". (74F) (~~142~~) (~~142~~)

The amendment to the Phase VI regulations on motor vehicle assembly, effective from tomorrow, followed recommendations of the Board on Tariffs and Trade.

The move will affect Hyundai, which assembles the Korean car in Botswana, as well as another 20 to 30 SKD operations in the customs union which are mainly involved in small-volume specialist cars. These operations had been able to bring vehicles into SA at competitive prices because of the favourable duty structures the loophole provided. BD 31/3/95

Board chairman Nic Swart said the importation of motor vehicles into the customs union "in a form that only requires simple, relatively low value-added assembly, under full rebate of customs duty, has now reached alarming proportions".

The board recommended the amendment of the rebate provision allowing the importation of motor vehicles "from which certain peripheral components have been detached".

Companies which fell into this category but which planned to position themselves "as meaningful higher value-added manu-

☐ To Page 2

☐ From Page 1

Loophole (74F) (~~142~~)

facturers" could get temporary exemption for two years if they met certain conditions. BD 31/3/95

A source said they would have to start making investments in their operations as they would be required to undertake domestically the body assembly, welding operations and painting operations.

The National Association of Automobile Manufacturers of SA (Naamsa) said the move was welcomed, but long overdue.

It said the amendments were in line with recommendations by the Motor Industry Task Group. They restored the principle that vehicle manufacturing operations in the union "should be on the basis of disassembled parts and components".

It is believed Hyundai sells about 500 cars a month in SA. Hyundai directors could not be reached for comment.

Govt closes vehicle imports loophole

Star 31/3/95

■ PRETORIA CORRESPONDENT

(74F)([redacted])

The Government has closed the loophole that allowed motor vehicles to be imported into the Southern African Customs Union under full rebate without any major investment being made in plant or employment.

It is likely to severely affect many motor vehicle importers, including the Botswana-based Hyundai company, which introduced the vehicles of Hyundai Motor Company of Korea into the local market last year.

Spokesmen for Hyundai in SA were unavailable for comment.

The amendments might prompt importers of semi-knocked-down vehicles to import fully built-up vehicles instead, particularly as import duties were reduced from 100% to 80% and the 15% surcharge applicable to motor cars was abolished in September last year.

This meant the duty on imported passenger cars was reduced from 115% to an 80% customs duty.

The amendments will be implemented from tomorrow.

■ Interested parties wishing to obtain details about applying for further exemption from the revised rebate provision should contact N Lambrecht at Pretoria 310-9766 or G B Fourie at Pretoria 310-9768.

SA imports boom cuts trade surplus

BD 31/3/95 (74F)

MUNGO SOGGOT

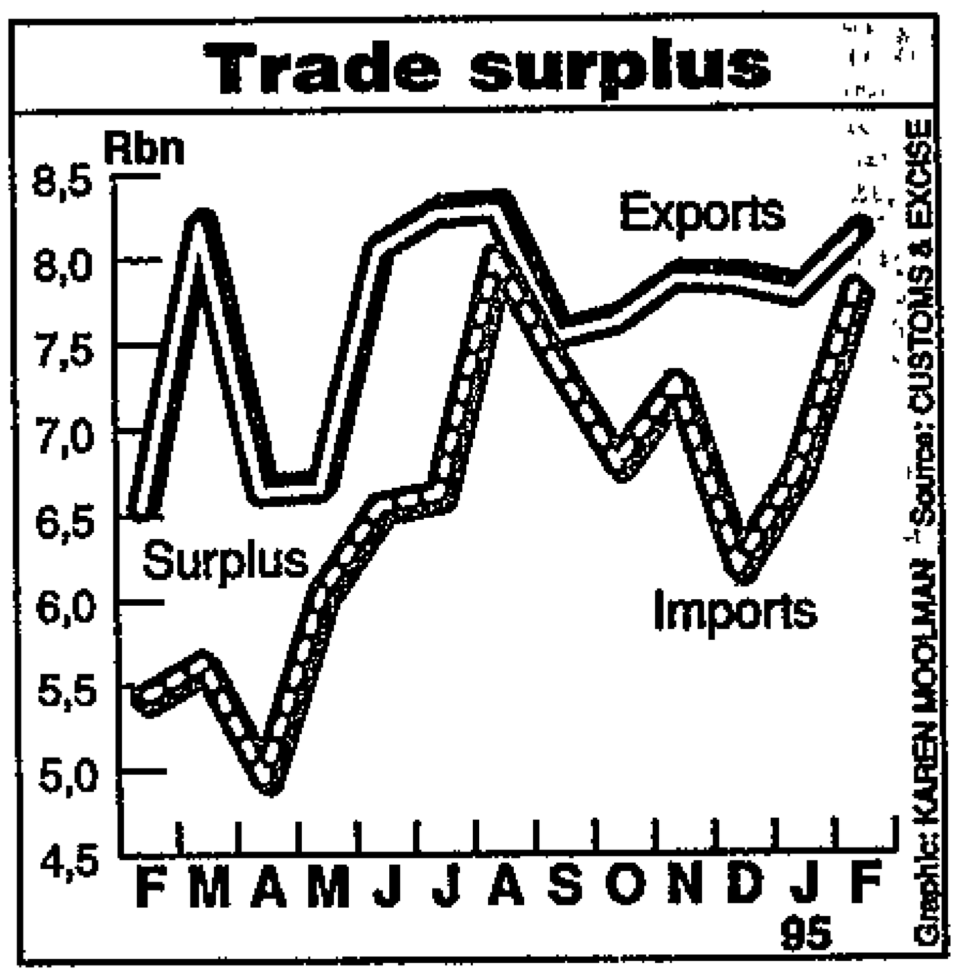
SA's IMPORT boom continued at full throttle last month, slashing the trade surplus to R316m from R1,04bn in January, Customs and Excise figures released yesterday showed.

The figures, which included a hefty jump in oil imports and continued high capital imports, showed an import surge of more than R1bn to R7,87bn. Exports grew to R8,18bn from R7,84bn in January.

Transnet economist Mike Schüssler said the healthy growth presented further evidence that the economy was thriving.

Boner and Freemantle chief economist Gad Ariovich said the figures reflected the boom phase of the economy as demand for goods and services continued to outflank supply, kicking up imports. Many local producers had had to become importers to supplement local supply of primary goods, while there had also been a capital equipment import boom as manufacturers renewed machinery and expanded capacity.

This was supported by a Sacob survey which showed that last month manufacturers planned to spend more on replacing worn machinery and adding to capacity than in any month since early 1991.



Another economist said the low trade balance, which meant the current account of the balance of payments was in deficit, was not a problem as long as there were sufficient capital inflows to finance it. Despite the deficit, buoyant capital inflows had lifted the Reserve Bank's net gold and foreign exchange reserves a massive R1,9bn last month.

Econometrix chief economist Azar Jam-

☐ To Page 2

Imports boom

(74F) BD 31/3/95

From Page 1

mine said if it had not been for the pick up in exports, the import surge would have saddled SA with its first trade deficit for a decade. The import surge, which had been going for over six months, was mainly feeding a surge in fixed investment. Some of the import growth could still be caused by those who had been importing heavily ahead of the demise of the financial rand.

Economists noted that a jump in oil imports had also played a part in clipping the trade surplus. SA Foreign Trade Organisation economist Linda Smith said there had been a 127% month-on-month rise in oil imports, either because domestic supplies were depleted or because the oil price was expected to rise.

Schüssler said part of the increase in mineral imports was going to aluminium producer Alusaf. He said the surge in imports could slow this year until import surcharges were scrapped in October, as announced in the Budget.

Smith said machinery imports remained high, but the rate of increase had slowed.

Machinery imports were up 46,1% year on year, while transport equipment imports were up 45,7% and vehicle imports up 33%, another economist said.

She said base metal and mineral exports — up 41% and 39,5% year-on-year respectively — were back in form after a disappointing performance in the second half of last year. However, unclassified exports, which included gold, remained lacklustre.

Washing-machine war

American firms warn SA to clean up its act

ST 2/4/95

(74F)

By SIMON BARBER: Washington

AMERICAN companies are growing increasingly impatient with what they claim are unfair South African trade practices and are starting to demand retaliation against SA's exports to the US.

In the most extreme case to date, leading US washing machine makers are threatening to deploy the blunderbuss of American trade law — known as Section 301 — which permits the US government to impose punitive tariffs on any imports it pleases from an offending country.

The office of the US Trade Representative — the agency in charge of smashing obstacles to US exports — is listening. In a report released last Friday it lists a wide array of headaches SA is giving US firms.

The US film industry, a major contributor to President Bill Clinton's re-election bid, has complained about South Africa's prohibitive duties on films and videos, as well as widespread piracy.

Toys 'R Us, America's biggest toy chain, fast food giant McDonald's and even Victoria's Secret — the leading purveyor of sexy underwear — have all protested that South Africans are stealing their trademarks.

American computer software companies are also up in arms. Microsoft chairman Bill Gates and his rivals — nearly all of them key Clinton supporters — estimate that "as much as 60 to 70 percent" of the software running on South African PCs has been illegally copied, according to the trade representative's report.

The Department of Commerce has warned the South African embassy of the seriousness of the threats by the washing machine companies, which include Maytag, Whirlpool and Speed Queen.

The companies are furious about a decision by the Board of Tariffs and Trade to "reclassify" their products, thereby raising the tariff on each unit from zero to 25 percent.

They allege that the move, intended to protect two local firms, has not only hacked into their South African market share but has forced them to turn back shipments in transit and to warehouse goods at high cost.

The market for American washing machines in South Africa may not be enormous but it is not peanuts either. According to Commerce Department figures, US companies sold \$12,5-million (about R45-million) worth of machines to South Africans in the first nine months of last year, compared with \$8,7m (about R31-million) for the whole of 1993.

Ambassador Franklin Sonn said on Friday he had written to Trade and Industry Minister Trevor Manuel to stress the seriousness of the problem, which he had also "discussed agonisingly" with Deputy President Thabo Mbeki during his visit to the US last month.

"This is not an issue we've been neglecting," Mr Sonn said. "The question is the extent to which we can do what is required without damaging our own people."

At this stage, retaliation for the washing machine tariffs is not imminent. If the trade representative agrees to investigate the companies' claims there is likely to be consultation with Pretoria and possible adjudication by the World Trade Organisation.

The threat that the US may use Section 301, however, remains real. Under US law, the weapon is available even if the targeted practice does not violate any trade agreement — the practice must merely be considered "unreasonable".

According to the trade representative's report, US cosmetics, soda ash and paper products have also been hit by higher tariffs.

A Commerce Department guide to South Africa for US companies, dated December 26 1994, contains the staggering calculation that, thanks to South African taxes and duties, a South African importer of US cosmetics pays almost three times what the US seller charged him for the product without even counting shipping costs.

In 1994, America's trade surplus with SA was \$143-million (about R515-million), \$207-million (about R745-million) less than in 1993. In 1994 US merchandise exports to SA were \$2,3-million (about R8,3-million), down one percent from 1993. Imports from SA rose 9,9 percent to \$2-billion (about R7,2-billion).

Imported crumbed meat targeted

MEAT (74F)

■ BY SHIRLEY WOODGATE

The Meat Board is considering legal action to prevent imports of crumbed meat from Australia following reports it might not conform to legal requirements.

Board manager Dr Pieter Kempen said the Australians had tested a number of loopholes in the law, first by the use of peppercorns to disguise the product as a herbed or prepared foodstuff, then by the addition of vinegar to fit into the preserved meat category.

STAR 7/4/95

CT 7/4/95

Imported meat 'below standard'

(~~[illegible]~~ (74F)

JOHANNESBURG: The Meat Board is considering legal action to prevent the importing of crumbed mutton from Australia after tests revealed the product may not conform to legal requirements.

Board manager Dr P Kempen said the Australians had abused loopholes in the law, using peppercorns to disguise it as a "herbed" or "prepared" foodstuff, and adding vinegar to make it "preserved meat". — Special Correspondent

US firms in a spin over washing machine tariffs

CT(BR) 7/4/95 (74F)

By Peter Fabricius
Washington Correspondent

South Africa's ambassador to the United States, Franklin Sonn, is to hold talks with a senior commerce official to try to prevent a row over imported American washing machines spinning out of control.

Sonn said this week that he would be meeting Lauri Fitz-Pegado, US assistant commerce secretary, to try to avert retaliation against South Africa for allegedly taking three washing machine manufacturers to the cleaners.

As post-sanctions trade between the countries increases, complaints from the United States about protectionism are also on the rise.

The McDonalds and Burger King fastfood restaurants, the Toys R' Us toy retailer and Victoria's Secret, maker of women's underwear, have all taken action against South African companies which allegedly used their trademarks illegally.

Computer software companies are complaining about widespread piracy.

The three American automatic washing machine manufacturers — Maytag, Speed Queen and Whirlpool — are considering filing a "section 301" complaint of unfair trade practices against South Africa.

FRANKLIN SONN: *Fielding complaints about SA protectionism*

American government sources warned that this could lead to retaliatory tariffs against South African exports into the United States.

The powerful 301 measures have been invoked in the trade war between America and China over China's alleged infringement of American intellectual property rights.

The three companies — supported by the United States trade representative's office — claimed that during the Uruguay round of Gatt negotiations, South Africa agreed to tariff headings which would allow American automatic machines to enter South Africa duty free.

But under pressure from local washing machine manufacturers, the SA Board of Tariffs and Trade reclassified the tariffs, slapping a 25 percent duty on the machines, the American firms said.

They said they had been seriously damaged by the move, being forced to turn back shipments in transit and to warehouse large quantities of machines at great cost.

American authorities have asked South Africa for an immediate reversal of the reclassification.

Sonn said that South Africa took the complaint very seriously and that he had written to Trevor Manuel, minister of trade and industry.

He conceded it was a difficult issue for South Africa as it presented a choice between not offending a good friend like the United States, or not threatening jobs in South Africa.

In the end South Africa would have to be guided by its own interests Sonn said.

American business sources warned that South Africa should not depend upon the special relationship between Mandela and Clinton to help it out of this predicament.

Exports obsession the 'road to disaster'

(74F) ARGUS 8/4/95

ALIDE DASNOIS
Deputy Business Editor

AN obsession with exports would lead South Africa to disaster, the country's biggest trade union federation has warned.

Cosatu spokesman Neil Coleman was commenting in an interview on the report of the Monitor Group, which found South African companies generally incapable of competing on world markets.

Mr Coleman said many of the problems identified by the Monitor researchers had been often been raised by Cosatu. These included:

■ Lack of attention given to human resources development by many South African companies.

■ Concentration of ownership which acted both as an obstacle to competition inside the country and as a barrier to entry by foreign firms.

■ A lack of democracy in the workplace, poor information flows and steep hierarchies, all of which contributed to low productivity.

■ "Special treatment" given to many companies under the apartheid governments, in the form of subsidies and protection, which had added to the inefficiency of management.

But, he warned, an over-hasty removal of protection would destroy the country's industrial base.

"Concentrating on exports to the exclusion of everything else would be a disaster," Mr Coleman said.

"We should also be providing quality goods at affordable prices for the people who have been excluded from the market, in South Africa and Southern Africa. This is part of the philosophy of the reconstruction and development programme."

"This will also give us clues to niche markets in the developing world. For instance, if we can make affordable construction materials for our own use, we can also export them."

A balance between export orientation and inward development and industrialisation was needed.

Mr Coleman said strategies should be developed at industry level and at national level, through the National Economic, Development and Labour Council (Nedlac).

He also called on employers to commit more funds to capital investment.

"Fixed investment is growing, but there's still too much money going into speculative investments or overseas. We should be investing far more in human resource development, technology, research and development."

But heavy capital projects with low employment spin-offs were inappropriate, Mr Coleman said.

"Job-creation is a key factor."

Aussies hit at 'horrific' meat tariff

(3) MEAT (74F)

The Argus Foreign Service

MELBOURNE. — Australian meat producers today hit out at what they described as the "horrific" tariff imposed on imported mutton by the South African authorities.

"It is the highest in the world, it is imposed despite booming demand and there is no way it can be justified", declared Mr Kevin Sheil, the executive director of the Sheepmeat Council of Australia.

Mr Sheil was commenting on a controversy which has arisen in South Africa after government inspectors there found that peppercorns had been lightly sprinkled over frozen mutton so that it could be classed as "processed meat" and so avoid the tariff. ARG 12/4/95

He admitted this had been done but said it was at the request of the South African importers.

He said the situation was a fiasco.

South Africa should cope swimmingly under a flood of foreign goods

SPOTLIGHT

An increasing rate of imports is the inevitable result of desperately needed economic growth

By Howard Preece

Imports will come flooding into South Africa over the next 18 months or so — I, for one, certainly hope they do.

Assuming this does happen, there will be a host of horror reports about South Africa being about to sink under a tide of foreign goods. Treat them with caution. There are lots of good reasons for welcoming a major import build-up.

One of the most important is that South Africa cannot expand its productive capacity, central to all hopes for implementing the RDP, without importing a lot of new capital equipment and sophisticated machinery.

I am not suggesting that this country should be blindly indifferent to a rapidly rising level of imports, or rather to the general state of the current account of the balance of payments in which imports are a critical half of the equation. It can't.

Old Mutual's chief economist, Dave Mohr, made that only too clear in yesterday's Business Report.

But the crucial point is this: South Africa desperately needs a substantial and sustained increase in the rate of economic growth — and this will necessarily be accompanied by a sharp rise in imports. The rate of import increases is bound to run way ahead of the rise in gross domestic product, whether measured in actual or real (inflation-adjusted) terms.

To put it in formal jargon: South Africa's marginal propensity to import is far greater than its average propensity.

All this means is that when the rate of economic growth rises, the proportion of each additional rand of total national income spent on imports is far bigger than the average amount spent on imports out of existing national income or gross domestic product (GDP).

The table below, drawn from the Reserve Bank's March quarterly bulletin, shows what share of gross domestic expenditure (GDE), the more relevant measure in this context, has been spent on merchandise imports in recent years.

Year	Imports as % of GDE
1987	15,3
1988	17,9
1990	16,7
1992	18,7
1994	21,6

The economy grew strongly in 1988, reflected in both GDP and GDE, partly because of a natural rebound from the recession of 1985—87, and partly because — even under sanctions — exports were sharply boosted by booming world trade and the steep devaluation of the rand in the mid-1980s. As domestic demand raced up in 1988, so did imports.

Then came the recession from late 1989 onwards, and this led to a clear fall in the percentage of imports to GDE in 1990.

What seems out of kilter is that the import/GDE ratio should have been substantially higher by 1992, despite the ongoing recession.

But that is largely explained by the drought-induced agricultural disaster, which caused a major turnaround in South Africa's overall export/import position on food. The higher import level in relation to GDE last year was not only caused by the upturn in GDP and GDE, but also because South Africa was no longer forced to curb imports by any means, as it was in the second half of the 1980s and into the 1990s, to ensure the priority of a balance of payments current account surplus.

So we can take it for granted that if the economy grows as hoped in 1995-96, imports will grow even more strongly. Nedcor's economic unit, headed by Dennis Dykes, reckons that in this year and the next, real GDP and GDE will rise by 3,2-4,2 percent, and 4,1-5,1 percent respectively.

Imports, also in real value terms, will rise by 8,0 percent and 7,7 percent respectively over the same years. If you doubt this, look at the extent to which import growth has stimulated real growth in GDE in previous bumper growth years, in real and not just inflationary terms.

This serves to indicate South Africa's exceptionally high marginal propensity to import. Here the figures are all in current prices.

Year	Gde	Imports
1980	+35,5%	+45,4%
1984	+20,7%	+34,6%
1988	+23,4%	+37,8%
1994	+15,3%	+27,1%

This kind of situation can pose problems. But let's thank the heavens that we are at last dealing with problems of success, and not of entrenched failure.

(74F) CT (BR) 13/4/95

Import surge 'could push deficit to R7bn'

(74F)

MUNGO SOGGOT

A SHRINKING trade surplus could widen the deficit on the current account of the balance of payments to R7bn this year and R12bn next year, Ed Hern Rudolph economist Nick Barnardt said. BD 18/4/95

Barnardt said the surge in imports was being fuelled by a fall in real import prices to a 20-year low. But the rand's slide against third currencies could dampen import growth in coming months.

The wide gap between export and import growth could narrow slightly, but accelerating domestic demand and further falls in real import prices would keep it "noticeable". Unless the rand strengthened "inordinately" on capital inflows, exports would probably grow about 5% in 1995/96.

Fixed investment growth this year would probably be about 13% in real terms and could surge to 17% next year. "High growth in fixed investment, and its effect on employment and consumer spending, will power the upswing through 1995 and most of 1996," he said. Economic growth this year would be about 3% and could reach 4% next year.

The capital account should remain buoyed by strong inflows, but the pace of the inflows would hinge on the timing of exchange control liberalisation. Although capital inflows so far were largely short term, they had recently broadened to medium- and longer-term flows.

Inflation this year would be subdued by rising labour productivity, reflected in falling real labour unit costs, the abolition of import surcharges, lower import tariffs and the effect of last year's food price hikes.

Bank rate would probably be raised three more times in the current cycle — in August, February and August next year, he said.

Imported wines to keep prices in check

LOUISE COOK

SHORTAGES could push prices of premium wines up by 30% this year, but increased competition resulting from the scrapping of the surcharge on imports would keep them in check, sources said yesterday.

Stellenbosch Farmers' Winery MD Frans Stroebel said bulk wine prices would probably not rise more than 12% as competition from Australian and French imports would increase in October when the surcharge on imported goods was dropped.

Futureline agricultural marketing MD Ika van Niekerk said no one in the industry knew if the price was right because current pricing, which operated on a minimum price system, was not transparent.

Meanwhile, severe shortages of premium wines were being experienced in the local market.

KWV said the 1994 exports of SA wines had reached a peak of 5,8-million cases, more than double the 2,58-million cases exported in 1993.

Cape-based cellar Bergkelder said many of its estates — including Uitkyk, La Motte and L'Ormarins — would have no more sauvignon blanc until the end of May.

Marketing director Nico van der Merwe said shortages were not caused solely by increased exports.

WINE (74F)

"It is directly caused by higher local demand. Local consumers have switched to drinking more premium wines, since economic conditions have eased and the political situation in the country has stabilised."

A shortage of pinotage could be added to the list.

Sources said a new trend had emerged among many of SA's winemakers, who were using typically Australian estate names.

This was being done to make futher inroads into the UK market.

According to a survey by British group Sainsburys, SA was heading for a 10% share of the UK wine market, 8% up from its current share.

Sheep import ban sought

The national council of the SPCA is trying to block bringing in 34 000 live sheep from Australia.

The group says the importation will subject the animals to suffering and cruelty. The possibility of getting old stock could also result in indifferent meat.

"Apart from the cruelty, the suffering and stress that the sheep will have to undergo, there is a risk that old stock will be imported to South Africa," said the society's Marie Eekhout.

"The national council needs the support of South Africans to assist it in putting a ban on the importation." — Sapa.

~~MEAT~~T (74F) Star 26/4/95

JOBS

Tariff debate immaterial to textile, clothing duties

(74f) ST (BT) 30/4/95

Though arguments over import tariffs for the clothing and textile industries continue to be heard, the actual duties collected suggest that the debate is merely academic, writes CIARAN RYAN.

...YED ... Brian Brink of the Textile Federation

WHILE the clothing and textiles lobbies argue their cases for tariff relief, customs and excise figures show that average tariffs paid in both industries are well short of that allowed by law.

The average ad valorem tariff on clothing in 1993 was 100% — but the average paid was less than 8%. The average ad valorem tariff on fabrics was 50%, but only 12% was paid on average.

The bulk of imports attract no tariff duty because of various rebates and duty credit schemes. On textile imports of R2,2-billion in 1993, an average tariff paid of 12% against the 50% average official tariff represents income forgone of nearly R840-million.

Duties paid on clothing imports of R400-million in 1993 amounted to an estimated R31-million, representing duty forgone by government of nearly R370-million.

Textiles imports amounted to R2,8-billion in 1994 against exports of R1,5-billion — a trade deficit of R1,3-billion.

"It shows that the debate over the future of tariff levels in the clothing and textile industry is largely academic," says Hennie van Zyl, executive director of the Clothing Federation of South Africa.

"The discrepancy between official tariffs and actual tariffs paid underlines the need to do away with most of these exemptions and impose low, across-the-board tariffs for both clothing and textiles."

Importers are still claiming tariff relief under the old structural adjustment programme introduced in 1989 and its later version, the duty credit certificate scheme (DCC), Section 470.03 of the Customs and Excise Act, which allows duty-free imports where the finished product is re-exported, and various industrial rebates.

Brian Brink, director of the Textiles Federation, says a simplified tariff system requiring less bureaucratic interpretation of tariff book rules would plug the holes which have allowed imports worth billions of rands to enter the country duty-free.

"We would like to see these tariff exemptions phased out as tariff levels are reduced," says Mr Brink.

"Fraud is the single largest problem faced by the textile industry today. The system is too complex and unwieldy, and needs to be simplified.

"But the fact that the average import tariff paid on textiles was just 10,5% does not mean that this was the average level of protection. An importer bringing in fabric must pay 45%, not 14%."

The most important of the tariff exemptions is 470.03, in terms of which fabrics worth R280-million were imported duty-free in 1994, while total clothing exports amounted to R415-million. A substantial portion of these fabric imports were fraudulently sold on the domestic market instead of being processed and re-exported, says Mr van Zyl.

"We surveyed 10 of the largest clothing exporters in the country, who told us that 90% of their fabric used in exports was sourced locally. Fabric accounts for 50% of the value of an item of clothing, so this tells us that the current system is riddled with holes. We need a simplified system which is easier to police.

"The Monitor report and the World Bank agree that South Africa's clothing industry is competitive, and that it can compete with the world if raw material inputs were cheaper," says Mr van Zyl (see graph).

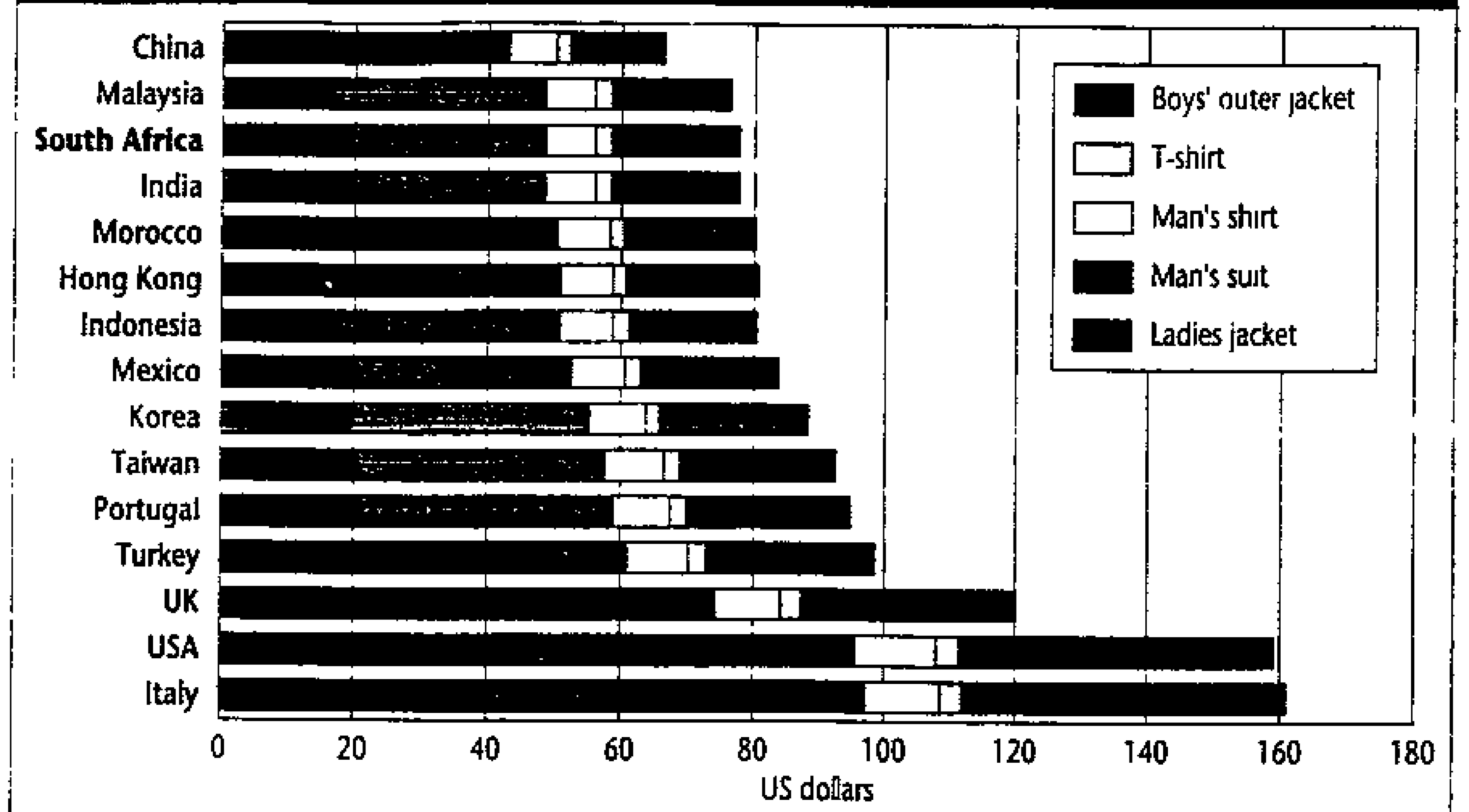
"The world will not wait 10 years for us to become competitive, but will go elsewhere."

Texfed has urged the government to implement the Swart recommendations on duty levels and phase-down periods. In terms of these recommendations, duties on fibres will fall from the current 25% to 7,5% over 10 years, yarn will fall from 32% to 15%, fabrics from 45% to 22% and clothing from 90% to 40%.

These are well below the duty ceilings required under the General Agreement on Tariffs and Trade. The 10-year phase-down period is below the 12 years required by Gatt and substantially lower than the 15 years granted to the US textiles industry.

Clofed, small business organisations, the local distributive trade, the Southern African Customs Union and the SA Consumer Council want duties on fibres dropped to 0% over two years, and yarn to 0% over four years. It wants duties on fabrics to be dropped to 15% over four years and on clothing to 40% over 10 years.

RELATIVE COSTS OF MAKING CLOTHING, EXCLUDING TEXTILES



Graphic: FIONA KRISCH

Source: MONITOR

TREADING ON TOES . . . Michelin Tyres' Paul Martin, who says import restrictions and high duties make South Africa's tyre market the world's most protected Picture: CHRISTINE NESBITT

Tyre importers squeal over trade barriers

ST (BT) 30/4/95 (74F)

By DON ROBERTSON

AN acrimonious row has broken out between tyre importers and local manufacturers, with importers claiming the industry is over-protected and uncompetitive.

Tyre importers, led by Paul Martin, director of Michelin Tyres in southern Africa, say a 25% duty and quantitative import restrictions make South Africa's tyre market the world's most protected.

Mr Martin says the local manufacturers — Dunlop, Firestone, General Tyre and Tycon — operate as a cartel, often increasing prices at the same time by the same amount.

Gavin Hardy, chairman of the SA Tyre Manufacturers' Conference, says the SATMC "categorically refutes (sic) the statement that the tyre industry is over-protected. We make tyres which are internationally competitive in terms of specifications, performance and quality.

"If the industry was to be overcome by imports, can the importers suggest what alternative employment could be arranged for about 16 000 people?"

Mr Hardy says price increases are announced "at more or less the same time (. . .) probably because raw material price increases impact on local manunufacturers' production costs simultaneously".

Mr Hardy says South Africa does not enjoy the economies of scale of its overseas competitors. It also has to pay 25% more for raw materials and buy sophisticated equipment with a weak rand.

He disputes importers' claim that the industry produces 1 500 tyre sizes, saying only 300 are made, and queries whether importers could supply sufficient numbers to meet a market of South Africa's size.

Importers also accuse manufacturers of having a large stake in the retail industry, pointing out that Firestone has a stake in Supa Quick, Performance Tyre, Natyre and Quality Tyres.

The SATMC says manufacturers own less than 38% of the retail tyre trade and that all outlets sell the full range of tyres, as well as some imported tyres.

GOVT DEPARTMENT BLAMED

Tariff decision delay costs Cape consumer

CT 11/5/95 (74F)

ANCHORED: A ship carrying almost 32 000 tons of maize could not enter port for two days this week because of a tariff decision delay, reports **FRANÇOISE BOTHA.**

A SHIP carrying almost 32 000 tons of yellow maize for Cape Town from Argentina has been kept waiting outside Table Bay harbour for more than two days.

Maize can be imported more cheaply — a saving of 27% — than it can be transported from the summer rainfall area, but the delay will add R112 000 to the cost.

Consumers will probably have to foot the bill, a spokesman for the importers said yesterday.

The reason for the delay was that the Department of Trade and Industry had not yet decided on new import tariffs that were supposed to have taken effect on May 1.

Agriculture Minister Dr Kraai van Niekerk advised feed manufacturers on April 7 that the Department of Trade and Industry would rule on the tariffs before May 1.

But Trade and Industry delayed until yesterday before announcing that maize imports would attract no duties, because it is the staple food of most South Africans and drought has seriously hampered production.

There is also concern because Dr Van Niekerk has waived certain "phytosanitary regulations" relating to the importation of yellow maize.

The importers said, however, that the maize had already been fumigated and inspected by independent surveyors and would be used by manufacturers of animal feed.

The imports follow statements by the Maize Board to the Department of Plant and Quality Control that "there is no shortage of maize in the country", a source revealed.

Poor rainfall in key maize growing areas has meant a 24% reduction in planting of both white and yellow maize.

According to figures released by the National Crop Estimate Committee for April, total production of white maize is expected to be 65% lower and that of yellow maize, 60% down on last year.

NEWS

ENDLESS CYCLE *A Transvaal farmer surveys crops during the drought in 1992*

PHOTO: ALF KUMALO

Maize imports exempt from duty

CT (BR) 11/5/95

MAIZE (74F)

The trade and industry minister, Trevor Manuel, said he had accepted a Board of Tariffs and Trade recommendation that maize imports be exempt from duty this season, and as a norm.

He said customs tariff protection, which would initially be set at zero, would replace the Maize Board's control of imports, abolished from May 1.

"This is a seasonal thing. If there needs to be a change in the future, I think it should be subject at least to brief public hearings," he said.

"The norm will be no customs duty in the future and changes will have to be subjected to a fairly public process."

He said a break with the tradition that maize producers had the main say in price and import control was needed.

Manuel said in a statement earlier that the single channel import regime operated by the Maize Board had been lifted from the end of April and replaced by a system whereby any person could import maize provided the applicable duty was paid.

"Because of the importance of maize for the consumer ... the level of protection was considered carefully," Manuel said. — Reuters

Maize imports are delayed

BD 22/5/95

Louise Cook

714F

EPOL was struggling to get a clearance certificate from the Argentinian government to import 33 000 tons of maize, commercial manager Peter McFarlane said at the weekend.

McFarlane said the position of future imports from Argentina was uncertain.

The maize was still being loaded onto a ship, and the vito-sanitary certificate (which relates to health and hygiene) was being delayed by Argentinian authorities.

The importing agent, said "at this stage" the problem, relating to only one ship, was "purely technical".

Sources said yellow maize was being imported.

Until last month's market deregulation, maize could only be imported by the Maize Board.

□ Sapa reports that despite poor harvests caused by drought, SA would sell maize to Botswana, Lesotho, Namibia and Swaziland this year, the Maize Board said.

Methods of payment had still to be finalised.

Imports will drive SA's tyre market

(74F)

ST(BT) 28/5/95

By DON ROBERTSON

THE planned relaxation of import quotas on tyres from July 1 will shake up the R3-billion a year industry and give motorists a wider selection and more competitive prices.

Quantitative import restrictions have for many years limited the number of tyres importers could bring into South Africa, thereby restricting distributors' ability to expand their markets for brands such as Pirelli, Michelin and Yokohama.

Importers have complained that the SA tyre market is the most protected in the world.

But with South Africa a signatory to the World Trade Organisation (formerly Gatt), restrictions have to be dropped, while import duties of as much as 25% will be phased out over eight years.

Etienne Human, secretary of the SA Tyre Manufacturers' Conference, in a proposal to the Board on Tariffs and Trade, has asked for phasing out of restrictions over four years and reduction of duties over eight years.

"We don't mind fair competition, but import quotas or restrictions cannot be dropped immediately or jobs will be affected," says Mr Human.

"Some manufacturers in the Far East are able to export tyres at almost the raw material cost because of government subsidies," he says.

In anticipation of the scrapping of import restrictions, however, Performance Tyres, which imports Pirelli, has started importing the L6 light commercial vehicle tyre.

In terms of the restrictions, Performance Tyres could import passenger tyres only.

"Local content regulations plus the import permit and duties have sucessfully kept the share of imported tyres in the passenger car market under 10% for the past few years," says Johan Kotze, managing director of Performance Tyre.

"The abolition of the permit system will definitely see imported tyres gaining a much greater market share, rising to 15% of the passenger market this year and to 25% next year. In the light commercial market, we anticipate imports taking 8,4% this year, rising to 22% in 1996. At Performance Tyre we intend increasing our Pirelli units by 51% this year," he says.

Mr Kotze has no objections to import duty while the local industry gets its product and productivity to an acceptable standard and he notes one manufacturer plans to increase exports from 5% to 25% in three years. He also accepts the industry must be protected from dumping and low quality imports.

"In the high performance sector, however, I find it hard to understand how local manufacturers sell high performance tyres at low prices, given the short production runs.

"I believe it would be in their long-term interest to leave these areas for high quality imports and concentrate on more viable long production runs which can enhance export opportunities. For instance, there must be large untapped export markets for textile car tyres in Africa and the Middle East," he says.

Eddie Keizan, chief executive of Tiger Wheels, which imports Yokohama tyres, says the local industry is "hopelessly uncompetitive" and the lack of a decision from the Board has made market planning impossible.

Tariffs' time to go has come

ST(BT) 28/5/95 (74F)

COMMENT

TRADE and Industry Minister Trevor Manuel will soon pick up his pen to sign an order which will set out the phase-down period for the tariffs which protect the textile industry.

The Textile Federation wants duties phased down over 10 years. The Clothing Federation wants a variable phasing down of duties on textile inputs of no more than four years.

Some observers believe Mr Manuel will strike a compromise, others are hoping and praying (even demanding) the 10-year lifeline.

Whatever his decision, we hope he looks at the rebate system which reduces duties of up to 90% in the case of cheap fabrics to an effective 12%.

But the game is moving so fast that no sooner will Mr Manuel have gazetted these duties that attention will swing to what a free-trade deal with the European Union will mean for this industry.

EU officials indicate that World Trade Organisation rules require that 80% of all trade must be included in free-trade agreements.

Textiles can expect to be included, meaning it could face zero duties in about 10 years rather than the 22% it hopes Mr Manuel will gazette.

Some businessmen will no doubt argue, with ~~union~~ support, that we could never hope to open our trade borders to the EU, no matter how generous the phase-down period the EU gives us.

But with our market a mere \$135-billion compared to the EU's \$7 000-billion, government would be turning down a deal in a millennium.

Much better, as two textile companies we profiled last week are doing with considerable success, is to concentrate on becoming internationally competitive in the shortest possible time.

The message should be clear and simple: the old way of doing things will go the way of the old South Africa.

Kevin Davie

NEWS

Reinstatement of levy urged

SA pig farmers hit by imports

74F

Star 6/6/95

BY NIKKI WHITFIELD
CONSUMER REPORTER

The influx of imported pork products is having disastrous effects on the local industry, with many farmers fearing they will go out of business unless an abolished import levy is reinstated.

In a bid to get rid of their surplus pork, a group of pig farmers will be selling carcasses wholesale from the Benoni abattoir to the public.

But what is so ironic is that the import levy they want back so desperately was scrapped by SA pig farmers themselves at a time when pork was in short supply and demand was high.

"Pig farmers were too kind to the public and to the import industry, and that was a mistake," said Thys Lourens, a Delmas pig farmer and a member of the SA Pork Producers' Organisation.

Farmers called for the levy to be scrapped in September last year, envisaging an increase in demand for pork and pork products as Christmas drew near. The levy of R1,40/kg was scrapped, paving the way for outside producers to bring in their goods. But a glut developed as demand for local meat dropped.

"We have appealed to (Trade and Industry Minister) Trevor Manuel to reinstate the levy, but so far we have heard nothing," said Lourens. "Pig farmers are in danger of losing everything unless something can be done about this."

Meat imported from Europe was highly subsidised, Lourens said, enabling prices to be kept low.

Pig farmers are also being hit by the levy local producers have to pay per kg of meat, which shot up from R2,25 to R6,30 in March.

Ministry of Trade and Industry spokesman Charl Nel said the Cabinet had commissioned the Board on Tariffs and Trade to look into the meat industry and to "come up with a solution to the problems".

THE MANUEL REPORTS

No big surprises in import duties cuts

(74F) (~~992~~)

BD 13/6/95

Marcia Klein and Edward West

THE Board on Tariffs and Trade proposals for the local motor industry have been cautiously welcomed.

Sources said the board had simplified its earlier proposals, making them easier to follow and less open to manipulation.

The proposals were in line with expectations and not that dissimilar to what was gazetted last year. There was a strong focus on exports and competitiveness.

Sources said the scaling down of import duties on fully built up vehicles from 65% to 40% and components from 49% to 30% were the same as those proposed last year and were in line with expectations, although the Motor Industry Task Group had asked for 45% for built up vehicles.

A spokesman for the National Association of Automobile Manufacturers of SA (Naamsa) said yesterday it was unlikely any programme would satisfy all players in the industry, but the proposals had attempted to reach a "balanced compromise" between all sectors of the industry.

A spokesman for the National Association of Automotive and Allied Manufacturers (Naacam) said a major issue which had not been addressed by the board was a mechanism to ensure the rationalisation of models.

Naacam executive director Denzyl Vermooten said SA's relatively large range of locally manufactured vehicle models had resulted in inefficiency and higher costs.

A positive aspect to the proposals was the duty free allowance for motor manufacturers, which had been reduced to 27% from the 35% that was gazetted in December. "The 35% would have annihilated our industry," said Vermooten.

Motor vehicle manufacturers, component manufacturers and trade unions would meet in working groups until the end of next month to discuss the proposals, so that the programme's September 1 1995 implementation date could be achieved, he said. "We have been talking about this for two and half years. We can run with it now."

Delta Motor MD Willie van Wyk said the challenge to the SA industry was clear — "compete or disappear".

The National Union of Metalworkers of SA (Numsa) said its initial impression was "that it lacks the interventionist approach we felt was necessary for a long-term programme in this industry."

Numsa said that to build a viable export oriented industry "would require more than simply reducing the protection afforded to the industry".

"The lack of more clear signals with regard to model numbers and policing of the programme leaves that modern economic miracle 'market forces' to carry out the restructuring of the industry."

Promise of cheaper cars and clothes (74F)

Bold plan to slash tariffs

BD 13/6/95

● MANUEL

Tim Cohen

CAPE TOWN — Trade and Industry Minister Trevor Manuel yesterday unveiled final proposals for dramatic reform of the motor, textile and clothing industries designed to compel SA industry to become internationally competitive.

The proposals came after years of intensive negotiations and countless deadlocks over the way in which SA would get rid of its protective walls.

The plans will ultimately result in significantly cheaper cars and clothes, with the proposed phased tariff reductions to under half their current levels, outstripping SA's GATT offer in all sectors.

Clothing and textile industry representatives were yesterday given a month to comment on the reports while a new committee was set up to discuss the motor industry proposals.

After a briefing of senior representatives from both industries yesterday, Trade and Industry Minister Trevor Manuel said there was broad agreement on the architecture of the proposals. "Surprisingly, there was no blood on the carpet."

It was agreed by motor industry representatives that September 1 would be the outside date for implementation. In the meantime, a task group with three representatives from government, the trade unions and both the vehicle and component manufacturers would be set up.

Manuel said the task group would "flesh out the proposals as they stand now", with an interim report required on July 1. Manuel indicated his support for the current set of proposals saying: "We have workable proposals that we can go with."

The Board on Tariffs and Trade's motor industry proposal differs little from its proposals last year, except that the duty free allowance offered to manufacturers on components has been reduced from 35% to 27% of the value of the parts involved.

The motor industry proposals suggest abandoning the local content system driven by excise duties — and its replacement with a programme driven by steadily reducing customs duties, offering duty free allowances and an import/export trade balance rebate.

Import duty on built-up motor cars, commercial vehicles and minibuses would shrink from a planned 65% this year to 40% by 2002 by roughly four percentage points every year, while import duty for components would decrease from 49% this year to 30% in eight years. SA committed itself in its GATT offer to reduce import duty on motor vehicles from 100% to 50% within eight years.

● **For more details and reaction to the reforms, see Page 4**

To facilitate international trade, motor vehicle manufacturers would be entitled to a 27% duty free allowance on all parts to be used as original equipment for motor vehicles.

The plan aims at rationalising the number of models over the longer term.

Proposals for a new textile and clothing industry tariff structure suggest that ad valorem rates would be phased down over eight years and specific duties phased down over four years with a possible one-year extension. This compares to the 12-year period envisaged in SA's GATT offer.

Rate reductions for clothing would be reduced from 90% to 40%, for household textiles from 55% to 30%, for fabrics from 45% to 22%, for yarn from 32% to 15% and polyester fibre from 25% to 7,5%.

Some relief would be offered with a 50% subsidy on management consultancy fees for five years and the continuance of the duty credit certificate scheme, which gives exporters relief on import duties. Manuel said new conditions on training, productivity increases and human resource development would apply.

Manuel indicated he did not concur with the Swart Panel Report's suggestion for support to be provided for the capitalisation of new technology because it was probably not necessary.

He was concerned about "leakage" in the clothing sector at customs posts, and discussions were taking place with the finance department.

On balance of payments problems that might arise from the deep tariff reductions, Trade and Industry director-general Zavereh Rustomjee said the whole system was designed to be net BoP positive. Given SA's latent competitive advantages in its engineering industry, there were possibilities for "massive" BoP improvements.

Asked why the tariff reduction proposals were of shorter time periods than SA's GATT proposals, Manuel said the critical period for the industries would be the next four years. "We are suggesting that if people don't move soon, they are going to die in any event and there is no point in dragging that dead horse on."

National Association of Automotive and Allied Manufacturers president John Brandtner said Manuel's proposal for a task group to discuss the plans for the motor industry was "fair", although the components industry was still highly critical of the scheme.

He said there was little change from

Continued on Page 2

Tariffs

(74F) BD 13/6/95

Continued from Page 1

previous proposals which one acad[illegible] said would lead to "carnage" in the com[illegible] nents sector. "The current proposals a[illegible] result of a lobby process, rather than [illegible] empirical study of the industry."

Marcia Klein reports the Nation[illegible] Union of Metalworkers of SA said its initi[illegible] impression was "that it (the motor industry plan) lacks the interventionist approach we felt was necessary for a lo[illegible] term programme in this industry."

Yuri Thumbran reports the Clothi[illegible] Federation rejected the long-term plan [illegible] the clothing and textile industries.

Textile Federation president Merv King said: "The minister's ruling e[illegible] years of uncertainty and will give the [illegible]dustry the opportunity to implement [illegible] plans it has drawn up to become int[illegible]nationally competitive."

Poultry disaster: GATT connections

(74F) (3 POULTRY) Star 15/6/95

■ BY JOHN SHERROCKS
KWAZULU NATAL
BUSINESS EDITOR

Rainbow's cry of foul play against poultry importation highlights the growing concern that far from protecting South African industry, the General Agreement on Trade and Tariffs (GATT) will dramatically increase exposure to dumping and a number of other unfair trade practices.

Mark Silver, Deloitte & Touche tax partner, said the new South African legislation, which would incorporate the provisions of GATT, would do little to improve the lot of local manufacturers and producers.

Alarmingly, these do not provide the same degree of protection, he said.

The international agreement's definition of dumping was considerably narrower than South Africa's existing legislation.

It limited applicants for the imposition of anti-dumping duties to domestic producers who accounted for at least 25% of local production of the allegedly dumped product.It also makes no provision for the onus of proof.

Exploitation

Silver said South Africa would increasingly be regarded as an attractive dumping site. Together with the reduced costs of exporting to South Africa the country's status as a low-density industrialised country and the removal of the political factors which inhibited international trade in the past made the country an ideal target, said Silver.

Local manufacturers will be particularly vulnerable to well-seasoned international operators seeking to exploit new markets, so it is essential that they are not only aware of the increased dangers of unfair foreign competition but also poised to recognise when dumping is taking place and prepared to take immediate action.

"Although our admission to international trade circles is to be welcomed, it carries severe risks that need to be countered with equally defensive strategies," Silver said.

"Manufacturers who have been subjected to American anti-dumping measures will appreciate how effectively they can be used."

Ang . .

Industry blames smuggling on tax

Edward West (74F)

CAPE TOWN — Punitive duties on imported photographic equipment and film were driving SA consumers to smuggling and making it difficult for business in the country, according to US multinational Polaroid, which recently returned to SA.

Polaroid SA area manager Peter Jordan said although precise estimates were impossible, the best information available to dealers and importers suggested the ratio of foreign purchases — including illicit transactions — to legitimate retail sales by authorised dealers was four to one.

Before any conventional customs were levied on imported equipment it was subjected to duty of 15% on the free on board value, and it was on the compound value that a 37,5% ad valorem duty was calculated, followed by another 15% luxury surcharge. Insurance and freight added another 3%-5%. Photographic film suffered a similar fate, except that the ad valorem duty was lower at 32,5%.

A trade and industry spokesman said yesterday the 15% customs duty was under review and the Board on Tariffs and Trade was expected to make recommendations on the duty soon. BD 15/6/95

Jordan said there was a moral argument for lowering custom duties. Apart from the fact that there was no domestic manufacturing industry to protect, thousands of underprivileged South Africans made a living from street photography.

Illegal imports 'harming clothing, textile industry'

74F

BD 15/6/95

John Dludlu

ILLEGAL clothing and textile imports worth more than R1bn were passing through SA's lax customs controls every year, Textile Federation (Texfed) executive director Brian Brink said yesterday.

He said there was a need to tighten up customs controls to stem the flood of imports escaping duties and harming local industries.

"The figure could be a lot higher — we can't tell, because by their very nature these imports are fraudulent," Brink said.

This follows Trade and Industry Minister Trevor Manuel's statement that government believed illegal imports added about 20% to the import bill.

Brink said the problem was so rampant that Texfed had offered to help government by seconding technical experts to the underresourced customs and excise department.

The experts would assist with the identification of products at ports of entry, duty checks and the inspection of documentation.

However, Brink said such an offer could not be accepted under the current Customs and Excise Act, which insisted on confidentiality regarding customs control.

"Unless we lift this veil of secrecy, it will be impossible to second officials to government," he said.

Deputy customs commissioner Isaak Coetzee said Finance Minister Chris Liebenberg had asked his special adviser Charles Stride and customs commissioner Daan Colesky to draw up a business plan aimed at improving efficiency.

"Criminals are getting better than us (customs officials)," Coetzee said.

A team of experts was studying ways of improving the department, while Stride and Colesky were currently overseas studying moves to restructure the inland revenue and customs and excise departments in other countries.

Weak rand overtakes drop in motor duties

ST(BT) 18/6/95 (74F)

By DON ROBERTSON

HOPES that development programmes announced for the motor industry this week may result in lower car prices should be tempered by the likelihood that further declines in the value of the rand will wipe out most of the import duty cuts.

The revisions to Phase VI call for reductions in import duties on completely built-up cars (CBUs) and light commercials from 65% this year to 40% by the year 2002 — a rate of about four percentage points a year. Reductions in duties on component imports will come down from 49% to 30% over the same period.

Motor manufacturers say the reduction in protective tariffs will put pressure on the pricing of comparable, locally produced products, although they concede that in early years, vehicle imports will be in the high-priced luxury range and will not have a significant impact on lower priced vehicles.

Historically, however, the rand has depreciated against major currencies, particularly the Japanese yen and German mark by more than 4% a year. Since the beginning of this year alone, the rand has lost about 20% to the yen and about 17% to the mark.

Tony Twine of Econometrix says the reduction in duties is not an instant recipe for cheaper cars. It might offset some of the damage caused by a weakening rand, but it won't cancel it out. Fears of a falling rand were constantly in the minds of the development programme's authors during its preparation and they still are, he says.

Nico Vermeulen, executive director of the National Association of Automobile Manufacturers of South Africa, hopes that cheaper prices will be achieved only in real terms, to keep prices below the inflation rate. However, as the economy grows, disposable income will increase, which should make cars more affordable in relative terms.

Willie van Wyk, managing director of Delta, says the programme "in the longer term will lead to more affordable products in real terms for our customers".

John Newbury, Nissan's chairman, says he does not expect any immediate reduction in prices.

At the beginning of the year, Bert Wessels, chief executive of Toyota, hoped price rises could be kept below 5% this year. The subsequent plunge in the rand put paid to this.

A mischievous industry source suggests there is a large interest group which would not like to see vehicle prices decline in nominal terms, as it will affect residual values on cars bought on lease.

The revisions also propose a 27% duty free allowance for manufacturers, based on the wholesale value of vehicles produced. This is below the 35% requested and was reduced, probably at the insistence of component manufacturers as the local content requirement was dropped.

To encourage exports, manufacturers and component suppliers will be permitted to import vehicles or parts, equivalent to the export value of these items on a one-for-one basis.

Manufacturers exporting components, excluding autocatalysts, may bring in CBUs equivalent to 75% of the value of parts sold overseas.

Naamsa says that vehicle manufacturers and component suppliers will have to ensure that the difference between the price of locally produced parts and those available overseas is reduced.

Mr van Wyk echoes this point, saying future sourcing of components will depend on quality, service and price, "with the final contract being placed with the best supplier, regardless of geographic location".

Inflation rates in Germany and Japan, the main source countries, is below 3%, so local component manufacturers will be hard-pressed to match these prices.

A task group has been appointed to resolve any remaining issues, but it is expected the programme will be introduced on September 1, although the cut in import duties to 65% will probably be implemented sooner.


DASHED HOPES ... Bert Wessels, MD of Toyota, and Delta's Willie van Wyk

'Scrap protective duties' (74F)

Political Correspondent

PROTECTIVE duties for the television, radio and music equipment industries should be abolished, says a Cosatu-backed industrial strategy project released today. ARG 19/6/95

The recommendation is made in a study of the causes of the poor performance by South Africa's manufacturing sector.

The study, published by the University of Cape Town and the Cosatu-backed Industrial Strategy Project, is based on four years' research.

It said protection for the white goods (stoves, fridges and so on) and small appliance industries should continue for a limited period.

The study rejected the view that the motor industry should be forced to be competitive by the lifting of tariff barriers to allow cheap imports.

Minister of Trade and Industry, Trevor Manuel, welcomed the study but said he disagreed with some of its findings.

Import hike not alarming, but bank trims forecast

(74F) ARG 21/6/95

JOHANNESBURG. — The current rise in imports and gross domestic expenditure should not be interpreted as alarming, Nedcor's economics unit says in its latest monthly guide to the economy.

The bank did however trim its economic forecasts to 2,9 percent in growth of real gross domestic product this year and four percent in 1996.

This was largely owing to the persistence of dissapointing agricultural production and falling gold production — which depressed first quarter GDP and was also likely to have the same effect on second quarter GDP.

"However, other indicators remain encouraging. Motor vehicle sales have risen strongly off a low base," the unit said.

"Indications of consumer spending are mixed, with official figures showing a slowdown, but Retailer Liaison Committee statistics are firm."

The unit expressed concern at the significant rise in imports, strong domestic demand and increased credit demand — which had characterised the current economic upswing.

The sustainability of the recovery would be dependent on whether the economy was again experiencing a consumer-led boom typical of the 1980s or whether more fundamental restructuring was taking place.

"The rise in imports appears to be largely related to capital rather than consumer goods," the unit analysed.

"It is also possible that much of the buildup in inventories could be reclassified as fixed investment spending once individual components are installed as plant and equipment.

"If this is, the impressive rise in domestic expenditure is not owing to a consumer boom and is no cause for undue alarm."

Nedcor said underling inflation was likely to continue to increase during the rest of 1995, and 1996, although headline inflation could dip in the third quarter this year on base considerations.

"With capacity constraints in certain sectors and high wage demands, inflation will be difficult to contain in the short term.

"However relatively high real interest rates will offset some of these negative tendencies."

It expected consumer inflation to be 10,3 percent this year and 11,7 percent next year. — Sapa.

Not guilty of axe murder

Deborah Fine

GAUTENG salesman Stefanus Schultz, 38, was found not guilty in the Rand Supreme Court yesterday of killing a woman with an axe and setting her alight.

Judge G Gordon said he was acquitting Schultz "with regret" but the State had failed to prove beyond reasonable doubt that the East Rand salesman had murdered Wondra Pieterse, 42, in Alberton on April 21 last year.

It had emerged that Schultz and Frans Page met an intoxicated Pieterse at the Elsburg Hotel, near Germiston, and had then driven her to a gravel road to have sex with her.

Pleading not guilty to murder, Schultz claimed he could not remember going anywhere with Pieterse. He could only remember being with her at the hotel and then waking up at his Elsburg home the following morning.

Judge Gordon said Page — the State's only eyewitness — had sought only to distance himself from the murder and had given thoroughly unreliable evidence.

Arms exports do not pay — expert

(BD) (74G)

BD 21/6/95

Edward West

CAPE TOWN — SA's arms exports provided only marginal financial gain and net returns were even more negligible when subsidisation and other hidden costs were taken into account, the Cameron commission heard yesterday.

This was said by London University Centre for Defence Studies senior research fellow Susan Willet who, with UCT Centre for Conflict Resolution researcher Peter Batchelor, submitted to the commission a cost-benefit economic analysis of SA's arms trade.

They argued that in the long term, arms exports could have significant opportunity costs, could be detrimental to industrial development and economic performance, and that resources should be released from subsidising arms exports and be redirected towards civilian investment and the creation of employment.

Willet told the commission that those in SA who defended arms exports pointed to foreign exchange earnings, job creation, lower production unit costs, recovery of local research and development costs and technology spin-offs for civilian production, as the major economic benefits.

In 1994 arms exports — supporting about 15 000 jobs — amounted to R854m or 1% of total exports and 2% of manufactured exports, a far less significant economic contribution than claimed by its proponents, said Willet.

In 1993, R206m, nearly half of total defence research and development, was spent on subsidising research and development in private firms.

Defence research and development had in the past accounted for more than 30% of total government research and development spending, with little visible benefit to civilians.

The demand for labour in the armaments sector was predominantly for highly skilled workers.

Without more exports, the industry was likely to downsize even more.

The defence labour market distorted human capital formation by absorbing disproportionate numbers of science and technology graduates and technicians.

About 40% of SA's total arms procurement needed to be imported, and if exports were highly dependent on imported components, net foreign exchange benefits would be significantly reduced.

And while SA had managed a trade surplus in military technology over the past two years, arms trade figures did not include the import of capital goods for weapons production, which, if included, would probably mean a deficit in the military technology trade balance, said Willet.

AWB 'siege' pair sentenced

(BD)

BD 21/6/95

Susan Russell

TWO senior AWB members who took part in a right-wing storming and siege of Kempton Park's World Trade Centre during multiparty negotiations in June 1993, were sentenced in the Johannesburg Regional Court to six years suspended for five years for public violence.

Josias Cruywagen and Dirk Ackermann were identified as the driver and passenger of a armoured vehicle known as a Viper which drove through the glass front and into the foyer of the centre on June 25 1993, allowing scores of other protesters to pour into the building.

Fifteen co-accused won an application for their discharge on Monday on the grounds that the prosecution had failed to prove the charges against each of them.

Counsel for Cruywagen and Ackermann closed the case without calling witnessess or leading evidence from either of them. However, AWB leader Eugene Terre'Blanche testified in mitigation.

The AWB leader, who was present at the siege, denied there had been any right-wing plan for violent protest and said the intention was to hand over a written protest to the multiparty negotiators.

Sapa reports that Terre'Blanche said the AWB's coffers had been depleted by R500 000 spent providing legal representation and bail funds after the invasion.

Magistrate JJB Esterhuizen found that the state had proved a charge of public violence against Cruywagen and Ackermann beyond reasonable doubt.

He said, however, there was evidence that the offence had occurred during the emotion of the moment. The magistrate said the failure of Cruywagen and Ackermann to testify had also [illegible] sentencing difficult.

He compared the present case to one he had tried in 1992 in which an MK member was charged with attempted murder for planting an explosive device which caused no injuries. During the trial the late MK leader Chris Hani had testified on the unlikelihood of the accused committing a similar offence again due to the changing circumstances in the country. The accused then was given a suspended sentence.

IMPORT & EXPORT

Ports face a problem

~~(74F)~~ (74F)

Recent and ongoing blockages in South Africa's ports threaten the future of local exporters and importers who cannot meet their commitments on time.

And, says Albert Schuitmaker, deputy director of the Cape Chamber of Commerce and Industry, the cost to business of these blockages is astronomical.

Various factors account for the congestion — ranging from labour disputes to inefficiency on the part of port authorities. But the underlying cause, says Schuitmaker, is that the ports could not keep pace with the dramatic increase in container movement over the past year.

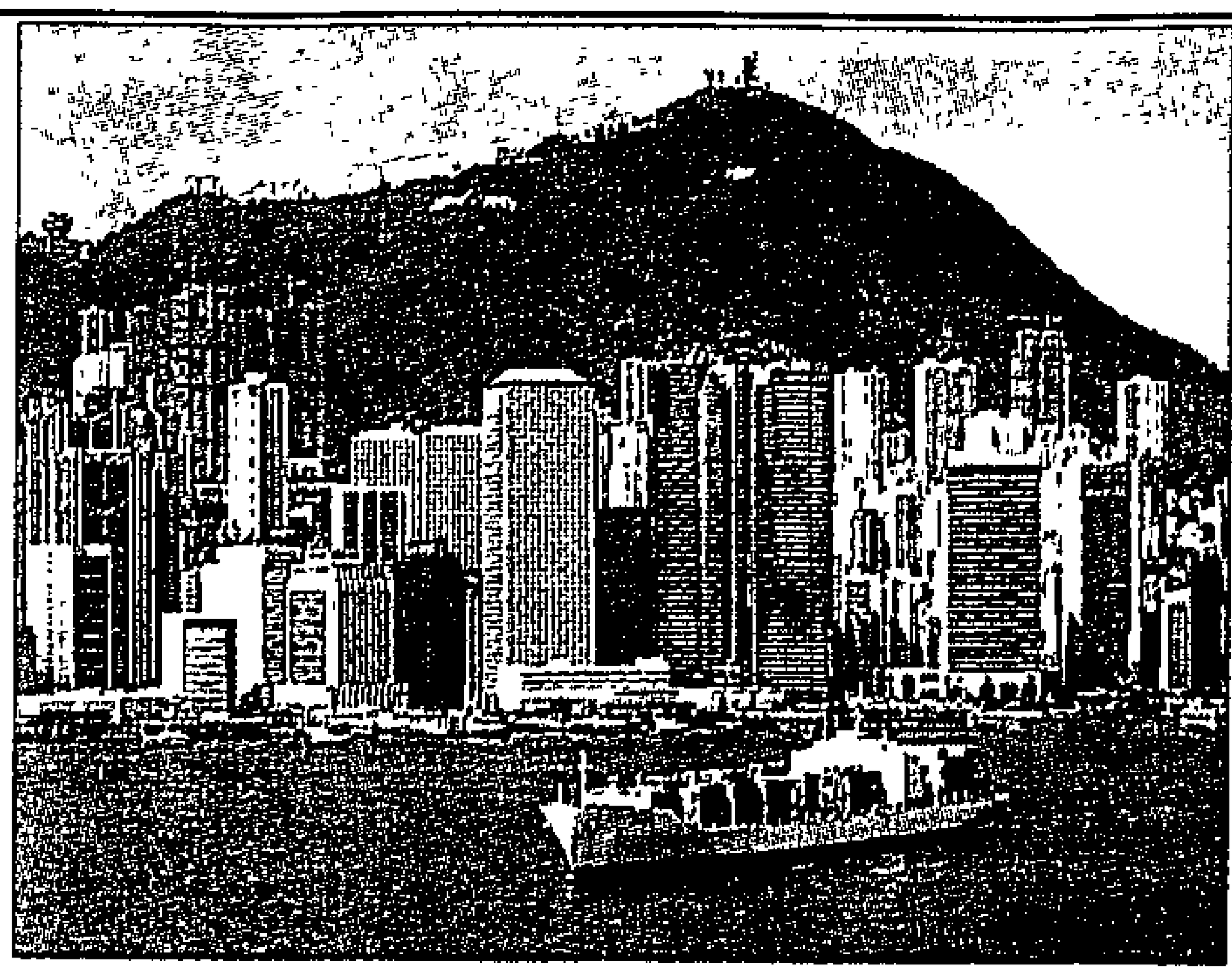
"The industry anticipated around 5 percent growth following the last national elections. In fact, we have seen growth of around 25 to 28 percent over a very short period of time," he says.

Cape Town business representatives responded by setting up a Port Liaison Forum, on which all the stakeholders in container movement through the city's port were represented.

"Our first step was to assess the damage done to business by the delays — and we found it to be vast. In one case, a company was losing R2 million a day; another company lost a six-month contract in the Far East when a single consignment failed to arrive on time.

"Meeting deadlines are crucial for exporters. In some cases businesses literally come to a standstill if they don't receive goods on time; while in others major marketing campaigns can hinge on the arrival of products at a certain time.

"Some small contractors who depended on the timeous delivery of materials or equipment actually had their livelihood threatened when the port couldn't process them in time," he says.



TIME IS ALL IMPORTANT IN THE EXPORT BUSINESS

Once aware of the magnitude of the crisis, the forum moved into high gear. Work groups were set up to identify and work through short- term solutions to the problem. At the same time it drew up detailed plans for long-term changes.

"Everyone had to co-operate. By co-operating we cleared the back-log within six weeks of our first meeting," Schuitmaker says.

CT (BR) 21/6/95

QUESTIONS

†Indicates translated version

For oral reply:

The PRESIDENT OF THE SENATE: Order! We shall proceed to questions as printed on the Question Paper. However, before we do so, I would like to draw the hon Senators' attention to certain stipulations in respect of questions. Firstly, questions for oral reply shall be limited to two questions per member per question day.

†I notice that there are up to four questions per member appearing on the Question Paper.

Furthermore, a question for oral reply may, in the discretion of the presiding officer be tabled if, in his opinion, it contains information of a statistical nature.

†I am therefore going to apply these Rules today.

I will apply these Rules in order to protect the Senate against the zeal and enthusiasm of some Senators who have asked too many questions. I am going to ask Ministers to co-operate by using their discretion, lest I apply my discretion to Table replies or portions of their replies in respect of information that may be of a statistical nature.

†I will be very thankful if I get the necessary co-operation.

†Sen Dr G MARAIS: Mr President, on a point of order. When the Minister to whom I am putting questions is never here, then my questions unfortunately pile up.

†The PRESIDENT OF THE SENATE: Order! In the particular case of the hon Senator I am allowing the questions that are standing over, so that he will have three questions to his credit. We proceed.

Questions standing over from Thursday, 8 June 1995:

*4. Sen Dr G MARAIS—Trade and Industry. [Question standing over.]

Imported frozen chicken portions off-loaded in Cape Town harbour

(74f)

*9. Sen A E VAN NIEKERK asked the Minister of Agriculture:†

(1) Whether a consignment of approximately 52 tons of imported frozen chicken portions was off-loaded in the Cape Town harbour on or about 27 February 1995; if so, from which country or countries was this consignment imported;

(2) whether this consignment was tested for salmonella and/or any other poisoning before being made available for distribution; if not, why not; if so, what were the findings;

(3) whether it has been established whether there was any connection between this chicken meat and the treatment of children for salmonella poisoning at the Red Cross Children's Hospital; if not, what is the position in this regard; if so, what are the relevant details;

(4) whether his Department has taken or will take any steps timeously to prevent the (a) import and (b) distribution for consumption by the public of contaminated food; if not, why not; if so, what steps?

S240E

The MINISTER OF AGRICULTURE (Reply laid upon Table with leave of House):

(1) No. 3 200 Tons of imported frozen chicken portions, however arrived in Cape Town Harbour on 23 February 1995.
USA and Canada.

(2) Yes. The findings were that *Salmonella hadar* was found in poultry meat from USA and Canada. The South African health certificate does not require testing for *Salmonella hadar*.

(3) *Salmonella hadar* from the imported consignments was compared to *Salmonella hadar* isolated from the Red Cross Children's Hospital by the plasmid-isolation technique. Initial tests indicate no relationship between the serovars involved. Final tests will be done in the UK.

(4) (a) Yes

(b) Yes. It is required that test for *Salmonella* which are pathogenic for man must be undertaken by the export country to the satisfaction of South Africa. On arrival of the consignment similar tests are conducted by the Department.

Amount made available to heart transplant unit at Groote Schuur Hospital

*11. Sen C R REDCLIFFE asked the Minister for Health:†

(1) What is the total amount made available to the heart transplant unit at the Groote Schuur Hospital;

(2) whether this amount is sufficient to enable the unit to continue its work on a national basis; if not, what amount is needed for this unit to so continue its work;

(3) whether the Government will consider providing the amount still needed; if not,

(4) whether it is the intention to enable any other hospital in South Africa financially to develop a heart transplant unit; if not, why not; if so, what are the relevant details;

(5) whether she will make a statement on the matter?

S242E

The MINISTER FOR HEALTH

(1) It is not possible to determine the amount made available to the heart transplant unit at Groote Schuur Hospital. According to Groote Schuur Hospital the annual operating costs of the Department of Cardiothoracic Surgery is approximately R15 million. The transplant unit estimates that the cost of the transplant programme is approximately R6 million.

(2) No. At present between 35 and 40 heart transplants are done annually. Statistics suggest that South Africa should be doing approximately 100 heart transplants per year. This will require an additional R10 million.

(3) All health authorities are re-evaluating their priorities. Once this has been done the funding of the transplant unit will be considered but always in relation to other priorities.

(4) No. The unit at Groote Schuur Hospital will have to operate to maximum capacity and be funded optimally before consideration will be given to funding a second unit.

(5) No.

New questions: (980)

National/provincial/local government budgets: auditing

*1. Sen Dr R RABINOWITZ asked the Minister of Finance:

Whether (a) national, (b) provincial and (c) local government budgets are subject to auditing in terms of General Accepted Accounting Practice (GAAP); if so, in what way; if not, in what way are accountability and transparency assured?

S263E

The MINISTER OF FINANCE.

No. Most of the governmental financial systems are controlled on a cash basis. General Accepted Accounting Practice (GAAP) is therefore not generally applied. Furthermore, no external auditing of the budgetary process take place at any level of government. Accountability is assured by the budgeting process at national and provincial level taking place in terms of the regulations and directions of the Department of State Expenditure whilst at local government level the process is controlled by the rules of the Institute of Municipal Treasurers and Accountants. It is thus the function of the accounting officer at all levels to ensure the regulations and directives are complied with and at national and provincial level the Department of State Expenditure exercises further control.

The Auditor-General has however, in the interest of enhanced transparency, decided to audit the budgetary process to add further integrity to the data and to the process itself.

A comprehensive guideline in respect of this auditing has been drawn up and was issued in April 1995. This will in future ensure that the budgetary process is audited to General Accepted Government Auditing Standards (GAGAS).

Generally Accepted Government Auditing Standards (GAGAS)
(term used by Senator Rabinowitz in Question No 1 on 7 June 1995)

The International Organisation of Supreme Audit Institutions has developed a set of standards known as GAGAS in terms of which the audit *process* have to be carried out or comply with. Compliance with GAGAS en-

Opposition to project to import thousands of live sheep

Star 22/6/95 (74F)

Meat-on-the-hoof plan 'still on'

BY NIKKI WHITFIELD
CONSUMER REPORTER

The plan to import live sheep from Australia is still on track, according to the people fighting hoof and tail to get it off the ground.

The project — to ship tens of thousands of sheep from Down Under to combat a fresh meat shortage and bring down meat prices — has met with fierce opposition from the SPCA and sheep farmers.

According to Shabeer Hoosen, spokesman for the United Meat Traders' Association — the organisation behind the import plan — a delegation of Agriculture Department members and representatives of the United Meat Traders' Association will visit Australia at the end of July.

"The delegation will go on a fact-finding mission to see what will be involved if the project is given the go-ahead," Hoosen said.

"We had a meeting with (Agriculture Minister) Kraai van Niekerk last week and things are still on track."

But it is clear that a permit to import live sheep will not be granted in a hurry. The United Meat Traders' Association lodged an application to import 34 000 sheep with the Department of Agriculture in April and much investigation and evaluation is still to be done.

The Red Meat Producers' Organisation is horrified at the idea, fearing that foreign diseases will invade local flocks and that sales of the freshly slaughtered meat will decrease demand its frozen carcases.

And the SPCA has reacted with outrage, saying importing thousands of live animals would be a disaster from a welfare point of view. Many would die of starvation if they were not given enough time to adapt to eating the dry food they would be fed on board ship, many would succumb to suffocation if ventilation was not adequate. Seasickness and diseases contracted on-board were also problems.

But Hoosen and his organisation — based at the Cato Ridge abattoir — say they are not about to put anybody out of business nor to inflict suffering on the sheep. There is a huge need for fresh meat as the majority of people do not own fridges, and local suppliers do supply enough fresh me ...ey say.

Sheep would properly taken care of on sea voyage, and as for a... ...asion of foreign diseases, t... Australian health conditio... are the most stringent in t...e world, Hoosen says.

No animal is allowed to leave that country if it has a disease and would be kept in quarantine, he says.

Canned pineapple imports 'frozen'

Marcia Klein (74F)

GOVERNMENT departments have slapped an unofficial moratorium on canned pineapple import permits until a GATT tariff level is set in what appears to be an attempt to protect SA's pineapple industry.

Various companies, including Del Monte Royal Foods, Pick 'n Pay and Langeberg, have applied for permits. Some have been refused while others await replies.

Sources said the move was intended to protect drought-stricken Eastern Cape farmers, who had complained about unfair competition from cheaper imports.

Pick 'n Pay director Richard Cohen said the group was "finding it difficult" to obtain a permit. It had applied for one some time ago and was awaiting a reply.

Del Monte Royal Foods SA operations director Doug Johnston said his group had applied to the trade and industry department for a permit late last year. The application was turned down by the agriculture department, which said there was an adequate supply of pineapples in SA. Del Monte, which launched its brand in SA last year, had reapplied for a permit.

Previously permits were issued by the trade and industry department under the

BD 22/6/95 Continued on Page 2

Pineapples

(74F)

Continued from Page 1 BD 22/6/95

Import-Export Act, but the applications appeared to have been passed on to agriculture, which had jurisdiction to make recommendations but not to grant or refuse permits.

Sources said the problem appeared to have arisen from confusion over "a gentleman's agreement" to help the local industry, reached at a meeting in November. Local industry members and officials had taken the agreement at face value, while importers said they had merely agreed to help where they could. Some were sourcing pineapple chunks for fruit cocktails locally, but would not source pineapple pieces as quality was inconsistent.

Agriculture marketing chief director Petrus Swart said he understood local producers were "in a position to supply fully the requirements of the canners". The industry faced the possibility of cheap imports and no tariff was in place yet.

Another department source said: "We are in the process of setting tariffs for agricultural products and will replace one protection system with another."

Pineapple Association chairman Corder Tilney said "Once GATT tariffs are in place we have no problem with imports, but we do not want unfair competition."

The trade and industry department could not be reached for comment.

COMPANIES

Import plans raise a stink

(74F) (183)

ST(BT) 25/6/95

By DON ROBERTSON

THE fertiliser industry says it will watch closely plans by the Trading Corporation of South Africa (Koopkor) to grab a significant share of its R1,6-billion market with imports.

Koopkor said last week that the Arab Company for Finance and Investment Trade (Acfit) had bought a large shareholding in Koopkor and had made available a credit facility of $400-million, mainly to import fertiliser.

By importing nitrogen in the form of urea, phosphates and potash, Koopkor hopes to mix the fertiliser on the farmers' land, using soil samples to determine the chemical mixture. It hopes prices will be 30%-40% less than those charged by the three major producers — Kynoch, Sasol Fertilizer and Omnia.

The first shipment of 25 000 tons is expected next month. The price of locally produced fertiliser is based on world figures and has risen by about 40% in the past 18 months.

John Skeen, managing director of Kynoch, an AECI subsidiary, insists Koopkor's import plans must be subsidised in some form or other and argues it will incur all the costs that the SA industry has to face.

"There are no import duties on fertiliser and the local industry has to structure its prices to compete with imports. If international prices fall, local companies would have to adjust prices accordingly. "If we believe, however, that Koopkor's prices are sustainable we will react. There is no way we will allow them to take our market. We will fight," says Dr Skeen.

Five years ago, Agriland took on the big three producers by leasing the Richards Bay granulation plant previously owned by Louis Luyt's Triomf Fertilizer. Its intention was to gain a 10% share of the market by substantially reducing prices. The local industry responded by matching these prices.

The Agriland policy was similar to that adopted by Koopkor in which various mixtures are blended on the land. Two months after it was established, the company was "wound down" through lack of finance and Kynoch took over its sales contracts.

Three years later, Zulfert Fertiliser entered the market and hoped to cut prices by importing raw materials from America and Europe and then blending them in a storage facility at Richards Bay. Only weeks later, the company encountered financial problems and the scheme was dropped.

André du Plessis, a director and head of the fertiliser division at Koopkor, says fertiliser represents the highest input cost faced by farmers and one way of reducing this is to prepare a "prescription" mixture, as done in most countries.

"A maize farmer can expect income of about R2 000 a hectare on which he would have to spend about R250 on fertiliser."

Maize farmers are just able to exist, earning an import-replacement price of about R610 a ton for white maize, but if there is a normal crop next season with a surplus for export, the price will be closer to the lower international price, so any savings will be vital, says Mr du Plessis.

Neville Crosse, Omnia's managing director, insists, however, that there are probably about 40 blending plants in the country serving small communities, but savings are not that big.

Th[illegible]ustry has excess capac[illegible] and currently exports [illegible]out 1-million tons of fert[illegible]r, of which about 250 00[illegible]s is in granulated form, he says.

Peter Viljoen, managing director of Sasol Fertilizer, says that if imports are brought in at 40% below local market prices, these imports would be below international prices, which would constitute dumping.

EU to delay SA tariff cuts

(74F) (~~27F~~)

BY JOHN FRASER

INDEPENDENT NEWS SERVICE

Brussels — The European Union (EU) delivered a slap in the face to South Africa days before formal trade negotiations are due to open.

Joao Vale de Almeida, EU spokesman said yesterday that there had been a hitch in preparing promised tariff cuts for farm exports from South Africa. "We had hoped for an agreement by July 1 but we are now not going to meet that deadline," he said.

The concessions, under a framework known as the Generalised System of Preferences, were due to come into force this weekend.

Joao de Deus Pinheiro, EU commissioner for South Africa, wants to expand the range of South African farm products which are covered by the system from 20 percent of exports. However, he has met stiff opposition to his proposals.

"The farm lobby is opposed and they have leant on some members of the commission," said a top Brussels official.

"Commissioners with interests in other parts of the world fear the share of the EU market for North Africa, Latin America and so on could shrink if South Africa is given better access.

CT(BR) 27/6/95

Sasol set to oppose proposed cuts in import protection

(83) (74F) ARGT 27/6/95

Business Staff

SASOL has said it will oppose proposed import protection cuts which would slash its income by R2,7 billion in five years.

Sasol accepted reductions to its import protection, but wanted this done over eight years and not the four recommended in the report by consultants Arthur Andersen, MD Paul Kruger said yesterday.

"Synfuels is a capital-intensive industry with a replacement value of some R30 billion. We note that other less capital-intensive industries, have, in line with the General Agreement on Tariffs and Trade, been given far less onerous adjustment terms," Mr Kruger said in his response to the report.

"The motor and textile industries were recently assured protection for eight years."

The Arthur Andersen report, commissioned by the Liquid Fuels Industry Task Force, recommends that the crude oil equivalent floor price, on which the price for synfuels is based, be brought down from the present $21,40 a barrel to $19 a barrel from January, 1996.

The report calls for the floor price to be further reduced to $18 a barrel during 1997 and 1998 and to $17 a barrel from July, 1999.

If implemented, the recommendations would reduce Sasol's income by R2,7 billion in five years, Mr Kruger said. Present protection amounted to less than three percent of the pump price of petrol.

The floor price has already been adjusted downwards twice since October, 1993, when it was reduced from $23 to $21,8 and in June, 1994, when it fell to $21,40. These reductions cost Sasol R250 million a year.

Mr Kruger said that at current oil prices the Arthur Andersen proposal meant that tariff protection would be effectively zero from July, 1999.

Cumulative protection during the next five years would be less than half of the projected figure based on current oil prices. The cumulative loss of revenue would therefore be R2,7 billion in the next five years.

Mr Kruger said Sasol would redouble efforts to streamline further its synfuel operations and improve profitability.

Costs would be cut, productivity improved and production yields raised. Sasol would also reconsider capital spending on synthetic fuels plants.

"We manufacture our crude oil while the multinational oil companies import theirs. All over the world, import protection is granted to local industries which add value to natural resources," Mr Kruger said.

Arthur Andersen found that Sasol's synthetic fuels business made a significant contribution to the South African economy. It employed nearly 59 000 people directly and indirectly, added R6,1 billion a year to low value coal, saved foreign exchange of R5,6 billion a year and contributed 12 percent of the Eastern Transvaal's gross product.

Its contribution to the economy was six times more than the cost of tariff protection — currently less than three percent of the pump price of petrol.

Although protection imposed economic costs on users and taxpayers, Arthur Andersen reports that there was near unanimity among the 36 organisations and interested parties which made submissions to the study that protection should, at a minimum, be sufficient to ensure the continuation of the company's synthetic fuel operations.

This, the report says, is because the business generates general economic benefits far in excess of the cost.

Arthur Andersen found that the transfer prices of coal and chemical feedstocks were fair and were established at arm's length.

May imports widen trade deficit

ST (BT) 2/7/95 (74F)

SOUTH Africa's monthly trade balance slipped into the red again in May, registering a deficit of R134,8-million following April's R305,7-million surplus, according to figures released on Friday by the Customs and Excise department.

Imports in May surged to R9,055-billion from R6,65-billion in the previous month, as the import of machinery and electrical appliances, transport equipment, and mineral products escalated.

Economists have been predicting a continued surge in imports this year, as companies replace ageing machinery and restock. Most viewed April's slowdown in imports as an aberration.

Exports also increased in May to R8,92-billion from R6,96-billion as the export of mineral products grew but most other export categories were muted.

Imports in the first five months of May were more than R10-billion up at R38,7-billion on the same period last year of R27,1-billion.

Exports in the year to May amounted to R39,6-billion compared to R33,5-billion a year ago.

South Africa continued to source the lion's share of its imports from Europe.

Exports to Africa showed further strong growth, and exports increased slightly to Asia and Europe, but the flow of goods and services to the US fell.

The renewed trade deficit is bad news for the current account of the balance of payments.

The current account is now likely to show a deficit of between R7-billion and R8-billion this year, as economic growth continues to lift imports, particularly of machinery and other capital equipment.

Reserve Bank Governor Chris Stals has frequently stated that he is not too perturbed about the current account deficit as it can be financed by inflows on the capital account.

These inflows, although mainly short-term, have recently lifted the foreign exchange reserves to levels equal to two months worth of imports.

On Friday Dr Stals said the net exchange reserves looked set to increase by just under R1,3-billion in June.

"Indications are that the Reserve Bank's net foreign reserves will again increase in June, albeit by less than the R1,3-billion proceeds of the Samurai loan issued by the government earlier this month," he said in a statement.

The bank's net foreign reserves rose by R5,8-billion in May, after falling by about R4,1-billion in the preceding month.

In the first quarter this year the current account deficit of R7,8-billion was not quite matched by a capital account surplus of R5,4-billion. — Sapa-Reuter.

Cheap imports 'endanger agriculture'

Louise Cook (74F)(B)

THE Transvaal Agriculture Union council has called for an urgent meeting of all agricultural sector leaders to warn government that the sector was near collapse and faced one of the biggest crises in history, while and that the RDP, the economy as well as SA's ability to provide food, was in jeopardy.

The council warned at the weekend that the agricultural sector faced one of the toughest fights for survival — partially because of large scale dumping of overseas food in SA.

Producers of red meat, poultry, pork and dairy products were victims of "daily cuts in the prices of their products as a result of uncoordinated and illegal dumping". BD 3/7/95

The council said SA had become the dumping ground for highly subsidised agricultural products. Local farmers lacked similar government support and had a severe disadvantage against farmers abroad.

SA was seriously harmed by the GATT regulations because no "reciprocal corrective measures on the input side" were made.

Other factors that had an effect on farmers were "abnormally steep" price increases from suppliers of diesel, fertilizer, wire and packaging material. These followed on the back of hikes in interest rates.

The council called for an urgent meeting with the SA Agriculture Union, provincial unions and trade organisations to take the issue up with government.

Drop of tariffs has wide implications

(74f)

By Mzimkulu Malunga

Sowetan 6/7/95

LAST month's announcement by Trade and Industry Minister Mr Trevor Manuel that duties on foreign goods will be scrapped in phases has far-reaching economic implications.

Manuel's announcement is in line with an international trade accord, the General Agreement on Tariffs and Trade (Gatt).

His announcement entails the phasing out of import duties over an eight-year period instead of 10 years as he had originally announced.

Duties, or tariffs as they are normally called, are measures which countries use either to frustrate imports or to discourage local people and companies from buying anything from outside their country.

For instance, if a person in this country wants to import a car from Botswana or Zimbabwe, he will be charged a levy when he brings the car into the country.

In some instances, the levy is so high that the importer may find that while the price of the car was cheaper than in South Africa, he may end up paying double the price when duties are added.

So, next time, the person will buy locally rather than import from elsewhere.

Another reason countries use tariffs is to protect local producers from cheap exports from other parts of the world.

For example, countries in the Far East are known for their extremely cheap products. Once such goods start finding their way into the local market, consumers may stop buying local produce.

This could have an impact on the sales of local companies and result in job losses.

Tariff cut aids exports

(74f)

BRUSSELS. — The number of South African farm exports to the European Union which benefit from reduced tariffs under the Generalised System of Preferences is to be more than doubled.

The European Commission agreed yesterday on proposals to lift the percentage of South African agricultural exports which can apply for the GSP from 24 to 66 percent.

But the proposal, which has to be approved by EU foreign ministers, fell short of South Africa's demand for a 100 percent inclusion of its exports.

The new tariff rates will apply until the end of the year when the entire GSP is due to be revised for the next decade.

Products excluded from the GSP list drawn up by the EU Commission include tobacco, canned fruit and some plants.

South African ambassador to the EU Neil van Heerden yesterday condemned the EU approach as "restrictive."

ARG 6/7/95

Instead of starting from a full list, and knocking off sensitive products, the EU had taken the opposite approach, he said.

"This was compiled on the basis of a positive list, with products being added one-by-one," he explained.

"And there is still the risk that the list as it stands may be reduced when it is discussed by EU governments.

"South Africa is not being put on an equal footing with EU producers, as some of the GSP tariffs are still high.

"And we are not being put on an equal footing with other recipients of the GSP in the developing world.

"They have 100 percent of GSP for agriculture, while we are being offered just 66 percent." — Sapa-AFP.

Trade and Industry Minister Trevor Manuel ... introducing tariff cuts in the auto, textile and clothing sectors.

Tariff cuts will help economic growth

Sowetan 6/7/95

By Moeletsi Mbeki

(74F)

Ways must be found to encourage saving and increase skills

TRADE AND INDUSTRY Minister Mr Trevor Manuel is, at present, probably the only ANC Minister who is seriously trying to do what the blacks who voted for the ANC want to see done as a priority.

In their heart of hearts, most black voters want to see the new Government punish the white man for his past sins. Tariff cuts will do just that. They have the added bonus of bringing down clothing and transport prices.

Whether tariff cuts will punish the right white man and punish him sufficiently, is a matter that should exercise our great legal minds. To the man in the street, however, this is a moot point.

Whatever the virtues of free trade in cars, textiles and clothing as ways of bringing about economic development in South Africa, to most blacks less protection of these industries means first and foremost more pain for their white owners and managers.

Foreign imports will, by taking a share of the local market, hit the owners and their highly paid white managers where it hurts most their pocket books. Imports will, of course, also adversely affect black workers in these industries. However, in the eyes of most black voters, that is a necessary price for the greater satisfaction of seeing whites suffer.

An iron law

Sanctions, after all, taught today's black electorate, the former oppressed masses, that there is an iron law which states that one must sacrifice to achieve the community's higher objectives. This message is beginning to register even with the pro-ANC unions in the motor, clothing and textile sectors.

Unions, important as they are in the country's body politic, are beginning to learn the other iron law about democracy — that when it comes to influencing Government decision-making, it is the wishes of the broad electorate that carry more weight. This means that those who are trying to oppose Manuel's tariff-cutting spree are invariably going to fail because they cannot mobilise a larger constituency in favour of greater protection than the constituency Manuel has behind him which supports reduced tariff protection.

But what about the economic aspects of Manuelism? Will South Africa achieve economic growth and therefore full employment through free trade? To answer this satisfactorily, we need to look closer into the deep malaise that afflicts South Africa's industrialisation process.

It is because of its flawed industrialisation process that South Africa is today on the one hand unable to create meaningful employment for most of its citizens and, on the other, is a producer of more expensive clothing, shoes and cars than many other countries.

Tackling root causes

If we do not tackle the root causes that have led to half of this country's labour force being unable to find jobs, no amount of cheaper imports will save South Africa from the increasing impoverishment of the majority of its people. For the country to create more jobs that pay better, a higher rate of industrialisation is required than we have at present. However, twin challenges face those, including Manuel, who want to speed up the country's industrialisation. The first is to encourage saving and the second is to develop skills that will create the opportunities for those savings to be invested in broadening and deepening the industrialisation process. Tariff cuts have to be combined with these two measures if they are to lead to the further industrialisation of South Africa. On their own, tariff cuts will merely turn South Africa into a nation of importers.

If we define saving as foregoing consumption and therefore immediate gratification in order to be able to consume more in the future, it is clear that is not a comfortable option Most people would rather consume now and therefore not save at all. This is why saving by and large is not undertaken voluntarily but is forced either directly, for example through low wages and poor working conditions or indirectly through the creation of a social and economic environment of uncertainty which compels people to save "for a rainy day". The first challenge then is to decide who should be made to save the most and how to make that person or group of persons, save.

Industrialisation is therefore first and foremost about the exercise of political power because obviously it was the weakest groups, with the least political power, that were compelled to save the most. In South Africa, historical these were the blacks.

Not any more! Today blacks have the vote and are organised into powerful unions that are fighting against the low wages of old.

If we are to raise South Africa's level of industrialisation so that the country's economy employs more people and pays better, who is to be made to save today? This is the question that is not answered by trade liberalisation and tariff reductions

If in future it is not be possible to force blue collar workers to save as in the past and then industrialise the country further, Manuel will have to look at forcing the well-off classes to consume less and save more.

The yawning gap

A policy that will force the well-off to save and invest rather than encouraging them to consume lavishly, will narrow the yawning gap between rich and poor which could tear South Africa apart in the not too distant future

Manuel deserves praise for having the courage to take on the tycoons in the clothing, textile and motor industries. The tasks facing him are even bigger. He has to face down many sections of the well-off, both black and white, if South Africa is to avoid getting locked into decades of grinding poverty and stagnating economy.

The lesson South Africans who lived in exile learnt is that it is incredibly easy to destroy a country's economy with misdirected, timid and therefore consumptionist economic policies — with catastrophic consequences for everyone's welfare.

● *The writer is a partner in a firm of Sandton-based marketing consultants*

PRICES SLASHED BY UP TO 50%

EXCLUSIVE

'Grey market' threat

CT 10/7/96

(74 F)

MAJOR SUPPLIERS of electronic goods are considering scaling down their audio and VCR divisions in the face of what they consider unfair competition from grey importers. **CLAIRE BISSEKER** reports.

A PRICE WAR has broken out in South Africa's audio and video equipment markets following a surge in the promotion of "grey products" that has seen the prices of many hi-fi, video and camera ranges plummet by as much as 50%.

Consumers are snapping up the cheaper products, and some of the major authorised suppliers, such as Philips SA, are considering "scaling down" their audio and VCR divisions in the face of this new competition.

Grey market goods are direct-imports of genuine products that bypass the official agent and authorised dealers. Often they are smuggled into the country, avoiding customs duties and tariffs.

While the "grey importers" are breaking the law, it is perfectly legal to buy and sell the goods once they are in the country.

But the consumer must be told, because often the grey products do not have the manufacturer's guarantee and after-sales service.

Philips SA estimates that smuggled goods make up more than 75% of the consumer electronics market.

Many major distributors have employed full-time detectives to try to catch illegal importers, some of whom they claim have links with the Chinese triads and the Mafia.

Customs and Excise says it does not have the manpower to check more than two percent of the containers entering the country.

An alleged grey importer told the Cape Times he would find it very difficult to explain how he landed hi-fi equipment cheaper than the official agents, who import directly from the parent factory in the Far East or America.

Grey products are sold by regular retailers who have hitherto been under no obligation to disclose to consumers that the official agents could refuse to service the equipment.

However, most reputable electronics multi-nationals will honour warranties even when the goods have been bought abroad or on the grey market.

Frank and Hirsch, sole agents for Aiwa, service grey products because "it would damage our brand name to have them serviced by back-room technicians with the incorrect parts".

This means the consumer can benefit from slashed prices with little additional risk.

Sony agent Tedelex flatly refuses to service grey goods, but a spokesman admitted that grey Sony parts were obtainable.

Guarantees

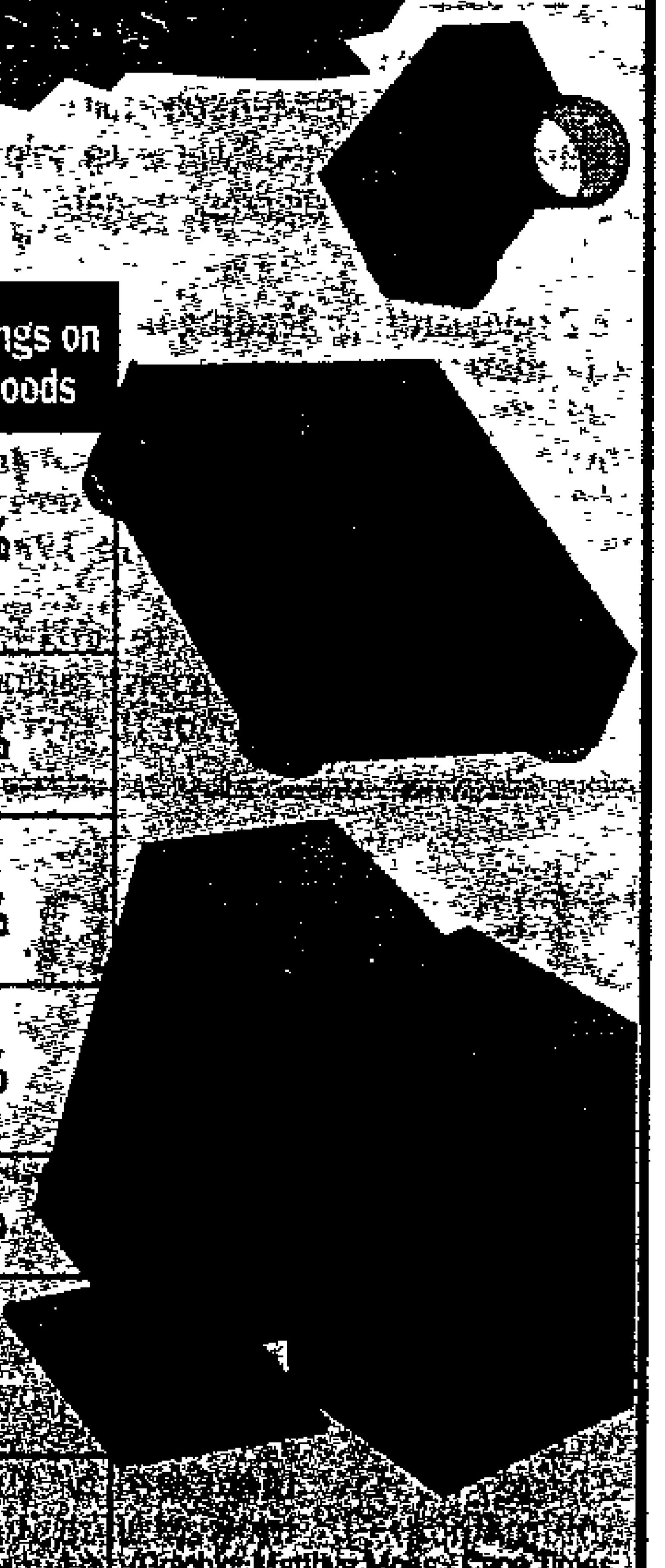
Mr Mick Kirby, who retails grey hi-fi equipment at the Hi-Fi Corporation warehouse in Goodwood at rock-bottom prices, offers guarantees of up to two years.

He is selling the Sony 411 mini hi-fi system for R1 395 — although the cost price from the official agent to the retailer is R1 799. The normal retail price is R2 698.

"If people ask, we tell them it is a grey and that Sony won't service it, but we have our own technicians and in most cases Sony parts will be used," he said.

GREY MARKET ELECTRONIC GOODS [illegible] NORMAL RETAIL PRICES

PRODUCT	Grey Market Retail Price	Normal Retail Price	Rand Saving on Grey Goods	% savings on Grey Goods
Sony 411 Mini Hi-Fi System: Double Tape Deck CD Player	R 1 395	R 2 698	R 1 303	48%
Aiwa Mini Hi-Fi System: Radio, Tape Deck CD Player	R 1 899	R 2 499	R 600	24%
600 Watts Sony FH/70 CD Player, Radio Double Tape Deck	R 2 599	R 2 999	R 400	13%
1000 Watts Sony FH/80 CD Player, Double Tape Deck, Radio	R 2 899	R 3 499	R 600	17%
Hitachi VCR 328 Full remote	R 1 199	R 1 599	R 400	25%
Nikon Camera F90 X Single Lens Reflex Fully Automatic	R 8 376	R 8 676	R 300	3%
Nikon Zoom Lens 25mm - 300mm	R 4 425	R 4 825	R 400	8%



Last week the Business Practices Committee launched a consumer code for electronics to protect the consumer against what it called the harmful effects of grey products.

Under the new code sellers of grey products can face imprisonment, termination of their businesses or a R200 000 fine for failing to inform consumers that they may be forfeiting the manufacturer's guarantee and after-sales service.

Tedelex said South Africa was a prime target for grey audio equipment because import taxes were well over 100%.

A lesser grey market exists in camera equipment. Individual items are usually brought in through suburban post offices where a 20% import tax applies.

Licensed importers have to pay 58% import taxes on camera equipment.

Frank and Hirsch, sole agent for Nikon, estimates that up to 80% of single-lens reflex cameras entering the country are grey imports.

Nikon product manager Mr Trevor Pole said grey importers could land a FX90 Nikon camera for R4 277, including the 20% import tax, and make a 100% profit reselling it for R8 376 and still undercut normal retailers by several hundred rand.

"If a grey Nikon camera breaks we have to repair it free of charge because it carries a world-wide warranty. It is totally unfair," he said.

Import taxes 'hurt honest dealers'

(74F)

CT 11/7/95

CLAIRE BISSEKER

SOUTH Africa is claimed to be the most profitable destination in the world for smugged electronic goods because import taxes of more than 100% discriminate against honest importers.

The Radio and TV Distributors' Association said yesterday high import taxes of about 130% for audio equipment and 106% for VCRs encouraged smuggling.

They were reacting to a Cape Times report yesterday that "grey" goods were flooding the SA market— sometimes selling at 50% less than legally imported equipment.

"The higher the import duty the more incentive there is to smuggle," said spokesman Mr Dolf van den Berg. "The honest man cannot sell his product ... Our members are struggling."

The 40% surcharge on audio equipment will be scrapped on October 1 and the government is committed to scaling down customs duties on audio equipment to 20% by January 1999.

But it may be too little, too late for some legitimate businesses who are scaling down because they cannot compete with smuggled goods.

Some retailers contacted yesterday said they were regarded as "sharks" by consumers who accused them of overcharging.

They said high import taxes, coupled with the inability of Customs and Excise to enforce payment, had seen smuggled goods take over about 75% of the local consumer electronics market.

The Radio and TV Distributors' Association is petitioning the government to reduce import duties on audio equipment to 10% as it believes this would remove the incentive to smuggle.

Lower import taxes would also enable local retailers to reduce their prices and compete equally with smugglers.

Imports will hurt plastics supplier

CT 13/7/95 (BR) (74F)

By Shirley Jones

STAFF WRITER

Plans by local companies to import plastic packaging in response to massive price increases would ultimately affect Polifin, which is the sole South African supplier of the major raw material, low density polyethylene, packaging users said yesterday.

Consumers of plastic packaging suggested in interviews that the blame for recent price increases lies more with Polifin than with the converters of the raw materials.

Should companies like Tastic Rice decide to import, there could be "a big hole" in the local packaging industry which would ultimately undermine Polifin's market, said Mark Molker, the group packaging manager of Tastic Rice.

His company was looking to buying packaging from Israel as no South African company could match prices.

He said consignments of plastic bags printed overseas could be landed at prices well below those asked for by the local industry, transport and import duties included.

"We want to help the local market, but are confronted with continual increases. More and more aggressive international players are entering the South African market offering technical expertise equal or superior to local companies at far cheaper prices," said Molker.

Tastic Rice has had to contend with four increases in the price of packaging since October last year, he said.

This had increased the company's packaging costs by 35 percent, a marked contrast to the 4 percent increase between October 1993 and October last year.

Beacon Sweets, another company which was up in arms over rocketing packaging costs, claimed to be way over its packaging budget. Ever-increasing packaging costs were placing the company at a serious disadvantage on both local and international markets, said Steve Evans, the packaging manager of Beacon Sweets.

Packaging price increases, both plastic and paper, could prevent the company securing additional business on cost sensitive world markets, he said.

South African Breweries, Amalgamated Beverage Industries, Glodina and others had also registered dissatisfaction with rocketing packaging costs.

Converters said they were caught between a monopolistic supplier and corporate clients. Many converters saw themselves as the true victims, having had to contend with price hikes and severe rationing of polyethylene.

In order to maintain prices on standing contracts, many converters have had to absorb increases and prune margins.

They were not prepared to accept Polifin's response that it had been forced to keep pace with increasing prices on world markets, pointing out that Polifin could not have encountered increased overheads to such an extent as to justify the massive price adjustment of the past 10 months.

In response to both an international polyethylene shortage and a surge in local demand, it had to institute a fair rationing system based on historic buying records, Polifin executives have said in response to the criticism.

Polifin had also resorted to importing as a means of supplementing local supply, and the company intended implementing a number of projects to increase capacity.

Huge refunds due as PC duties cut

Melanie Sergeant

BD 13/7/95 (74F)

CUSTOMS refunds totalling millions of rands are likely to be claimed by computer importers following a surprise reversal of import duty on hard disk drives.

The decision could also lead to a price reduction of some PCs.

The customs department has exempted, with retrospective effect, disk drives from the 11,5% duty slapped on all imports in 1991. The law entitles importers to claim refunds for the past two years.

Customs spokesman Cecil Gaze said yesterday that the department reviewed classifications according to the Brussels Nomenclature, and classifications had nothing to do with duty payable.

"While customs does not look forward to the claims, the reversal has been made."

Lower PC prices would depend on whether the drives were imported as parts, and thus carried no duty.

The price of a disk drive makes up about 15% of the total cost of a computer. This year it is expected that about 350 000 PCs will be sold in SA, bringing the installed base of PCs to more than 1-million. Thanks to the release of Windows 95 next month, many users are likely to upgrade their machines with larger drives.

According to Tarsus Technologies MD Leo Baxter: "Apart from the drives in PCs, there is also a substantial market for upgrades and for sales into the Original Equipment Manufacture (OEM) market."

However, Baxter pointed out that because many importers avoided paying duties by bringing drives into SA under the "parts" classification, price cuts might not be in sight at all.

Mustek MD David Can claimed "consumers will pay less, with the amount dictated by the capacity of the drive". He believed the saving made on a 486-based PC with 500MB drive would be around R180.

With the soon-to-be-announced "equalisation" of duties on fully imported PCs and components to 6,5%, buyers would also benefit.

In the past, fully-assembled PCs have carried an 11,5% duty while parts carried a zero duty. Within weeks, customs is expected to announce a 6,5% duty on both, and buyers are expected to benefit through lower prices on full imports — but clone manufacturers who have avoided duties are expected to be forced to increase the price of their systems.

According to Business Equipment Association executive director Les Wood: "The new ruling on drives is almost inexplicable, because it comes on the eve of the equalising of duties on parts and fully assembled machines to 6,5% and also opens up the department to huge claims from importers who have paid duties for the past four years."

He said customs reclassified disk drives which were originally considered as parts, under the heading of "assembled machines", so duty payable climbed from 0% to 11,5%. This was despite the fact that most drives are unhoused, and are fitted into PCs.

● See Page 8

Imports hit Barlows' factories

(74F)

BARLOWS is planning to close two electrical appliance factories in Kew and Alrode employing 1 250 people because of the influx of cheap imports from countries such as Turkey and Italy, writes DON ROBERTSON. (189A)

The lifting of sanctions last year has had a marked effect on South Africa's white goods manufacturing industry, says William Lebotschy, managing director of Barlows Consumer Electric Products.

The company has to contend with "appliances of similar quality and specification to our Kelvinator brand, which are being landed at a cost cheaper than our cost of material," he says. ST 16/7/95

With the abolition of surcharges on October 1, the trend towards importing, mainly from European countries with low labour costs and high productivity, will accelerate.

To counter this, Barcep is negotiating import contracts with a number of European companies, whose goods will probably be sold under existing brand names.

The Kew and Alrode factories produce a range of refrigerators, freezers, stoves, washing machines and tumble driers. Some products may continue to be manufactured at other factories.

Management has had discussions with the Steel, Engineering and Allied Workers' Union and efforts are being made to place as many workers as possible elsewhere in the group.

'Financial skills shortage in govt'

Adrian Hadland (58) BD 19/7/95

PRETORIA — SA was suffering from a critical lack of financial expertise at all levels of government, a conference on democratic constitutional development heard yesterday.

Finance deputy director-general Maria Ramos said huge human resources were required to wind down the accounts and structures of the previous political and financial dispensation and replace them with new institutions and arrangements.

An enormous demand had developed for financial skills at all tiers of government, she said.

"If the problems we are encountering at central government are anything to go by, provincial and local governments are suffering the same difficulties."

Finance ministry advisor Cyrus Rustomjee said the new constitution was being written at a time of wholesale institutional change.

This suggested the constitution would have to evolve over time to take into account the functioning and efficiency of new structures and the availability of skilled personnel.

An example was the auditor-general's office, he said.

It had been agreed during Constitutional Assembly discussions that auditor-general functions should be extended to the provinces. "But there was simply not the capacity at this stage." As a result, the concept of provincial divisions of the auditor-general's office had been put on the "backburner".

ANC MP Johnny de Lange said the expansion of SA's human resource base required careful attention.

The constitution perpetuated the problem by permitting only elected politicians to become provincial executive committee members, he said. In provinces suffering a skilled personnel shortage, alternative arrangements should be possible.

The constitution prevented central government from intervening when a provincial government was experiencing financial difficulties.

A supervisory body should be established to assist provinces with financial problems because of a lack of adequate skills, said De Lange.

General Affairs Minister Chris Fismer, left, and Lotteries and Gambling Board chairman Prof Nic Wiehahn at yesterday's announcement of the board's recommendations to government on the lotteries and gambling industries. Picture: NICKY DE BLOIS

Lion Match incensed over Turkish-made counterfeits

(74F) BD 19/7/95

Nicola Jenvey

DURBAN — The Lion Match company has obtained an interim court interdict restraining a Johannesburg-based importer-exporter from distributing Turkish-made counterfeit Lion matches, MD Terry Turner said yesterday.

This followed a swoop by the Durban and Port Elizabeth SA Police Service commercial branches which uncovered an import scam involving consignments of more than 19 million boxes of matches supposedly destined for Lesotho.

The court order restrained importer Abdul Mitha of Lenasia from using the Lion Match trademark, in terms of the Trade Marks Act.

Turner said the counterfeit variants were "notably different" with black match heads instead of brown and a white inner tray instead of the regulation blue.

The increase of trade law infringements has resulted in a draft Counterfeit Goods Bill.

The respondents have until August 7 to show cause why the order should not be made final.

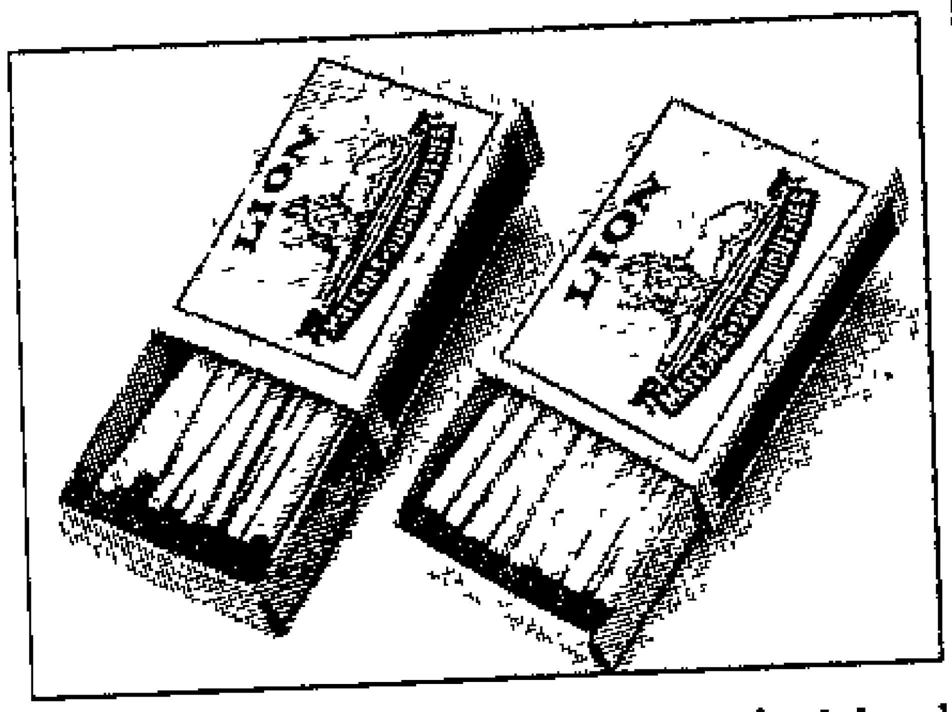
Lion Match strikes against brand fake

CT(BR) 19/7/95

By Shirley Jones

Lion Match has obtained an interim court order restraining a Johannesburg import agent, Abdul Mitha, from distributing and selling imitation Lion matches which he imported from Turkey last month.

The allegedly counterfeit matches (on the right of the picture) have black heads and a white tray, and the authentic ones have brown heads and a blue tray.



The 19 million box consignment, which is reportedly worth millions and is expected to cost Lion Match R1,3 million in lost revenue, was intercepted by Durban and Port Elizabeth police a month ago.

The boxes were shipped in eight containers to Port Elizabeth from Turkey. Four containers remained in Port Elizabeth while two were intercepted in Durban and Pretoria.

The consignment — the majority of which has been confiscated by police — was apparently headed for Lesotho where Lion Match is the registered owner of the trademark.

Ted Turner, the managing director of Lion Match, said his company, which had owned the trademark for over 100 years, would "pursue the matter to the fullest extent of the law". He said the police and Lion Match intended pursuing criminal and civil action against offenders.

"We have a quality product and an established brand name to protect. We trust the courts will deal severely with those charged and, in so doing, afford protection to other manufacturers of established local brands," he said.

After detecting two previous infringements of their trademark last year, Lion Match hired private investigators. However, these consignments were small and it was impossible to trace the importer.

Turner said he hoped the draft Counterfeit Goods Act under discussion by government would protect traders and deter criminals as infringements of trade laws were clearly on the increase.

Loss of import surcharge hurting machine industry

(47A) (F8E) CT(BR) 20/7/95

BY FRANÇOISE BOTHA (74F)

STAFF WRITER

Cape machinery manufacturers have voiced their disapproval at the scrapping of the import surcharge on capital and intermediate goods, saying they can no longer compete on the local market.

Following the upswing in demand for South African fruit and wine, orders for processing and bottling equipment had increased by more than 40 percent.

Local machinery manufacturers had, however, not been able to take advantage of the growing market because of competition from cheaper imports.

"The Dutch government, as part of its export drive, is subsidising equipment for the export market by 30 percent.

"On these terms, local producers cannot compete," said Richard Watermeyer, the managing director of Packshed Automation and Vizier, manufacturers of electronic sizing machines used in the fruit industry.

In addition, many local machine producers were using components that were either not available, or could not be produced in South Africa.

"The duties of 100 percent that apply to the import of these components are way too high and are adding substantially to the price of our products," he said.

Further criticism stemmed from the damage caused to local job creation by cheap imports.

"We are trying to create jobs in this country. So the abolition of import surcharges does not make sense. If this was not the case, instead of employing 40 people, I would probably employ 150 people," Watermeyer said.

NEWS IN BRIEF

Sugar quota boost

SWAZILAND and SA would be two of five southern African countries to benefit from the reallocation of almost 18 000 tons of sugar import quotas, the US embassy in Mbabane said yesterday.

It said Swaziland, SA, Malawi, Zimbabwe and Mozambique would benefit from proportionate shares of sugar quotas unused by India, Madagascar, Philippines, Taiwan and Thailand.

NEWS

'Don't be duped by low prices'

(74F)

Certain meat imports 'not fit for humans'

MEAT

Star 21/7/95

■ BY NIKKI WHITFIELD
CONSUMER REPORTER

South Africa is being used as a dumping ground for inferior imported meat deemed unfit for human consumption, people in the meat industry have claimed.

And meat is being allowed to pass through harbours without being properly checked, or checked at all.

But imported meat is cheap. It is often heavily subsidised by the country of its origin, and loopholes in the tariff structure have meant it can be brought into the country under very low, almost zero, import tariffs.

Many Gauteng butchers yesterday said they never touched imported meat because of the quality, and warned that consumers were being duped by low prices into buying inferior meat.

The weight of frozen meat is also deceptive. It is often so frozen that it appears heavier than it is and can shrink up to 9% during cooking.

"Some imported meat is good, but a lot is not," said one buyer for a catering business. "The bottom line is, consumers are being ripped off. And the more imported meat comes into the country, the more the local industry, the jobs of people employed by it, and agriculture are being threatened."

A Customs and Excise spokesman said it was the responsibility of the Department of Agriculture's animal health branch to inspect imported meat.

"If the department declares that meat is of a bad quality, then we detain it."

A spokesman for the Department of Agriculture's veterinary health department said all meat was thoroughly checked at ports before it was passed and no meat which was not safe for human consumption was allowed to pass through.

"All meat at points of entry is checked by a veterinary director of public health who does the final clearance," she said.

■ The City Deep abattoir said yesterday that because of a shortage in lamb, the price had risen to nearly R13/kg.

A Rosettenville butcher, Anwar Hoosain, called The Star to dispute figures given by the Meat Board which said the market price of lamb was R9,90/kg, the same as mutton. He said he was being charged over R12/kg.

High-level talks over chicken imports to SA

CT (MR) 28/7/95 (74F) POULTRY

BY FRANÇOISE BOTHA

STAFF WRITER

Unconfirmed reports of a large import of surplus chicken from North America set to arrive at Durban's port this week have sparked international trade discussion at the highest levels of government.

An unnamed source said that the import of the brown chicken pieces has spurred top-ranking officials in Washington to appeal to the minister of trade and industry to allow loopholes that were recently closed to local chicken importers to be circumvented.

It is alleged that the appeal is for "turning a blind eye" to the import and allowing the original loopholes to apply.

Ismail Lagardien, spokesman for the minister said in Cape Town last night: "The minister of trade and industry has not been notified that a vessel containing frozen chicken has docked in Durban harbour. In the event of us receiving this notification, we will respond."

This follows in the wake of earlier reports that a surplus of chicken in the United States had spurred dumping on local markets, forcing South African producers to stockpile.

Newt cries foul as SA slaps huge tariff on cheap chicken imports

~~POULTRY~~ 74F

ST (BT) 30/7/95

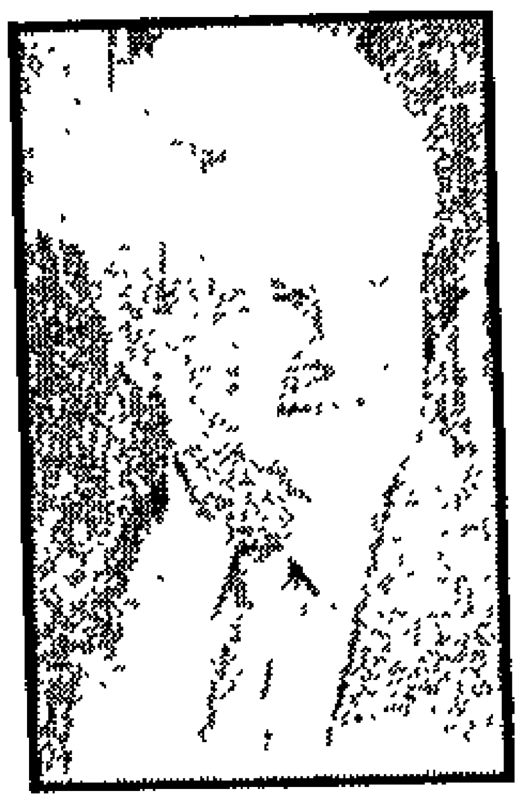
By CIARAN RYAN

SOUTH AFRICA has become embroiled in a trade dispute involving one of the US's most powerful politicians, Newt Gingrich.

The dispute involves a shipload of 2 500 tons of seasoned frozen chicken which docked in Cape Town this week.

Seaboard Corportaion, the US exporter of the chickens, is understood to be keen to invest in South Africa, but a source in the company says instances such as this makes investment and business less interesting for them.

Threats are claimed to have been made by US politicians to withhold reconstruction and development programme funding.



NEWT GINGRICH
Seeking exemption

The matter was due to be taken up in the US Congress on Friday after President Nelson Mandela's office became involved in the dispute.

The ship sailed from the US on July 6, a day before South Africa plugged a loophole which allowed seasoned chickens to be imported at a duty charge of 8c a kilogram.

By adding sachets of salt and pepper to frozen chickens, importers were able to bring in chickens at tariffs of 8c/kg instead of the 225c/kg for whole frozen chickens and 313c/kg on frozen chicken cuts.

While the ship was on the water, an ad valorem tariff of 27% was slapped on all imported chickens.

Republican leader, Newt Gingrich, and chairman of the Congressional Black Caucus, Don Payne, have urged the US ambassador to South Africa to request a once-off exemption from the higher duties

This was refused by Trade and Industry Minister Trevor Manuel.

Seaboard, one of the largest poultry producers in the US, has been considering investments in South Africa.

International law requires South Africa to clear the shipment at the old tariff because the ship was already on the water — provided documentation is received before the tariffs are raised.

The importers, Natal Trading Agency, say it was unable to furnish the Department of Customs and Excise with the necessary documentation before July 7 to qualify for the lower tariff because of time differences between the US and South Africa.

Mr Manuel says once new tariffs are gazetted and submissions received from the public, no mechanism exists to exempt any shipment.

Mr Manuel stresses that his office did not, nor should it, have the power to arbitrarily exempt individual shipments from the established legal and infrastructural channels.

A spokesman for Natal Trading Agency, Mac Ekšteen, says his company does not oppose the new tariffs. "All we are asking is that Customs and Excise make allowance for the fact that because of time zone differences, we were unable to supply documentation to qualify for the lower tariff. There should be provision for what is simply a logistical problem.

"This protectionism will be paid for by the consumer. All we are trying to do is put cheap protein on the table for South Africans."

Rainbow Chicken's marketing director, Steve Pattinson, says it would be a "travesty of justice if the tariffs were waived in this instance.

"This is the type of activity which has brought the poultry industry to its knees over the last few months. Thousands of jobs are at stake and despite promises of cheap protein to the masses, it has been proved that imports have not been to the benefit of consumers. There is, however, proof of huge margins being taken by importers"

Taiwan granite plant

By ZILLA EFRAT

ONE of Taiwan's largest building firms, the Sun Sea Construction Company, will invest well over R100-million in a granite cutting and polishing factory in the Northern Province.

The factory is the first major foreign investment in the Northern Province, South Africa's poorest province.

It could create about 400 jobs in the area and there may be spinoffs for a further 600 jobs.

Thaba Mufamadi, the Northern Province's economic affairs MEC, says the factory's exact location will be finalised before the end of August.

The plant is likely to be built near the Mokerong red granite quarrying area, about 50km West of Pietersrus. However, much will depend on infrastructural support.

Sun Sea Construction has been prospecting in South Africa for the past three years. It has been mining in the area for the last three months and already employs almost 60 people.

Most of its Northern Province production will be exported, largely to Taiwan. It also expects to cut and polish granite mined in other provinces, as well as in Zimbabwe.

Mr Mufamadi says this is Sun Sea Construction's first investment in South Africa. If it goes favourably, the group will explore other opportunities.

The company has agreed to provide managerial and technical training for its local workforce. Starting in January, it will send 20 staff members to Taiwan for in-house training.

Mr Mufamadi expects various other foreign investments in his province to follow including one from a French company which hopes to make granite tombstones for export

~~73~~ ST (BT) 30/7/95

Probe satisfies Malbak

By JULIE WALKER

THREE independent non-executive directors of Malbak have investigated statements by former director Derek Riley and are satisfied no loss has been incurred by Malbak.

The company said on Friday that directors Peter Joubert, Tony Routledge and Daan Prins co-opted Ray Hislop of auditor Deloitte & Touche to assist in the investigation.

Mr Riley resigned from Malbak a month ago

Mr Riley declined to explain what the allegations were He said he had tabled his reasons to the board, but had received legal advice not to talk to the press.

"The committee considered and investigated the statements in detail and has confirmed that it is satisfied that no loss has been occasioned to the company or any of its subsidiaries or affiliates," the Malbak statement said. Mr Routledge could not offer any further comment, nor would Malbak chairman Grant Thomas.

Sheep import plan draws fire

ST (BT) 30/7/95 MEAT (74F)

By DON ROBERTSON

SHEEP farmers and wool growers are to consider legal action against the United Meat Traders' Association which plans to import 1,5-million live sheep from Australia over the next three years.

The National Red Meat Producers' Association (RPO) and the National Wool Growers' Association fear importing sheep could threaten the health of the national herd.

Gerhard Schutte, general manager of the RPO, says the Directorate of Animal Health has said it does not have the infrastructure or manpower to monitor the importation of sheep nor would it be able to police or enforce the required protocol if an import permit were issued.

In terms of the constitution, the RPO believes it will have the right to hold United Meat responsible if sheep imports cause disease.

United Meat plans to pay about R250-million for the sheep.

United Meat spokesman Shabeer Hoosen says an application for an import permit was made in May and a meeting with the Minister of Agriculture, Kraai van Niekerk, took place in June. The minister indicated he was not able to grant a permit at that stage, but agreed that members of his department could accompany a joint delegation to Perth and Freemantle on a fact-finding mission.

Mr Hoosen says the delegation consisting of a member of United Meat, one from Umzansi Afrika Trading Corporation, a company established to finance the project, an expert on hides and skin, a vet and four members of the Department of Agriculture will leave for Australia on August 6.

The RPO's Mr Schutte says his organisation is not against imports of mutton in carcass or cut form, provided the correct import tariffs are paid. Import duties are currently R1,50 a kg, but Mr Schutte says large quantities are being imported at only 3c a kg using a loophole in the legislation.

Australia ships about 7-million sheep a year.

SA turns a last 'blind eye' to fowl imports

Nicola Jenvey

BD 31/9/95 (74F)

DURBAN — A shipment of US chickens bound for Durban harbour would not be hit with revised import tariffs designed to close the loophole which allowed importers to enjoy a massive reduction in duties by adding salt, as the consignment had been cleared just before the changes, Helman Reefer Solutions manager Mark Slater said at the weekend.

The consignment of surplus chickens had left the US on the understanding it would be cleared at an 8c/kg tariff.

When rumours circulated that the loophole under which the poultry would be entering the country had been plugged and a R2,56/kg tariff would now be applicable, the US government appealed to SA "to turn a blind eye" and allow the cargo entrance at the previous rate.

However, Slater said at the weekend that the customs documentation had been forwarded to SA to facilitate a speedier clearance. Although the duty had changed on July 7, the paperwork was cleared two days earlier.

Trade and industry spokesman Ismail Lagardien said the one-time exemption to allow cargo into SA under the significantly lower tariff had been closed since "it was not in the interest of good governance to undermine SA's laws to satisfy arbitrary requests".

Government had given notice in December that it would investigate the poultry industry tariff structure, particularly a loophole which allowed frozen chickens to be imported as processed food.

"Once gazetted, parties are alerted to a possible tariff revision and no further information is released until the actual tariff is gazetted to prevent speculation."

Meanwhile, a similar shipment entering Cape Town harbour will cost importer Mac Eskeen an additional R2m as documentation faxed from the US on July 6 arrived — due to the time difference between the US and SA — after closing time.

Warning about subsidised imports

BD 31/7/95 (74F)

Nicola Jenvey

TWEEDIE — Government had to revise the tariff structure affecting the agricultural industry, as the farming community could not compete fairly against heavily subsidised developed countries, Stock Owners CEO Val Fields said on Friday.

At the annual general meeting, Fields said the industry faced a crisis, as politicians ignored the economic importance of agriculture in creating jobs and providing food.

"They seem more dedicated to pursuing poorly motivated ideals at the expense of tried and tested economic values, such as a strong reliable agricultural sector," Fields said.

He questioned whether politicians had forgotten the lessons learnt in Africa, where previous food self-sufficiency was "systematically destroyed and sacrificed on the altar of short-term expendiency".

In the US and European Union beef, veal, dairy products, poultry and coarse grains were heavily subsidised by the government, and agricultural production encouraged.

These products were landing in SA at "favourable" prices to ensure the continued prosperity of farming communities abroad at the expense of SA's unsubsidised producers.

Fields said removing value-added tax on basic foodstuffs and applying "reasonable" tariffs on imports would establish price parity.

"SA farmers do not expect or want subsidies, but they do ask for a fair deal. We can compete with producers anywhere in the world on a farmer-to-farmer basis, but SA farmers cannot compete against the financial might of developed countries."

Farmer had kept food on SA tables despite unfavourable conditions under sanctions, recession, spiralling inflation, drought and widespread unemployment.

"It has been the courage and fortitude of the farmers that has ensured this, and these virtues will stand us in good stead as we again face uncertainty and a breakdown of confidence," he said.

Indications were that untariffed turkey was landing at R3/kg to replace beef. Large offal supplies were filling cold storage capacities and had led to producer prices dropping at major abattoirs.

The downstream effect of increased imports was a surplus of yellow maize as poultry farmers closed down or rationalised operations.

"The ramifications of injudicious importations are frightening, and the negative effect certainly goes far beyond hurting only the farming community," Fields said.

Sheep farms face inspection

(3) MEAT (74F)

Louise Cook

BD 2/8/95

THE agriculture department would investigate aspects of Australian sheep farming before issuing permits allowing imports of live sheep for slaughter.

The department was asked earlier this year by the United Meat Traders' Association to grant permission, by way of a special health and hygiene permit, for the importation of 38 000 sheep from Australia.

But agriculture department acting deputy director Rudolph Bigalke said yesterday that government would have to look into various health, feeding and disease aspects of sheep farming in Australia to ensure imports would not affect the local industry.

The fact-finding mission would visit Australia next week to investigate, Bigalke said.

"We need to visit some of the farms where these sheep are raised as well as facilities where the animals are gathered and switched from one feeding system to another. We would check the ships used to transport the animals, and feeding and waste removal systems used on board," he said.

The mission would also visit the Australian Livestock and Meat Corporation, a West Australian factory producing special fodder for sheep in transit, and harbours with special animal loading facilities.

Bigalke, who would be accompanied on the week-long visit by a state veterinary surgeon and two officials specialising in sheep feeding systems, said the fact that SA harbours lacked animal loading facilities could pose a problem.

The national Red Meat Producers' Organisation (RPO) and the National Wool Growers' Association said the agriculture department lacked the infrastructure and manpower to monitor the proposed imports. RPO GM Gerhard Schutte said the organisations had told government they reserved the right to go to court if local producers suffered losses because of the imports.

Sources said a local animal welfare organisation was sending inspectors to Australia to investigate conditions.

SA was accused by the Australian Meat and Livestock Corporation — the equivalent of the Meat Board — of jeopardising meat trade.

Australian Meat and Livestock Corporation MD Bruce Standen said in an open letter that the country maintained stringent health and hygiene standards and misrepresentations could "disrupt a trade important to Australia and SA".

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Probe into live sheep import plan

CT. 3/8/95 (74F) ~~[illegible]~~T

STAFF REPORTER

OFFICERS from the National SPCA (NSPCA) will accompany agricultural officials on a visit to Australia to investigate a scheme to import live sheep to South Africa.

Australia is using SA as a "dumping ground" for lower grade mutton, according to NSPCA executive Mrs Marcelle Meredith.

Another concern raised by Mr Pieter Kempen, national general nanager of the Meat Board, is that live animals will introduce disease to stock in SA.

The importers, who plan to import 34 000 sheep, will take advantage of a loophole in the tariff system as there are no tariffs on live sheep, but there are on frozen carcasses. Meat and poultry farmers claim importers making use of loopholes are bankrupting them.

Mr Kempen claimed the exploitation of such loopholes "puts our own industry at risk", and the importers — who can set their prices at just under the local price — make "big profits" while the consumer gets lower-grade meat.

Meanwhile, the president of the South African Agricultural Union, Mr Boet Fourie, said yesterday the tidal wave of illegal impor-

Board on sheep imports: 'We'll take it to court'

ARG 4/8/95 (74F)

DAVID YUTAR
Staff Reporter

THE Meat Board will go to court if necessary to stop the importation of live sheep.

National general manager of the board Pieter Kempen has warned that the board will "take whatever measures necessary" to end the controversial importation of live sheep from Australia and New Zealand.

Meanwhile, a planned visit to Australia by officers from the national Society for the Prevention of Cruelty to Animals (SPCA) to investigate schemes to export live sheep, has been postponed.

SPCA executive director Marcelle Meredith said the visit by a delegation, including members of the Meat Board and the Department of Agriculture, had been put off because the shipment destined for the Middle East "was not ready".

Dr Kempen conceded South Africa faced a shortage of mutton but said there was no reason for the meat not being transported in carcass form.

He said Australia was a major exporter of mutton and South Africans were ending up with "tough meat on their tables" — lower grade meat that Australians and New Zealanders would never accept.

Importers were "bypasssing the tariff system" which exempted live sheep from tariffs in contrast to frozen meat.

The Meat Board agreed with the SPCA that imported live sheep posed a major health hazard by bringing in new and foreign diseases.

"The Meat Board will demand that the same quarantine measures apply to livestock for meat purposes as apply to breeding stock," said Dr Kempen.

"We simply must have the assurance that no new diseases enter the country ... If we do not we will take whatever measures are necessary to obtain them."

This might mean going to court, if necessary.

Dr Kempen referred to the appalling conditions at local feedlots before the animals were slaughtered, where sheep often "tended to disappear".

Beda Hlope, chairman of the United Meat Traders' Association which imports the live sheep, denied allegations against his organisation.

He said the SPCA and the Red Meat Producers' Organisation were "totally off course" in opposing the importation.

The reason his organisation was importing live animals rather than frozen carcasses was "so that everything is transparent".

"The animals are slaughtered at one central abattoir and sold on open auction," he said.

Mr Hlope stressed that importers adhered to a strict protocol set by the Department of Animal Health.

This protocol stipulated minimum quarantine conditions, that all interested parties, such as animal rights' groups, be informed of conditions and that sheep were slaughtered within 14 days of their arrival.

Mr Hlope denied claims of cruelty during the sea passage.

Sheep spent a maximum of 12 days on board ship during which time they were given ample food and water, he said.

As for the threat of disease, his organisaion complied with the protocol's requirement that the sheep come from areas abroad that had been "disease-free for five years".

'Import tariff pushes up price of satellite TV'

(74F) CT 7/8/95

STAFF REPORTER

AS the era of satellite television nears in South Africa, the UK manufacturer of a digital decoder which will "revolutionise" household viewing has warned that the cost of installing a hi-tech satellite service could cost consumers more than R7 000 if import tariffs are not scrapped.

Following the successful launch of the PanAmSat 4 satellite on Thursday, UK-subsidiary Pace Distribution South Africa voiced its concern on Friday at the 77,5% import duty and ad valorem tax that will be levied on imports of the state-of-the-art MPEG2 digital integrated receiver decoder.

Pace SA's managing director, Mr Chris Louth, said his company was led to believe by customs authorities in April that the decoder would be duty-free in South Africa.

However, he said he learnt on Friday that the Board of Trade and Tariffs now planned to impose 77,5% import duties on the system.

Location

He said the decoder, a 90cm satellite dish and low noise block feed (LNBF) were expected to retail in South Africa for about R4 000 — but only if the exorbitant import tariff was scrapped.

Installation costs are expected to vary between R300 and R500 depending on the location. This includes the installation costs for the cheaper analogue satellite receiver system, which is expected to retail for about R1 700.

The analogue system will get just the SABC stations and M-Net but the digital system will let subscribers receive about 20 local and international TV channels, as well as international radio services.

Mr Louth said import duties on satellite dishes and LNBFs had already been scrapped but, these were "minor elements" to the system.

"The SA Communication Association has already made submissions to the Board of Trade and Tariffs to lower or scrap import duties on the decoder," he said.

'USED CLOTHING TRADE A THREAT TO INDUSTRY'

Illegal imports 'cost jobs'

(74F)

CT 7/8/95

THE FLOURISHING trade in imported used clothing, much of it shipped in illegally, is jeopardising local jobs, the Clothing Federation of SA says. **CLAIRE BISSEKER** reports.

TRADE in illegal imports of second-hand clothing is threatening jobs in the clothing industry, the Clothing Federation of South Africa (Clofed) says — but the authorities deny there is a problem.

The Department of Trade and Industry says imports of used clothing are "strictly controlled" through a permit system.

Clofed director Mr Hennie van Zyl, however, claims a "roaring and open trade is taking place".

Worn clothing is allowed to be imported only by churches and registered welfare organisations for free distribution to the indigent.

Only used overcoats, which the department deems a "basic necessity", may be imported for sale. There is limited manufacture of overcoats in the country.

Mr Van Zyl said: "In every city in South Africa you can see bales of imported second-hand clothing sold openly. Abuse seems to be rife and it is taking away growth opportunities and jobs in the local clothing industry."

Clofed claims that for every four units of clothing manufactured in South Africa last year, one item of used clothing was imported.

There are no statistics for illegal imports of clothing into the country, but Mr Van Zyl believes the incidence is increasing.

"Daily reports are being received of an increasing number of containers entering South Africa without legal prescriptions, such as the payment of import duty and the correct declaration of contents, being followed," he said.

Complex

"Some of the reasons for this worsening problem are the existence of a decades-old Southern African Customs Union, with certain members having entered into trade agreements with non-union countries; the lack of adequate border control; and the difficulty in obtaining clear evidence of illegal practices.

"It is also recognised that the current high and complex duty regime serves as a further incentive (for importers) to evade the system."

When approached by Clofed, the Department of Customs and Excise had blamed inadequate control on a critical lack of financial and manpower resources, Mr Van Zyl said.

In a statement, the Department of Trade and Industry said it was monitoring the situation and that the Commercial Crime Unit was investigating cases involving illegal imports of used clothing.

However, the department believed that control measures introduced in 1992 had been successful in reducing imports of used clothing from "the very high figure" of 100 million units in 1992 to about 14,7 million units last year.

(1) Whether any children escaped from places of safety during the latest specified period of 12 months for which information is available; if so, how many;

(2) what security measures are currently in place at these facilities;

(3) whether his Department has determined whether existing security measures are adequate; if not, why not; if so,

(4) whether these measures have been found to be adequate; if so, what are the relevant details; if not,

(5) whether it is the intention to introduce new security measures; if not, why not; if so, what measures?

N784E

The MINISTER FOR WELFARE AND POPULATION DEVELOPMENT:

(1) Yes, 363 since 8 May 1995 to date;

(2) security personnel are on duty. At some places of safety security measures are being upgraded;

(3) yes,

(4) each province has determined that measures are not adequate at all places of safety;

(5) yes, according to provincial needs. The following measures are to be introduced:

— upgrading of facilities.

— appointment of additional personnel.

— training and re-training of personnel

— upgrading of physical security measures when funds are available.

Uncertified electrical goods entering country

385. Mr K M ANDREW asked the Minister of Trade and Industry: (74F)

(1) Whether any figure is available on the percentage of uncertified electrical goods entering the country; if so, what is this figure;

(2) what security measures are currently in place to prevent the importation of uncertified electrical goods;

Hansard 8/8/95

(3) whether his Department has determined whether existing security measures are adequate; if not, why not; if so,

(4) whether these measures have been found to be adequate; if so, what are the relevant details; if not,

(5) whether it is the intention to introduce any new measures; if not, why not; if so, what measures?

N785E

The MINISTER OF TRADE AND INDUSTRY:

In his question the hon member refers to "uncertified" electrical goods. It is assumed that the question implies goods in respect of which it is required that such goods should comply with compulsory specifications for reasons of safety and health.

In terms of the Standards Act, 1993 (Act 29 of 1993) the onus is on the seller to ensure that the goods comply with specifications. The SABS is required to control the situation by means of buying goods in the market and testing such goods. This is in marked contrast with the United Kingdom where all safety critical components must carry a mark clearly identifying that items comply with safety specifications.

Against this background, the replies to the hon member's questions are as follows:

(1) No. An attempt was made about five years ago to obtain the relevant information in this regard from the Commissioner of Customs and Excise, but it proved to be too expensive in view of the extent of the paperwork and the number of transactions involved.

(2) No control measures exist in order to prevent the importation of such goods. In view of the wide range of products involved and the numerous ports of entry (including those in Customs Union member countries) it is also not practical.

(3), (4) and (5) The existing measures are not considered to be adequate. Attempts by the SABS in recent years to introduce a compulsory certification scheme for goods required to comply with compulsory safety specifications met with vigorous opposition from commercial interests, notably the Business Equipment Association

and the Radio & TV Manufacturers' Association.

An alternative scheme is now being negotiated with industry whereby the onus will rest on the seller to be in possession of adequate proof (in the form of acceptable test reports) that the product complies with specifications. Inability to provide such proof within a specified period will constitute an offence. This scheme could also be extended to other safety items such as motor vehicle tyres and brakes where the same problem occurs. Although such a scheme will not be as easy to monitor as the United Kingdom Government Scheme, it would at least ensure reasonable control.

Due to the cost of having goods tested for compliance with specifications, there is still a measure of reluctance to accept the alternative scheme which is still under negotiation. A date for implementation can thus not be given at this stage.

Noise pollution: prosecutions in terms of Act

388. Mr M F CASSIM asked the Minister of Environmental Affairs and Tourism:

(1) Whether any prosecutions have been instituted in terms of section 29 of the Environment Conservation Act, 1989 (Act No 73 of 1989), in respect of noise pollution; if not, why not; if so, how many;

(2) whether he will make a statement on the matter?

N819E

The DEPUTY MINISTER OF ENVIRONMENTAL AFFAIRS AND TOURISM:

(1) The Noise Control Regulations are being applied by local Authorities. The Department of Environmental Affairs and Tourism as such have therefore not instituted any prosecutions. The Department is however aware that several successful prosecutions have been instituted by a number of local authorities. The exact number of prosecutions are not available as the Department do not keep a database on them. Each local authority applying the regulations will however be able to supply the exact number of prosecutions instituted by them.

(2) No.

Offences committed by illegal immigrants

390. Mr D H M GIBSON asked the Minister for Safety and Security:

(1) Whether any offences committed during the period 1 January 1995 up to the latest specified date for which information is available, were committed by illegal immigrants; if so, (a) how many and (b) what percentage of the total number of offences committed during this period does this figure constitute;

(2) whether he will make a statement on the number of offences committed by such illegal immigrants?

N821E

The MINISTER FOR SAFETY AND SECURITY:

(1) Yes. (Latest specified date 31 May 1995.)

(a) In respect of serious crimes (murder, rape, theft, etc) 8 360 illegal immigrants were apprehended.

In respect of common crimes: Unknown. It is very difficult to extrapolate figures for common crime offenders and it has been estimated that 14% of all crimes involve illegal immigrants.

(b) It is estimated that 14% of all crimes committed can be ascribed to illegal immigrants.

(2) No. (If positive, additional information can be supplied.)

Foreign tankers entering Cape Town harbour

397. Mr K M ANDREW asked the Minister of Transport:

(1) Whether foreign tankers entering Cape Town harbour are inspected for deficiencies; if not, why not; if so, (a) for what deficiencies and (b) who conducts these inspections;

(2) whether all foreign tankers are so inspected; if not, (a) why not and (b) what basis is used for selecting the tankers to be inspected;

(3) whether any foreign tankers were found to have serious deficiencies during the latest specified period of 12 months for which

Education and Culture Service (Ex Administration: House of Assembly)	9	0
Education and Culture Service (Ex Administration: House of Delegates)	1	0
Education and Culture Service (Ex Administration: House of Representatives)	46	103
TOTAL	1 721	6 328

[1)] Departments/provincial administrations reported on the filling of 10 291 posts As indicated in the above Schedule 1 721 posts have already been filled and 6 328 posts are still to be filled. Due to the rationalisation of the Public Service—

* 1 241 posts, which also still need to be filled, are currently in the process of being reallocated to other departments/provincial administrations than originally intended and could not be included in the Schedule; and
* 1 001 of the originally advertised posts have been abolished.

[2)] The relevant information is classified and has not been made available.

Abolition of import tariffs on agricultural products

181. Mr M F CASSIM asked the Minister of Trade and Industry:

Whether, pursuant to the agreement reached at a conference in Cairns, Australia, it is the Government's intention to abolish import tariffs on agricultural products; if not, why not; if so, (a) from what date and (b) on what basis?

(74F) N383E

The MINISTER OF TRADE AND INDUSTRY:

The so-called Cairns Group was formed in 1986 to counter opposition to the inclusion of agricultural products in the Uruguay Round of Multilateral trade negotiations. The Group comprises of fourteen countries, namely Argentinia, Australia, Brazil, Canada, Chile, Colombia, Fiji, Hungary, Indonesia, Malaysia, New Zealand, the Philippines, Thailand and Uruguay.

South Africa is not a member of the Cairns Group and any agreement reached by the Group could therefore not be binding on South Africa.

However, South Africa has formally been invited to attend, as an observer, a Ministerial Meeting of the Cairns Group which took place in Manila on 26 and 27 May 1995. South Africa was represented at that occasion by the Deputy Minister of Agriculture, accompanied by an official from the Department of Trade and Industry and one from the Department of Agriculture.

The primary objective of the Cairns Group is to ensure the full and prompt implementation of the Uruguay commitments in order to improve market access for their agricultural products in the USA, the European Union and Japan. Serious consideration will have to be given by the GNU, in consultation with all stakeholders, regarding South Africa's endorsement of the objectives of the Cairns Group.

With regard to agricultural imports into South Africa we have already in terms of our accession to the Marrakesh Agreement, which incorporates the World Trade Organisation (WTO), committed ourselves to a gradual lowering of import tariffs on agricultural products. Our obligations in this regard will come into effect on 1 July 1995. The basis on which this will be implemented will be in accordance with our GATT offer.

Hansard 8/8/95

Amount expended on Project Anchor

242. Mr L T LANDERS asked the Minister of Defence:

With reference to his reply to Question No 21 on 15 March 1995, what amount was expended on Project Anchor in each financial year since the commencement of the project?

N495E

The MINISTER OF DEFENCE:

In my oral reply to Question No 82 on 3 May 1995 I indicated that the former SADF funded mobilisation projects in Namibia prior to independence and in South Africa through a closed corporation called Adult Education Consultants CC, better known as AD ED.

Both projects ran simultaneously prior to Namibia's independence and were both funded from one central fund. Although different code names were used for the two projects and associated subprojects they were administered as one project with the support for the initiatives of the former South African Government, being the common denominator.

Upon the cessation of the project in Namibia, equipment that could be economically recovered as well as personnel involved returned to South Africa to the regional offices of AD ED.

I have been advised by the National Defence Force that due to the projects being administered as one major mobilisation project, the interchange of equipment and personnel amongst Namibia and South Africa as well as the regional offices, coupled to the fact that AD ED also generated and used private funds/earnings gained through private contracts, the National Defence Force cannot now accurately provide the hon member with a breakdown of expenditures down to subproject level.

At best the National Defence Force can provide the total amounts expended on the mobilisation projects as I did in my written reply to Question No 145 on 5 May 1995 and which was widely reported on in the mass media.

Social allowances: losses

286. Mr M F CASSIM asked the Minister for Welfare and Population Development:

(1) Whether his Department sustained any losses in regard to social allowances as a result of (a) embezzlement, (b) hold-ups and (c) any other specified reasons during the latest specified period of three years for which information is available; if so, (i) what was the extent of the losses and (ii)(aa) how and (bb) where were these losses sustained, in each case;

(2) whether he or his Department has taken any steps with a view to preventing further losses in this regard; if not, why not; if so, what steps?

N577E

The MINISTER FOR WELFARE AND POPULATION DEVELOPMENT:

EASTERN CAPE:

(1) (a) Yes.

(b) Yes.

(c) Yes.

(i) R2 774 946.

(ii) (aa) Two pension officers were assaulted by armed robbers who demanded the strongroom keys whereafter they were locked into the boot of their car. The assault took place at the Mdantsane magistrate office. R382 000 was taken.

A pension payout team was robbed at gun point in Peelton, Ciskei. R216 000 was taken.

Social grants to the value of R94 000 were stolen from the strongroom of the social worker's office at Middledrift, Ciskei. Nobody has been arrested.

Social grants to the value of R123 000 were stolen from a strongroom in Seymour, Ciskei. The key was held by the justice clerk. Nobody has been arrested.

A total of R1,2 million was stolen in the Maluti district, Transkei. The steel box containing this money was stolen from the police station strongroom. Nobody has been arrested.

(1) Whether any children escaped from places of safety during the latest specified period of 12 months for which information is available; if so, how many;

(2) what security measures are currently in place at these facilities;

(3) whether his Department has determined whether existing security measures are adequate; if not, why not; if so,

(4) whether these measures have been found to be adequate; if so, what are the relevant details; if not,

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N784E

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Hansard 8/8/95

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N785E

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The DEPUTY MINISTER OF ENVIRONMENTAL AFFAIRS AND TOURISM:

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N821E

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Foreign tankers entering Cape Town harbour

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(2) whether all foreign tankers are so inspected; if not, (a) why not and (b) what basis is used for selecting the tankers to be inspected;

(3) whether any foreign tankers were found to have serious deficiencies during the latest specified period of 12 months for which

'Imports won't be cheaper'

Star 9/8/95 (74f)

BY NIKKI WHITFIELD
CONSUMER REPORTER

Import surcharges are to be scrapped in October — but, alas, industry sources do not expect a feast of low-cost, hi-tech appliances to follow.

Finance Minister Chris Liebenberg announced earlier this year that the 40% import surcharge on luxury goods and the 15% surcharge on white goods — like washing machines, fridges, stoves and dishwashers — would be lifted. Import surcharges governing brown goods, which include toasters and kettles, would also go.

Therefore, a wide range of items — from tumble driers and bicycles to rum and frog's legs — will be affected when the surcharges fall away on October 1, a date which heralds the beginning of a new customs quarter.

But consumers urgently in need of appliances won't benefit all that much by hanging on until October in the hope of getting a drastically reduced imported item.

Ross Heron, managing director of Defy Appliances, said it was unlikely prices would come down significantly.

"I don't think prices will drop very much, mainly because retail inflation has just gone up to 3.6%, and other costs, like steel, plastics and the price of packaging, have also increased lately.

"Many retailers are having sales now because the market is a little soft and they are trying to move their stock. Essentially, I think the market will even out after October 1," he said.

Executive director of the Furniture Traders' Association, Frans Jordaan, said many suppliers' margins had been squeezed tight in the last year, and they were under no obligation to pass any savings they might make when surcharges fell away on to retailers. This, coupled with the fact that the exchange rate was less than favourable, would see prices remaining mostly stable.

"Basically, I think people are going to be disappointed. Prices aren't expected to come down by very much at all," Jordaan said.

Some retailers were a little more optimistic, but very cagily so. A spokesman from a major outlet chain predicted prices would come down in certain categories, but declined to say which goods would be affected more than others.

"Phone me closer to October 1," was all the spokesman, who wished to remain anonymous, would say.

Seven-year textile tariff phase-down

Yuri Thumbran (197)(74F)(188) BD 11/8/95

GOVERNMENT would implement the long-term plan for the clothing and textile industries from September 1, resulting effectively in a seven-year tariff phase-down period.

This is one year less than announced by Trade and Industry Minister Trevor Manuel in June, and has been hailed as a victory for the clothing industry by market sources.

Key elements of Manuel's original proposals were, however, retained in the final plan released last night.

This includes the phasing out of the duty credit certificate scheme over three years, and the phasing out of minimum specific tariffs over four years, with a possible one-year extension. Maximum specific duties would remain the same before being removed in four years and financing by the Industrial Development Corporation (IDC) for the upgrading of technology retained.

Except for the IDC finance package, the R5m annual subsidisation of a management consultancy and training were the only other supply-side measure recommended by the Swart panel to be accepted.

In terms of rebates, the clothing industry would have duty-free access to textiles for re-export under section 470.03 of the Customs and Excise Act. All other rebates would be phased out in eight years' time.

Although the decision was welcomed by the Textile Federation (Texfed), a suggestion by the SA clothing and Textile Workers' Union (Sactwu) to implement the phase-down only once supply-side measures were finalised was overruled.

But the trade and industry department accepted a Sactwu proposal to form a working committee to pursue supply-side measures. The committee would be appointed shortly.

The DTI informed both industries and Sactwu yesterday that the tariffs would be phased down in line with Manuel's suggestion. This means tariffs on clothing will be reduced from 90% to 40%. The clothing industry asked for an end rate of 45%.

On household textiles the rate would

Continued on Page 2

Tariffs

197 (188)(74F) BD 11/8/95

Continued from Page 1

drop from 55% to 30%, fabrics from 45% to 22%, yarns from 32% to 15% and polyester fibre from 25% to 7,5%.

It also emerged from the DTI's document that the Botswana-Lesotho-Namibia-Swaziland countries (customs union partners) were unhappy with Manuel's original announcement for an eight-year phase-down as they wanted tariffs phased down over the shortest possible period.

The DTI said it was not possible to meet all the respective needs.

Texfed president Mervyn King said the package was practical, reasonable and workable, but deputy president Mike Hankinson expressed disappointment at the failure to present supply-side measures.

The Clothing Federation had a conference last night to discuss the final plan before responding today.

retired police commissioners and chiefs of the SANDF and

Flour imports concern

Louise Cook (74F)

BD 11/8/95

THE prolonged uncertainty about a tariff for imported wheat has sparked fears of large-scale flour imports among producers.

Although Tiger Oats dismissed the fears, the Chamber of Baking was noncommittal.

The wheat industry was the last agricultural sector to switch from import permits to tariffs in terms of GATT. The sector, through the wheat forum, asked the Board on Tariffs and Trade to set a 66% tariff on imported wheat and 190% on imported bread flour.

Cheap imported flour poses a greater threat to the local industry than imported wheat, Western Province producer organisation vice chairman WT Myburgh said yesterday.

He said it was easier to import flour because it was containerised and cheap.

Tiger Oats executive director Hamish McBain said, "Cheap flour imports are not sustainable as overseas countries are withdrawing their export enhancement programmes and flour prices are likely to rise."

International wheat prices have risen sharply to \$216-\$220 in recent weeks because of shortages.

The board yesterday refused to comment on the possible level of the tariff.

Traders slate rise in chicken tariffs

CT 14/8/95 (-74F)

AN ATHLONE businessman has slated the argument that importing cheap frozen chickens damages the local industry and job market, citing the benefit of being able to bring "decent" chicken pieces to millions of people previously unable to afford them.

Mr Kishore Gihwala said he planned to join informal traders in a march on Parliament to object against high import tariffs.

He said his imports had created employment for 25 wholesalers and 4 000 vendors.— Staff Reporter

It's

'Cut-price' Rumanian vehicles arrive today

(74F)

STAFF REPORTER

A $2,5-MILLION (about R9m) shipment of 600 new and assembled Rumanian motor vehicles, whose prices are way below those of comparative vehicles available locally, is due in Table Bay Harbour today.

It is one of the biggest shipments of new cars brought into South Africa and the first time that Dacia vehicles — made by Dacia Rumania with Renault engines and gearboxes — have been imported, says Dacia Africa general manager Mr Chris Thornton.

He said the four Dacia models would be on sale at 15 new dealerships by September 1.

All four Dacia models have 1600cc engines and carry a three-year or 100 000km manufacturers' warranty and a year's free AA membership.

The Dacia one-ton bakkie will retail at about R37 500 — less than the half-ton Volkswagen Caddy which sells at R42 600. The Dacia double-cab four-door bakkie will retail at R45 000 and the dropside one-ton bakkie at R38 500.

The stationwagon will be priced at about R42 000. By comparison, the 1600cc, five-door Opel Astra has a full retail price of R82 392.

Mr Thornton said that even with a 70% import duty, Dacia was able to undercut local retail prices as manufacturing costs in Rumania were far lower than in South Africa.

CT 15/8/95

‘Lower import duties mean cheaper cars’

CT 16/8/95

(74F)

WILLEM STEENKAMP
STAFF REPORTER

AN increase in the importation of cheap, fully-assembled cars was expected as duties on motor vehicles had fallen, the National Association of Automobile Manufacturers (NAAMSA) said yesterday.

As a ship containing 600 Rumanian-built Dacia vehicles — priced at between R35 700 and R45 000 each — waited to dock in Table Bay yesterday afternoon, NAAMSA spokesman Mr Nico Vermeulen said the SA motoring industry could expect to see more imports of low-priced vehicles.

This was stimulated by a 39% drop in real terms, from 100% plus a 15% surcharge to 70%, in the import duty on motor vehicles in the past year, and it was expected that the duty would drop further.

“With the reduction of import duties, the industry anticipates an increase in the number of imports.

“However, we would like to ensure that these vehicles are not being dumped on the SA market,” Mr Vermeulen said.

It was essential that such vehicles met SABS safety standards, and buyers should be aware of after-sales service and spares availability.

Mr Rassie Erasmus, sales manager for Dacia Africa, said his vehicles’ prices included all shipping costs and the 70% import duty.

He said the cars had been rigorously tested in Rumania, were “basic” and not filled with electronic gadgetry, and would be sold with a three-year or 100 000km warranty.

Secondly, in terms of training, I do not think for one minute that anyone in this Government or in the department wants to see the standards of training deteriorating. But what we would like to see is change in the intake of students to reflect the population of this country, because at the moment the intake is such that very few Africans are being trained in this country as doctors and that has to be corrected.

The second thing we are saying is that the training should reflect the national needs of the country. We should not train and pretend that we are training for the UK or America. We must be realistic and train people to take care of the needs of this country, South Africa. There is no question of neglect.

I agree that the media is misrepresenting the whole situation. But unfortunately we do not own the media and sometimes the media is owned by people who are against transformation. They want to reflect that there is a collapse of everything, because they do not necessarily want to support the present Government. That is why they are prophets of doom and gloom.

What I want to say is that we are looking at everything, including looking at government-to-government recruitment of doctors if we cannot get enough doctors in this country to take care of the people of this country. [Interjections.]

Senator J A JOOSTE: She has sent them away and now she brings them back!

The MINISTER: We have had discussions even with the United Nations which has a scheme for recruiting. We are looking at other governments, because if we do not have enough doctors nationally, we have to supplement them. Every developing country, one may go to ... I beg the senator's pardon. [Interjections.]

An HON SENATOR: The Minister can go to Cuba!

The MINISTER: Now that the senator is so interested in Cuba, I will recruit from Cuba. [Laughter.]

The PRESIDENT OF THE SENATE: Order! The hon the Minister has definitely transferred some of her time from the previous interpellation to this one, but I cannot retract that now.

The MINISTER: I beg your pardon, Mr President.

The PRESIDENT OF THE SENATE: Order! I said that the hon the Minister had transferred some of her time which was available to the second interpellation, but that I could not retract that now.

The MINISTER: I am sorry about that.

Debate concluded.

QUESTIONS

†Indicates translated version.

For oral reply:

The PRESIDENT OF THE SENATE: Order! We now come to the questions on the Question Paper. We shall aim to deal with all the questions printed on the Question Paper. To this end, may I therefore please suggest to the hon the Ministers to invoke their right to table those parts of the reply which may be of a statistical nature, or whatever part of the reply they may think fit to table. They have that right.

Question standing over from Thursday, 8 June 1995:

Establishment of export processing zone in Walvis Bay

4. Sen Dr G MARAIS asked the Minister of Trade and Industry: (22A)

Whether the proposed establishment of an export processing zone (EPZ) in Walvis Bay in Namibia is expected to (a) have a negative impact on the establishment of export-orientated industries in South Africa and (b) discourage overseas investment in South Africa; if not, what is the position in this regard; if so, what are the relevant details?

S235E

The MINISTER OF TRADE AND INDUSTRY:

(a) No. Countries use a range of measures to stimulate industrial growth. The establishment of an EPZ in Namibia would stimulate investment in that country and, by focusing additional attention on the countries of the Southern African Customs Union (SACU), could enhance the SACU as a whole as an investment destination. A duty rebate/refund permit system is already operational in South Africa, in terms of which manufacturers can import inputs duty and tax free for the production of goods destined for export. In effect, the facility therefore exists for any manufacturer anywhere in South Africa to operate largely as if the firm was in an EPZ. There are in addition other wide-ranging initiatives in place in South Africa to stimulate industrial development and to encourage exports.

(b) No. The establishment of investor-friendly policies in the Southern African Customs Union and other neighbouring countries by means of EPZs, or other measures, enhance the attractiveness of the region as a whole as an investment destination. South Africa has a wide range of investment incentives to stimulate local and foreign investment. Given the changed circumstances following South Africa's readmission to the international community, the current measures are being reviewed with a view to creating a more investor-friendly environment. The recent abolition of the financial rand, the negotiation of bilateral agreements for the promotion and protection of investments and the scrapping (from 1 October 1995) of non-residents' tax on dividends are a few examples of measures already introduced. The Government will shortly submit to the NEDLAC Trade and Industry Chamber, a set of proposals on further measures to stimulate industrial investment, and to increase the internal and external competitiveness of industry in South Africa.

Hardsard 17/8/95

Questions standing over from Thursday, 22 June 1995:

Competitiveness in SA textile industry: import protection policy

*3. Sen Dr G MARAIS asked the Minister of Trade and Industry: † (74F)

Whether his Department has instituted any investigation into the effect of the import protection policy on production costs and competitiveness in the South African textile industry; if not, why not; if so, what was the result of the investigation?

S265E

The MINISTER OF TRADE AND INDUSTRY:

Yes. The effect of the import protection policy on production costs and competitiveness in the South African textile industry was covered in the course of a comprehensive investigation into a strategic plan for the restructuring of the textile and clothing industries by a Panel representative of the private sector, organised labour and government. Indeed, the Southern African Clothing Union was also represented on that panel.

In a subsequent investigation the Board on Tariffs and Trade (BTT) focused in particular on an appropriate tariff protection dispensation for the industries. It was found that both industries have the potential to become internationally competitive but that a fundamental restructuring and a conscious move out of the lower end of the market into higher value added products was required with particular attention to improving productivity through human resource development, work organisation and the upgrading of technology.

Government's response on the recommendations put forward by the Panel and the BTT was announced on 12 June 1995. In deciding on a suitable strategy for achieving international competitiveness in a reasonable timeframe, account had to be taken of the fact that textiles and clothing are internationally sensitive industries. A balanced approach had to be followed in order to minimise the loss of job opportunities in the textile sector as restructuring and upgrading of technology occur, whilst at the same time fostering a net creation of jobs in the clothing sector. Government therefore opted for a phased approach to the reduction of tariffs, linked to moderate supply side assistance to help the restructuring process.

In summary, the *ad valorem* tariff protection levels will be phased down over an eight-year period from their current levels to rates of 40%, 30%, 22%, 15% and 7.5%, respectively, for clothing, household textiles, fabric, yarn and polyester fibre. The minimum and maximum specific duties will be phased out over a much shorter period of four years with a possible extension of one year, provided the industries demonstrate sufficient progress in the restructuring process.

Senator Dr G MARAIS: Mr President, arising out of the hon the Minister's reply, was employment in cotton farming considered in the investigation?

The MINISTER OF TRADE AND INDUSTRY: Mr President, on the panel we had both cotton farmers and wool farmers. The situation in respect of cotton farming was duly analysed. Clearly, it is a highly competitive global market. At this point

Hansard 17/8/95

in time, our cotton farmers are in a fortunate position because there is a bit of a run on cotton prices, but we recognised that it was the kind of industry artificially introduced in South Africa which cannot be sustained against all odds. We are in constant contact with representatives of cotton farmers in South Africa.

Competitiveness of SA industries: monitor study

*4. Sen Dr G MARAIS asked the Minister of Trade and Industry:

Hansard 17/8/95

(1) Whether a monitor study has been undertaken in regard to the competitiveness of South African industries; if so, what are the relevant details;

(2) whether his Department intends taking any action in this regard; if not, why not; if so, what action;

(3) whether the (a) National Economic, Development and Labour Council (NEDLAC) and (b) Industrial Development Investment Centre in the Department of Trade and Industry is to play any role in this regard; if not, what is the position in this regard; if so, what role?

S266E

The MINISTER OF TRADE AND INDUSTRY: Mr President, clearly Senator Marais is working. I wonder whether he worked as hard when he held the portfolio in Trade and Industry. [Interjections.]

(1) There was no monitor study, as suggested by the question. What was done was a study by an international consultancy, the Monitor Group—it is a different thing. I do not know of a monitor study—which assessed the country's strengths and weaknesses using Michael Porter's Cluster Model. The study revealed that the existing structure of the South African economy was consistent with that of a country with relatively high levels of tariff protection—we will not say whose fault that is—and one that had been adversely affected by international sanctions, both of which restricted access to international markets. In other words the market in South Africa had been hindered by a number of exogenous factors.

These factors created an industrial sector characterised by broad production ranges in companies and relatively shallow industrial clusters with relatively small production runs. These findings suggested that in order to attain full international competitiveness, one of the objectives of the Reconstruction and Development Programme, there was a need for substantial restructuring of industry in South Africa. The report highlights a number of factors that are useful and that can be considered for future economic policy formulation. A number of initiatives which address some of the basic economic deficiencies have already been implemented (though not necessarily as a result of the Monitor report, which in certain instances confirmed other analyses of the economy). Examples are the relaxation of exchange control, the down-phasing of import duties and the further dismantling of import and export control to strengthen market forces operating in the economy.

(2) Yes. The Monitor study examined the South African economy at the end of the sanctions era and identified a number of distortions and structural deficiencies. The current actions of the Department of Trade and Industry and other Departments are aimed at addressing these issues, principally by the development of a range of supply-side support measures for new industry establishment, industry restructuring, and small business development, among others. The purpose of these measures is to improve the internal and external competitiveness of industry in South Africa and to raise the employment potential of the economy as a whole. It is expected that the envisaged new measures will be funded by internal reallocations of the Department of Trade and Industry budget, while there will also be greater responsibility placed on business to improve their own performance.

(3) (a) and (b) Yes. The envisaged supply-side measures are being developed in conjunction with NEDLAC. The Industrial Development and Investment Centre of the Department of Trade and Industry as well as a number of other Directorates in the Department of Trade and Industry on a continuous basis develop and administer

industry development and support programmes. Indeed the Department of Trade and Industry in its entirety is devoted to supporting healthy business development as a key element in attaining the goals of the RDP. The creation of a business-development friendly environment and providing support for business development is the business of the DTI. The changed circumstances brought about by the reintegration of South Africa into the international business community both permits and necessitates the development of support measures that are in keeping with the changed circumstances South African business has to operate in. As stated, proposed measures are being developed in consultation with NEDLAC as well as other role-players, taking into account the findings contained in the Monitor report on the competitiveness of South African industry as well as other inputs.

Proposed steel plant at Saldanha: retrenchment of workers

*5. Sen Dr G W KOORNHOF asked the Minister of Trade and Industry:†

(1) Whether an investigation has been done to determine whether the development of the proposed Iscor steel plant at Saldanha may result in the retrenchment of workers at Iscor's steelworks at Vanderbijlpark; if not, why not; if so,

(2) whether his Department has consulted with Iscor in this respect; if not, why not; if so, what are the relevant details?

Hansard 17/8/95 S267E

The MINISTER OF TRADE AND INDUSTRY:

(1) No. Iscor is currently upgrading the Vanderbijlpark plant with the latest technology and as a result of this upgrading process, which will increase Iscor's international competitiveness, a number of jobs will be lost, sad as it may be. The Saldanha plant will create new employment opportunities in an area which desperately needs job creation and an injection of economic activity.

(2) No. As part of the re-integration of South Africa into the international business community, many South African companies are in the process of repositioning themselves to take advantage of new opportunities in international markets and to secure their positions in the local market in the face of increased competition from foreign suppliers re-entering or entering our markets. The adjustments as well as the necessary introduction of new technologies will in certain cases lead to retrenchments in particular areas of industry.

These processes are an inevitable part of the restructuring of the South African economy in the post-apartheid era if we are to survive and attain full international competitiveness. The decisions surrounding the restructuring of companies are essentially matters that fall within the domain of company managements and their boards who do not necessarily consult with Government on such matters, nor does Government as a general principle intervene in such company decisions. I should point out that we do take account of broader society needs, as I have indicated in my response to the question on the textile and clothing sector. We certain try and ensure that such companies are pressurised to retrain workers for rapid re-absorption elsewhere. Nevertheless, ongoing contact is maintained with our principal steel producer, Iscor, with a view to converting more of our iron ore to steel before export and to the creation of downstream jobs in the steel fabrication industry.

Jobs created under National Public Works Programme

*10. Sen W F MNISI asked the Minister of Public Works:

Whether any jobs have been created under the National Public Works Programme; if not, why not; if so, (a) how many, (b) what jobs, (c) how many more jobs does his Office intend creating under this programme, (d) what kinds of jobs will be created and (e) what process will be used to select persons for these jobs?

S272E

Hansard 17/8/95

Rumanian vehicles roll in

(74F)

STAFF REPORTER

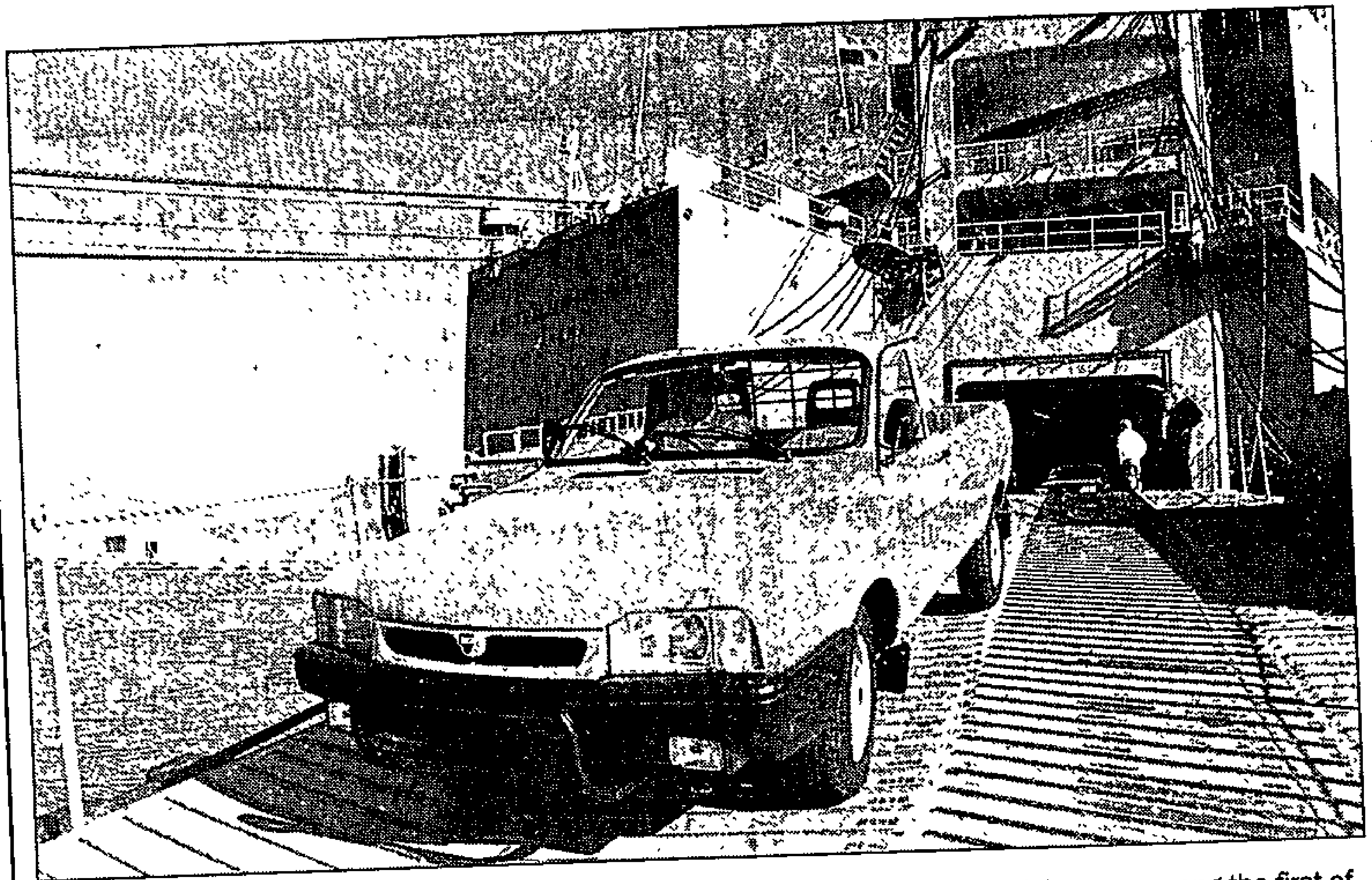
CT 17/8/95

THE offloading of 600 Rumanian-built vehicles, which will be substantially cheaper than other available makes when they go on sale on September 1, started in Table Bay Harbour yesterday.

Four models of the Dacia — which have Renault engines, gearboxes and differentials — will be priced between R37 500 and R45 000, Dacia Africa general manager Mr Chris Thornton said yesterday.

He said indications were that the vehicles would be snapped up almost immediately, and he was placing a second order "straight away".

He was confident the Dacias would cope with local conditions, as eight had been extensively tested in the country for the past year.



RUMANIAN BAKKIE: This Rumanian-built Dacia bakkie, one of four imported models, was among the first of 600 vehicles to be off-loaded in Table Bay Harbour yesterday. The models, three bakkies and a station-wagon, will cost between R37 500 and R45 000, say the importers. *PICTURE: NIC BOTHMA*

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Tariff duties on TV sets could be cut

BD 18/8/95 (74F)

Ingrid Salgado and Mungo Soggot

TARIFF duties on television sets could be reduced from 60% to 40% with immediate effect and to 25% over the next two years if Trade and Industry Minister Trevor Manuel accepted the recommendations of the Board on Tariffs and Trade, sources said yesterday.

The "unofficial" recommendations would also have to be approved by Finance Minister Chris Liebenberg. The 25% duty would be less than the 30% recommended by the GATT.

The reduction would apply to both colour and black-and-white sets and was brought before the board by the Radio and Television Manufacturers' Association of Southern Africa earlier this year, the sources said.

Anglo American, which wants to make colour tubes locally in a joint venture with Korea's Daewoo, has been arguing for either a more gradual phase-down of import tariffs or "supply-side" benefits for the scheme like tax breaks.

Anglo American Industrial Corporation director Laurie Olivier said the move to reduce tariffs was the right one if there was going to be no local production of colour tubes, but not if Anglo American was going to build tubes locally.

SABC strategic planning GM David Niddrie welcomed the possibility of a reduction and said the current level was a barrier to access, particularly among SA's poor. He was aware there was "a slight difference of opinion" between the SABC and Anglo.

Meanwhile, the board is understood to be investigating a reduction of tariffs on satellite dishes and receivers. An application by the Satellite Communications Association of Southern Africa and supported by the National Association of Broadcasters has recommended the 60% level be abolished altogether.

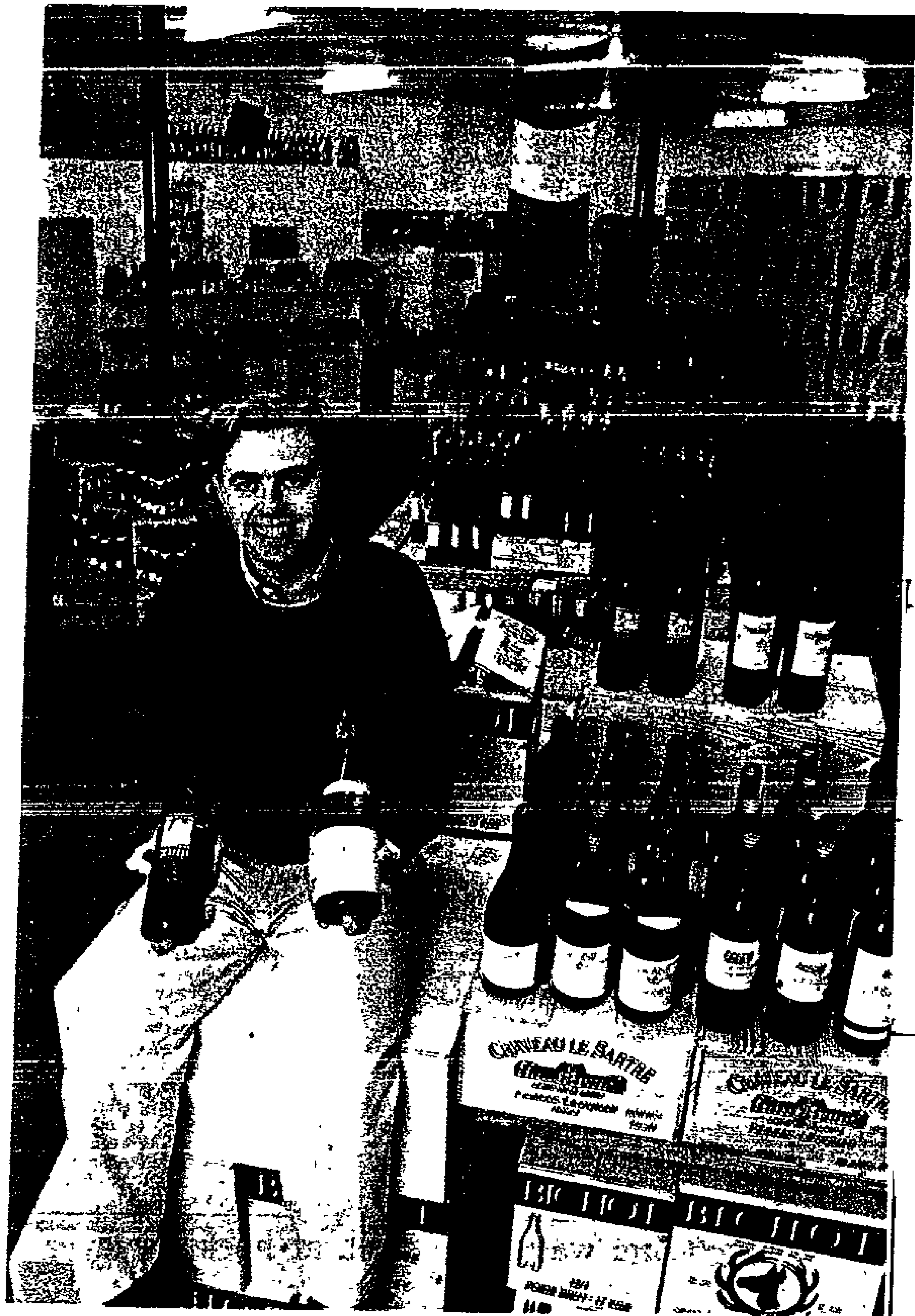
The application has been opposed by National Panasonic.

Imported wines take off

As SA brands are snapped up overseas, foreign labels rush in to fill the trade gap

ARG 19/8/95

(74F)



☐ **IN VINO VERITAS:** Oscar Foulkes with some of the affordable imported wines he and others are stocking.
Picture: ANDREW INGRAM, Staff Photographer

IRVING STEYN
Staff Reporter

■ Wines from all over the world are coming to South Africa to replace shortages — and are finding a ready market at prices that are irresistible to buyers.

QUALITY imported wines are finding their way on to South African shelves in increasing numbers at prices the local product sometimes finds hard to compete against.

Wines from Chile, Argentina, Bulgaria, France, Italy, Macedonia, Hungary and New Zealand are being sold in the face of a shortage of quality domestic wines because of lower than normal crops, unprecedented exports and climbing local demand.

Oscar Foulkes of the Wine Warehouse in Woodstock said there were shortages of local wines "across the board", but was able to cope with demand by importing wines from other countries "at much better prices".

He cited a high quality cabernet from Chile which he was able to sell below R10 a bottle in the face of top range local cabernets at between R15 and R20 a bottle.

"Apart from any other consideration, South Africans now feel they want to be part of the rest of the world and there is a big interest in buying foreign wines. We will be bringing in a hell of a lot more," Mr Foulkes said.

Until now imported wines were aimed at the connoisseur and naturally moved slowly. His company was the first to import wine "at everyday price levels", and sales have been "phenomenal".

After his initial container of wine from Chile he has two more on order and another from Macedonia.

"It wouldn't surprise if before long half our sales are going to be imported wine," he said.

Apart from Chile, he was planning imports of chardonnay and sauvignon blanc from New Zealand which would sell for about R20, quality wines from Italy for between R20 and R150 and France from R20 to R49.

Shoprite Checkers wine expert, Mark Norrish, said his company was looking at Hungary, Bulgaria, Chile and Argentina as sources of wines because their products had improved in recent times "by leaps and bounds".

"You can get unbelievable value for money on the world market, even taking into consideration freighting costs to Cape Town and even considering the dollar exchange rate for what it is."

He believes South African producers were put at a disadvantage because of the excessively high cost of packaging with corks costing much more and bottles at 90c each.

Mr Norrish said his company had bought 600 cases of Chilean cabernet and had sold out within three weeks without any promotion campaign.

Imported wines filling the gap for local demand

Star 19/8/98 (74F)

By IRVING STEYN

Cape Town – Quality imported wines are finding their way to South African shelves in increasing numbers at prices the local product sometimes struggles to match.

Wines from Chile, Argentina, Bulgaria, France, Italy, Macedonia, Hungary and New Zealand are being sold in the face of a shortage of quality domestic wines because of lower than normal crops, unprecedented exports and climbing local demand.

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He believes South African producers are at a disadvantage because of the excessively high cost of packaging, with corks costing much more and bottles at 90c each.

Norrish said his company had bought 600 cases of Chilean cabernet and sold out within three weeks without any promotion or advertising campaign.

"It shows you the market is there and hasn't been exploited yet, but I hasten to add that this would not be at the expense of the South African market, which could actually be stimulated."

Texfed has second thoughts on plan to phase down tariffs

(74F) CT(BR)25/8/95

BY SHIRLEY JONES
STAFF WRITER

The Textile Federation is having second thoughts on the recently released final policy framework for the industry from Trevor Manuel, the minister of trade and industry.

Brian Brink, the executive director of the federation, said the policy was not a strategic industrial plan. It was a tariff phase down schedule which, at best, ended a protracted period of uncertainty and speculation on the duty question.

"The textile industry feels strongly that it would be appropriate to postpone the hasty introduction of the duty phase down programme to restructure the industry until the supply side measures embracing training, technology upgrades, export promotion and others are finalised and in place. We're calling for structural planning not ad hoc measures," Brink said.

The debate centred on the absence of supply side measures which Mervyn King, the chairman of Frame and the president of the federation, warned would have a significant effect not only on company borrowings for new plants, but on labour issues such as retraining and retrenchment.

A fragmented approach could spell disaster for the plan as a whole, he said.

Manuel said the government could not afford supply side measures specific to the textile industry. However, general supply side measures were being developed for which the textile and clothing industries could qualify.

Industry sources remain sceptical as to whether the September 1 deadline for the implementation of the tariff reduction schedule will be met. They are even more doubtful that the small working group appointed to evaluate supply side measures would deliver a decision within the stipulated period.

King said it was imperative to implement a total textile package to fully evaluate it.

He said one only had to look to the past to appreciate the potential problems of the future. In 1989, the board of trade and industry advocated a structural adjustment programme which included supply side measures.

However, the government of the time said it could not afford them and therefore implemented the plan without them. King said it had been a disaster.

Brink drew attention to the fact that, in the preamble to his announcement on the tariff issue, Manuel said: "A phase down period of 12 years . . . has been negotiated in terms of the Marrakech Agreement. This dispensation should be seen in the context of the sensitiveness internationally of textiles and clothing expressed in high levels of protection as well as tariff barriers in the form of quotas still applied by developed countries."

Despite this, and unmindful of the Swart panel's recommendation that the duty phase down should be accompanied by a package of supply side measures, the ministry decided on a seven year tariff phase down with little or no supply side measures, he said.

In his capacity as the head of Frame, King intends marking time with an interim upgrade programme. He said he was waiting anxiously to fine tune Frame's R400 million, four-year plan.

His message to government is quite clear: "Don't grope in the dark when you have the light before you."

Planned tariffs cause alarm

South African clothing and textile manufacturers said they rejected proposals to restore preferential tariffs on imports of clothing and textile products from Zimbabwe from October.

The Textile Federation and Clothing Federation said it was alarmed about the planned reinstatement of the preferential tariffs, announced in Pretoria on Wednesday.

"Zimbabwe has access to raw materials at duty-free prices, its labour rates are 20 percent of South Africa's and it is in close proximity to the South African market. There is no justification to grant Zimbabwe further trade preferences."

The federation said the move would see tariffs on Zimbabwean clothing imports, presently at 7 percent, reduced to 15 percent. A complicated structure governs textile imports, but tariffs on cotton fabric imports from Zimbabwe should fall from about 35 percent to 10 percent. — Reuter

CT(BR) 25/8/95 ~~(784)~~ ~~(???)~~ (74F)

500 tons of French chicken seized

ST(LM) 27/8/95

(74F)

By KEN VERNON

MORE than 500 000kg of cheap French chickens were this week impounded at the Cape Town docks after health officials condemned them as unfit for human consumption and black-listed the company from which they originated.

Dr Walter Lôwe, director of Veterinary Public Health for the Department of Agriculture, said his department had been "unhappy" with the way the chickens had been "dressed and eviscerated".

Preliminary tests also indicated that the chickens, which are being held in cold storage in Cape Town docks, were contaminated with Salmonella bacteria, although final test results were still being analysed.

Officials from the Department of Agriculture are now planning to hold urgent talks with their French counterparts on how they certify slaughtered chickens in an effort to put a halt to further dangerous imports.

Earlier this year Cape Metro revealed that contaminated imported chickens had almost certainly been responsible for an outbreak of Salmonella poisoning which led to the hospitalisation of 60 children in Cape Town.

Following that report, testing procedures for the importation of chicken were tightened, resulting in the early detection of contamination in this week's consignment before it could be released to the public.

Previously, random samples were taken from imported consignments of chicken for testing, while the rest of the batch was given to the importer for distribution.

This week's incident has highlighted allegations by poultry industry sources that South Africa has been targeted as a dumping ground for poor quality or contaminated poultry.

The man who discovered the consignment and acted to impound it, Cape Town's State Veterinarian in charge of meat hygiene, Dr Deon Wege, said there were almost 2 000 strains of Salmonella bacteria, but only one was dangerous.

However, he added, the general state of the chickens seized this week was bad. The Sunday Times has established that portions of the intestines, hearts, livers and other entrails were still present in some of the chickens.

Dr Lôwe said the impounded chickens may have to be destroyed or possibly used for pet food, depending on final test results.

In an effort to halt the flooding of contaminated or poor quality chicken onto the South African market, his department had recently been forced to put a halt to the "break bulk" method of importation whereby individual cartons were loaded in bulk into the holds of ships, making temperature control difficult. Individual containers would be used instead.

Dumping will lose industry millions

ARG 29/8/95 (74F)

PIETERSBURG. — Unless the uncontrolled dumping of meat from foreign producers was stopped, South Africa's red meat industry might lose R5 million daily, Transvaal Agricultural Union president Dries Bruwer said.

If other agricultural products were taken into consideration, many more millions might be lost, he said in Pietersburg, Northern Province.

"Organised agriculture will therefore support any legislation prohibiting dumping of agricultural products," he said.

"We are dependent on food imports, but they should be controlled effectively so as not to harm or even destroy our local producers."

Bruwer said the "brittle" agricultural industry might be ruined beyond repair if producers were not protected against uncontrolled imports.

These were in most instances of poorer quality than local consumers were accustomed to, he said.

Food imports should be planned in co-operation with organised agriculture.

A collapse of the local industry would lead to price rises on imported food. — Sapa.

Clothing, textile industries slate govt over Zimbabwe tariff deal

Yuri Thumbran (74F) 30/8/95

THE clothing and textiles industries have launched a strongly-worded attack on government for concluding a preferential trade deal on tariffs with Zimbabwe.

In an advertisement published today, the two industries warn of hundreds of thousands of job losses and the scaling down of their proposed R3,5bn capital investment in technology and training. The Clothing Federation and Textile Federation also say communication has taken place through the Press rather than directly.

Describing the agreement as ill-conceived and irrational, the industries said more than 350 000 direct jobs and hundreds of thousands of secondary jobs were at risk. "It is fallacious to believe that imports from Zimbabwe will replace those from the Far East. As a rule of thumb, for every job created in Zimbabwe, one will be destroyed in SA."

The agreement would make a mockery of the seven-year tariff phase-down period and deal a severe blow to the confidence of SA textile and clothing companies, as they would never know what their own trade officials might concede next. SA companies could therefore be expected to scale back investment plans leading to another, more extensive round of job losses.

The advertisement said it was common knowledge that customs and excise had all but lost control of SA's ports and that smuggling was rife. At most only 1% of imports were inspected, therefore the assurances of trade officials that they would ensure there were no import leakages into the country were ridiculous.

Both industries repeated their offer to second personnel and international consultants free-of-charge to aid the customs and excise department to control smuggling and illegal imports.

They said Zimbabwe's textile and clothing industry enjoyed considerable advantages over SA, including wages being 25% of those in SA and that Zimbabwe manufacturers had access to duty-free raw materials at world prices for exports to SA.

The advertisement said SA was not responsible for the destruction of much of the Zimbabwean textile and clothing industries. The Harare government, in some cases at the insistence of the IMF, had caused this destruction by withdrawing export incentives and raw material subsidies overnight, failing to maintain the integrity of the customs function and failing to control state spending, resulting in excessively high interest rates and inflation.

The advertisement said President Nelson Mandela had warned against a big bang approach to trade liberalisation with neighbours, to avoid exporting capital, skills and jobs. "This is precisely what will happen if the Zimbabwean agreement is allowed to stand."

● See Page 8

500 tons of French chickens 'unfit'

CT 5/9/95

(74F)

Poultry

DAN SIMON

STAFF REPORTER

A CONSIGNMENT of 500 tons of frozen chickens from France was condemned yesterday after tests carried out found it to be unfit for human consumption.

An "unacceptably high" percentage of defects were noted.

Local farmers and producers say some foods imported since restrictions were lifted are of dubious quality and imports are driving them out of business.

The Department of Agriculture's veterinary services said they had condemned the consignment of frozen hens after tests were carried out on 16 randomly selected cartons.

The consignment was imported by Johannesburg-based Caterchoice from the French-owned Doux company in France. Doux executive Mr Michel Pineau arrived in the city yesterday to see the results of the tests. Attempts to reach Mr Pineau for comment were unsuccessful.

Dr J van Wyk of the Department of Meat Hygiene said there was "very poor defeathering" in 28% of the chickens tested while "eggs and ovaries" were found in 69% of the birds tested.

Tests also revealed bruising, emaciation, bile soiling and 71% of the chickens did not have their lungs removed. Fallopian tubes, hearts, livers, spleens, gizzards and parts of the gut had also not been removed from a number of the chickens tested.

ARG 5/9/95

(74F)

Frozen chicken row intensifies

JACQUELYN SWARTZ
Staff Reporter

A MAJOR European chicken producer is to join a local importer in the fight against a decision declaring 518 000 imported frozen chickens unfit for human consumption.

This follows a meeting yesterday between state veterinarian Dion Wege, Michel Pineau, sales director of the French Doux company, and a representative of Johannesburg-based Caterchoice, which imported the poultry.

The companies decided to appeal to the office of the director of veterinary public health in Pretoria after another inspection of the poultry.

The inspection took place at the cold store where the chickens have been impounded. The location has not been revealed.

"The appeal should take a day or two," said Dr Wege.

"They do not accept that the meat is inedible. But I am staying with my opinion."

It was Dr Wege who condemned the consignment of 500 tons of frozen chickens last week.

'Condemned chickens infected with salmonella'

CT 7/9/95 (74F)

DAN SIMON

TESTS carried out this week at the Onderstepoort animal research centre near Pretoria on samples of the 500-ton consignment of frozen chickens which was imported from France and condemned by the Department of Agriculture have detected traces of salmonella.

Dr J van Wyk of the Department of Agriculture's veterinary services said the chickens were found to be unfit for human consumption last week after an "unacceptably high" percentage of defects were noted during random testing.

However, subsequent tests carried out on Monday at Onderstepoort found positive traces of salmonella — a bacterium which causes food poisoning.

Although the bacterium was not identified as the well-known human pathogen, salmonella interiditis, too little was known about it to determine whether it was harmful to humans or not.

'Apologetic'

Dr Van Wyk said he had met representatives of the French company Doux, which exported the R2,5 million consignment to South Africa. The consignment was imported by Johannesburg-based Caterchoice.

The French representatives arrived in the country on Monday after their company was notified that the entire shipment had been condemned by the department's veterinary services.

The representatives had been "apologetic" over the condition of the shipment and were considering exporting it to another country or turning it into pet food. The company has been given 21 days to come up with a solution.

The department's tests had shown poor defeathering, bruising, emaciation and bile soiling, some birds still had lungs, fallopian tubes, hearts and spleens.

Preferential tariffs for Zimbabwe slammed

(74F)

Star 12/9/95

■ BY FRANCOISE BOTHA

South African textile manufacturers have slammed the re-instatement of preferential tariffs on imports from Zimbabwe, saying it will re-open the sluice gates for dumping by producers from the Far East and will cost the local industry jobs.

The Textile Federation (Texfed) said yesterday that assurances by the government that a number of safeguards such as quotas, customs controls and the monitoring of import volumes would be established, could not be relied on.

Brian Brink, the executive director of Texfed, said the customs and excise department had acknowledged that it was unable to guarantee adequate control of imports into South Africa.

"Zimbabwe has bilateral trade agreements with Botswana and Namibia. If customs control of imports is already so weak, how can we ensure conformity to other trade agreements among southern African countries? The effect will be the re-routing of cheap goods from the Far East," he said.

The industry said strict safeguards to enforce certificates of origin had failed in the past. South African textile mills said it was well known that falsification of certificates of origin was carried out on a large scale

Texfed said it wanted to know whether this was done in spite of Zimbabwean government efforts to contain it, or whether it occurred with their tacit approval.

The customs sieve would not only let through cheap, re-routed imports, but also cost the local economy jobs, said Brink.

Assurances by government include an investigation of employment implications before the preferences are agreed to on Friday.

John Balladon, the chairman terry towelling Glodina, said Zimbabwe had one of the largest terry towelling manufacturing facilities in southern Africa and restoring the trade agreement could result in 25 percent of the South African market being lost to Zimbabwe.

Preferential tariffs for Zimbabwe slammed

(74f) ([illegible]) ([illegible])

By Françoise Botha

CT (BR) 12/9/95

STAFF REPORTER

South African textile manufacturers have slammed the re-instatement of preferential tariffs on imports from Zimbabwe, saying it will re-open the sluice gates for dumping by producers from the Far East and will cost the local industry jobs.

The Textile Federation (Texfed) said yesterday that assurances by the government that a number of safeguards such as quotas, customs controls and the monitoring of import volumes would be established, could not be relied on.

Brian Brink, the executive director of Texfed, said the department of customs and excise had acknowledged that it was unable to guarantee adequate control of imports into South Africa.

"Zimbabwe has bilateral trade agreements with Botswana and Namibia. If customs control of imports is already so weak, how can we ensure conformity to other trade agreements among southern African countries? The effect will be the re-routing of cheap goods from the Far East," he said.

The industry said strict safeguards to enforce certificates of origin had failed in the past.

South African Textile Mills said it was a well known fact that large scale falsification of certificates of origin was carried out.

Texfed said it wanted to know whether this was done in spite of Zimbabwean government efforts to contain it, or whether it occurred with their tacit approval.

The customs sieve would not only let through cheap, re-routed imports, but also cost the local economy jobs, said Brink.

Assurances by government include an investigation of employment implications for sensitive areas before the preferences are [illegible] on Friday.

John Balladon, the chairman of Natal-based terry towelling manufacturer, Glodina, said Zimbabwe had one of the largest terry towelling manufacturing facilities in southern Africa and restoring the preferential agreement could result in 25 percent of the South African market being lost to Zimbabwe.

Meatmen Kraai 'black sheep'

CT 21/9/95

PRETORIA: The shears were out for Agriculture Minister Dr Kraai van Niekerk last night following his decision to bar imports of live slaughter sheep.

A media briefing here to announce the decision turned into a heated debate when enraged black meat traders accused him of racial bias. Dr Van Niekerk had called the news conference to announce his decision not to grant a permit to black group the United Meat Traders' Association, to import the sheep by ocean carrier from Australia.

(74F)

Import permit for live Oz sheep off

(74F) Star 22/9/95

■ BY NIKKI WHITFIELD
CONSUMER REPORTER

Live sheep will not be imported from Australia – and the people who fought hoof and tail to bring them over here are so mad they could spit.

Yesterday the United Meat Traders Association (Umta) vowed to continue the battle, insisting: "This is only round one."

But Agriculture Minister Kraai van Niekerk's office is adamant: No slaughter sheep will be shipped over from down under, a result which caused rather a heated debate when it was announced in Pretoria on Wednesday.

Black traders accused him of being racist and of only having the interests of the sheep farmers at heart. There is a shortage of fresh mutton, they say. The majority of South Africans do not possess fridges and do not want to buy frozen meat, not to mention the scores of people who obey strict religious rules and want to buy meat straight from abattoirs which observe the rites.

On the flip side of the coin, the producers and welfare groups are happy. Farmers stridently fought the import plan all along, fearing they could be forced to abandon their livelihoods if the project really took off, and also fretting that foreign diseases would filter into local herds.

Animal rights groups labelled the project outrageous and potentially disastrous. Sheep, they said, were creatures of habit and needed a long time to adapt to different situations. Therefore many of them were likely to die of starvation on board ship if they had not adapted properly to eating dry food. They would also suffer if ventilation was not adequate and could contract diseases on board, even if they had been given a clean bill of health before departure.

But Umta is not going to stop fighting for what it wants. The organisation's Shabeer Hoosen said he and his colleagues were exploring different options, and were even considering taking the matter to President Nelson Mandela's office.

"What I really don't understand is this: At the beginning of the year, when the whole proposal came up for the first time, the Department of Agriculture issued a document to us outlining the protocol it would be necessary to follow if we had any hope of being successful in getting a permit.

"We followed this protocol absolutely, and we were still denied a permit. I think the department had decided from the outset that it would not grant anything."

The Department of Agriculture's Dr Paul Bosman said Umta's statement that it had followed protocol was "open for debate" as the department's veterinary wing had had problems with the welfare of the sheep.

Van Niekerk said on Wednesday: "The transportation of meat in live form is archaic and inhumane. This opinion is strongly corroborated by the Livestock Welfare Association and the SPCA who both accompanied the departmental fact-finding mission to Australia."

Bosman said other options were open to Umta, such as exploring how to import chilled, not frozen, meat. He dismissed the groups' accusations of racism as "something which doesn't enter into the equation at all".

The SPCA yesterday praised Van Niekerk's decision, as "preventing animals from having to endure great suffering and stress".

THE STAR / MONDAY SEPTEMBER 25 1995

Import taxes to end, but prices won't drop

Star 25/9/95 (74F)

STAFF REPORTER

Import surcharges will be scrapped from October 1 – but any hopes of a pre-Christmas price bonanza have been dashed by retailers and importers who don't expect retail prices to drop by very much.

From next week, the 40% surcharge on luxury goods and the 15% surcharge on white goods – like washing machines, fridges, stoves and dishwashers – will be lifted in accordance with a decree made by Finance Minister Chris Liebenberg earlier this year.

A vast range of items – including frogs legs, rum, bicycles, television sets, video cassette recorders, toasters and kettles – will be affected by the surcharge scrapping.

But consumers hoping to snap them up for a song will be disappointed – it seems the dropping of the surcharges has already been evened out by many retailers.

However, the scrapping of the surcharge is expected to curtail price hikes and give retailers extra leeway to offer special promotions. This is good news to people whose areas have recently been electrified, whose first purchases are often so-called brown goods, like toasters, kettles and irons.

Squeezed

But consumers urgently in need of large appliances won't find prices that much lower. Ross Heron, managing director of Defy Appliances, said it was unlikely prices would come down at all significantly.

"I don't think prices will drop very much, mainly because retail inflation has just gone up to 3,6%, and other costs, like steel, plastics and the price of packaging, have also increased lately. Essentially, I think the market will more or less even out after October 1."

Executive director of the Furniture Traders' Association, Frans Jordaan, said many suppliers' margins had been squeezed tight in the last year, and they were under no obligation to pass any savings they might make when surcharges fell away on to retailers. This, coupled with the fact that the exchange rate was less than favourable, would see prices remaining mostly stable.

"Prices aren't expected to come down by very much at all," Jordaan said.

Stricter shoe import control policy urged

Yuri Thumbran BD 26/9/95 (74F)

ILLEGAL imports and dumped products had put a brake on SA footwear production with jobs declining by 1% last year to 21 300 and the number of factories slumping to 116 from 126, the latest Footwear Manufacturer Federation statistics show.

Federation president Robert Feinblum said latest trends were disconcerting, especially in the light of government's failure to impose restrictions on cheap imports and to act on dumping.

The industry last showed growth in employment in 1989 when 27 500 people were employed, but this had slowed as factories closed in the face of cheaper imports flooding the market.

Feinblum dismissed claims by the tanning industry that most imports were at the lower end of the market. Their value suggested otherwise, he said, while the volume of imports from Zimbabwe, Indonesia, Italy, Singapore and mainland China was increasing.

Feinblum said there was lack of proper customs control and stronger measures to curb illegal imports and dumped products.

US imports could slash maize prices

(74F) BD 26/9/95

Louise Cook

WHITE maize prices would drop to "more realistic levels" of R740-R760 a ton — about R100 a ton less than current prices — if an agriculture department recommendation to import white maize from the US was implemented, Tiger Oats executive director Hamish McBain said at the weekend.

US white maize could be allowed into SA following a meeting between local and international technical experts on Friday. The department's plant and quality control division had banned US maize because of a possible bacterial threat to local maize plantations.

Local white maize prices have rocketed to highs of R850 a ton in recent weeks in the face of severe shortages on the market and allegations of farmers holding back available stocks in a bid to chase prices even higher.

Tiger Oats plant and quality divisional director David Keetch declined to give details but said recommendations would be made to Agriculture Minister Kraai van Niekerk that would change government's policy. "These would not relax controls on quality in any way."

McBain said the threat of contamination was "exceptionally small. Millions of tons of US maize has come into Africa and nowhere has there been any contamination. Field tests have shown there is virtually no threat of the bacteria spreading through seed."

He said millers were particularly keen to import maize in the face of high local prices.

Sources said various recommendations would be made to Van Niekerk, including stipulations that sealed trucks be used to transport the maize from ports, that only certain ports be used for delivery and that any spillages be swept up. It would also be recommended that a four-man committee with representatives from the plant and quality control division, the Agriculture Research Council, millers and producers monitor the situation.

World prices were well over $200 a ton, but "depending on where the maize is sourced from, it is still possible to obtain the grain at prices lower than in SA", McBain said.

Contraband: Call for tighter controls (74F)

Business Editor

THE government must either cut import duties on electronic consumer goods or tighten up policing at the frontiers, says Seartec chairman Aaron Searll.

In his annual report Dr Searll hits out at the government's "apparent inability" to control the influx of smuggled goods into the country.

"Our country has the highest duties in the world on audio and video products which makes the evasion of duties by unscrupulous traders rife owing to low risk and high reward."

"It appears that the functions of Customs and Excise have completely broken down and that the department has become totally ineffective," Dr Searll says. ARG 4/10/95

Lower duties, properly collected, would increase — not decrease — state revenue, he says.

Ten percent of Seartec's sales is exposed to competition from smuggled goods.

The group, which was listed on the Johannesburg Stock Exchange in December last year, is budgeting for a 10 percent increase in turnover in the 1995-96 financial year, with pre-tax profits set to rise between 10 percent and 15 percent, Dr Searll says.

Housing and electrification as well as higher spending on education by the state will boost sales of the group's products.

Seartec, which distributes the Sharp office and consumer range and Scripto stationery products, showed shareholders' profits of R11,3 million in the year to June, on the back of turnover of R195,4 million.

■ The Seardel group is expecting a 15 percent increase in turnover in the 1996 financial year, Dr Searll says in the Seardel annual report.

The group is well booked for the first half of the year, but retailers have recently reported a slowdown in demand, suggesting that the 1996 financial year might not be as buoyant as 1995, he says.

Import figures are doubtful, says Transnet

(74F)

Mungo Soggot

BD 5/10/95

CUSTOMS and excise's trade figures could be underplaying SA's import bill to the tune of R3,3bn for the year to August, Transnet economist Mike Schüssler said yesterday.

He said Portnet figures showed the department's statistics could be out by between R2,4bn and R3,3bn. It appeared there had been a 42,6% increase in imports — not the 37,5% stated by the department. If this was the case, SA's trade balance for the year could be between R1,1bn and R2bn in the red compared with the R1,3bn surplus reported by the department.

"Customs and excise figures are very doubtful," he said. Its import bill for the year so far is R66,2bn versus an export tab of R67,5bn.

The understaffed department has come under fire for the botched release of June and July trade figures and a breakdown in its import surveillance operations. Many economists have expressed doubt about their accuracy, and concern that SA could get a bad reputation with overseas investors.

Schüssler said the discrepancy could stem from the fact that imported goods were being kept in warehouses until last Monday, when import surcharges fell away. September was on track to be another record import month, but this would show up only in the October customs and excise figures once the goods had been cleared.

Otherwise, the gap between Portnet and customs and excise's figures stemmed from mistakes by customs and excise, or from inadequate information supplied to the department.

Helmo Preuss of Forecaster Ecosa said another concern was that import volumes were not being reflected in

Continued on Page 2

Import figures

(74F)

Continued from Page 1

BD 5/10/95

customs and excise's revenue, which was up only 1,2% for the five months to August compared with the same period the previous year.

Seartec chairman Aaron Searll said in the group's annual report the department appeared to have broken down completely and had become "totally ineffective". In Anglovaal's annual report, chairman Basil Hersov expressed "extreme concern" about the breakdown in surveillance by the department, which was allowing illegal imports to flood the country.

Customs and excise commissioner Daan Colesky said Portnet's figures included goods bound for neighbouring countries. Although the department was heavily understaffed, this should not affect the accuracy of the figures, which depended mainly on information given to it by importers and exporters.

But the department had fewer inspectors than it needed — 20 filling 300 posts. This shortfall could affect its ability to check the figures.

However, these were checked by the Reserve Bank, the Industrial Development Corporation and some private sector economists, none of which had complained about the figures.

According to the official figures, the current account is already in danger of running up a R12bn deficit for the year. The current account is the trade balance less net payments for invisible trades such as tourism and interest. Heavy imports are mostly to blame, but exports have been weak.

SA 'must ease tariff barriers'

(74F)

Beatrix Payne

BD 6/10/95

SA HAD to open its doors to international trade if it wanted to kickstart the economy, Texas commerce department executive director Brenda Arnett said this week.

Visiting SA as part of the Made in USA exhibition, she said tariff barriers were the biggest obstacle to foreign investment in SA and should be addressed and eased within six months.

Texas state senator Royce West said: "We are very eager to be here as we want to develop mutually beneficial relationships with SA."

Texas-based businesses involved in the provision of infrastructure could assist local firms with technology and finance. Texas had two pension funds worth almost $80bn which would be prepared to invest in SA, Arnett said.

IMPORT TARIFFS

FB (74F)

Set to tumble

FM 13/10/95

Government's long-awaited tariff restructure for imported electronic goods comes as a welcome relief to consumers and legitimate importers, who expect a Christmas boom in VCRs and audio equipment.

The bad news is that they don't think the changes go far enough and smugglers will continue to thrive. They say the tariff reductions will not reduce the prices of most television sets. Instead jobs could be lost in the R850m local TV assembly industry.

Government's restructuring of the tariffs also spells the end of the R650m colour picture tube venture between Anglo American Industrial Corp (Amic) and South Korean company Daewoo.

With government's elimination of 40% surcharge and 10%-36% customs duty on imported sound equipment and VCRs on October 1, a drop in the prices of these items is expected. However with fob excise duties of approximately 43% remaining, smugglers who circumvent customs continue to enjoy a massive competitive advantage over legitimate importers, says Philips chairman Bruce Mackenzie.

He rebuffs reports claiming that last week's tariff reductions will benefit television buyers. "Most TVs — except for a few fully imported state-of-the- models — are manufactured locally and not affected by the cut in import duties," he says.

The confusion apparently arose following Trade & Industry director-general Zav Rustomjee's statement that protective import duties on television sets will be cut im-

mediately from 60% to 40%. In 1996 these will be reduced to 30% and in 1997 to 25%.

According to Mackenzie: "This has no effect on the price of most TV sets as local manufacturers have until now been able to claim a rebate of the duties if in possession of a permit issued by the Department of Trade & Industry." He says fewer than 5% of TV sets are fully imported.

The department has also reiterated that all components for the manufacture of TV sets will continue to be imported under full rebate of duty. But Mackenzie is critical of this decision, saying it will destabilise the industry.


Mackenzie

Daewoo Electronics CE Mike Bosworth explains that the decision will encourage existing TV assemblers, who employ 3 000 people, to import TVs in a semi-knocked down state. "In effect, this decision will do away with the labour portion of the local TV assembly industry. Existing assemblers will quickly convert their plants to screwdriver type operations and massive redundancies will ensue," he predicts.

Rustomjee has come out in favour of the Board on Tariffs & Trade's recommendations against protective duties of 60% for the R650m colour picture tube (CPT) plant proposed by Amic and Daewoo.

These colour tubes are the most sophisticated component of a TV set, accounting for 45% of the cost. "It would have an unacceptable cost-raising impact and would not enhance the competitiveness of the TV manufacturing sector," says Rustomjee.

He says the DTI received proposals regarding cathode-ray picture tubes and the encouragement of further investment in TV assembly and manufacture. "The department requested the interested parties to submit detailed information in support of their proposals but the reaction to this request was disappointing."

But Amic business development unit director Laurie Olivier is surprised by the announcement.

"Extensive information has been supplied to government on the proposed CPT project.

"It was made clear to us that lobbying was not welcome and we agreed to await a signal from the DTI prior to proceeding with further dialogue on the project."

Realising that tariff protection is no longer an option, Amic is now pressing for other start-up incentives including the removal of secondary tax on companies, cash incentives and tax holidays (*Infotech* September 22 1995). Olivier says a "degree of bemusement" exists in many east Asian countries because of SA's approach to attracting new industrial developments amid an international marketplace that is flooded with incentives and other promotional instruments.

"The world is moving on and we are losing out on opportunities. I suspect that we will probably have to wait until SA's deteriorating balance of payments position clearly demonstrates the need for a more competitive investment environment in SA," he says.

However, many maintain that with zero duties on cathode-ray tubes (lower than the eventual Gatt requested level of 30% within eight years), the controversial Amic/Daewoo plant is a dead duck. It appears that government has decided that CPTs can't be produced competitively in SA.

The duty reduction on fully imported TV sets to 25% by 1997 also throws into question the viability of a local assembly industry. Currently 520 000 colour and 230 000 black and white TVs are produced in SA each year. The assembly industry is valued at R850m.

Illegal imports bring textile factions together

CT(BR) 13/10/95 (74f)

By Shirley Jones

Staff Writer

Major players in the government and the business sector are meeting in an attempt to stem the illegal influx of clothing and textiles swamping the local industry.

According to an industry spokesman, the issue has brought the warring factions within the textile and clothing pipeline together.

He said the clothing and textiles federations and the South African Clothing and Textile Workers Union would meet shortly, to formulate a joint response to a query from the department customs and excise on how to dispose of R40 million worth of seized clothing and textiles which have accumulated in government warehouses over the past year.

Their decision should be available for submission within the next week. It is likely that both industry and labour will forbid the sale of the goods on the local market or even their distribution to the needy.

The general consensus is that clothing donated to the poor will inevitably find its way back on to the South African market.

According to David Sable of Gregory Knitting, the main objective should be to identify a credible user — one which cannot have repercussions for the local textile and clothing pipeline.

All parties have suggested donating the goods to an international aid organisation, such as the United Nations, which distributes clothing in areas such as Rwanda or Bosnia.

Mark Bennett, a union spokesman, intends submitting other ideas such as selling the clothing and textiles on the international market via international tender, or reprocessing them to manufacture non-woven materials or carpet underfelts.

Proceeds would have to find their way back to RDP job creation projects. He suggests the formation of a company comprising representatives of both labour and industry to handle the disposal.

Bennett said labour wanted the formulation of a general principle for the disposal of impounded goods across all industries.

Short-term strategy is likely to emanate from a South African Chamber of Business task group in which all parties, including customs and excise, are represented.

A longer-term solution is likely to involve a cabinet decision and will probably lead to the complete restructuring of customs and excise.

Move to crack down on shady clothing imports

(74F) (ECR) ARG 14/10/95

Business Editor

PLANS to tighten up customs controls at South Africa's frontiers are to be presented to the cabinet amid an outcry from clothing manufacturers angry at competition from illegal imports.

The office of Deputy Finance Minister Alec Erwin said a plan to restructure the departments of Customs and Excise and Inland Revenue would come before the cabinet on Wednesday. If approved, the plan would be discussed in the departments before being made public on October 26.

A spokeswoman for the deputy minister said it would probably result in an increase in Customs and Excise staff.

Customs and Excise commissioner Daan Coleski said 300 of his department's 1 700 posts are vacant — and even all the posts were filled, the department would not be able to police the frontiers properly.

"I think in Britain there are about the same number of people just at the two major airports," he said.

The Cape Chamber of Commerce claimed that between 25 percent and 30 percent of imported clothing and textiles either bypassed customs controls completely or were falsely declared.

"Durban is known overseas as the biggest free port in the world," said the Clothing Federation's Bernard Richards.

"And it's getting worse. Illegal imports are prejudicing manufacturers who import legally."

Dr Richards, part of a delegation which met Mr Erwin to discuss the problem, said he was persuaded the deputy minister took the matter seriously.

"But now we need action."

Mr Coleski said Customs and Excise had confiscated 200 tons of clothing and textiles which had entered the country illegally. The goods had been withdrawn from public auction in the face of pressure from Clofed.

"But the law says we must sell goods which are confiscated, so, if necessary, we will go to the cabinet for permission to sell," he said.

Govt to lift ban on US maize imports

(74F) ~~(3) MAIZE~~

Louise Cook

GOVERNMENT is to lift the ban on importing US maize, after months of low domestic supply in which spiralling prices have netted farmers more than R500m.

The agriculture department said yesterday it would allow the import of US maize into Durban and Cape Town under strict conditions, following recommendations from an industry working party last week.

The department had previously barred the imports, claiming diseased US maize could infect SA supplies. The decision, coupled with a drought-inspired domestic crop shortfall, helped drive white maize prices to R868/ton last week, 70% higher than last year.

The maize board refused to detail yesterday how much maize had been sold at the higher prices since the start of the current season in May, but industry estimates put the figure at around R525m so far.

Industry sources said yesterday that government's decision was unlikely to halt higher prices to consumers.

Premier Foods — the largest milling company — said higher prices had swollen its maize bill by R200m over the past year, and consumers could expect a 30% price hike. "We had no option," executive chairman Gordon Utian said. "More imports will not help — local prices are following parity prices. The only thing that can break it is if 1996/97 is different and there is a good crop next year."

Tiger Oats said the influx of US maize could lead to a softening in domestic supplies, but a 20% increase in price to the consumer was "inevitable".

"I'm not saying there will be a dramatic drop," executive director Hamish

Continued on Page 2

Maize

~~(3) MAIZE~~ (74F)

Continued from Page 1

BD 17/10/95

McBain said. "But depending on where the maize is sourced from, it is possible to buy landed maize cheaper at Maritzburg than to buy local maize."

SA's domestic crop has been cut to just 4,23-million tons this year against 11,94-million tons last year.

SA has been forced to import at least 200 000 tons from other African countries and South America, but the US had been the major importing source before the government ban.

The Land and Agriculture Policy Centre said US imports would have a spin-off on local prices, but warned retail prices would still go up.

Spokesman Brendan Bayley said the ban on imported maize from the US had effectively cancelled out the benefits of the Board on Tariffs and Trade's zero tariff on imported maize.

"Unfortunately the amended maize marketing scheme coincided with a short maize crop. Given that the amended scheme was only published in May, millers did not have time to forward contracts overseas."

McBain said once US maize came onto the market the "nonsense" of the maize price going higher every week should stop.

SA to import uncertified maize

Mon 17/10/95 (74F)

BY REUTER

South Africa will allow uncertified imports of maize under strict conditions at specified ports because of the soaring local maize prices caused by drought.

The agriculture department said it had accepted the recommendations of an industry working group that permits be issued on a short-term basis for maize that did not meet normal phytosanitary rules.

Permits will be issued allowing the off-loading of uncertified maize in Cape Town and Durban only, and its transport and milling under controlled conditions.

The move opens the way to maize imports from the United States.

Imports out of step, minister told

John Dludlu (74F)

BD 19/10/95

THE Footwear Manufacturers' Federation of SA has asked Trade and Industry Minister Trevor Manuel to protect the industry from illegal and damaging trade.

In a paid advertisement published today, FMF calls on Manuel to enforce proper import control by addressing illegal trade practices.

The strongly worded advertisement, which is particularly scathing in attacks on China, says that SA is ensuring jobs in China by allowing imports of millions of pairs of Chinese shoes. "Labour in Pacific Rim countries is not costed as a general rule — therefore no SA manufacturer can compete. SA and the reconstruction and development programme cannot benefit from non-costed labour."

The industry claims Chinese imports have resulted in a loss of 6 000 SA jobs.

Between January and June this year, 18,5-million pairs of shoes — worth R241m — were imported, compared with the 10,7-million pairs imported last year.

From China alone in the first half of this year, 14,9-million pairs were imported.

Rumanian trade grows

(74F)

Business Reporter ARG 21/10/95

WESTERN Cape companies imported goods worth R170 million from Rumania in the first nine months of the year and South Africa should be the country's top African trading partner by the year-end, says trade consul Mircea Boncu.

Products imported from Rumania included bulk carrier ships with capacities exceeding 170 000 tons, passenger and light commercial vehicles, steel products, chemical products and building materials, he said.

South Africa is presently Rumania's second largest African trading partner, behind Nigeria.

Rumanian trade secretary Ion Pirgaru arrives in South Africa this week with a delegation of prominent businessmen. He will be in Cape Town with the delegation on Wednesday and Thursday.

Shake-up for customs service

By KEN VERNON

A FINDING by a team of British experts that South Africa needed to double its customs staff has led to a radical shake-up of two government departments.

This week the cabinet approved reforms to the Customs and Excise and Internal Revenue services in a bid to plug the holes which are costing the country at least R2-billion a year.

The top-level British team spotlighted the flight of disillusioned white experts and their replacement with untrained officials under the affirmative action programme, as a major cause of the problem.

The team said "substantial" smuggling and customs duty evasion had been allowed to flourish.

A scam investigated by the Sunday Times this week concerned falsely labelling imported chickens as turkey.

Chicken attracts a 27 percent duty, but turkey is duty-free. The scheme could have cost the country up to R3,6-million a month.

The Customs and Excise expert on the British team, the former head of investigations for British C s-toms, Douglas Twedt e, said the major problem was under-resourced ports of entry.

"In my present position of Collector of Customs for London's airports, I have more customs personnel under my control (1 600) than there are for the whole of South Africa (1 450)," he said.

"Another major problem is the high level of import duties. The average rate of import duty into Britain is between six and seven percent, while for South Africa it is between 90 and 100 percent

"High tariff rates are an incentive for people to swindle."

In the wake of the British report, the Department of Finance plans to launch its reform of the Customs and Excise and Internal Revenue departments next week.

The great duty swindle

THE gaping holes in the customs net became apparent after the Sunday Times began investigating a Cape Town-based scam in the importation of chicken — falsely labelled on bills of entry as turkey or other poultry.

It pays importers to get the labels wrong — chicken attracts a 27 percent duty, whereas turkey is duty-free.

Overworked customs officials at the under-staffed Cape docks rarely bother to check that the containers hold what the bills of entry say they do. Between 13 000 and 27 000 containers a month pass through the docks.

The containers are correctly labelled, so that if officals do check their contents, the importers can plead that the mismatch between the bill of entry and the container is a mere bureaucratic snag.

Documentation in the possession of the Sunday Times indicates that on at least two recent occasions, this method was used to evade duties of more than R100 000.

This will result in both entities operating at arm's length from government, and free of the public service.

Details of the new operations will only be disclosed after the 11 000 employees have been informed this week, but the arm's-length move will enable the departments to establish appropriate pay for staff and control over their key resources.

Director-general of the Department of Finance, Dr E Calitz, said the department was "aware that the effectiveness of controls at customs border posts has been deteriorating".

An investigation was under way into operations at the Beit Bridge control post, he said.

(74F)

ST 22/10/95

EU gives SA '59% favourable access'

(74F)

Debra Percival
BD 24/10/95

BRUSSELS — SA will benefit from only 59% coverage of a potential list of tariff reductions under the EU's generalised system of preferences (GSP) until December 31, officials at the EU's council secretariat said yesterday.

The European Commission had requested a 66% eligibility.

European finance ministers approved the proposal in Luxembourg by written procedure in a decision that was four months overdue. Its key features include a 3,5% duty for avocado pears from December 1 to May 31 and 6% for avocados imported between June 1 and November 30.

Clementines, mandarines, tangerines and satsumas can be imported at 16% duty between May 15 and September 15, whereas a 7% duty stands on grapefruit juice.

SA will not enjoy the same 100% access as some Latin American nations like Bolivia, Venezuela and Columbia.

The original timetable for improving GSP coverage for SA fruit and vegetables was July 1 this year. But some major EU agricultural nations — notably France, Spain, Portugal and Greece — opposed improved access for fear of affecting their own producers. They also argued that it would generate "false hope" in SA over future entry to the EU's market under the bilateral trade accord which is being drafted.

EU officials expect better access for SA under the EU's new GSP for developing nations due to start on January 1 next year. But talks over this new system could be protracted too.

Searll warns against ending import duties

CT (BR) 25/10/95 (74F)

BY AUDREY D'ANGELO
CAPE BUSINESS EDITOR

Aaron Searll, the chairman of the Seardel group, warned against any relaxation of import duties against clothing and textiles from Zimbabwe at the group's annual general meeting yesterday, saying it would endanger local jobs.

The net result would be that for every new job created in the Zimbabwean clothing industry, one would be lost to this country.

He said customs was holding 500 bales of confiscated clothes and textiles and Seardel was opposed to them being released for sale in South Africa.

They should be disposed of overseas, preferably to aid organisations working in countries like Rwanda where there was no clothing industry to be harmed.

Companies in the Seardel group lifted turnover by 9,6 percent to R417 million (R380 million) in the first three months of the year, Searll told shareholders.

He said the retail trade was "rather sluggish compared with last year" but this was not surprising after a phenomenal rise in sales last year which could not be sustained.

Similarly, with inflation coming down, high nominal rates of growth could not be expected.

The Frame group, in which Seardel has a controlling interest, has lifted turnover by only 4 percent to R217 million so far this year.

Negotiations for an acquisition by the Seardel group were still on track, "but until the agreement is signed we cannot make any announcement".

On Monday, Seardel re-issued a cautionary announcement which had earlier been withdrawn.

Seartec, an electronics company in the Seardel group, has benefited from the lifting of the high import surcharge on TV sets, video machines and similar products as well as the scaling-down of import tariffs, Chris de Bruin, the managing director, said at the annual general meeting yesterday.

He told shareholders that the Sharp division imported all its products and had been harmed by unfair competition from illegal imports on which no duties had been paid.

At one stage, 60 percent of electronic goods on sale in South Africa were imported illegally.

The removal of surcharges and scaling down of duty at the beginning of this month had reduced the landed cost of a VCR by 60,5 percent, a hi-fi by 75 percent, a Walkman-type radio and compact disc player by 45 percent and a TV set by 22 percent.

This meant that Sharp's prices would be more competitive and it would be less profitable for smugglers to bring goods in.

De Bruin said he expected this development to have a very good effect on Sharp's sales.

Aaron Searll, the chairman, said Seartec's turnover in the first three months of this year was 17,8 percent above the same period last year.

TIGHTER CONTROL *Aaron Searll, the chairman of Seardel, third from left, front row, with fellow directors. They are, clockwise, Arthur Jacobson, Michael Katz, K A Blumberg, Bernard Richards, M R Sternberg, Chris de Bruin, M Schaffer, A Dubin, Searle Diamond and K Winer*

PHOTO ANDREW BROWN

Irish butter Kerrygold now available in SA

■ BY STUART KELLY (74F)(3) ~~MILK~~ DAIRY

Kerrygold, one of the world's top dairy brands, was launched on the South African market yesterday.

The Irish product was introduced in association with local importers and distributors, The Cold Chain who are one of the country's leading distributors in the grocery business. Kerrygold Butter has become available in 80 countries since it was launched in 1962 and has been followed by other products such as cheese and tinned milk powders.

Ireland's biggest exporter, the Irish Dairy Board produces a wide variety of branded dairy foods through a network of subsidiary companies, overseas sales offices, agents and distributors.

Star 27/10/95

CT (BR) 27/10/95 (3 ~~MAIZE~~) (74F) (163)

Kenya to export maize to SA: Kenya would export 23 000 tons of maize to South Africa, an official of the state-run National Cereals and Produce Board said yesterday. He said the maize would be shipped from the port of Mombasa this week and would be the second maize export consignment to South Africa from Kenya.

Zimbabwean trade details to be sewn up

BD 1/11/95 ~~(184)(117)(362)~~ (74F)

John Dludlu

GOVERNMENT is to meet business and labour representatives from the clothing and textile industries tomorrow to finalise details for reinstating trade preferences for Zimbabwean exports into SA.

The meeting will focus on establishing a committee to monitor monthly trade flows and a safety mechanism to ensure Zimbabwean imports do not hit local jobs and industry — fears long expressed by business and labour.

Under the terms of the deal, Zimbabwean clothing and textile exports will have better access to SA, under an agreement that lapsed three years ago. Government has recently completed a study aimed at determining the effect of reinstating the trade regime.

Trade and industry department chief director for trade relations Faizel Ismail said yesterday that the meeting would discuss the results of the studies which showed that the effect on SA jobs would be "reasonable".

Representatives of the Southern African Clothing and Textile Workers' Union, the Clothing and Textile Federations and government negotiators would have to decide on the level of import quotas as part of a mechanism to prevent damage to the local industries.

Another key component would be establishing a committee — comprising government, Clofed, Texfed and Sactwu — to monitor the implementation of the agreement, Ismail said.

The committee would receive monthly statistics on trade between the two nations, and if a sudden surge of Zimbabwean imports was picked up the safeguards would be activated.

Among concerns about the deal was the fear that Zimbabwean preferential access could become a conduit for cheap imports from Asian countries.

But the arrangement could also strengthen SA's hand in talks with the European Union for better access to the 15-nation single market.

Tomorrow's talks will be followed by another meeting with the Zimbabwean negotiators before mid-November.

The later talks are likely to focus on Sactwu's demand that the agreement includes social clauses, such as workers' rights to strike and collective bargaining, and a ban on discrimination.

Change in stand on Zimbabwe

John Dludiu

(74F) (434) (434)

SA's Clothing Federation and Textile Federation yesterday threw their weight behind government's plan to grant improved market access to Zimbabwean clothing and textile exports.

This emerged after a meeting in Pretoria of the federations and the trade and industry department. It was attended also by labour — represented by the Southern African Clothing and Textile Workers' Union (Sactwu) — and customs and excise.

The two federations were initially strongly opposed to the deal, saying it would make Zimbabwe a conduit of cheap imports from other countries, sparking massive job losses in SA.

Both Clofed and Texfed spokesmen said the trade and industry department — which is leading the talks with the Zimbabweans to reinstate the pre-1992 trade preferences — had addressed their concerns about jobs losses.

"Jobs have been our bottom line ... and at the moment they're not a major thing," Clofed executive director Hennie van Zyl said.

The federations' support followed assurances that effective safeguards would be put in place to limit job losses. These included a tripartite monitoring mechanism — by Sactwu, Clofed, Texfed and customs and trade departments — and import quotas.

The deal represents one of the first steps by SA to open up its markets to its neighbours.

BD 3/11/95

Rainbow Chicken posts massive loss

(74F)

CT (BR) 7/11/95 ~~(3) POULTRY~~

By Shirley Jones

Durban — Rainbow Chicken, which is soon to be restructured, has posted an attributable loss of R57,2 million for the six months to September of last year, in the wake of price cuts, loss of market share to cheap imported chicken and the simultaneous five-week closure of the company's Hammarsdale processing plant.

This resulted in a 15,5c a share loss.

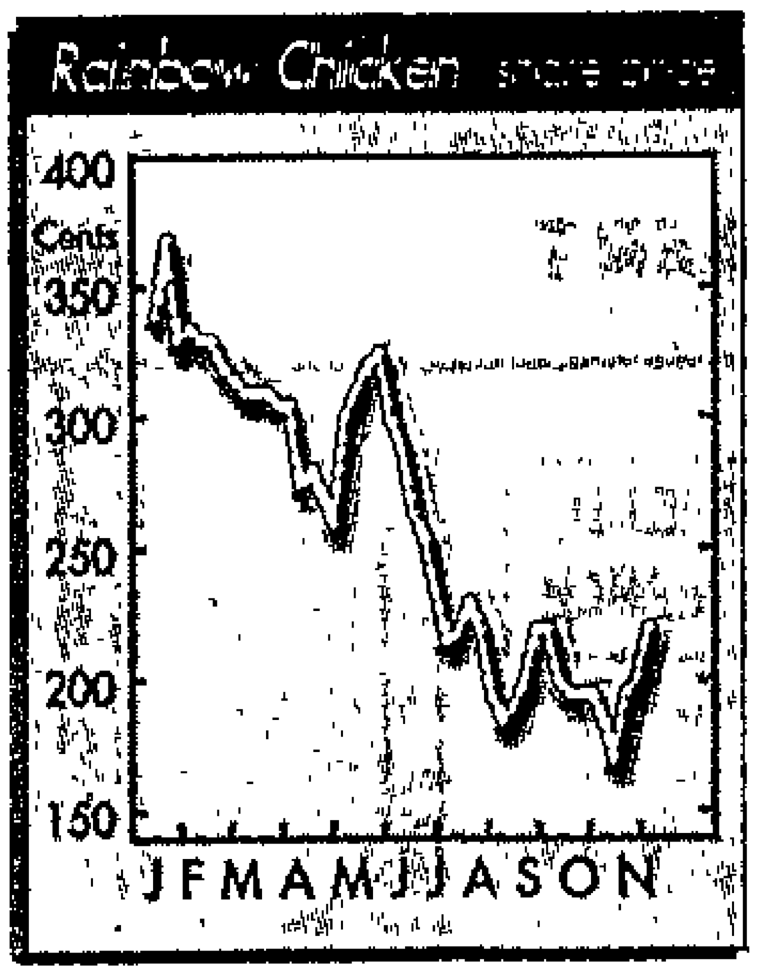
No dividend has been declared.

Although Rainbow increased turnover by 13,6 percent during the period under review, this was off a low base because of repeated attacks of Newcastle disease during the corresponding period last year.

As a result, it posted an interim operating loss of R24 million as opposed to a R8,5 million profit during the six months to September of last year.

Chief executive Rick Griffiths said that imports appeared to have been contained and that both the production and stock situation had normalised.

He said that the company expected to trade profitably during the final six months of this financial year, but that it would not absorb the loss. He was confident that Rainbow would recover.



"As has been proved in the past, when Rainbow is hit, it is hit badly, but when the company turns, it turns quickly," he said.

A comprehensive action plan was already in place to return the company to long-term profitability.

This included the restructuring of the company.

Following the recruitment of four directors from top poultry firms in Britain the operation would be decentralised so that each region could operate as an independent business, he said.

Rainbow has also made substantial investments in combating Newcastle disease which, after imports, is its single-greatest risk.

However, coupled with poor trading conditions, this increased interest-bearing debt by R75 million, resulting in a debt equity ratio of 59 percent (48,7 percent).

Reclaim

Griffiths said Rainbow had also introduced an import buster product which would enable it to compete head-on with low specification imported products and reclaim market share among low-income consumers.

He said that Rainbow's return to profit hinged on controlling imports which, although they did not pose as great a risk as six months ago, remained a major concern.

He said should imports increase once again, it would be impossible to stop a short-cycle livestock business such as Rainbow's in its tracks without experiencing further wide-scale disruption.

He said that Rainbow, with its wider market coverage and dominance of the frozen market was more exposed to import risks than smaller regional and niche operators.

Rainbow would continue to monitor imports and negotiate with the government with a view to a better long-term solution.

Imports 'stockpiled' prior to tariff cuts

Nicola Jenvey

(74F)
BD 13/11/95

DURBAN — Bonded warehousing and refrigeration facilities in the city's port were stockpiled to capacity during July, August and September ahead of government's relaxed import duties, Durban Chamber of Commerce and Industry spokesman Mike Norris said yesterday.

Norris said the port had coped well, and there had been only one weekend during October, when several ships had arrived together, that the port had experienced congestion in the first month since import tariffs had been reduced.

However, he said the problem had been "quickly resolved".

More than 70 000 containers were landed at Durban's port during September, but this figure dipped to about 65 000 the following month. Norris said that although expectations had been for more containers to land in SA during the first month of lower tariffs, several importers had brought in their goods in the preceding three months and held them in bond.

Goods had been transported to Johannesburg depots and held in bond for clearance after the October 1 deadline. Motor vehicles, on which import tariffs dropped to 60% from 85%, were one of the high-cost goods held until after the lower tariff was introduced.

Norris said the statistics would therefore indicate that "vast amounts of goods" were imported during October, but the reality was that they had entered the country in advance.

"Importers did their sums in advance and even if some goods required three months storage costs, the net effect would have been a lower import price," he said.

The current situation was "normal" with goods being cleared relatively quickly after arriving in the country.

Norris said October was also traditionally the month in which goods were imported in time for the Christmas season and levels for November and December were expected to be below the monthly average of 65 000.

Portnet signals control said 393 ships had arrived in Durban harbour during September, while 386 ships had sailed from this port. This compared to 348 arrivals in October and 352 departures.

Longer-term trends had seen a rise in movements through the port.

No agreement on Zimbabwe textile tariffs

BD 14/11/95 (74F)

THE Zimbabwe and SA governments failed to reach agreement yesterday on the reinstatement of preferential tariffs on Zimbabwean exports of textiles and clothing to SA, Ziana news agency reports.

Zimbabwe's industry and commerce ministry said a meeting held in Harare had "examined the draft proposals, and agreement could not be reached on the minimum level of the local content requirement of 75% as proposed by SA and also on the extent of the envisaged preferential rebates and quota levels."

The ministry said the meeting had agreed that SA should consult further regarding outstanding issues, and that the implementation date for the proposed tariff arrangement should not be later than February 1 1996. — Sapa.

Textile consultants must get accreditation

CT (PR) 14/11/95 (74F) (182) (457)

By Shirley Jones

Durban — The trade and industry department has given management consultants 10 days to apply for accreditation to help administer the Duty Credit Certificate Scheme, which provides incentives for clothing and textile exporters.

Brian Brink, the president of the South African Textile Federation, said the industry supported the move. He said that when the scheme was introduced in December 1993 as part of a long-term strategic plan for the restructuring of the textile and clothing industries there had been no conditions for the granting of export benefits.

However, from this year, participants have to achieve targets set in terms of a productivity monitoring scheme and they are required to spend at least 4 percent of their wage bill on training.

Management consultants wishing to apply for accreditation have until November 24 this year to submit applications to the trade and industry department.

COMPANIES

Cheaper imports cause layoffs

Beatrix Payne (74F) BD 15/11/95

BARLOWS had retrenched 1 000 of the 2 300 staff in its consumer electronics division in the year to September and a further 200 people would be laid off from its Alrode plant by Christmas, the group said yesterday.

Consumer electronics human resources director Kendal Shand said the layoffs followed the group's shift from manufacturing to trading in imported goods after tariff barriers on imported goods were reduced.

"Our trading customers could land product cheaper than locally produced goods so we are focusing more on importing and trading," she said. The division would not cut any of its lines and would complete the bulk of the restructuring by the year end.

The Kew manufacturing plant had closed and production relocated to Alrode. The division was negotiating the Alrode layoffs. The Alberton plant had been upgraded and production geared to longer runs of fewer goods, Barlows chairman Warren Clewlow said.

Although reduced tariffs had made locally produced goods more expensive "it is the right thing for SA in the long term but it means that local industry will have to adapt", he said.

Staff for the Barlows group remained virtually unchanged at 30 650 owing to the increase in staff at the steel tubing operations, Barlows spokesman John Cammell said.

Impasse disappoints Zimbabwe

(74F)

FROM SAPA

Harare — The Zimbabwe National Chamber of Commerce (ZNCC) is disappointed that Zimbabwe and South Africa failed to reach an agreement on Monday to reinstate the preferential tariffs on Zimbabwean exports of textiles and clothing to South Africa.

Ziana news agency reports that the head of the ZNCC economic division, Edmore Tobaiwa, said yesterday that the stalemate was a major blow to the future of the local textile and clothing industry, which is going through a serious viability crisis.

Imports of clothing and textile products into South Africa attract a punitive 90 percent duty.

Figures showed that in 1994 Zimbabwe exported goods worth Z$1,9 billion to South Africa and imports from that country stood at Z$6 billion.

South Africa was also exporting close to Z$40 billion to the rest of Africa with imports pegged at Z$4 billion.

"These statistics show that trade is lopsided in South Africa's favour, a situation that is unsustainable in the long run," Tobaiwa said.

"There is need for South Africa to open up its borders" and to avoid "milking the rest of Africa to death," he added.

This week's meeting followed one held in Pretoria in August, but could not agree on the minimum level of the local content proposed by South Africa or the extent of the envisaged preferential rebates and the quota levels. South Africa wants a local content of 75 percent.

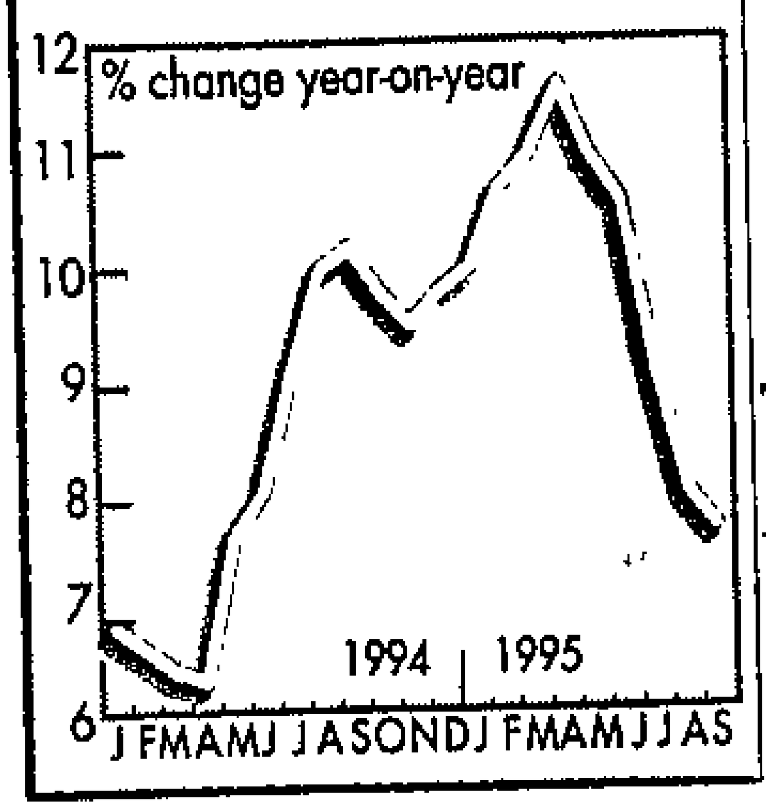
The meeting agreed South Africa should consult further on the outstanding issues, and the proposed tariffs should be implemented no later than February 1 1996.

CT(BR) 15/11/95

Stable import prices help counter effects of inflation

ET (BR) 15/11/95 (74F)

By Derek Tommey



Johannesburg — The year-on-year increase in the production price index for all commodities dropped to 7,6 percent in September from 7,8 percent in the 12 months to the end of August.

Centres of inflation in September included the textile, clothing and footwear sectors, where the production price index rose by 1,6 percent.

Inflation was pronounced in the food sector where the index rose by 1,1 percent in September after declining by 0,2 percent in August. The price index for tobacco and beverages gained 0,8 percent.

The latest production price indices, released yesterday, show that a fair degree of inflation remains in the South African economy but stable import prices are helping to counter its effect on the local price structure.

The Central Statistical Service reported that the index for locally produced commodities spurted by 0,6 percent in September to 100,6.

This reversed the recent downward trend in the production price inflation rate and led to the year-on-year increase in the index for locally produced commodities rising to 8,3 percent against 8,1 percent in the 12 months to the end of August.

More cheerful news is that the index for imported commodities was barely changed in September, which resulted in the year-on-year increase in the price of imported goods falling to 4,9 percent.

This is a sharp decrease on the 5,8 percent for the 12 months to the end of August, reflecting the steadier rand exchange rate and the degree to which foreign suppliers are controlling their prices.

The combined effect of the movements in these two indices was a modest 0,3 percent increase in the production price index for all commodities for South African consumption, seasonally adjusted in September.

Frame group head lashes government over tariff breaks

CT (BR) 16/11/95 (74F) (197)

BY SHIRLEY JONES

Durban – Frame chairman Mervyn King yesterday took the government to task for "over-hasty willingness" to improve preferential trade agreements with Malawi and Zimbabwe to the detriment of South Africa's recovering textile industry.

Speaking at the group's annual general meeting, King warned that moves by the Department of Trade and Industry could set dangerous precedents as countries to the north queued for access to South African markets.

He cautioned the Department of Trade and Industry to be driven by financial rather than political imperatives.

King pointed out that one of South Africa's largest end-user manufacturers had already relocated the larger part of its manufacturing base to Malawi because it could import fabric duty free, add approximately 25 percent value and then re-export to South Africa duty free.

He voiced deep concern that the same quota system that is being debated as part of a possible Zimbabwean preferential trade package would be demanded by trading partners such as Malawi as well as other African countries.

He also urged authorities to re-evaluate duty-free imports from Malawi and the free entry of goods from Zimbabwe into the South African customs union through Botswana and Namibia.

King added that problems were exacerbated by virtually non-existent customs policing to the north. South Africa's customs policing was in a state of collapse, he said.

Confident

He was confident the industry, and Frame in particular, would survive, notwithstanding the market's obvious concern about the future of the South African clothing and textile industries. This was evidenced in the disappointing performance of Frame's shares, trading at 50 percent of net asset value despite glowing results for the year ending June 1995.

☐ Frame's property division could become a separately listed company within the group in as little as 18 months, King said at the opening of Frame's first property development, the rejuvenated Pinetown Industrial Park.

King said the growth potential of Frame's extensive industrial properties was such that two listed property holding groups had already approached Frame with proposals. He said the board had declined, opting to develop its own independent property holding company, the 100 percent-owned Confram subsidiary, Confram Property Holdings.

David Sablewas was appointed chief executive of this subsidiary. He says that now the subsidiary has a property development arm, Frame's property portfolio would become the object of a renewed asset management focus.

At the opening, both King and Sable indicated that Confram Property Holdings was now marketing two additional industrial parks, the sought-after New Germany Pinetex site and the East London Waverly blanket site.

The group planned to invest approximately R45 million in the developments.

At the Confram AGM yesterday, King said that properties occupied by Frame operating divisions would not be included in the listing.

King noted that 25 percent of Frame's 680 000m2 industrial property holding was let to outside tenants. He expects this to rise to 30 percent over the next two years.

CT 17/11/95

Foul chickens sent off

A CONSIGNMENT of 500 tons of frozen chickens imported from France and which was condemned by city veterinary officials in September, is to be re-exported to Zaire.

The consignment was condemned after it was found to have salmonella. — Staff Reporter

(3) ~~POULTRY~~ (74F)

Still tight controls on Zimbabwe textile imports

Zim trade deal linked to customs controls

(74f)

ARG 18/11/95

MAUREEN MARUD
Business Reporter

ONLY modest increases are likely in the preferential access granted to Zimbabwean clothing and textile exports into South Africa, predicts Brian Brink, executive director of the South African Textile Federation (Texfed).

He was awaiting results yesterday of the latest round of talks between the two countries, and declined to speculate on what would be a "modest" increase in trade preferences Zimbabwe enjoys.

He would only add that there were likely to be tight controls on conditions placed on any increases in preferences granted to Zimbabwe.

Faisel Ismail, chief director of foreign trade relations in the Department of Trade and Industry, was due to report back later in the afternoon to Texfed, the Clothing Federation (Clofed) and the South African Clothing and Textile Workers' Union (Sactwu), on talks he had concluded in Zimbabwe.

Mr Ismail said from Pretoria the department had "tried to build a proposal based on the concerns and interests of the different interest groups in South Africa before going to Zimbabwe with a firm proposal".

He said he would provide Texfed, Clofed and the union with a detailed explanation of what happened in Zimbabwe.

Mervyn King

Mervyn King, chairman of the Frame Group, said yesterday from Johannesburg Zimbabwe should be made to police its customs control much more effectively if it wanted to enjoy increased preference in trade with South Africa.

The customs policing system in Zimbabwe was inadequate, he said. It could not prevent goods from other parts of the world entering Zimbabwe free of duty from making their way into South Africa via countries in the South African customs union, such as Botswana and Namibia, with whom Zimbabwe had a free-trade agreement.

The upshot was that those goods came into South Africa free of duty, with adverse results for the South African clothing and textile industries.

"Zimbabwe should be told, 'If you want a preferential trade agreement you must do something to control the flow from your country of contraband goods into South Africa'."

Mr Ismail said his department had attempted to build safeguards and monitoring mechanisms to address the concerns of industry and the trade union.

South Africa has a trade agreement with Zimbabwe dating back to 1964.

In terms of that agreement, various goods enjoy reductions of 10 percent to 20 percent in duty.

About two years ago Zimbabwe asked South Africa to increase those preferential reductions.

Wheat imports still duty free

B/D 20/11/95

Louise Cook (74F)

~~WHEAT~~

THE trade and industry department has ruled out immediately imposing a duty on imported wheat to replace the import controls scrapped at the beginning of the month, but has promised to review its position in the future.

Trade and industries director Jan de Nysschen said at the weekend that with international prices so high, no import duty would be placed on imported wheat at this stage.

"The proposed system is not intended to be a long-term measure. It will be re-evaluated in the light of expected changes in the marketing structure of wheat in SA," he said.

Wheat Board sources said that because of the liberalisation of the market, the Wheat Board would for the first time not handle all wheat imports this year.

SA was expected to have to import about 640 000 tons to meet local demand.

Neighbours blamed for textile crisis

(74F)

By Shirley Jones

CT (BR) 28/11/95

Durban — Contrary to popular belief, Durban is not the chief port of entry for the masses of illegal clothing and textile imports that threaten to overwhelm the South African clothing industry, a new report says.

According to the National Clothing Federation of South Africa (Clofed), the other South African ports also feature prominently as well as customs bonded warehouses in Johannesburg and Pretoria.

But the chief problem is smuggling through the neighbouring countries of Zimbabwe, Malawi, Botswana, Lesotho, Swaziland and Namibia.

Clofed notes that according to the trade and industry department, the inability of the customs and excise department to control illegal imports has become a crisis. At least 30 percent of all containers entering South Africa slip past customs officials.

In the five most common import scams identified in the Clofed document, customs officials often co-operate in the fraudulent activities.

By arrangement with the Department of Trade and Industry, some clothing and textiles may enter South Africa with a nominal customs tariff of 3 percent. However, 10 to 20 times more than is allowed enters South Africa illegally.

The Clofed report adds that this is done with the help of officials who do not cancel permits that have been fully used. They are then fraudulently used over and over again.

Clothing and textiles from the Far East that are disguised as having been made in Mozambique also enter the South African market regularly.

Clofed says Malawi is the worst offender. "This ... route has grown out of all proportion in the last two years."

Call for new tariff system on oil cake

(43b) (74F)

Louise Cook BD 5/12/95

THE Animal Feed Manufacturers' Association called for a new tariff system on imported oil cake, which had resulted in government creaming off R13m a year from the industry, association spokesman Hansie Becker said yesterday.

Oil cake is the raw material used for the manufacture of animal feed products. He said an unreasonably high tariff had been charged on imported soya oil cake, with the tariff rising to R241/ton in January 1995 from the previous R100/ton.

The association called on the Board on Tariffs and Trade (BTT) to decrease the duty to R105/ton as a temporary measure, but a permanent solution will see tariff on soya oil cake fall to R30/ton. This rate should be fixed for an indefinite period and adjusted only if major changes occurred.

Becker said in terms of the current system, the BTT reviewed the tariff on imported oil cake every three months, but it took government nine months to implement any changes.

"The process took too long — tariff adjustments have to be approved by three ministries. The high tariff has now pushed production costs up to R1 144/ton instead of R900/ton, costing the country R37,5m a year."

Becker said consumption was 500 000 tons of oil cake, and about half was imported from Argentina.

The BTT was not available for comment.

Mandela's diplomatic image put at risk by talks

BD 5/12/95 (74F)

John Dludlu

THE current negotiations between SA and Zimbabwe to reinstate trade concessions on Zimbabwean exports will be a serious test of government's commitment to the regional reconstruction and development programme. If not properly handled, the talks could affect both President Nelson Mandela's diplomatic image and the track record of Trade and Industry Minister Trevor Manuel.

The trade preferences granting Zimbabwean clothing and textile exports better access lapsed in December 1992. And last year the new SA government began considering the Zimbabwean request for the reinstatement of the pre-1992 preferential trade regime.

Negotiations have just missed a crucial deadline — end-October — when the new agreement, which proposed to renew the preferences almost on the same scale as the pre-1992 dispensation, was to have come into operation.

The latest snag arose from the SA offer tabled to the Zimbabweans early last month. Among other conditions, SA required the Zimbabweans to agree to a 75% local content (including materials and labour costs).

SA negotiators, led by the trade and industry department, further proposed a series of safeguard measures including regular monitoring of trade flows, a safeguard clause and import quotas.

The SA offer was the subject of months of intense negotiations between the department and vested interest groups such as the Clothing Federation, Textile Federation (the two represent industry employers) and the Southern African Clothing and Textile Workers' Union.

Initial opposition to the deal was based on fears of SA job losses and damage to local industries. But studies conducted by the department showed the preferential regime would have limited effect on jobs.

The two federations, which were vehement in their opposition, argued that extending concessions to the Zimbabweans might open a floodgate of similar requests from other countries and, worse still, Zimbabwe might be used as a conduit for imports from countries such as China.

Predictably, at last month's meeting — which came well after the deadline — the Zimbabweans reacted with shock to the SA offer, saying that it would be impossible to enjoy the benefits under the 75% local content requirement.

It has subsequently emerged, from a letter the department wrote to Clofed, Texfed and Sactwu, that the government team knew the offer would not be acceptable to the Zimbabweans but tabled it on behalf of the three organisations.

The department has called for the Zimbabwean local content requirement to be lowered, and for a higher percentage to be phased in from a less onerous level. This followed concessions made by the Zimbabweans at the talks, including the promise to take up the issue of a social clause with relevant authorities. Sactwu wants a social clause written into the accord.

Another gain for SA was Zimbabwe's apparent willingness to accept restrictive tariff and import quota proposals.

In the letter, the SA government reminds local manufacturers and workers that SA exporters are assisted by duty rebates, export incentives and other measures. But days after the disappointing outcome of talks with the Zimbabwean delegation, Texfed executive director Brian Brink said in an interview that the federation was not prepared to back down on the 75% local content requirement.

Brink said the requirement was a "non-negotiable", and expressed surprise that the Zimbabwean negotiators had rejected the offer.

He argued, contrary to the government's view, that it would be easier for Zimbabwe to enjoy the concessions with the provision. "I am becoming very suspicious about this (Zimbabwean rejection), unless they want to supply SA with Chinese products, I cannot see how they can reject the offer." At the time of writing, Clofed had not disclosed its response. However, a highly placed source in the clothing industry admitted that the 75% requirement was "too high even by international standards".

The current state of play (government's letter and Texfed's comments) already present an interesting dilemma for the government. One of the key questions is: is it not time that government, especially the top management at trade and industry, showed some leadership in the issue and stopped pandering to sectarian interests? Is it not time that the department pointed out what would be in SA's interests?

It is understandable the Mandela administration wants to base its policies on consensus with interested parties. But consultation should not be allowed to stand in the way of good decisions based on considerations that would be to the long-term benefit of the country.

Lower duties fail to stem illegal imports

1991 (74F) BD 5/12/95

Nicole Mordant

CONSUMER electronic goods distributors are demanding that all duties on imported electronic goods be slashed, claiming that the recent duty cut failed to stem the flow of smuggled goods.

Although the 40% import surcharge fell away in October, distributors said duties were still high enough to allow smugglers to undercut legal players. Illegal products commanded up to 90% of the SA audio market and 75% of the video market.

"It has become impossible to sell these goods at a profit," Philips SA commercial director Steve O'Hagan said.

"The removal of the surcharge has failed to have any impact on the illegal import market. Illegal importers have no overheads, such as advertising, credit control and claims."

Smuggling had cut the company's video and audio sales to R10m this year from more than R50m a few years ago, forcing it to downgrade its VCR and audio divisions from core to service divisions.

Imported consumer electronic goods are subject to two types of duties — a staggered customs duty designed to protect SA manufacturers from cheap imports, and a free-on-board 37,5% excise duty.

Before October 1 goods were also subject to a 40% surcharge, resulting in duties on hi-fis peaking at 135%, car and portable audio equipment at above 120% and VCRs at more than 100%. Market sources said smuggling was attractive at a margin of 7%.

Daewoo CE Mike Bosworth said the illegal market in TV sets, VCRs and hi-fis had virtually disappeared since the abolition of the surcharge, but Panasonic warned that smuggling would remain as long as duties were in place.

"Remove the duties and you remove the incentive for smuggling," Panasonic MD Alan Coward said. "The higher the duty the bigger the illegal market."

Sharp Electronics's distributor Seartec blamed the flow of illegal imports on understaffing among customs & excise officials. The department said only 1% of imported goods were inspected on entry.

Call to curb illegal food imports

744 (436)

ACTION had to be taken to eliminate illegal and fraudulent imports of a broad range of food products, Tiger Oats chairman Robbie Williams said in his annual review.

The extent of these imports was of great concern as they constituted unfair competition and a serious threat to local industry. BD 5/12/95

He said the phasing out of both the government's general export incentive scheme and SA tariffs judged to be excessive, and the lifting of the few remaining import quotas, would put prices of locally produced products under pressure. Although Tiger had the resilience to react to normal competitive pressures, the local market had to be protected against dumping and illegal or fraudulent imports.

"SA needs a less complicated tariff system and, most importantly, an effective customs monitoring and surveillance system administered by sufficient numbers of trained staff capable of quick investigation and prompt action when contraventions occur."

Tiger achieved record results in the year to end-September with earnings up 27% to R466m, earnings per share up 27% to 310c and dividends increasing 27% to 108c.

While the country saw a welcome return to economic growth it was lower than expected. "Certainly the economy will need to grow at a faster rate if the level of unemployment is to be reduced and jobs created." — Sapa.

Cheap imports killing off local footwear industry

CT(BR) 7/12/95 (74F)

BY STUART RUTHERFORD

Durban — The decision to sell (or close) Amshoe and the Sutherlands Tannery by Lenco and imperial Cold Storage respectively is expected to mark the beginning of a period of huge closure and retrenchments in the shoe industry.

The industry, which has already cut 6 000 jobs since early 1990, cannot compete with foreign importers who currently have a 40 percent share of the national market.

If Sutherlands is forced to close on December 15 it will retrench 313 employees and force KwaZulu Natal manufacturers like Conshu to import as much as half of its leather. The industry presently employs about 21 000 people.

The situation is expected to get worse in January when duties on fabrics and synthetics will drop 5 percent, to bring South Africa in line with its Gatt commitments.

The Footwear Manufacturers' Federation of South Africa blames China for much of the problem. China, which pays its workers as little as 14c for a finished pair of shoes, exported 14,9 million pairs to South Africa in the first half of this year.

Casualty

The main casualty was manufacturers of low-cost, non-branded shoes, although imports have had an appreciable effect throughout the market.

The federation said about 22,6 million pairs of shoes were legally imported into the country between January and July this year, totalling R280,8 million — a 75,9 percent increase on last year.

These imports make up 40 percent of the total sales on the South African market, and as Tony Carnecky, the managing director of the Futura Group, said: "The market is only so large, whatever comes in takes away from domestic manufacturing."

The federation does not have any figures on the level of illegal imports, but the number of low-price shoes on sale in the informal sector bears witness to its size.

The underlying problem is the high cost of production in this labour intensive industry, exacerbated recently by wage increases that exceeded inflation.

Importers find short cut into SA car market

(74F) ST (BR) 17/12/95

By DON ROBERTSON

MOTOR industry executives are fuming over the flood of imports of used cars and commercial vehicles.

Although sales of new cars are heading for their best year since 1984, imports, mainly through Namibia, are causing concern for manufacturers and dealers.

The sharp increase in cheap used vehicles reaching the market has prompted manufacturers to warn that spare parts and service might not be available for them.

Ray Nethercott, chairman of the National Automobile Dealers' Association, says the imported vehicles are devaluing existing used-car stock.

"A similar situation decimated the used-car market in New Zealand in a matter of months. We don't want that to happen in South Africa."

Nada has made representations to the authorities, who have said they will discuss the matter with relevant ministers in neighbouring countries.

The Department of Trade and Industry has a standing policy on permits for importing used vehicles. In a recent review of its policy, the department advised that, "in view of the importance of this sector, strict control is applied to the importation of used vehicles and import permits are issued only in very specific and defined circumstances".

Import duty is not suitable for protecting local manufacturers against the disruptive importation of used vehicles, says the department. Stringent import control measures are maintained and permits are not issued for importing used vehicles other than those for disabled people.

Bert Wessels, chief executive of Toyota, says that although the government does not issue permits for large-scale importation of used vehicles, it cannot stop other SA Customs Union countries from doing so and inevitably these vehicles end up in South Africa.

He says the imports pose a considerable threat to the industry.

Chris Laas, managing director of Vehicle Import Namibia, has shipped 300 used vehicles into Namibia in the past few months and has applied for permits for bigger numbers next year.

The cars, imported mainly from Japan, are eight- to 10-year-old Toyota Cressidas, Corollas and Nissan Skylines retailing at R20 000 to R30 000 each.

He insists, however, that his company acts as a wholesaler to the Namibian motor trade only, but concedes that the cars could find their way to South Africa.

Mr Laas pays import duties of 75% plus an additional 5,5% sales duty, but denies import values for customs purposes are kept as low as possible to reduce duty payments.

Another problem is the importation of relatively low-cost, unsophisticated vehicles from eastern Europe and Asia for which there are often no commitment for parts and service.

Willie van Wyk, managing director of Delta Motor Corporation, says in the short term there will be a proliferation of imported makes and models, some of which will fail to become a permanent part of the motor industry scene because parts and services will not be available.

Bank tightens its control on imports

(74F)

Greta Steyn

BD 21/12/95

THE Reserve Bank had tightened controls on import invoices in a bid to improve importers' self-discipline, Bank exchange control GM John Postmus confirmed yesterday.

Postmus said the Bank had always allowed some companies to pay for imports without submitting each supporting document to bankers as evidence of the cost of the goods. The Bank had now changed the dispensation so companies had to apply to the Bank to be granted exemption, and if they were, they would enter into a contract with the exchange control department.

In terms of the contract, the company's MD and financial director would be responsible for ensuring trade transactions were authentic.

"We felt the old dispensation had become watered down and the right disciplines were not necessarily in place in each instance. The new dispensation places the onus on the financial director and MD," Postmus said.

Continued on Page 2

Controls (74F)

Continued from Page 1

BD 21/12/95

Importers granted the dispensation had to retain the invoices and shipping documents in their own records. These documents were subject to audit by the exchange control department.

Other importers had to show the documents to their banks, which had to monitor the authenticity of transactions. The dispensation would apply only to companies that had such a volume of documentation to process that it became impractical for banks to monitor. "It is to alleviate the burden on the banks in being confronted with stacks of documentation on each monetary transaction," Postmus said.

Auditors KPMG have told their clients the Bank decided on the special dispensation as a temporary measure partly due to the limitation on customs and excise's resources. But Postmus said the move had nothing to do with customs and excise.

KPMG said one of the requirements to obtain Bank approval was an annual report from importers' auditors. The auditors would have to confirm the company had the right controls and procedures in place.

Trade watchers predict export growth

BD 20/12/95 (74F)

John Dludlu

TRADE analysts yesterday predicted a continued surge of between 7% and 9% in SA's exports in the new year.

The SA Foreign Trade Organisation said that its fourth-quarter survey of exporters' expectations for the coming year showed the optimistic mood recorded in the third quarter still prevailed.

SA Chamber of Business international trade manager Riaan de Lange said the chamber expected the growth trend in exports to continue into the new year.

De Lange forecast 7% growth in exports, while another trade watcher put the estimate at 9%.

"The forecast for the dollar value of export sales and orders received again both registered 170 (a positive indicator) on the exporters confidence index," the Safto survey said.

Safto, which is now part of the Industrial Development Corporation, said exporters were anticipating a rise in the index in the coming 12 months.

De Lange said a better than average increase in export volumes was likely to come from the Indian Ocean rim (which includes India and Australia) and the Asian regions as well as Africa. Stable growth was anticipated in SA's traditional markets of the EU and the Americas.

Carl Nöffke, director of the American Studies Institute of the Rand Afrikaans University, said SA exporters had been carving a niche in the southeast Asian markets — especially with products such as military equipment — while consolidating their shares in the EU and the US.

While agreeing with predictions of an optimistic outlook for exports, Nöffke warned that "the clarion call is that we should remain competitive".

Nöffke predicted a good showing for the motor industry and SA's primary sector, notably the country's farm exports following the good rains this season.

Safto said several categories of manufactured goods were showing sustained growth and, "contrary to some expectations, this growth is not limited to exports to Africa: manufactured exports to sophisticated markets in Europe and Asia have also risen".

The organisation noted concerns over delays in shipping. Other concerns were production problems and production capacity. "The cost of transport is still seen as an important threat, while an unfavourable rand exchange rate also rates fairly high — there's a clear link to the competitive pricing issue."

Other trade observers said the continued preferential trade status SA enjoyed — under the general scheme of preferences — should continue to underpin the growth of exports.

SA has been granted GSP status by several countries including Japan, Canada and the EU. The US GSP has not been renewed.

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Labour to step up fight against illegal imports

(74F) CT 22/12/95 (BR)

By Shirley Jones

Durban — Labour intends stepping up its campaign in the new year against the customs and excise department and its inability to police illegal imports.

According to the general secretary of the South African Clothing and Textile Workers Union, Jabu Ngcobo, the union's strategy depended largely on the government's response, but there were plans to resume protest marches in January. Protest action in Johannesburg would follow December's marches in Durban and East London, he said.

The union's campaign was directed not only against customs and excise, but also against the trade and industry department, the tariffs and trade board and its dismally understaffed anti-dumping unit, and the labour department.

"These are all linked. Legislation is useless unless there are sufficient, honest people to implement it," Ngcobo said.

He said the government should take responsibility for the structures in place and make public the details of plans to rectify the situation.

He said the least the labour ministry could do was look into training the thousands of people who were being retrenched as a result of illegal imports.

Ngcobo said that the lack of policing was not South Africa's problem alone. It was a southern African customs union problem which needed a regional, sub-continental solution.

The union's Mark Bennett said the authorities did not seem to appreciate the urgency of the situation. The union was outraged that less than 3 percent of containers were inspected, and that this low inspection rate was usually devoted to companies operating legitimately while those believed to pay bribes saw their containers whisked through congested ports.

The union was also investigating allegations that goods imported and held in bonded warehouses were seldom inspected.

"Like narcotics kill teenagers, cheap imports kill people because they kill jobs. It is the same principle. If I wanted to sneak drugs into this country, I'd put them in a container of T-shirts," he said.

FOREIGN TRADE (74 F)

1996

JANUARY – JULY

(74F)

Western Cape imports more from Romania

BY FRANÇOISE BOTHA CT (BR) 9/1/96

Cape Town — Romanian imports into the Western Cape have increased more than 15-fold, according to figures released by the Romanian consulate in Cape Town yesterday. The figures show that the import of Romanian goods into the Western Cape have increased from less than $3 million in 1994 to $50,3 million last year.

The Romanian trade consul, Mircea Boncu, said yesterday that while a commercial agreement was signed between the two countries in 1990, formal trade offices were only opened in March 1994.

Boncu said the purchase by Safmarine of a bulk iron-ore carrier accounted for $40 million. The balance of the $50,3 million was made up of cars, tractors, glassware, steel products and timber.

He said Romania hoped to expand its exports of Dacia motor vehicles, tractors and minibuses from 1 300 units last year to between 3 000 and 4 000 units for this year.

"Other areas of interest included the export of petrochemical and refinery equipment to South Africa," he said.

If the effect of the Safmarine order was not considered, Boncu said, import orders for the Western Cape were expected to rise to $35 million this year.

'Tariffs a threat to SA electronics industry'

(74F)

STAFF WRITER

Durban — The electronics industry could be reduced to a group of importers unless the government reviews certain GATT-related tariff structures, according to Bill Venter, chairman of the Altron Group.

The industry employs hundreds of thousands of people and has an important design and manufacturing component. It also focuses strongly on exports.

In a statement released yesterday, Venter said he believed that the government was misguided in its decision to maintain tariffs at 5 percent. GATT imposed 15 to 20 percent tariffs.

CT (PM) 10/1/96

"The 5 percent tariff prevailed in the sanctions era only because very few countries would trade with South Africa and significant local manufacture incentives applied.

"GATT allows five to eight years for tariff revisions, but government has implemented its revision within a year," he said.

David Jacobson, Altron's executive director of science and technology, said: "We have a dangerous, anomalous situation where several of the duties on electronics and telecommunications products are below the GATT binding levels.

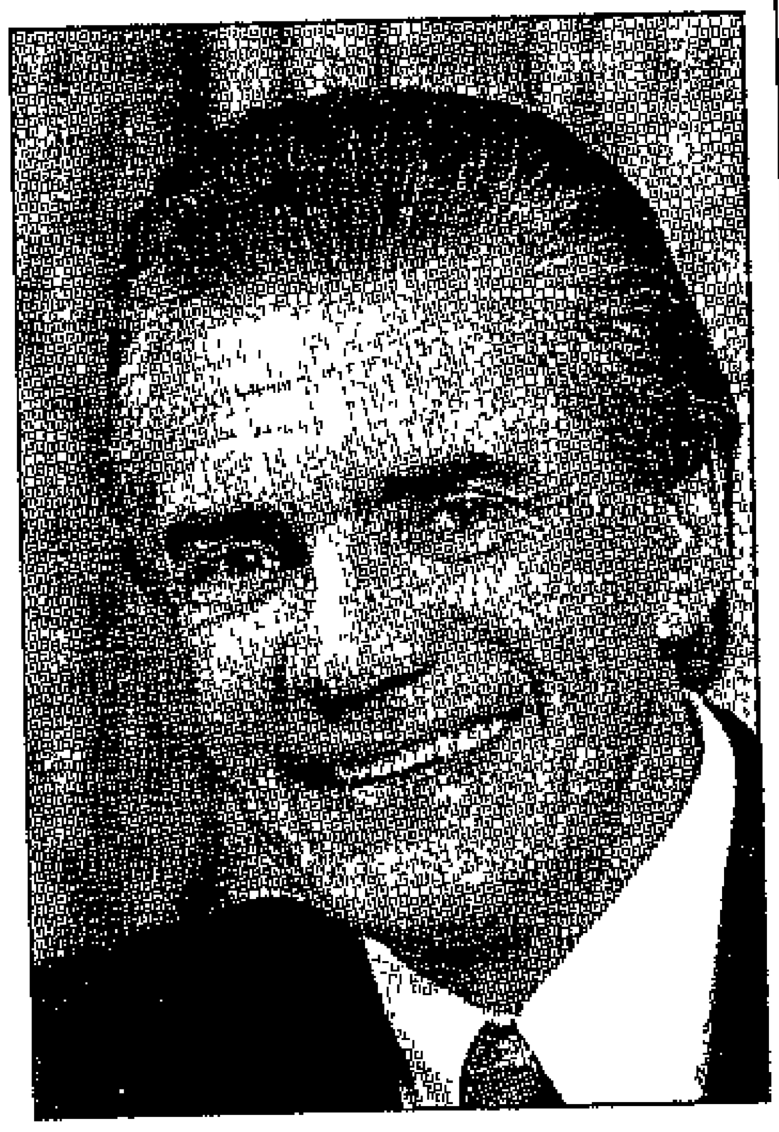
"This gives importers an unfair advantage and makes export from South Africa more difficult because other countries have import duties at the GATT binding levels."

Jacobson urged the industry to put pressure on the Department of Trade and Industry to reset import duties at appropriate levels.

Venter said despite this problem and the fact that unemployment and crime remained stubbornly high and productivity low relative to cost, business prospects for this year appeared favourable.

He lamented that too much consultation with bodies such as Nedlac delayed delivery and hampered the competitiveness.

There were obvious advantages from the restructuring of parastatals now that the National Electrification Forum and the National Telecommunications Forum had reached a consensus, he said.



TAX WOES *Altron's Bill Venter says the government is misguided*

Jacobson added that prospects for small, medium and large companies in electronics and telecommunications appeared particularly bright this year. He said there were more opportunities for business and investment opportunities, as well as the prospect of job creation.

The re-awakening of the South African economy and the resultant expansion of infrastructures had already stimulated the industry.

Important markets were being opened for South African companies in countries to the north that wanted to refurbish and enhance their telecommunications and electrical infrastructures.

Local industry had extensive investments in manufacturing, testing and development that could not be matched by overseas counterparts. It could therefore offer greater support, said Jacobson.

He said that products designed, developed and manufactured for the RDP were a major export opportunity.

"The unique combination of manufacture under licence and local design of niche products has led to the South African telecommunication and electronics industry being able to supply both local and export markets with a portfolio of unique products unlike those distributed by conventional suppliers," he said.

Zimbabwe given better access deal

BD 11/1/96 (74-F) (362)

John Dludlu

GOVERNMENT had offered Zimbabwean exports better market access to SA, brushing aside protectionist proposals from SA's clothing and textile industries, trade and industry department chief director for foreign trade relations Faizel Ismail said yesterday.

In terms of the offer — which had already been rejected by the Zimbabwean trade negotiators — SA lowered the 75% local content requirement to about 25% in a bid to reinstate the lapsed pre-1992 trade concessions on Zimbabwean clothing and textiles.

Ismail said the lower requirement would have to hiked up by about 5% on an annual basis while the bilateral deal lasted.

The move follows criticism that government was bowing to pressure from vested interests in refusing to give better market access to SA's neighbours.

An initial offer called for a 75% local content requirement accompanied by import quotas.

The department earlier asked that the 75% local content requirement be lowered, but the two federations refused to budge.

Ismail said the new offer had taken into account the concerns of the federations.

The challenge now was to convince the Zimbabweans to accept the offer as an interim measure in the absence of a multilateral trade arrangement for the 12-nation Southern African Development Community (SADC) region.

The SADC trade and industry ministers had already given a go-ahead to plans for a gradual reduction of tariffs in the region in a bid to buoy thin intra-SADC trade, he said.

Ismail said no decision had been taken on whether the proposed multilateral arrangement, which would culminate in a free trade area, would be done on a sector-by-sector basis.

"That decision will have to take into account concerns of the various member states. I hope the Zimbabweans will see the offer as an interim measure."

Ismail stressed the urgency of concluding the talks which have dragged on for about a year.

This development comes amid an intensive lobbying campaign by the embattled textile firms in Zimbabwe to get the preferential trade regime reinstated.

This week the Central African Textile Manufacturers' Association, which represents Zimbabwean textile companies, called on the EU to put pressure on SA to soften its earlier hardline stance.

Govt considers cap on sliding scale car duty

BD 12/1/96 (74F)

Edward West

GOVERNMENT, after complaints from luxury car dealers, would consider capping the sliding scale duty slapped on cars late last month, customs and excise deputy commissioner Danie Basson said yesterday.

The levy, to replace revenue lost when the previous duty regime fell away, has wreaked havoc in the luxury car market.

BMW SA and Mercedes-Benz SA have been unable to reprice their cars because they have not determined the level of the levy. Mercedes-Benz said it awaited clarity from government.

Top Ferrari models have jumped R2,37m in price because of the levy. Jaguar and Porsche prices are also poised for hefty rises.

Porsche and Jaguar importer LSM Distributors MD Tobie Venter said: "Contrary to popular perception, the wealthy are just not prepared to pay a few hundred thousand rands extra for their cars in punitive taxes. The duty will mean less income for government ... due to lower sales and will encourage people to seek imaginative schemes to circumvent it." LSM would seek a legitimate loophole to escape the duty.

The new duty will result in slightly lower costs for locally assembled vehicles selling for less than R130 000.

Ferrari and Lancia importer TAK MD Tibor Scheiman said the duty would lift the price of a fairly ordinary Ferrari, the F355, by R100 000. The cost of a new F60 — two of which had been sold in SA — would rise to R4,87m from R2,5m. The effect of the duty on sales might force him to close.

BMW spokesman Chris Moerdyk said his company had been expecting a duty on luxury cars, but the effect had not yet been determined. "Quite frankly we are confused," he said. "This does not have a heck of a lot in common with National Association of Automobile Manufacturers of SA proposals."

Zimbabwe deal outrages federations

(74F) CT (BR) 15/1/96

By Shirley Jones

Durban — The government's decision last week to lower the local content requirement for Zimbabwean products entering the country — from 75 percent to 25 percent as part of a proposed preferential trade agreement — has outraged the local clothing and textile industries.

The clothing and textile federations, which have long opposed the reinstatement of pre-1992 trade concessions between South Africa and Zimbabwe, were upset at not having been consulted.

They said the move would set a dangerous precedent for future trade negotiations and were alarmed about an application from Mauritius for similar preferential trade status.

Paul Theron, an economist from the clothing federation, said it appeared the government had moved away from operating on a concensual basis in favour of arbitrary decisions.

He said that should Zimbabwe accept this offer, the industry's worst fears would be realised. Zimbabwe would become no more than a wholesaler of finished products. Just a small portion of imports would be bona fide Zimbabwean products and the country would act as a conduit for cheap imports from the East, said Theron.

According to the latest figures supplied by the textile federation, legitimate imports comprised 45 percent of local textile markets, and 15 percent of the local clothing markets.

Of this, Zimbabwean imports made up 7 percent and 5 percent respectively.

However, should the preferential trade agreement be finalised in this form, these figures would skyrocket, said Brian Brink, the head of the textile federation.

Msundo Nkuhlo, the director of trade relations, which falls under the trade and industry department, said that the clothing and textile industries and labour had enjoyed significant input into offers made to Zimbabwe. He said the latest offer had not been such a radical departure from the original as the 25 percent local content requirement would be increased by 5 percent each year to accommodate increased production.

Zimbabwe, however, has refused the offer on the grounds that the increasing local content requirement would ultimately be unattainable as the majority of raw materials in the Zimbabwean clothing and textile pipeline were imported.

Nkuhlo said no date had yet been set to resolve the stalemate which had developed. He said he regretted that this could derail an attempt to conclude the trade deal by early next month.

Nkuhlo confirmed that an application for preferential trade status had been received from Mauritius last November. He said that although preliminary consultation between Mauritian authorities and the trade and industry minister, Trevor Manuel, had taken place, no details had been finalised.

He said that there were enough difficulties in negotiations with Zimbabwe, and the department was reluctant to engage in a multitude of trade negotiations at the same time.

Brink said that since Mauritius was not far away and had access to cheap labour and cheap raw materials from the East, the entry of its goods, duty free, could deal a devastating blow to local industry.

Textile talks with Zimbabwe hit new snag

(~~497~~)(~~780~~)(74F)

By Shirley Jones

CT(BR) 16/1/96

Durban—South Africa's troubled efforts to streamline and update a 30-year-old trade agreement with Zimbabwe ran into further trouble yesterday when Zimbabwean industrialists accused the Republic of negotiating "in bad faith".

The proposed agreement would grant textile and clothing producers in Zimbabwe easier access to local markets.

The Confederation of Zimbabwe Industries, the country's largest employer body, said yesterday that no progress had been made on reviving a two-year-long negotiation that collapsed last November.

South African negotiators have tried to revive the talks by offering to cut the local content required of Zimbabwean clothing and textiles imported into South Africa from a punitive 75 percent to 25 percent.

Though the Zimbabweans have not rejected the offer, say officials, they have requested further quota relief in key sectors.

The offer quickly ran into serious domestic and Zimbabwean opposition. South African textile and clothing producers complained that they had not been consulted about the offer.

The Zimbabweans complained that their textile and clothing producers already imported most of their raw material and that even lenient local-content requirements would be too onerous.

The South African government believes that even at the lower local-content requirement of 25 percent contained in its offer, textiles from Zimbabwe would take only 1 percent of the South African market.

But that is fiercely contested by producers of clothing and textiles in South Africa, who argue that products from anywhere in the world could easily be routed into South Africa through Zimbabwe.

Cheaper imports cause fall in production

BD 19/1/96 (74-F)

Mungo Soggot

MANUFACTURING production fell a seasonally adjusted 2,3% in the three months to November from the previous three months as cheaper imports and high interest rates struck demand for SA goods.

Figures released yesterday by the Central Statistical Service showed there had been a drop in output in 19 of the 28 industries in the sector, which accounts for 25% of SA's GDP.

The manufacturing sector's fortunes turned down in the middle of last year after it had boasted impressive growth during the first half. The service said despite the drop in output in the second half, total production for the first 11 months of the year was up 7,6% over the same period the previous year.

BoE Natwest chief economist Nick Barnardt said the strong rand and the scrapping of import surcharges had made consumer spending much more import-intensive towards the end of the last year.

He added that retailers and wholesalers appeared to have satisfied their inventory demand and the big inventory build-up from mid 1994 had slowed.

Econometrix economist Tony Twine said the fact there had been a drop in output in 19 of the 28 manufacturing sectors suggested the winding down of stock levels was widespread in the economy.

The drying up of inventory demand always had "a very amplified effect" on the manufacturing sector.

Barnardt said the sector's decline in the second half of last year was yet another signal that SA was due for a cut in interest rates. The service said the main contributors to the decrease in the three months to November were the industrial chemical sector, the motor vehicle sector and the basic iron and steel industries sector. The value of manufacturing sales had risen 1,8%, with the largest increases reported in the food, metal and machinery sectors.

SA, Chinese export agreement mooted

(74F) BD 29/1/96

Amanda Vermeulen

THE trade and industry department was considering a voluntary export restraint of trade agreement with China, a spokesman said at the weekend.

Textile Federation (Texfed) president Mervyn King warned that the measure could severely harm SA's clothing, textile and other industries if it allowed China preferential rights of entry for export goods. It could result in a flood of cheap imports, he said.

Trade and industry spokesman Ismail Lagardien said the voluntary export restraint agreement was being discussed with all relevant parties, including the National Economic, Development and Labour Council (Nedlac).

"Greater clarity should emerge late in February or early March, when a government and business forum will discuss SA's relations with China."

Under the agreement, SA will make it easier for Chinese imports to enter the country while China will agree to set limits on the scale of its exports.

King said the trade and industry department had not informed the textile industry about the negotiations.

He had called for an emergency meeting of the Texfed executive committee to discuss the situation.

The meeting was likely to take place this week.

King said there was no apparent rationale behind a voluntary export restraint agreement with China as a lack of policing and lax controls by customs and excise made it impossible to regulate such an arrangement.

He said the agreement was meaningless, unless government was planning to give China preferential rights of entry to SA.

"An agreement is a waste of time unless, in return, China will be accorded preferential status on its exports to SA ... local textile, clothing and other industries will be destroyed by cheap imports which will undercut even the lowest SA prices."

Textile group Frame's director, David Sable, said that while details were not yet available about the talks, allowing China to saturate SA's market would speed up the rate of job losses expected in the clothing and textile industries in the next seven years.

Last week the SA Clothing and Textile Workers' Union said 100 000 jobs could be threatened in the next seven years if government did not start implementing supply-side measures at the same time as scaling down tariffs on imported goods.

State acts to curb imports from China

(74F) CT(BR) 29/1/96

By Shirley Jones, Charlotte Mathews and Ross Herbert

Johannesburg — The trade and industry department is negotiating a deal to limit spiralling imports — which are seriously harming local industries — from mainland China to South Africa.

Department spokesman Ishmail Lagardien confirmed yesterday the negotiations were taking place.

The move has received a mixed response from local industry. Some manufacturers fear that any formalisation of trade ties with China will have serious ramifications in relation to trade ties with Taiwan.

China, which has been lobbying aggressively to cut off all diplomatic recognition of Taiwan, would be unlikely to give meaningful concessions to South Africa without a price. Manufacturers said they feared the deal would formalise trade between the two countries and would merely serve to initiate further disruptive imports into South Africa.

The pact, sources in the ministry said, is tied to an initiative to study the relative merits of trade with China and Taiwan, a calculation that raises the spectre of re-evaluating South Africa's diplomatic ties with the two Chinas.

"We are negotiating a voluntary restraint pact. One of the issues is that China already has most-favoured nation status with South Africa, but South Africa does not have the same status with China. Their goods are not discriminated against when they arrive here, but our goods are when they land there," Lagardien said.

Under the voluntary export restraint arrangement, said to be similar to the agreement that exists between this country and America on steel imports, the two countries would agree to a specified tonnage of imports of various items.

The ministry is also planning a public seminar on trade with China and the voluntary restraint pact for the end of February, he said.

Sources said this was a type of voluntary quota system to persuade China to hold back from flooding the South African market. It is also a way of getting around the World Trade Organisation regulations that forbid quotas. China is not a signatory to the WTO.

Confidential

A preliminary meeting was held last week between the trade and industry department and representatives from the footwear, clothing and textile industries and two unions. The meeting was confidential and the ministry is apparently not releasing details of the arrangement until negotiations are further advanced.

That made industry sources reluctant to be identified and sources from other industries were not prepared to go on record with comments until they had had a meeting with the minister.

Charles Chen, the press officer from the Taiwanese Embassy, said on Friday evening that he had no knowledge of the agreement.

A source in the clothing and textile industries voiced concern that the customs and excise department would not be able to police this agreement. He said it would be impossible to monitor tonnages without an effective computer system.

However, another source said the agreement was extremely positive. It would enable South African industries to negotiate quantitative controls on imports that would be administered by China.

These controls would apply particularly in areas where China's exports to South Africa were increasing substantially and seriously injuring local industries, such as footwear.

The trade and industry department said it had been considering action to prevent this flow of imports in any case. They had been about to introduce specific, or what are termed separate column duties, against China on various products. But China had suggested that rather than be singled out for punitive duties, it would agree to a voluntary export restraint arrangement.

There was also a benefit in return for South African exporters to China. South Africa would get most-favoured nation status in exporting to China.

Union concerned about China pact

(74F)(??) BD 30/1/96

Lucky Madikiza
and Amanda Vermeulen

THE SA Clothing and Textile Workers' Union (Sactwu) was concerned about SA's trade agreement with China, with that country's cheaper goods and its record of human rights abuses seen as obstacles, the union said yesterday.

This followed an announcement by the trade and industry department at the weekend that it was considering signing a voluntary export restraint with China.

The SA Textile Federation has voiced opposition to the department's plans, and has asked the department to disclose fully its proposed trade pact with China.

Texfed president Mervyn King said yesterday: "Based on the department's commitment to a seven-year phase-down in import tariffs, the textile industry is proceeding with a R3bn capital expenditure and training programme. Any trade deals which may affect these plans must be transparent and debated publicly."

"Apparently the department will rely solely on China to monitor its own compliance with the restraint. We believe this would be extremely naive."

Sactwu spokesman Ebrahim Patel said the union was concerned about the flood of textiles from China to SA, and indirectly through third party countries and territories, such as Hong Kong. "Chinese imports are destroying local jobs. We are discussing our concerns with the department."

War of words erupts over Chinese trade pact

A4F) (E74) CT(BR) 30/1/96

By Ross Herbert and Shirley Jones

Johannesburg — A war of words has erupted between the trade and industry department and the Textile Federation president, Mervyn King, who accused the department yesterday of negotiating a new trade pact with China in secrecy.

"We fully support the department's attempts to control legal and illegal imports to South Africa from China, but we are perplexed by the secrecy surrounding negotiations," King said.

Ismail Lagardien, the trade and industry department's spokesman, said that King's comments were "simply untrue".

Lagardien said representatives of the clothing, textile and shoe industries had been part of the discussions on the China trade and a public forum on the pact was planned for the end of February.

King said the best way to prevent cheap imports from China was to enforce existing customs regulations.

King said the department's reliance on China to monitor its own compliance with the restraints appeared to be naive in the extreme.

"China is well known for its abuse of human and worker rights and its total disregard for intellectual property rights. We cannot rely on World Trade Organisation compliance as China is not a signatory," he said.

King also suggested that the department was considering changes that would put South African industry on an inferior footing to Chinese firms.

"The department will not, consciously or unconsciously, do anything to harm South African industry. The department will always put South African industry first," Lagardien said.

Stainless steel industry to import nickel

CT(BR) 2/2/96 (74F)

By Charles Phahlane

Johannesburg — The country's fast-growing stainless steel industry was scouring the world for nickel supplies, but denied it faced a shortage which would affect production plans.

With the expanded Columbus joint venture due to be formally opened next week and Iscor set to shift production at Pretoria from carbon to stainless steel, the country was moving from being a net exporter of nickel, to being a net importer.

The South African Minerals Bureau forecast that nickel demand would surge from 12 000 tons last year to about 65 000 tons by 2000.

But production of the metal, which is vital to the manufacture of austenitic stainless steel — which is the most widely used kind — is realistically likely to hold steady at about 32 000 tons a year.

Columbus, owned by Highveld Steel & Vanadium, Samancor and the state's Industrial Development Corporation, plans to lift stainless steel output to 600 000 tons by next year from 150 000 tons previously, requiring more than 30 000 tons of nickel.

Iscor has similar output plans, but its venture is a couple of years further down the line, with peak production and annual nickel demand of 35 000 tons expected in 1999.

Columbus has already said it may have to buy up to 50 percent of its nickel overseas.

Pricing

"Nickel is available, it is just a matter of pricing. We certainly will look at all nickel sources worldwide to find the right price," said Columbus's general manager of engineering projects, Phillip du Toit.

Iscor also said it had secured nickel supplies but declined to give details.

"We have secured a contract which should carry us through in the foreseeable future. We are confident we will be able to meet our demands," public relations officer Ernest Webbstock said.

Analysts agreed the industry should ride out the deficit by importing from Cuba and other producing countries. But pricing would be a problem.

Benchmark three-month nickel prices on the London Metal Exchange hit a two-month high of $8 670 a ton yesterday.

The market is being squeezed higher by declining supplies, with the exchange's warehouse stocks falling from an all-time high of 151 254 tons in October 1994 to 40 710 tons by the end of January this year.

The country's structural nickel deficit has refocused attention on the Nkomati nickel project in Mpumalanga, which is a joint venture between Anglovaal and Anglo American.

Anglovaal's minerals managing director, Rob Wilson, said the feasibility study was making good progress and should be completed by year-end.

But the project is still some years away from production and will, in any case, produce only 20 000 tons a year.

That could still leave South Africa with a nickel deficit of about 15 000 tons by the turn of the century.

Wind-up to excise duties

MtG (BM) 2-8/2/96 (74F)

South African import duties are preventing the sounds of music from reaching the man in the street, reports **Jacquie Golding-Duffy**

THE South African company which manufactures wind-up radios has appealed to Deputy President Thabo Mbeki to lift crippling import costs which have scuppered local sales.

Cape Town-based BayGen Power Manufacturing, which launched the radio last October, targeting South Africa's rural poor, said *ad valorem* tax on import costs of the radio's components put its selling price beyond the reach of the local market.

The wind-up radio, a "godsend to cost-effective communications in poverty-stricken areas", has proved to be the opposite with a crippling 37,5% *ad valorem* on radio components forcing the price to be pushed up by the same percentage, the company said.

Baygen sales and marketing manager Leigh Murray said about 10 000 radios had been sold abroad but not one radio had been sold locally.

"Because of taxes imposed on the sale of goods locally, we would have to up the price to cover costs and this in turn will not make the product, in this case radios, affordable to the man on the street," Murray said.

The Baylis generator, a British invention which powers the radio, was developed into a South African venture with funding from, among others, the British Overseas Development Administration, Liberty Life and Kagiso Trust Investment (the business arm of Kagiso Trust).

But shareholders have yet to reap the benefits of their investment and rural expectations have yet to be met with the supposedly cheap transistor because the *ad valorem* — a form of excise duty levied on the sale of certain domestic products, like the wind-up radio — are increasing factory manufacturing costs.

BayGen Power secured exclusive rights to manufacture, market, distribute and sell products generated by the Baylis generator.

BayGen financial manager Brian Barrett said the company had given distribution rights to Windup Technologies and the latter was responsible for selling the radios.

"Windup Technologies have not sold any radios but orders for next month had been agreed on in principle," Barrett said.

He said the onus was on the distributor to "find ways and means of getting around the excise duty by convincing government to lift it".

BayGen general manager John Hutchinson confirmed that no radios had been sold locally. He said the problem with local sales was that the radios were seen by government as "luxury items" rather than necessities. The excise duty tax would have to be slapped on to the factory price which in turn directly affected consumer prices.

Hutchinson said the base in Cape Town was responsible for meeting international as well as local demands, but a labour force of 100 workers was unable to meet the annual target of 500 000 units. "We are producing about 10 000 to 20 000 units in Cape Town," he said, but added that the majority of radios manufactured thus far had been for overseas buyers and consumers in Africa.

He was reluctant to reveal the cost of manufacturing the radios but said all profits, which at the moment were non-existent, would go to various shareholders, among others, the Disability Employment Concerns, which contributes 30% of the workforce at the BayGen factory.

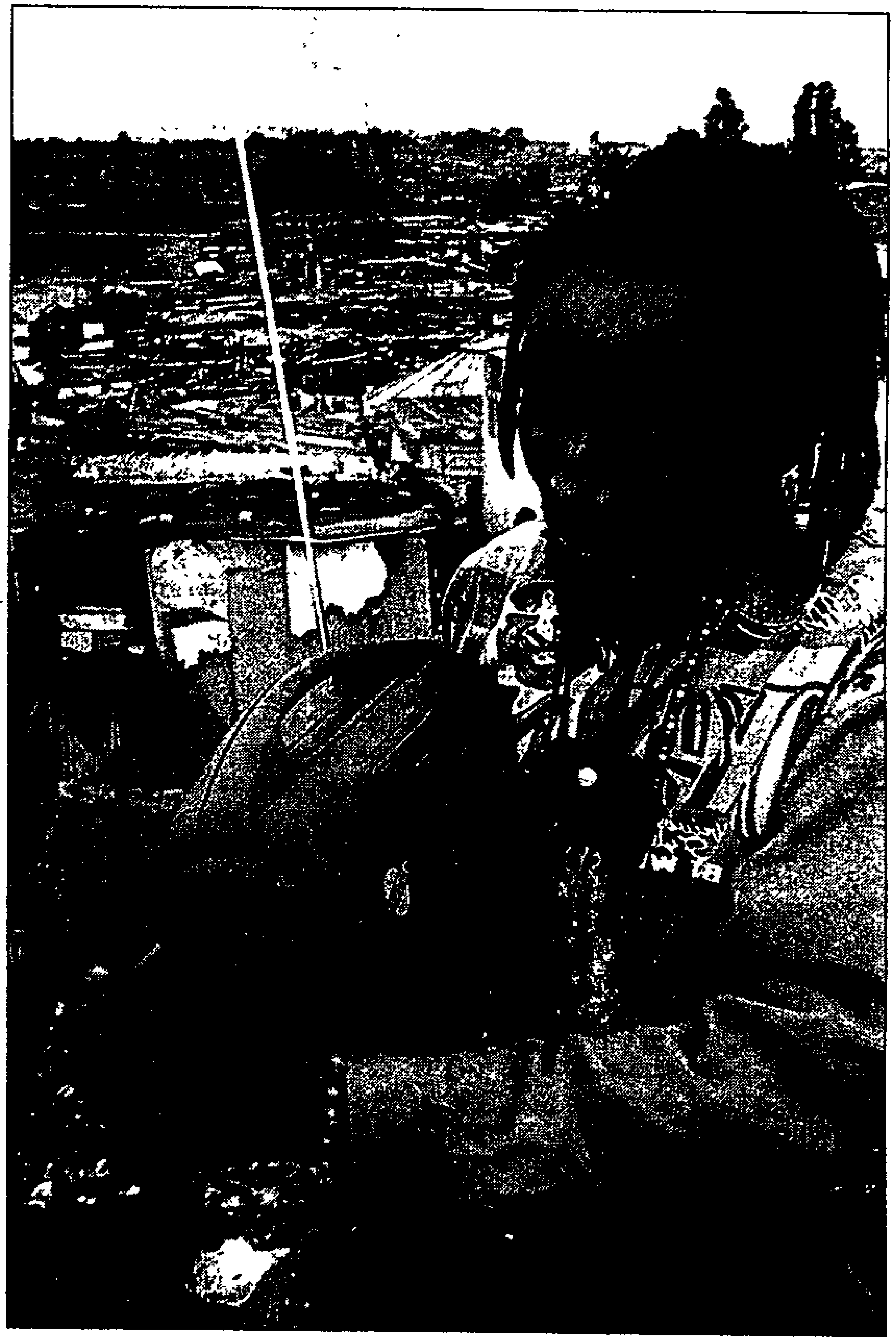
"Profits will go back to shareholders proportionate to their shareholding," he said.

Windup Technologies, the distributing company, said informal talks with government were being followed up with a written application to have the tax lifted. Its financial director, Clive Ferreira, said the radio would cost about R300 and that buyers would save at least R200 annually on batteries.

"We're limited by the production available to us and will not be able to meet all demands but we are intending, together with local black businessmen, to set up a chain of stores to sell the radio in the Gauteng metropolitan area," Ferreira said.

He said many influential businessmen were being approached in a bid to get sales going in various local regions but stressed that the tax issue would have to be sorted out first.

"Local interest has been very slow but I have no doubt that it will be a success, given time," he said.



Wound for sound: The wind-up radio is a 'godsend to cost-effective communications in poverty-stricken areas', if you can afford one

PHOTOGRAPH: HENNER FRANKENFELD

New aluminium import tariffs could affect Maritzburg mill

BD 6/2/96 (74P) (1894)

Nicola Jenvey

DURBAN — A decision on aluminium import duties — crucial to the establishment of Tongaat-Hulett's R2,5bn aluminium expansion rolling mill — could be several months away, Board on Tariffs and Trade (BTT) chief director Alwyn Kraamwinkel said.

The BTT was scheduled to have reached agreement on the duties by end-January, but government's final decision could take several months, he said.

The proposed duty restructuring on certain aluminium plates, sheets and strips had been gazetted on December 8, with interested parties having had until January 22 to submit comments and objections.

"The board is considering the information received and gathered during the investigation and will submit a report and recommendations to the minister (of finance) in due course," Kraamwinkel said.

The minister's final decision would then be gazetted, after which the customs and excise department would implement the new tariff structures.

Hulett Aluminium MD Des Winship said the group would be disappointed if a final decision was known only within several months, but MD-designate Peter Staude said a decision was expected within a month.

The BTT last year proposed scaling down the import duties on aluminium from 12% in November this year, to 5% in 1999. Hulett Aluminium had then requested a reduction to 14% in November this year, 13% in 1999, 12% in 2002 and 10% in 2003.

In the December gazette the board said that it was considering raising the import duty to 10% by November 2003 from the 5% gazetted on November 10 last year, with the tariffs applying to aluminium plates, sheets and foil products manufactured by the rolling mill.

Hulett Aluminium has warned that the phased reduction of duties was necessary to ensure the viability of the mill project in Maritzburg.

The duties under consideration were lower than those required by GATT, and the project would not be viable at the previous rates.

It serves 10 towns in South Africa with SA Express's goal of transfer- two of whom are captains," he said.

'Tighter import controls needed to enforce trade agreements'

CT (BR) 7/2/96 (74F)

By James Lamont

Johannesburg — Customs and excise would have to keep tighter control of imports if agreements between South Africa's trading partners were to be enforced, industry representatives said yesterday.

The clothing, textiles and footwear trade federations have welcomed an initiative by the trade and industry department to reach a voluntary export restraint agreement with Beijing.

But they cautioned that any agreement to curb low-priced Chinese imports should be supported by reforms in the customs and excise department.

"The biggest threat is illegal goods coming into the country," said Brian Brink, the executive director of the South African Textile Federation.

The onus of a voluntary export restraint agreement with China would be on Beijing to control its exports, but Brink said the effectiveness of any agreement would rely on the policing ability of South African customs and excise.

"I am afraid our customs is in nowhere near a position to control imports," he said.

The government is negotiating with China to stem growing exports to South Africa, seen as a threat to small local industries, particularly in textiles and clothing.

Li Lan, a spokesman for the Great Wall Group, a subsidiary of the Chinese department of foreign trade, said South African industry should become more internationally competitive rather than restrict a potential major trading partner.

"Many South African manufacturers think that it's (Chinese imports) that are a problem, but I don't think they should blame the Chinese. They should rather improve productivity and skills," she said.

She believed the negotiating parties were considering a most favoured nation status agreement.

This would promote the import of Chinese products such as machinery, electronic products and textiles, and the export of South African goods such as mineral products and car parts to China.

Hennie van Zyl, the executive director of the South African Clothing Federation, said that an export cap on China was a pre-emptive measure.

Between January and August last year China's exports to South Africa totalled R1,1 billion and South African exports to China amounted to R817 million.

Although Van Zyl acknowledged Chinese imports as a future threat, he advised against punitive duties as "it sends out the wrong political message at this time".

Europe and the United States have used the copyright and intellectual property abuse by China, which is not a signatory of Gatt, to stem the tide of cheap imports.

n See Forum

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ST (BR) 7/2/96 (74F)

BY JAMES LAMONT

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n See Forum

Illegal imports see Frame's results decline

CT (Bsr) 13/2/96 (74F)

By Shirley Jones

Durban — Illegal imports and soft trading conditions took their toll on textile manufacturer Frame, which saw turnover dip by 4 percent from R339 million to R382 million during the six months to last December.

Earnings a share in both Frame and subsidiary Confram reflected a similar drop from 73,3c and 43,2c in the six months to the end of December 1994 to 68,4c and 38,1c respectively. There will be a capitalisation award instead of a 5c a share dividend from Frame and 3c a share dividend from Confram.

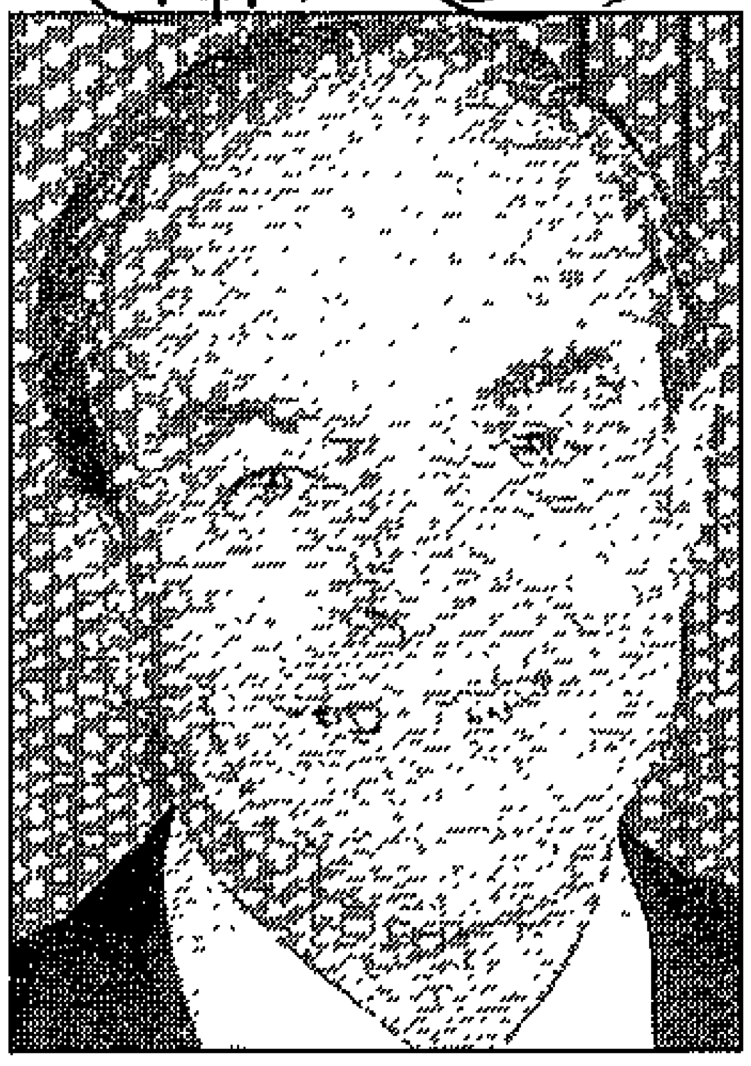
The company has minimised damage, however, and increased income before tax by 26 percent to R31 million (R24,2 million) and increased the group's cash resources by R53 million.

Operating income increased to R25,9 million from R23,4 million.

However, although income before tax was positive, the company's return to a tax paying position saw taxed income drop from R24,2 million to R21,5 million. The tax charge for the six months was R9 million compared with R195 000 for the comparative period.

Company chairman Mervyn King, who has been outspoken in his criticism of the government's trade negotiations with Zimbabwe and mainland China, said the company would continue to monitor and assess both these trade initiatives and the government's attempts to contain illegal imports.

Should these not prove satisfactory the group would be forced by a further deterioration in local trading conditions, to amend its human resource strategy and scale down its capital investment programme.



OUTSPOKEN *Mervyn King, the chairman of Frame*

The company was on schedule with its introduction of state-of-the art technology and, said King, was already seeing improved efficiencies and productivity which would enhance the company's international competitiveness.

He said, however, that with illegal imports still escalating, trading conditions in the second six months of the current financial year would be extremely difficult.

He said that given recent performances by retailers, it was clear that illegal imports were not only affecting manufacturers, but severely constricting retail markets through hawker and flea market sales.

He also lamented the fact that one of the major positives for the textile and clothing industries — supply-side measures which are under negotiation at Nedlac — would still take some months to bring relief.

Cheap steel exports to SA may prompt anti-dumping action

David McKay BD 14/2/96 (74F)

CHEAP steel exported to SA by several European companies last year, which sold at 40% below local prices, could prompt SA producers to call for anti-dumping duties, SA Iron and Steel Institute spokesman Daan Botha said yesterday.

He said the imports were harmful and could lead to a submission to the Board on Trade and Tariffs to impose anti-dumping duties. "A committee meeting SA's major steel producers today would decide whether to take the issue further. Anti-dumping duties could be requested if they made commercial sense."

Botha said the institute had conducted an inquiry and had found plate and hot rolled steel imports from several European countries, including Russia and Eastern Europe, to be injurious. The steel had been sold in SA at prices 40% below the going rate.

Botha said SA's largest steel-producing concerns such as Iscor, Columbus Stainless, Cisco, Highveld Steel & Vanadium and Scaw Metals had been affected by cheap imports.

An Iscor spokesman said the company had noticed the growth in importation of certain types of steel between 1993 and last year.

However, it was difficult to quantify the shifts in customer bases between local producers and imports.

"Iscor did not wish to pre-empt its interim results, to be announced on February 27, by stating how its sales had been adversely affected by the imports," he said.

Other products dumped last year were hot-rolled coil, wire rod and deformed concrete reinforcing bars.

The institute proved last year that the imports were taking place below the prices in the producers' own markets. The imports represented more than 3% of the local market.

Botha said cheap imports were increasing and with the domestic steel market starting a downward cycle, local producers had to be protected from dumping.

The board member responsible for dealing with dumping, Leora Blumberg, said the board had been approached but that no formal petition had been made yet.

Crackdown on shady imports on the cards

(74f) ARG 15/2/96

MAUREEN MARUD
Business Reporter

A CONTROVERSIAL and much delayed set of measures to help fight illegal imports will finally be implemented, in a moderated form, on March 1 by the Department of Customs and Excise.

The measures are aimed specifically at preventing smuggling — estimated to cost the economy billions of rands a year — of goods arriving at South African harbours and destined for countries north of the border.

Huge quantities of these goods, duty-free because they are marked for removal to Zimbabwe, Zambia, Malawi, Mozambique or Angola, never reach their destinations.

Instead, they are sold in South Africa at much lower prices than it costs domestic industries to produce them.

From March 1, customs will require a cash deposit of 125 percent of the customs duty payable on textiles, clothing, some electronic goods, tyres and cigarettes and alcohol.

The original intention was to place the deposit on all goods in transit through South Africa. In formulating the requirements to be implemented on March 1, only the type of goods involved in cases of smuggling were targeted, said deputy director of customs Gavin Collinet.

Alan Cowell, executive director of the South Africn Association of Freight Forwarders, said he was pleased that the measures had been moderated.

His organisation had always opposed their implementation, largely because freight forwarders would have had to make cash payments involving sums of up to R50 million a month.

But now there was some doubt whether they would have to make any payments.

The new requirements state that where a person or company passing the bill of entry for goods certifies or attaches a certificate to the effect that the supplier or consignee is known to him or her, the cash deposit will not be necessary and the usual removal bond will be accepted.

In cases where irregularities are detected, the person or company passing the bill of entry will be required to lodge deposits of 125 percent of the duty for all further bond transactions.

Where appropriate, measures such as seizure of the goods and the vehicles will also be considered.

Mr Collinet said his department had also instituted some internal controls to further restrict irregularities.

Mr Cowell said his organisation would meet Mr Collinet next week to thrash out a final solution to some of the restraints and conditions, but there was agreement in principle with the new measures.

Hi-tech bid to stop clothing smuggling

(74F)

By TOM HOOD

ST(M) 18/2/96

HIGH-TECH X-ray machines able to see what's inside containers are to be brought into South African ports in an effort to stop illegal imports of cheap clothing which threaten business and jobs.

The clothing industry also planned to set up a task group to work with the government to combat trade fraud.

These steps were reported this week as workers and employers moved independently to stamp out illegal imports which, say the Clothing and Textile Workers Union, threaten up to 100 000 jobs.

Agreement has also been reached on restructuring the management at the undermanned Department of Customs and Excise and bringing in experts from overseas, said the chairman of the Cape Clothing Manufacturers Association, Johann Baard, this week.

"We are optimistic that with these measures and others we should start seeing some improvement. We are getting a sympathetic hearing from the government and we are seeing this being translated into action."

The industry, meanwhile, was waiting to get the green light from the United Nations about distributing the mountain of confiscated illegal clothing imports. The plan was to distribute the garments to needy countries in Africa where there was no clothing industry.

"We cannot just load them on to aircraft. Diplomatic and other arrangements still have to be made," said Mr Baard..

The 328 000kg of confiscated goods, if released on the open market, would wipe out 5 000 jobs in the industry, according to the National Clothing Federation.

Only about 4 000 of Cape Town's 47 000 workers in clothing factories took part in this week's unofficial march on parliament to protest against job losses.

But forecasts that the union's national day of action would cause massive disruption and factory closures proved groundless.

Arrangements at factory level ranged from taking a voluntary day off to agreements to make up lost time at normal rates of pay.

At some factories with tight delivery commitments, workers stayed on rather than risk the cancellation of orders, said Mr Baard.

Three-pronged attack on fraud

(74F) ARG 20/2/96

Business Reporter

DON'T mess with the bottom line. That's what a concerted business, labour and government counter action is telling smugglers and others profiting from illegal imports.

Announced last week, the retaliatory action is designed to stamp out fraudulent imports, exports and the evasion of excise duties, all of which have rocketed since the South African economy was integrated back into the global market and trade laws were liberalised.

Billions of rands are being lost to the country and the economy, and thousands of jobs have disappeared as a direct result of illegal imports.

Industry leaders, working in concert with trade unions, and the government have finally announced joint action designed to stamp out customs fraud.

The plans are a kind of holding action before the recently-announced merger of the Department of Customs and Excise with Inland Revenue to form the South African Revenue Services, a move designed to increase the efficiency of revenue collection and control.

The three-tier measures announced last week are partly in response to offers from industry to help government fight fraud. Industry has long argued that its assistance, coupled with competent inspection, would generate considerable additional revenue and begin to create an effective deterrent to the pervasive, fraudulent importation of goods into South Africa.

Announcing the new measures, Deputy Minister of Finance Alec Erwin said fraudulent trade practices could destabilise South Africa's industrial and internatioanl trade policies, causing job losses and undermining tax morality.

He said those industries that had been particularly heavily affected had joined forces to establish a customs and VAT enforcement caucus, with its own constitution and secretariat.

In turn, the government had formed a customs law enforcement task group, consisting of Customs and Excise, Inland Revenue, the SA Police Service, the SA Reserve Bank and the Department of Trade and Industry.

The task group would share information relating to alleged fraud, would evaluate reports of alleged contraventions, co-ordinate investigations and make staff available.

The industry caucus would receive its reports from various sectoral industrial task groups which would provide, if necessary, investigative resources, audit functions and legal services to the customs law enforcement task group to assist in the prosecution of transgressors.

"The caucus is geared to co-operate with the state, and those who are abusing the system now know that firm action will be taken against them," said a statement from the caucus.

Industries or companies that have complaints or are negatively affected by fraud may contact the secretariat at (011) 789-7612.

Police swoop on Jumbo stores

Nicola Jenvey BD 22/2/96 (74F)

DURBAN — The SAPS's commercial crime unit swooped on liquor stores owned by Jumbo Liquor Bottling across SA yesterday as part of an investigation into alleged customs and excise fraud estimated at about R20m.

Investigation head Vaughan Holmes said police had seized documents, computers and stock from Jumbo stores in Jacobs, Empangeni, the Bluff, Bloemfontein, Vereeniging, Port Elizabeth, Maritzburg, Johannesburg, Pretoria and East London, and from Durban Wine Merchants in Chatsworth. Jumbo and Durban Wine Merchants are owned by Interalc Trading, a close corporation.

Police are investigating whether Jumbo has been selling goods at prices which could have evaded excise duties.

The commercial crime unit has called in two private investigators to help with the case. They are investigating whether false customs clearance documentation was approved for

Continued on Page 2

Jumbo

Continued from Page 1

exports outside the customs union — without goods leaving SA. If this occurred, it would mean gin, cane and vodka could be discounted by R80,57 a case and brandy by R76,72 a case.

Holmes said police had also taken documents from Tasnad clearing and forwarding company, bookkeeping firm Baudin & Associates and from the home of former Durban customs and excise employee Willem Frederick Combrinck. Any evidence would be handed to the public prosecutor for further investigation.

He said arrests would follow.

None of the parties involved was available for comment yesterday.

Interalc was owned by Johannes Willem van der Heever (40%), Robert Peter Otto (30%) and Theo van der Merwe (30%). Van der Heever sold his controlling interest to his business partners on February 1.

Police swoop again on Jumbo Liquor

Nicola Jenvey (74F)

DURBAN — Customs and excise officials seized another 3 000l of alcohol valued at R78 000 and two motor vehicles from the Jumbo Liquor Bottling warehouse in Jacobs yesterday.

It emerged yesterday that private investigator Ernest Robbertse had been hired by the liquor industry to investigate Jumbo. He declined to name the companies but said the approach had been made by a group representing most of the industry.

The seizure follows a swoop on Tuesday in which Jumbo stores across SA were raided, as part of an investigation into alleged customs and excise fraud put at about R20m.

Jumbo's owners were not available yesterday, but two companies whose offices were raided by police denied any wrongdoing.

Bookkeeping firm Baudin & Associates said it acted only as the accounting officer for Jumbo's parent Interalc. Clearing and forwarding company Tasnad said police had searched its premises for evidence without success.

BD 23/2/96

McKenzie plans roadblocks at airport, harbour

ARG 26/2/96 (74F)

CLIVE SAWYER,
Political Correspondent

WESTERN Cape Police Minister Patrick McKenzie is planning roadblocks outside the harbour and Cape Town International Airport to stem the flood of drugs and illegal imports.

Mr McKenzie is meeting senior police officers today to discuss an anti-smuggling strategy.

In an interview, he lashed out at the failure of airport and harbour authorities to check incoming goods.

At the airport, foreigners' baggage was not checked, apparently to avoid appearing hostile to tourists.

Mr McKenzie said he had discussed the problem with airport authorities, but was frustrated by continuing inaction.

Only South Africans' belongings were searched, and then only at random.

The situation at the harbour had similarly reached crisis point. "Illegal material is coming through as if a tap has been left open," Mr McKenzie said.

National Minister of Trade and Industry Trevor Manuel has said he was unable to estimate what quantity of illegal imports came into the country. Mr Manuel told parliament last week that police, customs and excise and his ministry were planning a national strategy against unauthorised imports.

Mr McKenzie, who said he was equally unable to quantify how much was coming into the country unlawfully, said he was not prepared to wait for national government to take the initiative.

Police in the Western Cape confiscated R100 million worth of drugs last year. "I am told this is only the tip of the iceberg," Mr McKenzie said. He said that at the harbour, monitoring had declined to nothing in the past year.

"Once, they used to stop cars. Then, all there was, was a chap standing there waving at cars as they went past him, seemingly to give the impression that random checks were done.

"Now there is nothing."

A top United States police officer specialising in anti-drug enforcement who visited the province recently had warned him the Western Cape was in danger of becoming flooded with drugs.

Mr McKenzie said drug lords were sure to exploit the increasing number of international sports events to be held in this country.

"Unless something is done urgently we will take over from Nigeria as a leader in the international drug business."

Mr McKenzie also hit out at Cape Town International Airport for failing to instal sophisticated screening equipment.

"They said it was too expensive."

He said inaction against the influx of illegal goods called into question the central government's commitment to fighting crime.

Govt outlines tariff plan

Louise Cook BD 26/2/96 (74 F)

TENSION between farmers and Trade and Industry Minister Trevor Manuel over food imports and protection of the agricultural sector has prompted the release of a Green Paper at the weekend on a customs tariff policy for agricultural products.

Agriculture Deputy Minister Thoko Didiza said the aim was to pinpoint vulnerable areas in SA's agricultural trade because of subsidy support levels in the US and other trading partners. The paper would also kick-start a process of finding export opportunities overlooked by SA farmers, she said.

The paper — drawn up by the agriculture and trade and industry departments — was a first attempt to spell out protection levels in agriculture. It suggested that the difference between the landed cost of the imported product and the price of the local product formed the basis for protection. But it warned that government expected protection of a sector to be "justified" and that none would be given simply because it was "needed". It proposed that viable farm industries faced with "abnormal" competition be protected.

"International trade in agricultural products is distorted owing to government intervention in other countries. The fact that the price of a product in SA may be significantly higher than that of the imported product does not necessarily indicate that SA producers are uncompetitive." The sector needed to "sharpen its competitive edge".

Reacting, SA Agricultural Union president Chris du Toit said tariffs needed to be applied fairly. National African Farmers' Union spokesman Steve Mokwena said the paper would stimulate debate as many emerging farmers wanted to break into exports.

Last year tension between Manuel and farmers reached fever pitch over imports of chicken, beef, mutton and pork. Farmers accused the customs and excise department of failing to police imports properly and said government had failed to respond quickly enough to calls for tariff adjustments in cases of "unfair" competition.

74F

ARG 28/2/96

'Chinese goods': Leather workers hit out

ESTELLE RANDALL
Labour Reporter

THE independent National Union of Leather Workers (NULW) has said it will "openly attack government" if there is no immediate action to stop cheap imports from China entering South Africa.

NULW Cape Town co-ordinator William Desai said employers had given workers paid time off for a march to parliament today to hand a memorandum to Minister of Trade and Industry Trevor Manuel.

The union also threatened to show their dissatisfaction with government trade policy by not voting in the coming local government elections.

"Our union's official policy is no jobs, no votes," NULW said.

NULW's action comes after a march and public campaign by the South African Clothing and Textile Workers' Union (Sactwu) to get government to implement a R4 billion plan to save jobs in the clothing, textile and leather industry.

Earlier this week Mr Manuel met representatives from Sactwu in a bid to resolve the war of words which had erupted between his ministry and the union.

Mr Desai said the union wanted protection for the industry — a limitation on imports, particularly from China, and penalties for illegal dumping of goods.

Earlier this month the government announced that from March 1 the Department of Customs and Excise might require a cash payment of 125 percent of customs duty payable on textiles, clothing and other goods involved in smuggling.

The government, industry and trade unions will also work jointly to combat illegal imports flooding the South African market.

MOTOR INDUSTRY

PRICE WAR INTENSIFIES WITH NEW IMPORTS

(74F) (1992)

Protection walls tumble

Like underprivileged children released inside a giant toy store, SA motorists are suddenly faced with an overwhelming number of options. Instead of pressing their faces against the glass outside, they can now experience what the rest of the world has been enjoying for years.

Inevitably, the experience remains a "look-but-don't-touch" one for most South Africans but, for a growing number of lucky ones, they can not only touch but take their new toys away as well.

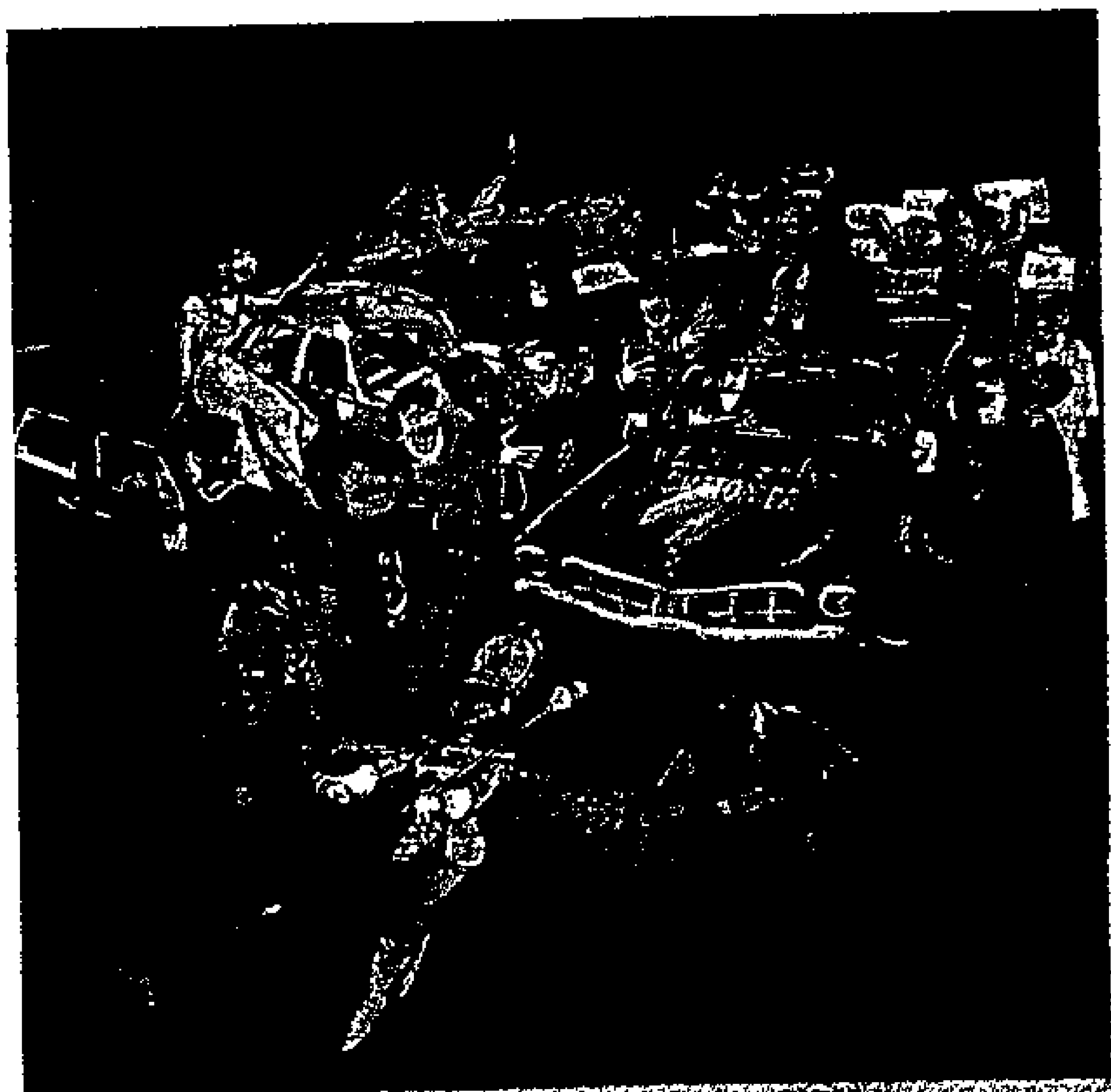
Not long ago, thanks to ridiculously protectionist policies, South Africans had the realistic choice of less than a dozen makes of vehicle. Today, courtesy of tumbling import tariffs, that number has doubled and continues to grow as global manufacturers enter the market.

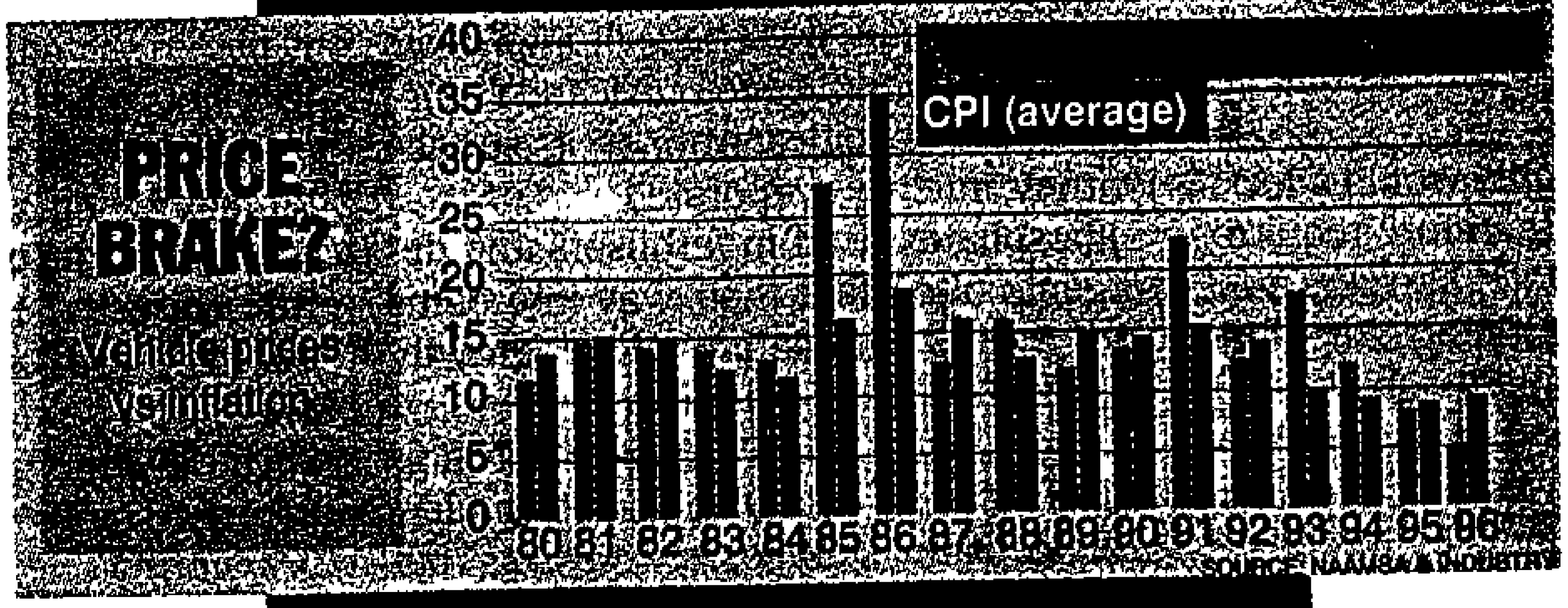
This exposure to new products comes as the local motor industry continues to celebrate a year in which car sales improved by a quarter and commercial vehicle sales by even more. The imports are adding spice to a price war in which manufacturers are using price cuts, inventive financing deals and other forms of discounting to move stock. If the customer isn't quite king, he's at least a member of the royal circle.

But there's a need for perspective. Motor companies have made great strides in their quest to place their vehicles within the financial reach of more consumers. Some small-car prices have fallen in cash terms by 7,7% over the last year. But it will require many more years of below-inflation increases to benefit the majority of SA's population.

Average increases last year were below inflation, and predictions are for a similar picture this year. But previous price declines were not sustained. Industry forecasters, some of whom think light-vehicle prices in 1996 could go up less than 5%, against predicted inflation of 8%-9%, add that all bets are off if the rand wavers. On trucks, where real prices have steadily declined for a couple of years, there could be no price change in 1996.

Exchange rates aren't the only price determinant. Duty and tax impositions, domestic cost pressures and the mountain of problems associated with the previous Phase Six local content programme, all played an important part. Government is unlikely to forgo any of the taxes and duties. Local cost pressures, though easier, won't go away. But the new Motor Industry Development Plan (MIDP) will make a difference.





Phase Six was an import-replacement programme so complicated it was in danger of disappearing up its own policy manual. It was the last in a series of protectionist measures designed to shield the industry from international competition. The result was an inefficient industry selling overpriced vehicles.

The MIDP, by contrast, is designed to stimulate international competitiveness. By rewarding exports and slashing protective barriers, the aim is a smaller but more dynamic industry.

In September 1994, the import duty on fully built-up cars and light commercial vehicles, was 115%. By September 1 last year, when the MIDP arrived, this was down to 65%. Under the new timetable this will fall in stages to 40% on January 1 2002. On components, it will be 30%.

On trucks and buses, the drop in protection will be even more drastic — to 20%. For major components such as engines, transmissions, axles and tyres, final protection will vary between 15% and zero.

Samcor MD Jim Miller, whose company builds Fords, Mazdas and Mitsubishis, supports tariff reduction but worries about the rate at which it is imposed. He suspects planners have taken too much notice of experiences overseas without recognising SA's particular circumstances, notably education levels. With so many illiterate and innumerate workers, is it fair to expect them to match US, European and Japanese workers so quickly? "I endorse the philosophy but I worry about the rapidity of change."

Reduced tariffs will not only bring new motoring names on the SA market, but also encourage existing manufacturers to reduce local product lines. Several have announced they will concentrate on high-volume models. Low-volume ones now made here will be imported in future.

The success of this strategy, as with all else in the MIDP, will depend on exports of vehicles and components. Companies may claim a full tariff rebate on imports up to the value of their exports. Thus, if a company exports R1bn in vehicles and components, its first R1bn in imports will also be duty free.

Not surprisingly, manufacturers are desperate to increase export activity. Foreign-owned SA companies are trying to integrate themselves in parents' international supply networks. Those without such formal links find it more difficult.

The recent introduction of unleaded fuel is expected to help this export effort. With most of the developed world well into the unleaded era, SA engine technology was in danger of becoming outdated and therefore unexportable to major markets. Lesser developed countries, notably in Africa, still use leaded fuel, so for the foreseeable future the SA industry will be in the fortunate position of being able to service both leaded and unleaded markets. The domestic market alone does not offer the volumes necessary for cost-effective manufacture Even with exports, production pales into insignificance alongside plants in Japan, Europe and the US SA companies are having to cut costs to the bone to win orders.

Pricing is not the only determinant of export success. Quality and reliability are just as important. Considering how labour-intensive most SA vehicle plants are compared to overseas equivalents, the improvement in quality has been little short of miraculous. Productivity, too, has made giants steps. It's reliability that is the problem.

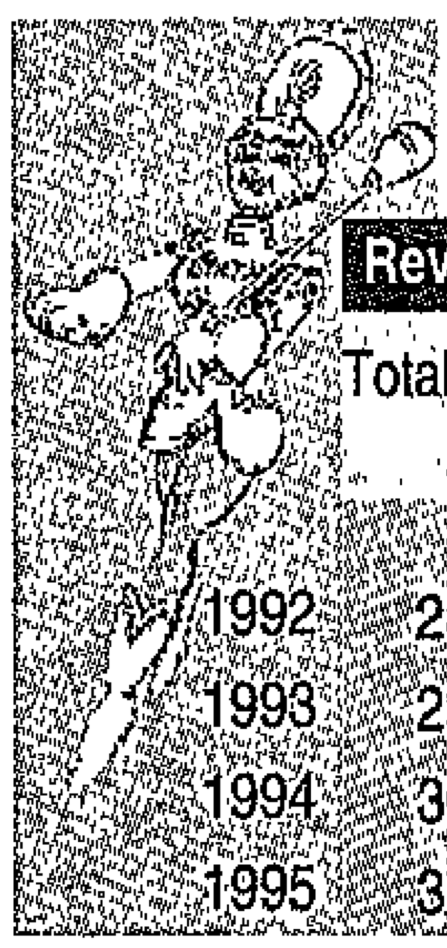
Overseas customers don't care about the right and wrongs of labour issues at suppliers. If goods aren't delivered on time, they will buy from elsewhere. Despite last year's signing by vehicle manufacturers and unions of a three-year agreement hailed as a lifesaver for the strike-wracked industry, there's still no shortage of labour disputes.

As Toyota chairman Bert Wessels notes: "Labour could be the industry's Achilles heel. Our industry has a long way to go before it earns the confidence of foreign partners."

Wessels welcomes the flood of new names to the SA market — with reservations. Among the more recent foreign names to signal their arrival are US giants Chrysler and Chevrolet, and Korea's Daewoo. Wessels cautions: "Not all the new companies will be here to stay, nor will they all be able to offer the high levels of customer support expected by SA buyers." In other words, be sure you can get parts and service when you break down in the back of beyond

CASHING IN

Revenue outperforms sales



	Total new vehicle sales	Sales revenue Rbn
1992	284 028	13,7
1993	298 069	17,15
1994	303 165	20,86
1995	376 784	29,5

SOURCE NAAMSA

Overall, he says, reaction to the MIDP is favourable — reflected in reports that manufacturers are ready to spend R5bn on new products and plant upgrades in the next few years.

Nico Vermeulen, director of the National Association of Automobile Manufacturers, says· "Conceptually and structurally, it's a good programme and will underpin the industry's growth prospects."

But on the other hand, "the administration is a bureaucratic nightmare The requirements from the Department of Trade and from Customs and Excise are complex, burdensome and time-consuming."

In the six months since the plan came into effect, government oversights have complicated matters still further The whole programme started three months late, and since then import tariffs haven't been reduced on time, and the small vehicle incentive was pegged at the wrong level. These and other inconsistencies are slowly being sorted out but they have been frustrating.

The small vehicle incentive issue is a particularly irritating one for manufacturers, who rely on the duty rebate it offers to reduce the price of small cars

A final decision is also awaited on the status of Hyundai, the Korean car company with a plant in Botswana Under old industry rules that offered no distinction between vehicles built locally from scratch and those imported in semi-assembled form for completion here, Hyundai was able to avoid import tariffs intended for fully built imports

Under new rules, semi-assembled imports attract the same tariffs as fully built. Hyundai, which says it has submitted a plan to switch to full local assembly within four years, argues that, having been legitimate before, it shouldn't be penalised now.

Under the regional Customs Union agreement, goods produced in the region may enter SA duty-free if they meet local manufacturing regulations One suggestion is that Hyundai, which has sold up to 19 00 cars a month in SA, should be allowed to avoid the full duty on the first 1 000, then pay in full above that

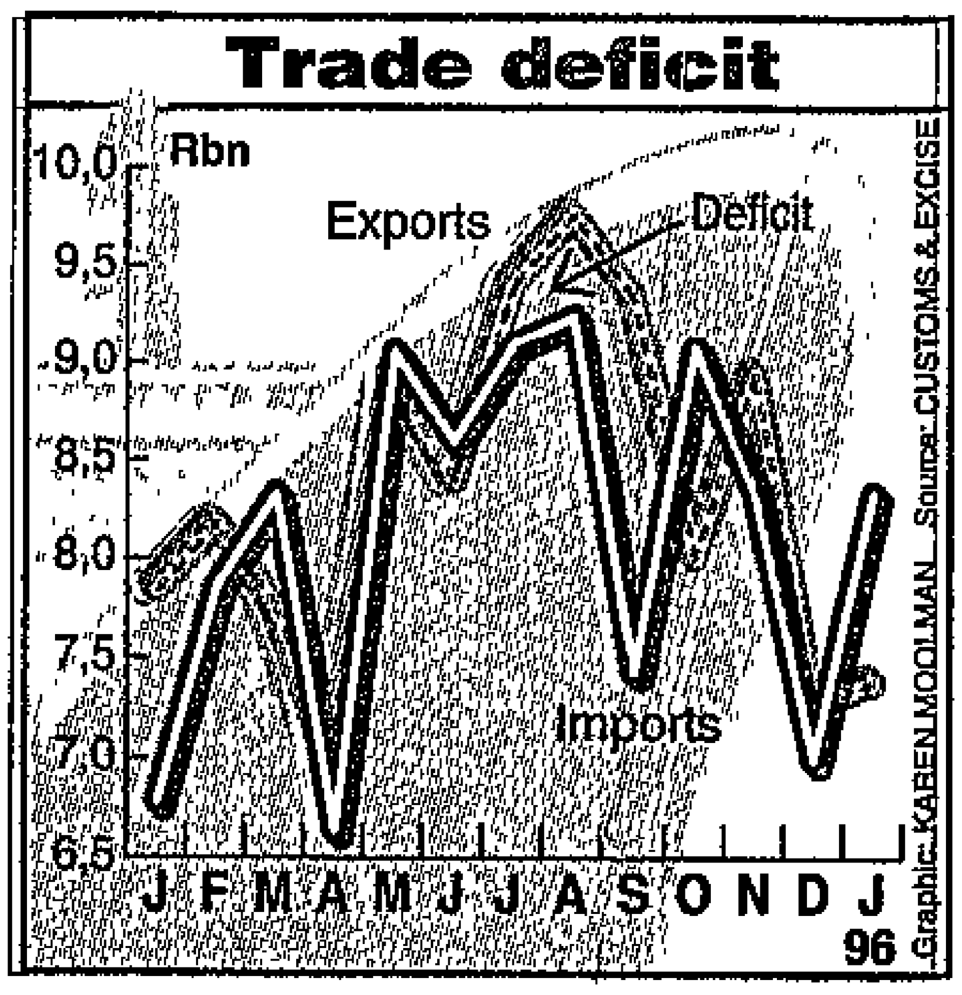
Vermeulen argues that the MIDP is good for vehicle manufacturers and the SA components suppliers Not all agree. Many in the components sector fear export-driven duty rebates will enable vehicle manufacturers to import more components than ever. They already complain that the MIDP's duty-free allowance on 27% of manufacturers' light-vehicle turnover encourages imports at the expense of local supplies. The end result, they say, will be thousands of jobs lost at components companies Manufacturers respond they will buy locally if quality and price are competitive. Some components companies have already built up export track records.

What must happen is that suppliers are allowed to prove themselves Just as vehicle manufacturers asked for an MIDP timeframe allowing them to adjust, they must offer suppliers the same courtesy.

Vermeulen says more than 1 600 new jobs were created in manufacturing last year. Despite demands for greater productivity, he expects more employment in manufacturing and components as production rises and companies invest.

He points to the experience of Brazil, where a similar programme of protection cuts created major new investment which led, in turn, to employment, productivity and quality improvements.

Benefits for SA will also be considerable, he says. "The next few years will be challenging for the industry, and they will often be difficult. The only certainty is that the consumer will be the winner." ■



Big deficit after surge in imports

Lukanyo Mnyanda (74F)

SA's trade balance hit an unexpectedly huge R942m deficit in January from a R258m surplus in December last year after a 19% surge in imports and a minimal rise in exports.

Imports rose to R8,3bn last month, while exports continued to stagnate, rising less than 2% to R7,4bn.

Economists were worried that Reserve Bank governor Chris Stals might be forced to maintain high real interest rates because the current account was sinking deeper into the red. However, they warned against making too much of one month's figure.

Mathison & Hollidge economist Liz Farquharson said the deficit highlighted the need for government to maintain tight monetary policy to encourage capital inflows into the economy.

"A worrying factor is that exports did not perform as well (as imports)." Although the deficit figure was "unexpected", there was no need to panic yet as the weaker rand was likely to cause a decrease in imports and improve the country's export perfomance.

Nedcor chief economist Dennis Dykes said: "There is no need to overreact. The numbers fluctuate from month to month and have been shown

BD 6/3/96

Continued on Page 2

Deficit

(74F) BD 6/3/96

Continued from Page 1

to be unreliable in the past." The market had been expecting a "small surplus" and the poor export performance was disturbing, but had to be seen in the context of a slowing world economy. Dykes expected SA's import bill to remain high as its fixed investment spending would remain strong.

Old Mutual economist David Mohr said he expected imports to remain high in the short term, although he also felt the weaker rand could ease the situation by making them more expensive. The surge in imports suggested spending had remained "lively". This was supported by the fact that the private sector experienced a 17,7% increase in credit demand in January.

The economists expected the current account deficit to widen to about R15bn this year from R12bn last year.

COMPANIES

Local tyre makers on skids as illegal imports run amok

(74F) (191) ST(BT) 10/3/96

By DON ROBERTSON

AN ESTIMATED R320-million of illegally imported tyres are reaching the SA market, many of which do not meet local safety standards, according to Gavin Hardy, chairman of Fedstone, the holding company of Firestone SA.

In recent months, a number of tyre manufacturers have reported financial results which have been affected by illegal imports.

Mr Hardy says tyre imports have more than doubled in the past year and that imports exceed government-issued permits by about 40%.

Latest estimates of annualised tyre imports suggest a figure of at least R750-million or 32% of the market compared with total sales of about R1,8-billion at wholesale prices from the six local manufacturers. Of the R750-million represented by imports, about R320-million are thought to be "grey" imports resulting from smuggling.

Total imports equate to an additional two tyre factories in South Africa and lost job opportunities of about 1 500 people, says Mr Hardy.

He says local tyre manufacturers face growing competition from imported tyres and tubes.

"While recognising the need to meet this challenge with reduced unit manufacturing costs, it is imperative that local manufacturers be allowed to compete favourably on

GAVIN HARDY

the local market and to develop the export market to take advantage of economies of scale.

"There are in the region of 100 different makes of tyre on the market today, with 52 imported passenger tyre brands coming in during the past 12 months. Control of the massive inflow of imported products is woefully inadequate.

"Only about 25 of the 130 or so ports of entry into South Africa are manned — some by a single policeman. Imported products are pouring into the country unchecked and unscrupulous importers are taking advantage of the situation," he says.

Many containers of tyres landing in South Africa are destined for neighbouring states, but they never reach those markets.

There are also indications that some imported tyres are now landing in South Africa at prices which are 40% cheaper than a year ago, which suggests that dumping is taking place, claims Mr Hardy.

He says there has also been a substantial increase in reports of tyre failures resulting from the use of tyres that do not meet safety standards.

"Some unscrupulous traders have resorted to selling illegal tyres from the back of bakkies, door-to-door and from the side of the road. Some of these tyres are locally made rejects which manufacturers cut up to prevent their being used. These have been illegally obtained and glued back together again," says a Firestone spokesman.

Others are imported used tyres which have not been retreaded and are sold as used tyres.

They have not been subjected to any quality checks. In some cases, smooth tyres are regrooved, damaging the cords and increasing the risk of a blow-out.

Discussions are taking place with the government to find a solution to the situation.

But Mr Hardy concedes there is a big job to be done to convince both labour and management of the need to reduce unit costs and raise productivity and efficiency levels in the local industry.

Figures indicating decline in car imports questioned

BD 11/3/96

(74F)

Lukanyo Mnyanda

CUSTOMS and excise figures, which showed a sharp decline in imports of motor vehicles from September to January, did not make sense, Transnet economist Mike Schüssler said last week.

He said it was not logical that SA's imports of motor vehicles and parts had declined while the sale of cars, which had a large import component, had continued to rise. Sales of heavy trucks — which were not normally manufactured in SA — had also continued to rise despite the reported drop in imports.

Monthly figures released by customs and excise had shown a protracted year-on-year drop in automotive imports, with November's fall of 56,6% being the highest. Schüssler said January's figures indicated a 27,3% drop from the same month a year ago and this was "not on".

He said customs and excise's unclassified category had shown a large increase at about the same time when motor vehicle imports had started to go down. "Are some of the (vehicle) imports now added into this category? If so, why?"

Nedcor chief economist Dennis Dykes said it was "not impossible" that motor vehicle imports had been underestimated.

Although most cars sold had been manufactured locally, these had a large foreign component which should have pushed import levels up.

Texfed to act on imports

Amanda Vermeulen

(74F)

THE Textile Federation (Texfed) is putting together a task team to identify illegal clothing imports in retail outlets, and to assist customs and excise to crack down on the culprits.

Executive director Brian Brink said yesterday that the disarray within customs and excise had made it essential that the industry itself help stamp out illegal imports in the clothing chains.

BD 15/3/96

FRUIT EXPORTS

PLUM DEAL

(74F)

FM 15/3/96

Capespan, the export wing of Outspan and Unifruco, has signed a joint venture with one of the main freight handlers at the port of Antwerp, Belgium The R90m deal is set to strengthen the South African fruit and vegetable exporter's market position in much of the European Union, SA's most important fresh produce market.

Last year Capespan exported about R3,5bn worth of products into Europe. Capespan MD Louis Kriel says Europe is SA's natural market. "We have a clear advantage over our major opponents, South America and New Zealand, because we are only two weeks' sailing to Europe. Our opponents need about 25 days to reach Europe This means that we can present European retailers with a better quality product at an interesting price, at a time when the domestic, European market does not have stock."

Kriel, however, came to the conclusion that too many phases from produce arrival in European ports to delivery to the retailer cut the margins of the growers at home. "About 9% of our export value goes to the farmer Therefore, it is our task to find ways to increase their revenue The most logical one was to select strategic ports, where we assume all responsibilities relating to the servicing of sales to our customers. The saving potential is about R400m "

However, the Capespan venture will hardly endear it to members of the Independent Fruit Growers' Association. The association will see the latest move as a further bid to entrench single channel marketing. Members claim that given the opportunity to market their own produce far higher returns would be seen — which seems to be borne out by Capespan's current return rate (9%) to growers.

Kriel says a study found that Antwerp was the most appropriate port to service a market of about 110m consumers in the Benelux, large parts of Germany, Northern France and Switzerland.

Capespan joins hands with Belgian New Fruit Wharf. A new fruit and vegetable terminal will be erected, which will include a cold storage facility for up to 40 000 pallets by the end of 1997. Capespan's share of the investment has not yet been finalised, but will be less than one third. Antwerp will process 40% of all exports to Europe, Britain will look after about 30%, with a similar percentage being off-loaded in Hamburg and two south European ports.

Kriel is bullish about market prospects, which explains the commitment Capespan has made to its ports of entry. "We're looking at about 74m cases of produce in 1995, the first full year after the establishment of Capespan. For the year 2000 we want to increase our market share to about 120m cases." He expects the largest market growth in stonefruit, soft citrus, subtropical fruit and desert grapes

His main worry is the EU's perception that South African growers pose a serious threat to the heavily subsidised common market "This fear is totally misplaced," he stresses "We are a southern hemisphere producer, which implies that our products enter the European markets when they are out of stock Hence, we don't understand the hefty import duties we have to pay The EU charges us 24% on peaches when they don't have supplies Reducing import duties would further increase profit margins in SA." ■

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BD 15/3/96

COMPANIES

Local vehicle sales face a dent from imported models

(74F)

ST (BT) 17/3/96

BY DON ROBERTSON

IMPORTERS and distributors are expected to sell more than 37 750 imported passenger cars on the SA market this year, putting pressure on local manufacturers.

It is estimated that imports will account for 15% of the 250 000 units forecast to be sold this year, which local manufacturers consider to be a sharp increase on the proportion in previous years. Precise figures, however, are not available. Within the next four years, imports could account for 25% of all new car sales.

The influx of fully built-up vehicles has been made possible by the Motor Industry Development Programme, which has introduced a gradual reduction in import duties. Duties at present are 65% of wholesale value, having fallen from 110% plus a 15% surcharge a year ago.

Although importers were promised a further 4% reduction in duties at the beginning of the year, but the government has failed to introduce this cut. Instead, it introduced an ad valorem duty which will affect prices of the more expensive imported cars.

Brand Pretorius, chairman and chief executive of McCarthy Motor Holdings, says increased imports will lift the number of marques on the market over the next three years to about 17 from 13 at present and will raise the number of models available to 75 from 64.

Some manufacturers have expressed concern at the increase in car imports, but all have agreed to the MIDP.

To counter the competition of imports, capital investment by the motor industry is expected to double this year to R1,6-billion in an effort to increase productivity, quality and efficiency.

In addition, a Motor Industry Advisory Forum, under the banner of the Department of Trade and Industry, will be established to monitor the performance of the industry and its ability to withstand the impact of the MIDP.

Of concern to the industry, however, is the virtual collapse of customs and excise control at the various ports of entry. It is likely that a committee will be established to investigate irregular or fraudulent imports. The SA Chamber of Business has offered to train 150 customs and excise staff to patrol the various ports.

Largest of the importers is Hyundai, which has been in the market for the past two years. Last year Hyundai Motor Distributors, based in Botswana, sold 14 500 Accents, Elantras and Sonatas and expects to average about 2 000 cars a month this year, reaching a peak of about 2 500 a month by the end of the year.

Hyundai is not an importer in the true sense as it imports cars in semi-knocked down form and assembles them in Botswana. Under the MIDP, Hyundai has been given two years to establish a full manufacturing facility in South Africa. Hyundai has asked for four years, which it says it has been granted. It has committed about R130-million for the project.

Peugeot, which recently returned to the SA market, hopes to sell about 1 000 cars this year. Peugeot, distributed by McCarthy Motor Holdings, began with one dealer in Johannesburg, but has opened a second in Durban and will open a third in Cape Town next month.

Saab, imported by the Delta Motor Corporation, has been selling since December and hopes to sell 900 vehicles for the year

Toyota steps up exports

By DON ROBERTSON

TOYOTA Japan's trading company has established a branch in Sandton to help its SA associate boost exports of fully built-up vehicles elsewhere into Africa.

Toyota Tsusho Corporation has been involved in South Africa for the past 30 years, but only as a liaison with Japan. It is now a fully fledged branch whose main business is the shipping and sales of Toyota vehicles and forklifts into South Africa and other African countries.

Toyota SA plans to increase vehicle exports into Africa by 30% this year to 3 500 units worth R180-million, compared with 2 710 worth R135-million last year.

Volkswagen, SA's largest vehicle exporter, last year exported 6 265 units. Toyota SA was second in the total export market last year, followed by Delta (2 030), Samcor (1 779), Nissan (1 703), Mercedes-Benz (581) and BMW (580).

Toyota SA's growth this year will come from improved dealer networks in the various Africa countries, particularly Zimbabwe, where it markets alongside Toyota Motor Corporation. A similar position exists in Tanzania, Uganda and Mauritius. Other exports go to Zambia, Mozambique, Kenya and Malawi.

Illegal imports tear the fabric of textile industry

74F

M+G (BM) 22-26/3/96

If drastic action is not taken soon, the textile industry may face irreversible damage, writes Karen Harverson

SOUTH AFRICA'S R8,8-billion textile industry is trying hard to get its house in order before trade barriers come tumbling down and it is faced with international competition.

Already, a government programme, implemented last September, is phasing down tariff duties over seven years.

But while the industry — the sixth-largest manufacturing employer — has accepted it must become internationally competitive, there is growing concern over lack of government support, particularly in controlling illegal imports and supplying finance to help restructure the industry.

"If the flow of illegal imports is not stemmed, South Africa's entire manufacturing base — not just in the textile industry — will be irreversibly damaged and millions of jobs lost in the process," says newly appointed president of the Textile Federation, Mike Hankinson.

The Department of Trade and Industry (DTI) reports that "unrecorded" imports of textiles from 1990 to 1994 may have cost the fiscus between R400-million and R600-million in lost revenues, says Hankinson.

Durban's Customs and Excise is in a state of near collapse, with high levels of staff demoralisation and corruption. Hankinson claims that less than 1% of containers are inspected in a department that oversees the entry of more than 70% of South Africa's containerised goods.

The federation wants to help Customs and Excise by providing training, finance and expertise. It regards the control of illegal imports as crucial to the industry's survival, but "we've not yet had clarity from government on the role we can play," says Hankinson.

Michael Hankinson: 'We have not yet had clarity from government on the role we can play'

Commissioner of Customs and Excise Daan Colesky says the organisation has received numerous offers of help from all sectors of industry. "We're assessing the various offers to see how we can best make use of them, but the problem is we do not have sufficient staff to dedicate personnel to one particular industry."

He adds that with the restructuring of Customs and Excise into the new South African Revenue Services from next month, additional funds will be made available, which will enable it to fill vacant positions. "We have a 20% vacancy rate, but once we can fill these positions and make use of the private sector for specialised training, the smuggling problem will begin to improve."

Dumping is another bugbear for the industry, but the process of instituting anti-dumping procedures against a country and company is so complicated and time-consuming that many companies feel it's not worth pursuing.

Says Brian Brink, executive director of the Textile Federation: "The legislation works well for a specific product such as garden forks, but when it comes to textiles and clothing, it is difficult to determine under which tariff structure the product should fall."

With many cases taking up to a year to resolve, Brink says anti-dumping legislation is not seen as a solution to industry's problems.

But as tariff protection falls away, this may well be where the industry should look for support, especially in light of last week's announcement by the DTI that the Board on Tariffs and Trade (BTT) has been urgently requested to investigate and make substantive recommendations on the restructuring of the anti-dumping/countervailing system.

BTT deputy chairperson Leora Blumberg says South Africa's anti-dumping system has been the subject of much debate and criticism from many parties: local industries and unions who believe the system is not responsive to concerns about unfair imports that are causing material injury, particularly in the face of liberalisation and lower tariffs; foreign exporters and importers who believe the system is administered in a way that is protectionist; and trading partners who are concerned about its inconsistency with international rules and practice.

Blumberg agrees the textile industry has not really utilised anti-dumping mechanisms in the past, which are aimed specifically at "unfair" imports and are very country and company specific.

"The tariffs in this country have in the past been structured in such a way as to protect the industry from both fair and unfair trade. There also may have been a perception that the board did not have the capacity to deal with investigations in this industry."

She adds that with reducing tariffs and restructuring of the industry, as well as the restructuring of the anti-dumping system (in particular increasing capacity), there may indeed be more interest by this industry in utilising anti-dumping mechanisms.

On the issue of how the restructuring of the textile industry will be financed, Hankinson says the industry spent R900-million in 1995 on new plant and equipment and is planning to spend R1,1-billion this year.

But government has been somewhat vague on the role it intends to play. The Swart Panel, convened in 1993 to develop recommendations for a long-term strategy for the industry, suggested government supply a comprehensive R4,5-billion supply-side package to help the textile and clothing industries restructure.

However, in last week's Budget, Finance Minister Chris Liebenberg only made mention of some R180-million to be set aside for supply-side packages for the entire manufacturing spectrum.

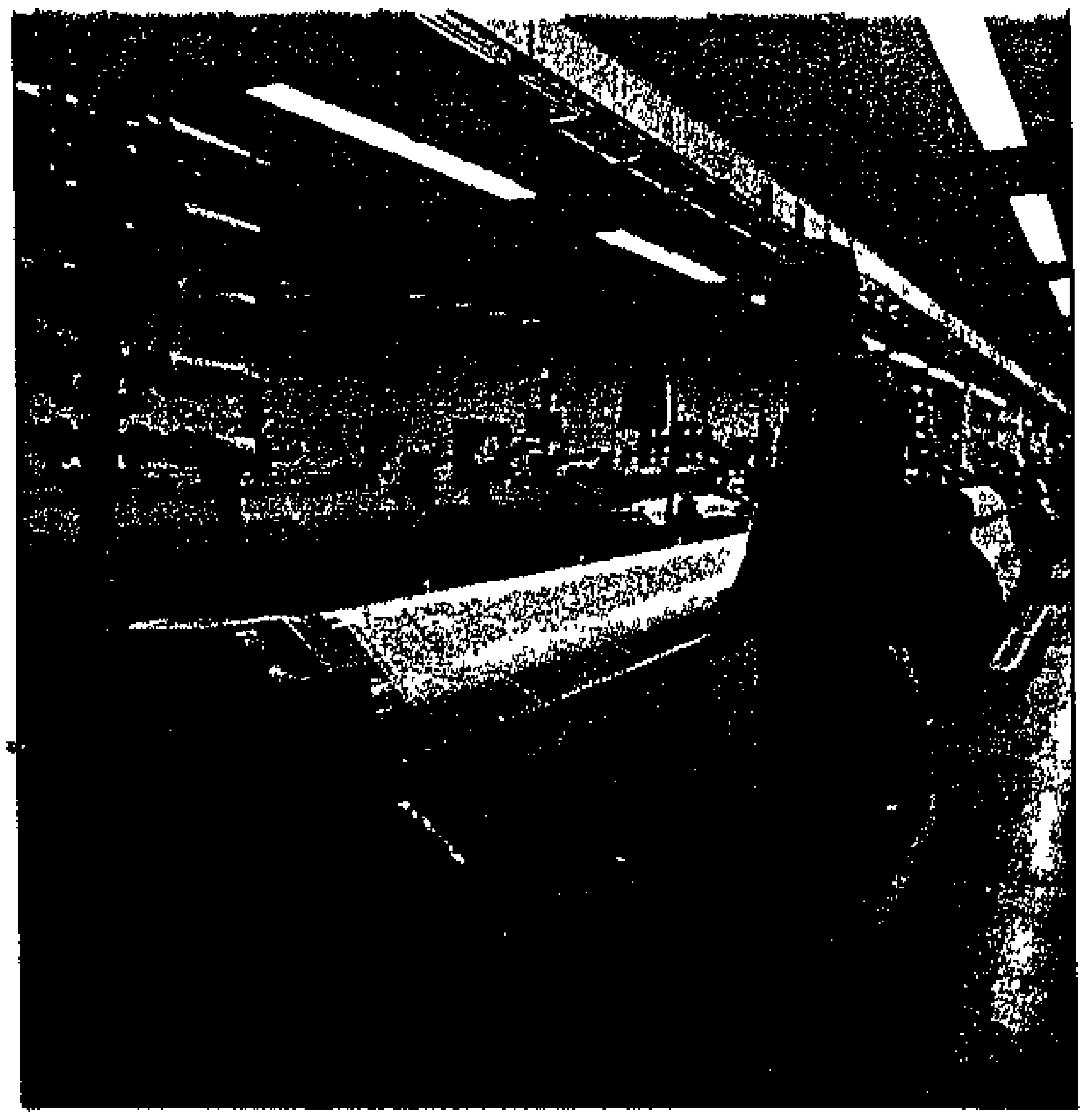
Hankinson dismisses this amount as insignificant. "The French government supplied its textile industry with R1,7-billion a year to assist its competitiveness with the Far East and Italy, because they want the industry to survive."

He argues that with or without supply-side measures, the industry has to restructure to survive. "But with government intervention, more companies would survive, more product could be exported, and fewer jobs would be lost."

Says South African Clothing and Textile Workers' Union (Sactwu) deputy general secretary Ebrahim Patel: "Everyone accepts the industry must restructure. But leaving it to the market is equivalent to abandoning it to an inevitable decline."

Rather, says Patel, the industry should be restructured along three pillars: active industry policy measures to improve technology, quality and training; trade reforms to gradually liberalise trade barriers and promote exports; and a social adjustment programme to retrain workers.

Instead, the government has seized upon just one of the measures — the phase-down of import duties, which is likely to have dire consequences on the textile sector of the industry. Already more than 2 000 jobs have gone since the programme was implemented last September.



Cuts in the clothing industry: 'If the flow of illegal imports is not stemmed millions of jobs will be lost'

A Sactwu survey, which analysed 265 companies, shows that 17 700 jobs were cut in the clothing, textile and leather industry between September 1995 and February 1996.

Patel estimates another 100 000 jobs will be lost directly and indirectly as a result of the seven-year phase-down period.

Manuel's softened stance on tariff reduction 'no return to protection'

(74F) BD 22/3/96

Tim Cohen

CAPE TOWN — Trade and Industry Minister Trevor Manuel has indicated a softening of his stance in favour of rapid tariff reductions, but denied the recent decision to allow slower tariff reductions on aluminium imports than originally planned constituted a return to "protection on demand".

In an interview this week, Manuel also rejected the central tenets of the SA Foundation's Growth for All strategy, predicting the foundation's finding that the SA economy could not grow by more that 3% without major changes would be proved wrong.

The aluminium decision was made in response to statements by Tongaat-Hulett that it would not build a R2,5bn plant unless protection policy was enhanced. He indicated that his approach had never been explicitly to reduce tariffs faster than the rate agreed under GATT simply for the sake of doing so.

Rather, the intention was to set targets faster than GATT, but structure into agreements mid-term reviews.

"What we have to do is deal with the problem of attitudes," he said. Industries were being encouraged to make the kinds of investments that would enable improved efficiencies to be achieved sooner rather then later.

By encouraging changes in attitude by emphasising quick tariff reductions, industries would not be forced to make the necessary changes when it came to "down to the wire". By structuring in mid-term reviews, it would be possible to allow "escape hatches" if the industry concerned demonstrated it was having trouble effecting changes.

Manuel denied the recent decision by the Board on Tariffs and Trade on the Tongaat-Hulett plant was inconsistent with this approach, saying it was in line with GATT provisions and could spawn downstream producers.

Manuel said the SA Foundation Growth for All strategy made a contribution "from a particular perspective", but he said the foundation's call for "massive" cuts in the deficit was a textbook rather than a practical approach to the problem.

However, Manuel said he was keen to maintain an open door approach to discussions on policy questions.

He complained bitterly about the role industry associations played in SA, saying they saw themselves as being mainly lobbying groups.

On negotiations with the EU, he was confident the council of ministers would provide a mandate for negotiations. But he feared the mandate provided by the member states would be unrecognisable from that proposed by the commission.

The local vehicle market continues to be affected by the low import duties on completely built-up cars — which make up 8% to 9% of the market — and the price war between local manufacturers, which looks set to continue into the second half of 1996. ***Lynn Carlisle*** *reports.*

Surging car imports threaten local industry

BD 22/3/96

BERT WESSELS

LOWER priced imported vehicles are giving some local products an increasing run for their money.

The recent implementation of the Motor Industry Development Programme (MIDP) and growing demand for lower priced cars have encouraged surging imports.

Although SA-made vehicles are up to international standards, some new vehicle buyers simply cannot afford them and are increasingly opting for what they regard as the imported equivalent.

Increased competition from imports is also partly behind the recent wave of price cuts to some SA-made lower market segment models.

National Automobile Dealers' Association (Nada) chairman Derrick Dixon says imported cars are estimated to have about 8% to 9% of the market, and the signs are that this will increase.

McCarthy Motor Holdings CE Brand Pretorius believes that by the year 2000 about 30% of total passenger sales in SA could be imports.

Names of non-luxury cars that have sprung up in the last 12 months, since dedicated import forays spearheaded in 1992 by the likes of Subaru and Hyundai, include Daewoo sedans, "cheapie" four-by-fours from Rocsta and Mahindra, cars and bakkies from Dacia and what could be SA's cheapest cars — the Ukraine's trio of basic 1,1-litre Travia models starting at R27 950.

Naamsa president and Automakers CEO John Newbury says the market continues to be affected by the low import duties of completely built-up (CBU) cars and the price war, which looks set to continue into the second half of 1996.

Toyota SA executive chairman Bert Wessels says the motor industry's emergence from isolation and an associated drop in import duties also comes amid intense international competition for market share.

"As small as SA's market is, it cannot escape being targeted by the widest range of vehicle manufacturers."

"Government is under pressure to take a firm and transparent stance to ensure a totally level playing field for all players in the motor industry," he says.

Wessels says a great threat is also posed by the emergence of imported used vehicles, with typical values given from R1 000 to R5 000.

shock for SA

MEAT (74F)

'Mad cow' imported meat

British beef industry in crisis as Europe moves to ban all imports: SA's 'lax' rules make us 'ashtray' of the trade

Star 22/3/96

By Tamsen de Beer

Consumers have been warned aginst beef imported from Britain after the UK government's admission yesterday that meat from cattle infected by what is now widely called "mad cow disease" can be passed on to humans.

South Africa is the largest importer of British beef outside the European Union, with 27 005 tons coming in last year.

Five European countries have now banned imports of British beef which the UK government had for years denied constituted any danger to people, even if the animal was contaminated.

Germany, which has been campaigning for years to get the possible danger posed to humans taken seriously, has now called for a Continent-wide ban on British beef.

There is speculation the official admission could lead to millions of cattle being slaughtered in Britain as a preventive measure, and a resultant collapse of the industry.

Some sources claim the disease led to the death, from brain disease, of 50 Britons last year.

Local councils across Britain have removed beef from the menus of thousands of schools and old people's homes.

In South Africa, lax import regulations could have exposed consumers.

SA Meat Board managing director Pieter Kempen said yesterday meat known to be unfit for human consumption had been imported last year and escaped inspection. The Board was exerting "a lot of pressure" for stricter regulations and surveillance.

Kempen said there were no regulatory measures that differentiated between imported meat markets, making it possible for uninspected meat to find its way even to the largest supermarkets.

"All imported meat goes into the system, so it could be sold at any outlet whatsoever," he said.

And although meat is imported only from approved abattoirs in other countries, meat is inspected here only if harbour Customs have detected and referred it to the Department of Agriculture's hygiene directorate.

For local meat producers, this new scare has rubbed salt in the wound, with competition from international meat producers already a sore point.

Eastern Transvaal Red Meat Producers' Organisation chairman Egbert Hiemstra said SA was becoming "the ashtray of the world".

"We have a track record of importing other countries' meat that would never be imported by European countries.

"It is not right to me as a producer, or to the consumer, that the standards applied to South African meat are not applied to imported meat," he said.

Meat with high bacteria and hormone levels had been imported by SA in the past, after it was

... To Page 2

P.T.O.

'It's enough to drive you mad'

One SA meat eater's search for truth

JOHN YELD

Staff Reporter

14/3/96 SCIENCE 74F

MEAT eaters, worried by the flurry of press reports about mad cow disease affecting British beef, are being driven crazy with concern.

Now, some are demanding that it should be obligatory for fresh meat products to carry a label of the country of origin.

They say that in this way, South African consumers would be able to decide for themselves whether to be swayed by all the hype and hysteria and avoid British beef at all costs, or to believe John Major's health minister Stephen Dorrell that measures introduced since 1989 to prevent mad cow disease were more than adequate.

But trying to find out what the current regulations are, proved about as difficult as tracing the ever-so-tenuous links between Bovine Spongiform Encephalopathy (BSE) and its human equivalent, Creutzfeldt-Jakob Disease (CJD).

A spokeswoman at the ministry of trade and industry clearly didn't understand the question.

"As yet, there is no legal specification for goods coming in. We don't know what we're dealing with, but something is being done – the ministers of trade and industry and of finance and the Commissioner of Customs and Excise are in discussions about how to get a handle on this," she offered helpfully.

The regional office of the ministry referred the query to head office in Pretoria.

"We only do exports," was the terse explanation.

After a number of "hold on", clicks, buzzes and canned music, the switchboard at the Pretoria office suggested contacting the Bureau of Standards. "It's definitely not your responsibility?"

"No!"

The SABS man said they dealt only with canned fish, frozen fish and canned meat products, and why did we want to know, anyway?

Well, if people think their brain tissue is likely to dissolve after tucking into a Sunday roast, isn't that a matter of some public concern?

He was more forthcoming after that, and suggested trying the regional department of health in Bellville.

The official there was friendly but somewhat apologetic.

"The labelling of fresh meat – that's not our responsibility. It's one of those government things. It's the department of agriculture, not a health requirement."

He suggested contacting the head of this department's veterinary section: meat hygiene. We tried, but unfortunately the director was out, although one of his assistants was also helpful.

"Yes, it has to be labelled, as far as I know. Why don't you try the veterinary health section?"

We did – only to be referred to the directorate's head office in Pretoria – "Try Dr Van Wyk or Dr Bruckner."

But Dr Van Wyk's secretary said he was away until Friday and Dr Bruckner would only be back on April 1. Would we like to try Dr Schoeman?

Dr Schoeman, it turned out, was attending a conference and would only be back in the office today.

"There's nobody else who can help here. Perhaps you should try Dr Bosman at the chief directorate: animal health ..."

Dr Bosman, it seemed, may have been at the same conference as Dr Schoeman and would be away until tomorrow.

"But I can refer you to Dr Van Wyk ... "

Dr Van Wyk? Hang on ...

It's enough to drive a reporter ... well, if not mad, at least reckless enough to rush out for a British hamburger!

Mad cow disease scare in SA

C.T. (BR) 22/3/96 (74F)

WHILE BRITONS REEL AT their government's revelation that a deadly human brain disease could be connected to mad cow disease, the Meat Board points out that South Africa is the largest importer of British beef outside the European Union and has a poor inspection system.

LAX meat import regulations in South Africa may have left local consumers exposed to a fatal disease linked to the British mad cow disease in a scare that threatens to collapse the British meat industry.

South Africa is the largest importer of British meat outside the European Union, having imported 27 005 tons of British beef last year, of which only a small percentage was referred to the Hygiene Directorate, says Meat Board managing director Mr Pieter Kempin.

Local red meat producers have described South Africa as the "ashtray" of the international meat market.

Kempin said yesterday meat known to be unfit for human consumption had been imported by South Africa last year and escaped inspection.

Since last year, the Meat Board had exerted "a lot of pressure" and more regulations were in place, but lax customs procedures were still allowing uninspected meat to enter South Africa.

Already, both France and Belgium have banned the import of British meat as it might be infected with mad cow disease — Bovine Spongiform Ecephalopathy (BSE).

The gravity of the situation was driven home like a lightning bolt when Britain's Health Secretary Stephen Dorrell said yesterday the government was, if necessary, prepared to destroy every one of the nearly 12 million beef cattle in Britain.

The cost of that last-ditch "option" to snuff out BSE was estimated at £20 billion (about R120bn).

Nobody knew who would pay.

The fear spread like wildfire after Dorrell told parliament on Wednesday night that government experts had established a probable link between BSE and its human equivalent, Creutzfeldt-Jakob Disease (CJD), a link the government had always denied.

At least 10 CJD sufferers, seven of them already dead, had been exposed to BSE in the late 1980s and began showing symptoms over the past two years, the minister said.

Scientists said the virus-like ailment was believed to have an incubation period as long as several decades.

In later stages, the disease eats away at the brain, destroying equilibrium, causing blindness, deafness, coma and, ultimately, death.

There is no known treatment or cure for CJD.

Exacerbating the crisis, Prime Minister John Major waffled in the House of Commons when asked point-blank by Labour leader Mr Tony Blair if children were at a greater risk than adults of contracting CJD.

It was too soon to say for sure, Major said. A team of scientific experts was due to examine that question by the weekend and he would publish its results immediately after that.

Many British schools have already stopped serving beef.

Kempin said there were no regulatory measures in place in South Africa that differentiated between meat markets, making it possible for uninspected imported meat to find its way even to the largest supermarkets.

"All imported meat goes into the system, so it could be sold at any outlet whatsoever," he said.

And although meat was imported only from approved abattoirs in other countries, it was inspected here only after harbour customs had detected and referred it to the Department of Agriculture's hygiene directorate.

"The problem comes in when the product arrives here," said Kempin.

"Customs does not have the manpower to inspect all the containers. There is no guarantee that all meat containers are referred to Hygiene (the directorate)," he said.

"Hygiene inspects all meat referred to it, but we don't know if any other meat comes in that is not being declared as such. If it is not declared it could by-pass the system."

He said the Meat Board had offered to assist in inspecting imported meat, but were not given permission by Customs and Excise to do so.

For local meat producers, this new scare has rubbed salt in the wound, with competition from international meat producers already a sore point.

The chairman of the Eastern Transvaal Red Meat Producers' Organisation, Mr Egbert Hiemstra, said South Africa was becoming "the ashtray of the world".

"We import other countries' meat that would never be imported by European countries." — Own Correspondent

SA bans British imports after mad cow scare

(74F) Star 23/3/96

South Africa yesterday joined 15 other countries in announcing a temporary ban on British beef imports as a precaution against the fatal mad cow disease, whose human equivalent is threatening to reach epidemic proportions, according to British scientists.

European Union members Austria, Italy, Belgium, Finland, France, Germany, Greece, Luxembourg, the Netherlands, Portugal, Spain and Sweden have announced bans on imports of British beef pending scientific advice and expected EU action next week. New Zealand, Singapore and Cyprus also joined in the call for a ban. Germany also banned meat imports from Switzerland, which has the second-highest incidence of the disease.

Veterinary experts from across Europe met in Brussels yesterday to confront the mounting crisis over mad cow disease, as the EU weighed the economic and political fallout of a total ban on British beef.

South Africa, the largest importer of British meat outside the EU, last year imported more than 27 000 tons of British beef, about 3% of total South African beef consumption.

A spokesman said the Government had been content to accept the British government's guarantees on the quality of beef imports, but that recent admissions by the British that humans might also be susceptible to the fatal disease had prompted the ban. He said the ban was designed to be temporary, to give the Government an opportunity to examine the safety precautions taken for beef exports in Britain.

The managing director of the South African Meat Board said this week that meat known to be unfit for human consumption had entered South Africa last year after escaping inspection.

Since then the Meat Board has enforced more regulations, but uninspected meat still made it into the country due to lax customs procedures. – Reuters

A British butcher at work among beef carcasses yesterday PHOTOGRAPH: AFP

MAD COW SCARE: UK BEEF BAN

ARG. 23/3/96 (74F)

■ **NO MEAT TODAY:** A prospective customer views a range of beef and other meat supplies in a London butchery. Several countries, including South Africa, have banned the import of British beef following the "mad cow disease" scare.

■ Growing concern about the threat of 'mad cow' disease has prompted South African authorities to bar the import of British beef.

CHRISTINA STUCKY
Own Correspondent

AS a precaution against the fatal "mad cow" disease, South Africa has announced a temporary ban on British beef imports.

The country yesterday joined 15 other countries in announcing the ban, which has been prompted by an outbreak of the human equivalent of the disease, which is threatening to reach epidemic proportions, according to British scientists.

European Union (EU) members Austria, Italy, Belgium, Finland, France, Germany, Greece, Luxembourg, the Netherlands, Portugal, Spain and Sweden have banned imports of British beef pending scientific advice and expected EU action next week.

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Veterinary experts from across Europe met in Brussels yesterday to confront the mounting crisis.

South Africa, the largest importer of British meat outside the EU, last year imported more than 27 000 tons of British beef, approximately three percent of total beef consumption.

A government spokesman said recent admissions by the British that humans might also be susceptible to the disease had prompted the ban.

He said the ban was temporary, to give the government an opportunity to examine the safety precautions taken for beef exports in Britain.

The managing director of the South African Meat Board said on Thursday that meat known to be unfit for human consumption had entered South Africa last year, escaping inspection.

Since then the Meat Board had enforced more regulations but uninspected meat still made it into the country due to lax customs procedures.

As the crisis grew in Britain, many steak and rib restaurants in London were nearly empty after the government admitted there was a likely link between bovine spongiform encephalopathy (BSE or "mad cow" disease) in British cattle and its fatal human equivalent Creutzfeldt-Jakob Disease (CJD).

British scientists warned that a new strain of CJD, which usually strikes middle-aged and elderly people, could turn into an epidemic.

Veterinary officials in Brussels said there were several possible scenarios – accepting a British move to debone all beef from animals aged over two-and-a-half; tightening protective measures; or opting for a blanket ban on British beef.

"No one can say at this stage what measures may be taken in the future," said Gerrard Kiely, the EU commission's agriculture spokesman.

Mr Kiely said it was premature to speculate about the cost of EU market support measures if producers sent unwanted beef into public stores or the cost of compensation to farmers for slaughtering herds.

"We are at the peak of public reaction. We are not going to make any rash decisions," Mr Kiely said.

The EU's beef mountain stood at 1,2 million tons in 1992, but has now shrunk to virtually zero.

The EU is the world's second beef producer, after the United States, accounting for nearly 15 percent of world output. It produces about eight million tons of beef a year from a herd of around 32 million cattle.

The EU exports about 1,2 million tons of beef and veal a year, mostly to Eastern Europe, compared with imports of around 500 000 tons.

Clofed moves to stop illegal cloth imports

(74F)

Business Editor

ARG 23/3/96

THE Clothing Federation has called on all its members to sign a code of conduct on customs and excise fraud, to put an end to illegal imports of clothing and textiles.

The code commits member companies to do their best to make sure the prescribed duties are paid on all imported clothing and textiles, to take action against any employee or agent involved in illegal imports and to report irregularities to the authorities.

Clofed said in a statement that they would also support legislation which would make it compulsory for all imported clothing to carry the label of the country of origin. This would help to block illegal imports.

The single greatest immediate threat to the future of the clothing industry was the flood of illegal imports of clothing and textiles, Clofed said.

43pc tyre imports 'illegal'

TYRE manufacturers' figures suggest that R320 million – or 43 percent – of South Africa's annual tyre imports are smuggled into the country.

Gavin Hardy, chairman of Firestone SA holding company Fedstone, said yesterday that imports accounted for 32 percent and domestic manufacture for 68 percent of wholesale tyre sales. Control of the inflow of imported tyres was "woefully inadequate".

Call for clothing labels details

(74f) (...)

Amanda Vermeulen

BD 25/3/96

THE Clothing Federation has called for legislation to ensure that imported clothing carries the label of its country of origin.

Federation executive director Hennie van Zyl said at the weekend the legislation formed part of a code of conduct drawn up with the SA Clothing and Textile Workers' Union to cut down on illegal imports.

The code would require signatories to ensure import duties were paid on all clothing and textile imports, and action including dismissal be taken against employees who were involved in illegal activities. Clofed said legislation ensuring that imported clothing carry the label of its country of origin existed in various countries, including the US.

The federation would help improve imports control, reducing loss of government revenue, and providing consumers with more information as well as enhancing international copyright/trademark regulations. Van Zyl also welcomed the beefing up of the customs and excise function.

Confusion reigns over 'mad cow' beef

(74F)

BD 25/3/96

Louise Cook

PRETORIA — Government's decision to slap a ban on British beef imports is in spite of persistent claims over the past two months that SA had nothing to fear from "mad cow disease".

Officials caved in on Friday after the British government admitted there was a possible link between the cow disease and the human killer, Creutzfeldt-Jakob disease, but there remained considerable confusion among officials over the issue.

Animal health directorate chief director Paul Bosman stuck to claims that all beef from Britain had been deboned and was therefore free of contamination. But the agriculture ministry was less sanguine, with senior administrative secretary Deon Joubert saying he would give British beef "a miss for a while". Health regulations seemed to have worked up to now, but he confirmed that agriculture department veterinarians would be flying to Britain this week to investigate.

Health department director Neil Cameron said there was no major threat to humans from the disease, which was very rare in SA. It caused the brain to liquify, leading to blindness, deafness, coma and then death.

The Consumer Council said it was awaiting further information from government before deciding what to do.

Red meat producers' organisation chairman Jannie Fourie suggested that SA import beef from neighbouring countries. Local production met only 70% of domestic needs and about 27 000 tons of British beef had been imported last year.

Shoprite Checkers ordered its Natal branches to pull British beef from its shelves on Friday. The retail group, which said it used a "small quantity of British beef", is the only supermarket chain to use imported meat.

See Page 7

SOMETHING TO BEEF ABOUT: Vegetarians in cow costumes protest against meat eating yesterday outside the Ministry of Agriculture, Fisheries and Food in central London, following revelations about mad cow disease in British beef. ***PICTURE: AP***

Most British beef imports used in processed meat

CT 26/3/96 (3) MEAT (74f)

JOHANNESBURG: South Africans have no way of knowing whether local processed meats — for which the bulk of imported British beef is used — is contaminated with mad cow disease, the infection that has sent shock waves round the world.

Most major South African supermarkets have given the assurance that British beef is not to be found in their freezers and the Department of Agriculture has banned its import.

The beef's presence in processed meats is more difficult to detect. About 95% of imported beef goes into processed meat products.

Despite assurances, mad cow disease is not detected in normal checks made on meat imports.

"There is no guarantee that there is no mad cow disease in South Africa," said Mr Fritz de Jager, manager of the Red Meat Producers' Organisation. "The onus is on butchers to remove all stocks of British beef and to keep these off the shelves until the scare is over.

"It is almost impossible to trace what proportion of British beef there is in processed meats. Imports must be identified as such when sold in butcheries and supermarkets, but once meat is processed there is no law that insists it must be sourced. It would be better for the public to stick to fresh meat until the processed foods have gone through the system."

Health and agricultural authorities yesterday confirmed the presence of British beef in South Africa, but said the danger of consumers being exposed to mad cow disease was minimal.

Dr Theo van de Venter, a virologist with the Department of Health, said the risk was so small it was not regarded as cause for concern.

Britain's beef industry had proclaimed certain areas free of bovine spongiform encephalopathy (BSE or mad cow disease). South Africa's beef imports from Britain came from known disease-free zones, officials said.

South Africa imported only deboned British beef, further reducing the risk because diseases were normally transmitted through brain, spinal tissue and marrow. The ban on British beef imports, announced last week, was imposed chiefly as a precautionary measure aimed at allaying consumers' fears.

A fact-finding delegation is to leave for Britain on Sunday.

> *'Imports must be identified when sold in butcheries and supermarkets, but once meat is processed, there is no law that insists it must be sourced.'*

In Brussels yesterday, the European Union imposed a ban on all British imports of beef and veal.

The ban also covered medicinal and pharmaceutical products made from cattle, but excluded dairy products.

"The aim is to help us to fence the problem in the United Kingdom and to help consumers recover confidence in the meat market," said EU Agriculture Commissioner Mr Franz Fischler.

He called on Britain to devise new measures to fight BSE and to monitor their effectiveness.

The announcement followed a day-long meeting between Fischler and government veterinarians from the 15 EU nations to craft an EU-wide response to the alarm sweeping Europe.

Mr Keith Meldrum, chief veterinary officer at Britain's Agriculture Department, said he alone had voted against the measure. "We think this is premature."

In London yesterday, prices for British lamb, poultry and pork soared. Traders at Smithfield meat market — one of Britain's biggest — said prices of imported beef had rocketed 25% and sales of British beef had ground to a halt.

As consumers opted for alternatives to beef in Britain, wholesale prices of new spring lamb soared by up to 50%. Poultry prices leapt 25% and pork was marked up around 10%.

Many Smithsfield meat-cutters and salesmen accused the media of scaremongering.

Mr Paul Ashworth, secretary for beef specialist Channel Meats Ltd, said: "The fear is that many of us are going to be unemployed in a month — people are very upset."

Meanwhile, experts pondered drastic measures to deal with the disease. The government could announce the slaughter of one third of Britain's 11-million cattle to try to root out the disease.

Prime Minister John Major and senior members of his cabinet were locked in emergency talks with scientists who spent the weekend assessing the risk of people catching the human equivalent of the disease through eating beef.

The crisis started last Wednesday when ministers acknowledged there was a likely link between BSE and Creutzfeldt-Jakob disease, a fatal brain-wasting human disease.
— Own Correspondent, Reuter

Most British beef imports used in processed meat

CT 26/3/96 (~~MEAT~~ ~~BEEF~~) (74F)

ıe Ministry of Agriculture, Fisheries

PICTURE: AP

JOHANNESBURG: South Africans have no way of knowing whether local processed meats — for which the bulk of imported British beef is used — is contaminated with mad cow disease, the infection that has sent shock waves round the world.

Most major South African supermarkets have given the assurance that British beef is not to be found in their freezers and the Department of Agriculture has banned its import.

The beef's presence in processed meats is more difficult to detect. About 95% of imported beef goes into processed meat products.

Despite assurances, mad cow disease is not detected in normal checks made on meat imports.

"There is no guarantee that there is no mad cow disease in South Africa," said Mr Fritz de Jager, manager of the Red Meat Producers' Organisation. "The onus is on butchers to remove all stocks of British beef and to keep these off the shelves until the scare is over.

"It is almost impossible to trace what proportion of British beef there is in processed meats. Imports must be identified as such when sold in butcheries and supermarkets, but once meat is processed there is no law that insists it must be sourced. It would be better for the public to stick to fresh meat until the processed foods have gone through the system."

Health and agricultural authorities yesterday confirmed the presence of British beef in South Africa, but said the danger of consumers being exposed to mad cow disease was minimal.

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The crisis started last Wednesday when ministers acknowledged there was a likely link between BSE and Creutzfeldt-Jakob disease, a fatal brain-wasting human disease. — Own Correspondent, Reuter

Fresh meat safer than processed, buyers advised

(74F) (3 MEAT) Star 26/3/96

By Nikki Whitfield

South Africans have no way of knowing whether processed meat – for which the bulk of imported British beef is used – is contaminated with mad cow disease, the infection which has sent shock waves across the world.

While most major South African supermarkets have given the assurance that British beef will not be found in freezers and the Department of Agriculture has slapped a ban on its import, its presence in processed meats – like boerewors, salami, polony, cans of meat and Vienna sausages – is far more difficult to detect.

The department has given assurances that imported meat is tested, but mad cow disease cannot be detected in normal checks.

"What this boils down to is that there is no absolute guarantee that there is no mad cow disease in South Africa," said Fritz de Jager, manager of the Red Meat Producers' Organisation. "The onus is on butcheries to remove all stocks of British beef and keep it off the shelves until the scare is over.

"As far as processed meat is concerned, it is almost impossible to trace what proportion of British beef it contains. Meat imports must be stated as such when sold in butcheries and supermarkets, but once it is processed there is no law which insists it be sourced."

Minute quantities of imported beef is sold as a fresh product. A whopping 95% of it goes into processed meat.

"It would be better for the public to stick to fresh meat until the processed foods have gone through the system," he said.

The human form of mad cow disease, the fatal Creutzfeldt-Jakob disease (CJD), can lie dormant in the body for years.

Ten people have succumbed to the disease in the past year, sparking a wave of anger and fear which is devastating the British beef industry.

The little-known illness looks similar to bovine spongiform encephalopathy, commonly known as mad cow disease, and first manifests itself in sufferers in the form of anxiety and depression.

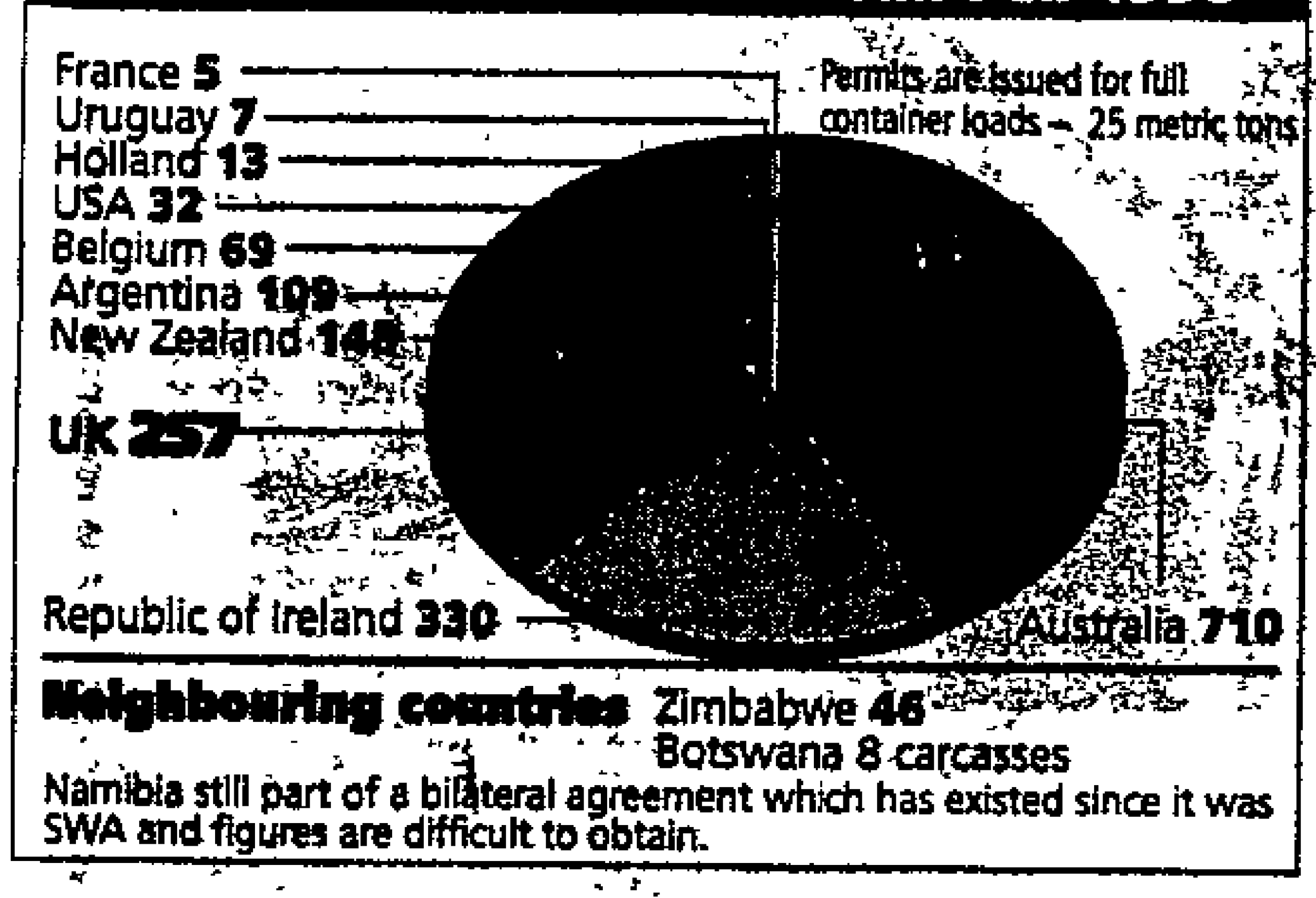
Victims then become unsteady on their feet and disoriented. As time goes by, their sense of reasoning goes and they are unable to eat or communicate. Dementia sets in and they become bed-bound and lapse into a coma. In the final stages of the disease, the brain turns to liquid and the victim dies a wretched death.

However, there have been no reported cases of CJD or mad cow disease in this country.

Of the total amount of beef consumed here last year, 11,8% came from imports.

Beef on its way to South Africa now will be bonded in warehouses in accordance with the Department of Agriculture's ban on the commodity. A high-level technical team has been dispatched to the UK to confer with their British counterparts in a bid to clear up the position.

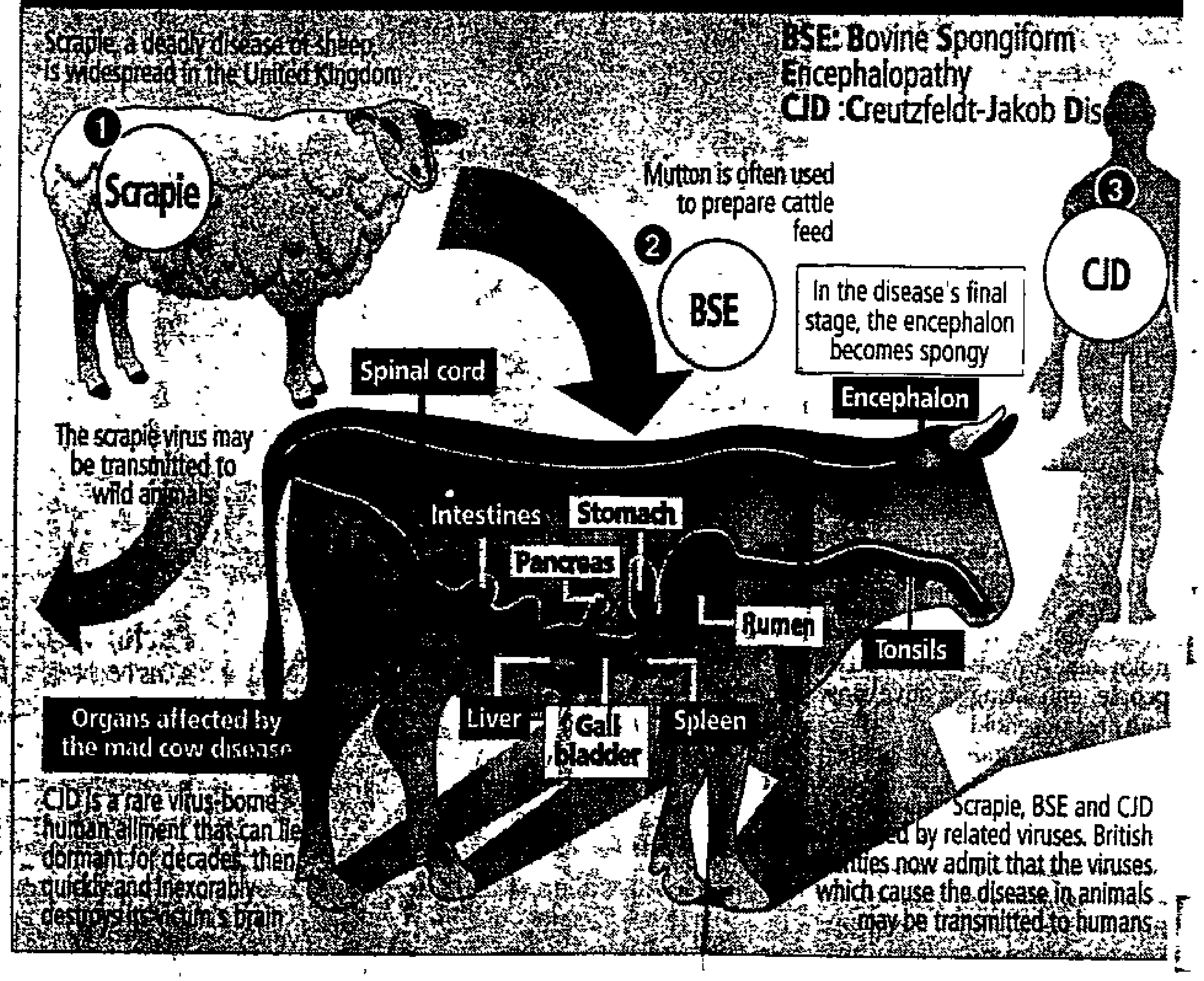
Beef Import Permits - Jan Feb 1996



Namibia still part of a bilateral agreement which has existed since it was SWA and figures are difficult to obtain.

M BOLLMEYER / AFP

From Bovine 'Madness' To Human Ailment



Tons of imports put on hold

British beef sold 'in most big SA stores'

BD 26/3/96 (74F) (SAP) (SAMEAT)

Louise Cook and Jacqueline Zaina

PRETORIA — Red meat suppliers said yesterday they had supplied imported British beef to most major retailers, despite previous claims that the meat — now a pariah because of "mad cow disease" — was a rarity in SA shops.

Renown Fresh Meat and Kynoch Fresh Meat both said they had supplied major supermarket groups, meat wholesalers and individual butcheries with UK beef. The meat was used in sausage, mince, polony, bullybeef, viennas and canned meat products.

Up until now, only Shoprite Checkers has said it sold UK beef, and moved at the weekend to withdraw such products from its shelves. Pick 'n Pay and Woolworths denied yesterday that they sold UK beef.

However, Kynoch Fresh Meat MD Eric Aspeling said Woolworths, Shoprite Checkers and Pick 'n Pay were among his clients for meat imports, including UK beef. It was difficult for clients to tell precisely where meat in such products came from.

The company had been planning to import 100 tons of UK beef, but this would be returned following government's decision on Friday to place a temporary ban on UK beef imports.

Renown Fresh Meats MD Theo Meyer said Renown had supplied most major supermarkets and was holding back 40 tons of beef from Ireland, awaiting a directive from government. Kolosus Holdings subsidiary Atlas Meats had also been supplying hyperstore butcheries with Irish beef.

Government imposed the ban on UK beef imports after the UK government finally admitted a possible link between the disease and the human killer Creutzfeldt-Jakob disease.

The UK cabinet held an emergency meeting yesterday as pressure grew to slaughter around one-third of its cattle, at an estimated cost of £3bn.

European Union veterinary experts were also meeting after most EU governments in Brussels voted last night to ban UK beef.

The SA agriculture department, which is to send officials to the UK on Sunday, sought again yesterday to play down the threat of the disease.

The department said the ban was largely a public relations exercise, following "hysterical" media coverage and public response.

Sapa reports department chief director Paul Bosman said there was no scientific foundation for the move.

Officials said UK beef imported before the suspension was freely available on SA shelves, mainly as minced meat and hamburger patties (McDon-

Continued on Page 2

Mad cow

(SAMEAT) (SAP)

Continued from Page 1

alds SA said yesterday it used only African beef).

The officials said they were satisfied this meat held no real danger to consumers, thanks to the standing precautionary requirements for such imports.

Pick 'n Pay said it contacted all its suppliers to check that they did not source UK beef, and the only imported meat it was selling came from New Zealand, Australia, Zimbabwe and Namibia.

Shoprite Checkers said it had not had any UK stock when the news broke. But it had cancelled all orders for imports from the UK.

Woolworths said it had never imported meat from the UK, given the disease threat, and had checked with the authorities in New Zealand, Australia and Holland for what little meat it did import.

Consumer Council director Ina Wilken warned consumers not to buy beef if there was any doubt about its origin.

Agriculture and land standing committee chairman Janet Love said consumer fears about contaminated beef were valid and that monitoring British beef imports might not be cost-effective in future.

She told red meat producers in Pretoria last night this would justify more imports from SA's neighbours.

Reuter reports from Paris that a herd of 151 cattle was slaughtered yesterday after a rare case of "mad cow" disease occurred in France.

A second herd would be slaughtered soon, it reported.

BD 26/3/96

Steps against imports 'justified'

BD 28/3/96 (~~184~~) (74F)

Nicola Jenvey

DURBAN — Illegally imported clothing was less than 3% of the total industry output of R7bn, but the severe measures against the practice were justified to prevent job losses and deterioration in the industry, SA Clothing Federation executive director Hennie van Zyl said yesterday.

He said declared clothing imports amounted to R500m a year, with a further estimated 40%, or goods valued at R200m, being smuggled into the local market.

However, customs and excise investigation unit head and customs and VAT enforcement caucus chairman Johan Beets disagreed, saying company closures and industry complaints did not correlate with only 3%. He said industry estimates did not include goods bypassing official channels.

Textile industry sources estimated illegal imports represented 16% of total sales, given the industry imported R3,5bn of its R9bn turnover. Textile Federation president Mike Hankinson said there was insufficient information to estimate the effect, "but the rumours surrounding the level of illegal imports appear true".

Van Zyl blamed ad hoc trade agreements in southern African for the explosion of illegal goods.

(74F)

Tyre makers act against imports

Durban — South Africa's four major tyre manufacturers, Dunlop, Firestone, Continental and Goodyear, have banded together against the importation of tyres of inferior quality they say have caused many of the accidents on the country's roads.

The SA Tyre Manufacturers Conference has launched a marketing campaign in which they warn that only 10 of the 52 imported brands sold in the country are safe for South African roads.

Mike Smithyman, the managing director of Dunlop and the chairman of the conference, said tyres worth R320 million had been smuggled into the country last year.

"Thousands of motorists are buying tyres that have not been manufactured for South Africa's extreme driving conditions. We've seen cheap imported tyres being marketed to the minibus taxi industry, even though they are not designed to carry heavy loads," he said. —Shirley Jones

CT (BR) 29/3/96

1,7 tons of infected poultry destroyed in a year

(74F) (3) POULTRY ARG 30/3/96

SINCE April 1 last year, 1,7 tons of imported poultry had been declared unfit for human consumption with salmonella enteritidis and typhimerium, Agriculture Minister Dr Kraai van Niekerk said. The meat was from Europe, the Americas and the East he said in reply to a question from Senator Errol Moorcroft (DP). – Sapa.

pensions. [Interjections.] We would take them a little more seriously. [Interjections.]

The fact of the matter is that, whether hon members think so or not, I am very much in charge of my portfolio. I would also advise them, when they listen to locker-room gossip at the golf club, to get the story straight. The Cabinet never sent my budget back

The SPEAKER. Order! Hon Minister, your time has expired

The MINISTER The Cabinet never sent my budget back.

The SPEAKER: Order! Hon Minister, your time has expired. [Applause]

Debate concluded.

Permits for importation of tyres/motor vehicles/trucks (192)

3. Dr K RAJOO asked the Minister of Trade and Industry: (74F) (126)

Whether he or his Department will give consideration to granting more permits for the importation into the Republic of (a) car and truck tyres and (b) used motor vehicles and trucks; if not, why not, if so, for what reasons?

N455E.INT

The MINISTER OF TRADE AND INDUSTRY: Madam Speaker, the question relates to the granting of permits for the importation of car and truck tyres and used motor vehicles.

Let us deal with the latter first. Clearly it cannot be an option when the motor industry, which employs in total 110 000 people in South Africa, finds itself in dire straits and affluent societies are exporting second-hand vehicles into markets. It is not a policy option; it is not now and it is unlikely to be in the future.

In respect of the importation of tyres, we did issue import permits for tyres during the first three months of this year. Permits for the importation of 9,1 million new tyres were granted, compared to 27 million tons of tyres which were imported last year However, import controls and the issuing of permits are being phased out in terms of our GATT obligations. These will be replaced by a tariff which will probably be announced around May this year. Some allowances have been made for the importation of second-hand tyres as well where these casings are used primarily in the retreading industry.

That is it.

Dr K RAJOO: Madam Speaker, I thank the hon the Minister for giving us some pertinent information. What I would like to point out to him is that this import-permit system is not working. The situation has broken down entirely.

I would like to read to the hon members what was written in last night's *Daily News* under the heading "Illegal tyre imports double". This is what it says:

> Tyre manufacturers say they are being driven all over by illegal imports. Gavin Harley, Chairman of Fedstone, holding company of Firestone South Africa, says: "Import control is woefully inadequate. About R320 million's worth of tyres are being smuggled into this country illegally this year alone."

I would like to know why we have these import controls. Why is that hon Minister keeping on controls that are not working, that are useless? The people are bringing in cars, tyres are being smuggled in here, and people are doing it all the time. Small-business people who want to bring in tyres and other cars are not given permits to do so. Other people are doing so illegally, because, as the Minister has stated, Durban is practically a free port. Durban is practically a free port because customs checks have broken down.

I want to know what that hon Minister is doing about it. What is he doing about getting the money and making certain that his colleagues who are Ministers are doing something to control this type of breakdown in the policies of this Government? [Interjections.] They are not collecting at customs. They are allowing tyres to be brought in illegally. All those tyres are being brought in here. [Interjections.] I would like to tell the House that that is the situation.

As far as protecting the local industry is concerned, nothing is happening. These people who brought in those cars charged exorbitant prices. [Interjections.] Suddenly, when it was decided to lower import control on cars, they began to lower their prices. What was done with all that money that was made on those cars? Did they put it into the RDP fund? Did they do any one of those things? They did not. The Minister must not shield those people who did not do anything to help the people of South Africa.

We ask the Minister to do away with these controls and to let free-market trade work. That will help South Africa. [Interjections.] If one allows a thousand different licences for tyre imports, one can multiply that number by ten to calculate the number of people who could have been employed. That would be far more people than those who are being sheltered and shielded in this country by that Minister. The time has come for us to open up these particular avenues.

As far as trade is concerned, the situation is as follows. We cannot trade and compete with the world tyre industry and pay big salaries. People are paid R22,00 per hour in South Africa. In Malaysia they are paid R7,00 per hour, in Poland R6,00 per hour, in China R2,00, in Indonesia R1,00, and in India 60 cents. [Interjections.] How can South Africa ever hope to compete in world trade in such circumstances?

These tyre manufacturers are saying that they must be protected so that they can export. Can they export? Is that realistic? Do not shield the people who do not know what they are doing [Interjections.]

Ms Y L MYAKAYA-MANZINI: Madam Speaker, on a point of order: I would like to know whether it is parliamentary for a member of Parliament to shout in Parliament and to ask questions about tyres all the time [Laughter.]

The SPEAKER: Order! Regrettably, the level of noise in this House makes it necessary for members to shout—on both sides. If you wish to avoid that, it is in your hands, hon members. Members may address questions on anything they like.

The MINISTER OF TRADE AND INDUSTRY. Madam Speaker, I do not know what the question is. There was a lot of scolding, but I do not know what the question is. [Laughter.]

I think that, if the hon member did some homework, he would have found that the Department of Trade and Industry is not responsible for the administration of customs. Indeed, the difficulties experienced by customs, which will hopefully be remedied in the very near future, are a problem. Unless we take a balanced view about job creation and saving jobs in South Africa and not just about creating jobs somewhere in Far East Asia, we will have failed in our mission to create a better life for all our people in this country.

The policy approaches of the Department of Trade and Industry are clearly above reproach in respect of its balance in advancing a programme of trade liberalisation as well as focusing attention on the need to sustain jobs in this country. We have nothing to fear. I still do not know what the hon member's questions are.

Rev M ABRAHAM: Madam Speaker, I do not think that the hon the Minister applied his mind when he gave this answer, because he did not apply the same measures when it came to the textile industry. Furthermore, I want to say to this House that my colleague Dr Rajoo has done a good job with the tyres on this side of the House, while those colleagues did a good job with tyres and matches in the past [Interjections.]

An HON MEMBER. Where is your spear?

Rev M ABRAHAM: Madam Speaker, the present policy of the department allows for very limited importing of used cars. One of the reasons advanced by the department is that the motor industry contributes 4,5% of the GDP and employs a staff of approximately 110 000. The department says that there is little or no chance . . .

The SPEAKER: Order! Hon member, there is a point of order.

Rev M ABRAHAM . . . of relaxing import controls on second-hand cars.

The SPEAKER: Order! Hon member, there is a point of order.

Mr P D DEXTER: Madam Speaker, on a point of order: I would like to know whether the hon member would like to explain what he was implying by tyres and matches

The SPEAKER: Order! I am sorry, but that is not a point of order.

Mr P D DEXTER: Madam Speaker, it is a point of order, because I think that implicit in what the hon member was saying was an accusation that members on this side of the House had been involved in some kind of activity that would lead to the loss of life. I think he was implying that people here had been involved in necklacing, and I think that he should withdraw that.

The SPEAKER: Order! Hon member, will you repeat what you said or withdraw it

Rev M ABRAHAM: Madam Speaker, my colleague on this side of the House Dr Rajoo had done a good job speaking about tyres. In the past my colleagues on that side of the House did a good job, not only with tyres but also with matches. That is what I said. [Interjections.] There is nothing wrong in that. [Interjections.]

The SPEAKER: Order! Hon member, I think there was an imputation in what you said there. So would you please withdraw that? [Interjections.]

Rev M ABRAHAM: Madam Speaker, do you want me to repeat what I said? I said that they had done a good job with tyres and matches.

The SPEAKER: Order! Hon members will keep order in this House and will allow people to be heard! Please, Mr Dexter, will you sit down. I heard very clearly what the hon member said, and I said that it had an implication which I think the hon member took up, and in that context I asked him to withdraw it. If it had another implication, perhaps he could explain it.

Rev M ABRAHAM: Madam Speaker, let me explain. There are many implications. [Interjections.] One of the implications is . . . [Interjections.] That is what he inferred from what I said. I meant drivers smoking when they are driving along. [Laughter.]

The SPEAKER: Order! Hon members, I have been very tolerant. I will adjourn this House if you persist in not allowing people to be heard. Hon member, will you withdraw that comment.

Rev M ABRAHAM: What comment, Madam Speaker?

The SPEAKER: Order! Your original statement, because there is no question in terms of your explanation. [Interjections.] Mr Van der Merwe, will you please sit down. Hon member, will you please sit down. I am addressing a particular member, and I am asking him to withdraw the statement. [Interjections.] Will you please sit down and allow the member to respond. When I have completed the first point of order, I will take your point of order. I have given a ruling to a member, and the member has to respond. [Interjections.] You may address me on that ruling after the member has responded to my request. [Interjections.] Order! I cannot hear the speaker!

Mr J H VAN DER MERWE: Madam Speaker, you have given a certain ruling. You want my colleague to withdraw a certain statement that he has made. I wish, as his Chief Whip, to address you on why he should not withdraw it. I am entitled to do that.

The SPEAKER: Order! Hon member, I have, on a previous occasion in this House, informed you, in similar circumstances, that members in this House speak for themselves. They do not need lawyers or anybody to represent them. [Interjections.] Yes, hon member, if you raise it as a member, but as a Chief Whip, trying to protect your member, which is the point which you have just made, I am saying that is not the position.

Mr J H VAN DER MERWE: Madam Speaker, may I say, with respect, with great respect, that you are totally wrong. What I am trying to do is done in all civilised parliaments of the world and I insist on that right. [Interjections.]

The SPEAKER: Order! Hon member, I have ruled that in the past. This is a civilised Parliament. You did not challenge my ruling at that time. Will you now take your seat.

Mr J H VAN DER MERWE: I did challenge your ruling at the time. You would not give me a chance to speak. [Interjections.]

The SPEAKER: Order! Will you now take your seat. [Interjections.]

Mr J H VAN DER MERWE: I cannot hear you! [Interjections.]

The SPEAKER: Order! Hon member, will you now take your seat.

Mr J H VAN DER MERWE: No, Madam Speaker, I want to address you on a fundamental right that I have. [Interjections.] I have a fundamental right as a Whip to protect my members.

The SPEAKER. Order! Hon member, I am asking you for the last time, will you please take your seat.

Mr J H VAN DER MERWE. I will take my seat, but you are wrong, Madam Speaker. [Interjections.]

The SPEAKER: Order! Hon member Abraham, I requested you to withdraw a statement.

Rev M ABRAHAM: Madam Speaker, I will defend myself. [Interjections.] Please, will hon members remain quiet. [Interjections.]

The SPEAKER: Order! I am sorry. [Interjections.] Order! Members will please keep quiet!

Rev M ABRAHAM: Madam Speaker, I am going to address you on the subject that went before. I am not going to make a comment about withdrawing. Let me explain something. You asked me to

explain what I meant by my statement, what the implications were, and I gave you an implication which I meant from my speech. Are you trying to judge me on the two implications?

The SPEAKER: Order! No, I asked . . .

Rev M ABRAHAM. That is what he understood by what I said.

The SPEAKER: Order! Hon member . .

Rev M ABRAHAM. Are you simply trying to say that I must just withdraw because it has implications for the ANC?

The SPEAKER: Order! No, not because of an implication . . [Interjections.]

Rev M ABRAHAM: Well, that is all I can see Madam Speaker, because I am very clear.

The SPEAKER: Order! Hon member will you let me complete my sentence. It was not because of an implication for the ANC. A point of order was raised, I asked you for an explanation, you gave it to me. I did not agree in terms of your explanation, and that is why I asked you to withdraw it, because the inference was quite clear. In terms of what you said later that was not a necessary inference from that, and it was that which I asked you to withdraw.

Rev M ABRAHAM: Madam Speaker, this is what I meant by my statement. If your interpretation, your understanding of what I . . . This is what I meant.

The SPEAKER. Order! What did you say you meant?

Rev M ABRAHAM: I said that he understood me to say that he was involved in necklacing or she or whoever that was. That was not my intention. [Interjections.] I said "drivers lighting their matches and driving". [Interjections.] That is what I meant. [Interjections.] Let me continue with my turn. You have got to give me at least half an hour for this interpellation now. I have lost a lot of time . . .

The SPEAKER: Order! It is not possible to hear members. I am being forced into a position of wanting to adjourn the House if you do not allow members to be heard. Sorry, would you continue with what you were saying, because I could not hear it.

Rev M ABRAHAM: Madam Speaker, I am going to continue with my speech to say that the Minister . . .

The SPEAKER: Order! That is not what I am asking you.

Rev M ABRAHAM: . . . is trying to overprotect the motor industry, which is a very weak industry in the country, because it has

The SPEAKER: Order! That is not what I asked you to continue with!

Rev M ABRAHAM: . . . so many models for such a limited market.

The SPEAKER: Order! Hon member, I did not . . .

Rev M ABRAHAM. Sorry, I cannot hear you because there is a lot of heckling going on on this side of the House. [Interjections.]

The SPEAKER. Order! I did not ask you to continue with your speech. You were addressing me on the ruling I had given. That is what I asked you to repeat.

Rev M ABRAHAM: Madam Speaker, then I refuse to withdraw, because I have a right to say what I meant.

The SPEAKER: Order! If you refuse to withdraw, then please leave the Chamber.

Rev M ABRAHAM: Sorry?

The SPEAKER: Order! You are asked to leave the Chamber if you refuse to withdraw

Rev M ABRAHAM: Madam Speaker, is anybody else going to accompany me?

The SPEAKER: Pardon?

Rev M ABRAHAM: Will anybody else accompany me? [Interjections.]

The SPEAKER: Order! I am asking you to leave the Chamber. [Interjections.]

[Whereupon the member withdrew.]

Dr K RAJOO: Madam Speaker, we are simply asking a straightforward question. The Minister must deregulate the tyre industry in South Africa.

The reason why we had to raise our voices was because of the high level of noise, and I am sorry if the lady finds my loud voice offensive.

We are saying that there are illegal imports into this country, at such a rate that customs duties are not working at all. I know that the Minister is not responsible for this. However, he made a statement about this in Durban, so we are taking him up on that. We are simply saying that he should deregulate. If he does that, he will create more jobs. The small business person will then be able to buy a truck, and in true RDP fashion create small businesses throughout this country. That is the intention of the question, that is what we are asking of the Minister.

We are saying that the cost of tyres is exorbitant in South Africa. The cost of used cars is also exorbitant. We can get these cars at one third of the cost overseas. If we bring those cars in, and the people are able to benefit from that, then why not do it? [Time expired.]

The MINISTER OF TRADE AND INDUSTRY: Madam Speaker, I have with me here a letter from one tyre company in South Africa that explains their problem. One factory in Port Elizabeth faces the risk of closure, which would mean the loss of 3 000 jobs. If one takes the tyre industry alone, it has probably in the order of 15 000 jobs. That is a kind of risk I am not prepared to take in the interests of one or two of Dr Rajoo's friends, maybe prospective importers of tyres. [Interjections.]

In respect of the importation of cars, the choice is whether we want this country to become the scrapyard for the importation of second-hand cars from the affluent parts of the world. [Interjections.]

The SPEAKER: Order! Are you rising on a point of order?

Dr K RAJOO. Madam Speaker, on a point of order: I would like to know if the Minister is imputing that I am taking up this issue on behalf of friends of mine who want to import tyres into this country? I would like to ask him that direct question.

The SPEAKER: Order! That is a point of information, not a point of order. The Minister may proceed. [Interjections.]

The MINISTER: Madam Speaker, yes, it was a suggestion that I made. In case Dr Rajoo did not hear me, yes, that is what I said. That is a point of information, which I think has now been supplied.

Debate concluded.

Prisoners: pornographic literature

4. Mr W A BOTHA asked the Minister of Correctional Services:

(1) Whether he or his Department has granted permission for any prisoners to have pornographic literature in their possession in future; if not, what is the position in this regard, if so, for what reasons;

(2) whether any prisoners who have been convicted for sex crimes are excluded from this permission; if not, why not; if so, what are the relevant details?

N456E.INT

The MINISTER OF CORRECTIONAL SERVICES: Madam Speaker, the question, if I understand it correctly, has to do with what the Department of Correctional Services will do on the subject of pornography in future.

The answer to that is as follows. As far as we know, the whole question of pornography will be governed by legislation which is now in the pipeline. We will be governed, in the future, by whatever legislation is finally passed by this House. That takes care of Questions 1 and 2.

*Mr W A BOTHA: Madam Speaker, pornography is a social evil. Absolutely nothing good can be said about it. The consequences of pornography fall in the same category as drugs. This is even worse, however, because drug abuse is mainly detrimental to its user, whereas innocent and defenceless women and girls are often the victims of pornography.

According to studies at the well-known University of California 87% of all child molesters who molest girls, and 77% of those who molest boys, use pornography to stimulate themselves and to condition their victims. In the same vein it is a well-known and proven fact that sexual criminals virtually without exception use pornographic material.

A study by the world-renowned Prof Diana Sculley, which deals with more than 114 cases of rape, proves that the rapist in virtually every case imitated scenes which he had seen in pornographic material. According to the Michigan police, which investigated 38 000 cases of sexual assault, sexual criminals used pornographic material during or just before the crime in 41% of the cases, and pornography was involved to a lesser or greater degree in all the other cases. It was an important motivation for the crime in all the cases.

In South Africa approximately 300 000 women are raped every year, and probably over 130 000 children are molested sexually. The lives of these women and children have been destroyed to a great degree. They have been done a tremendous

injustice. We may not allow anything to exacerbate this tragic situation; indeed, it is our duty to leave no stone unturned to stamp this evil out completely.

The argument that a prisoner has the right to read whatever he wants to is not correct. Persons in detention as well as persons in society have rights, but no right is unqualified or absolute. Freedom of speech does not give any person the right to slander another or shout "Fire, fire" or "Bomb, bomb" in a public place. A prisoner in fact has the right of access to drinks such as water and cold drinks, but I do not believe that he has the right of access to strong drink. He does in fact have the right of access to medication, but this does not give him the right of access to drugs. No person's rights are unqualified. They are controlled, and for very good reasons.

Therefore it would be absurd to argue that a prisoner has a right to pornography, which, in a certain sense, is more dangerous than strong drink or drugs. It is a pity that while the rest of the world is becoming more critical about the desirability of pornography, and even more countries are prohibiting it completely, and imposing heavier sentences in this regard, the Government is relaxing measures relating to this to such a degree that it is now even legal in prisons. This is not in the interest of an orderly society. [Time expired.]

*Dr W J BOTHA. Madam Speaker, the answer which the hon the Minister gave, is simply not acceptable. Does he want to tell me that we are entering an era in this Parliament in which a Minister can say in reply to a question that legislation is coming, and that we should simply have to wait until that legislation arrives, and deal with matters accordingly?

I want to say, with all due respect, to the Minister that he has not answered the question. I do not know why he answered it. The only deduction that I can make is that he apparently does not yet know what is going to be included in the legislation. I want him to tell us a little more.

My colleague quoted from authoritative sources. He made reference to what is being said by tertiary institutions of great repute. I agree wholeheartedly that innocent people are the victims of pornography. The least that the State could therefore do is not to promote this evil. The Minister could certainly by this time tell us in his personal capacity what his standpoint is in this regard, if he does not want to tell us what the legislation says in this regard. The State itself concedes, if he includes sexual transgressors in this legislation—and we would like to know whether this is the case—that pornographic material could have a bad effect on the community.

The FF is not opposed to providing prisoners with certain basic necessities. What these necessities are, is something which one could debate. The Americans, for example, have started privatising their prisons, and have decided that television is an unnecesary luxury. A radio is sufficient. Now I want to say that a newspaper is sufficient; study material is sufficient. I do not believe that pornographic material is really essential equipment for a prisoner.

The MINISTER OF CORRECTIONAL SERVICES: Madam Speaker, while I appreciate the very high moral standards of the two previous speakers, I need to point out that the question which was put to me has to do with what the department will do in future.

I also need to remind hon members that the legislation does not emanate from my department, but from the Department of Home Affairs. We will then be guided by the legislation, the Constitution and the Bill of Rights. We are, after all, a democracy.

*Mr W A BOTHA. Madam Speaker, I would like to tell the Minister that pornography is already permitted in the prisons, and that no objections have been raised against this.

The reason for locking a person up in a prison in the first place is to protect the public, and in fact doing so by removing that person from society for a certain period, or in certain instances for life. In the greater majority of cases those people, however, have to be released into society again. It is the responsibility of the Government to ensure that the violators of the law are rehabilitated citizens upon their release and that they are no longer dangerous to their fellow-man.

Secondly—and this is very important—is that the rehabilitation of the criminal is aimed at turning him into a useful, law-abiding citizen who will be an asset to the country, the community and his own family. Naturally this is a very important objective in sentencing. In order to achieve this purpose much of the taxpayers' money is spent, and social workers and psychologists who work in prisons play a very important role as regards the treatment of offenders.

Motor industry import row on forum's agenda

Edward West (74F) BD 2/4/96

A ROW in the motor industry about the continued preferential treatment granted to certain importers of semi knocked-down cars over local assemblers is to be discussed in the Motor Industry Forum's second meeting today.

The forum, consisting of vehicle assembly, component manufacture, government and trade union representatives, was established recently to monitor the Motor Industry Development Programme, address policy issues and help formulate supply-side measures to improve competitiveness.

Forum chairman Anthony Black said importers of semi knocked-down cars were allowed to import vehicles into SA at lower duties through Customs Union countries because the concessions were granted before the industry's development programme came into effect last September.

"We understand local motor manufacturers are upset, but it is a complicated issue which the SA government has to deal with politically," he said.

Hyundai has a two-year concession from the SA and Botswana governments allowing it to convert its Botswana facilities to comply with the new SA customs regulations.

National Association of Automobile Manufacturers of Southern Africa president John Newbury said the association would be pressing the authorities to take strong steps to address the "unacceptable problem" of continued semi-knocked-down vehicle operations. The discrimination had worked against the interests of local vehicle manufacturers and the component supplier industry, he said.

Pick 'n Pay cleared in clothing probe but forks out thousands

(74F) CT(BR) 4/4/96

By Shirley Jones

Durban — The department of customs and excise this week collected duties running into hundreds of thousands of rands on goods detained in two of Pick 'n Pay's Cape Town warehouses.

Johan Beets, who headed the investigation into Pick 'n Pay's dealings with the supplier Nirvana Trading based in Cape Town, said the immediate issue had been settled administratively.

No prosecution would follow.

He said the parties did not get off scott free because "a lot of money changed hands" for clothing that could have filled two to three containers.

Though Pick 'n Pay had been cleared by the commissioner of customs and excise and authorised to break the seals on the goods, the overall investigation was not over.

Nirvana's previous imports destined for unidentified clients were still under investigation, he said.

Beets revealed yesterday that a fourth party had been involved in the Nirvana investigation. He said though customs knew his identity, they had been unable to trace him.

On the strength of this, the defendant's legal council had persuaded customs to settle for recovering the duties.

"We judge our own cases and decided to settle this according to the administrative provision of the Act," he said, refusing to provide further details because of the secrecy clause in the Act.

Beets said that though Pick 'n Pay might have suspected the origin of the goods, this was an assumption that could not be proved. Price alone was usually a good indicator of whether duties had been paid.

He said the position of retailers as accomplices was difficult to define and, contrary to manufacturers' beliefs, retailers could not be prosecuted unless there was concrete proof they were directly involved in a scam.

Retailers were in business for profit and nothing prevented them from buying goods, he said.

Sean Summers, Pick 'n Pay's retail managing director, said the company was relieved the issue had been cleared up to the satisfaction of everyone. He said the goods had been released for sale and would shortly appear in Pick 'n Pay stores.

"We stated at the outset that we would not knowingly purchase goods that had in any way circumvented the South African duty and importation structures.

"When we were initially offered the goods, we knew them to be of foreign origin and consequently researched our supplier, Nirvana, and found everything to be in order," he said.

Summers said he believed Pick 'n Pay's decision to buy from Nirvana had been totally vindicated and he saw no reason why it should not continue to do business with the company.

Union blows the whistle on retailers' 'hot' imports

(74F) ([illegible]) ST(BT) 7/4/96

By JEREMY WOODS

THE Clothing and Textile Workers Union is to ask the Office for Serious Economic Offences in Cape Town to raid the warehouses of several "significant retailers" who allegedly buy millions of rands worth of illegal duty-free clothing, and to impound the clothing as if it were stolen goods.

The union also wants the office to prosecute offending retailers in the courts "in the same way that any ordinary citizen would be made to pay the price for handling stolen goods".

EBRAHIM PATEL

"We have the names of the suspected offenders, and these are significant retailers. We also have the evidence to support our claims," says Ebrahim Patel, deputy general secretary of the 170 000-strong Sactwu.

"We are lodging our complaint at the OSEO in Cape Town with the request that it initiate raids on the warehouses of those retailers who are involved," he says.

Mr Patel claims that in the seven months since September, illegal duty-free clothing imports worth millions of rands, in addition to tariff reductions, have caused the loss of 17 000 jobs in the clothing, textile and shoe industries alone.

Furthermore, Sactwu is calling for the top-tier management of Customs and Excise to be fired for failing to stop duty-free clothing from flooding into the country.

"As with other managers who cannot do their jobs, they should be removed. Retailers who close their eyes to the buying of clothing where no import duty has been paid are destroying the fabric of our society. People with no work who have families to feed inevitably turn to crime, which threatens our society."

But, Mr Patel contends, the whole cycle starts when the retailer sees fit to buy illegally imported clothing.

Tommy Prins, head of the OSEO in Cape Town, said he was aware of the allegations.

If the union made a complaint, the OSEO would examine any evidence provided and decide whether to launch an investigation, he said.

Inquiries about the buying and selling of duty-free clothing at the head offices of retailers in Cape Town met with little response.

"We do not buy or sell clothing where import duty has not been paid. Nor do we have any in our warehouse. But if we did, we would not be making statements about it to the largest newspaper in the country," said one retail spokesman.

□ The Department of Customs and Excise this week collected hundreds of thousands of rands worth of duties on goods detained in two of Pick 'n Pay's Cape Town warehouses.

Johan Beets, who headed the investigation into Pick 'n Pay's dealings with supplier Nirvana Trading, said the immediate issue had been settled administratively. No prosecution would follow.

Sactwu calls for tougher action

(84) (74F) BD 9/4/96

Renee Grawitzky

RETAILERS caught in possession of illegally imported clothing should face prosecution by customs and excise instead of being "let off" and merely paying duties, SA Clothing and Textile Workers' Union (Sactwu) assistant general secretary Ebrahim Patel said yesterday.

Patel's call comes in the wake of a raid by customs officials on two Pick 'n Pay warehouses in Cape Town, as part of a crackdown on the inflow of illegal imports.

He said retailers should not be "let off" and merely pay duties on illegal goods, as was currently the case, but should be prosecuted as accessories to a crime.

The union was compiling information on those companies and retail outlets which obtained illegally imported (duty-free) clothing. The union was demanding that once this information was submitted to the Office for Serious Economic Offences (Oseo), raids on their warehouses would be carried out.

The union indicated that at this stage the names of those large retailers who had bought illegal imports could not be made public until the information had been given to the office, or until the office released the names.

Patel said that before the recent Cabinet reshuffle, discussions had taken place with the trade and industry ministry on the establishment of a special task team, with representatives drawn from the economic offences office, to investigate claims in clothing, textiles and footwear.

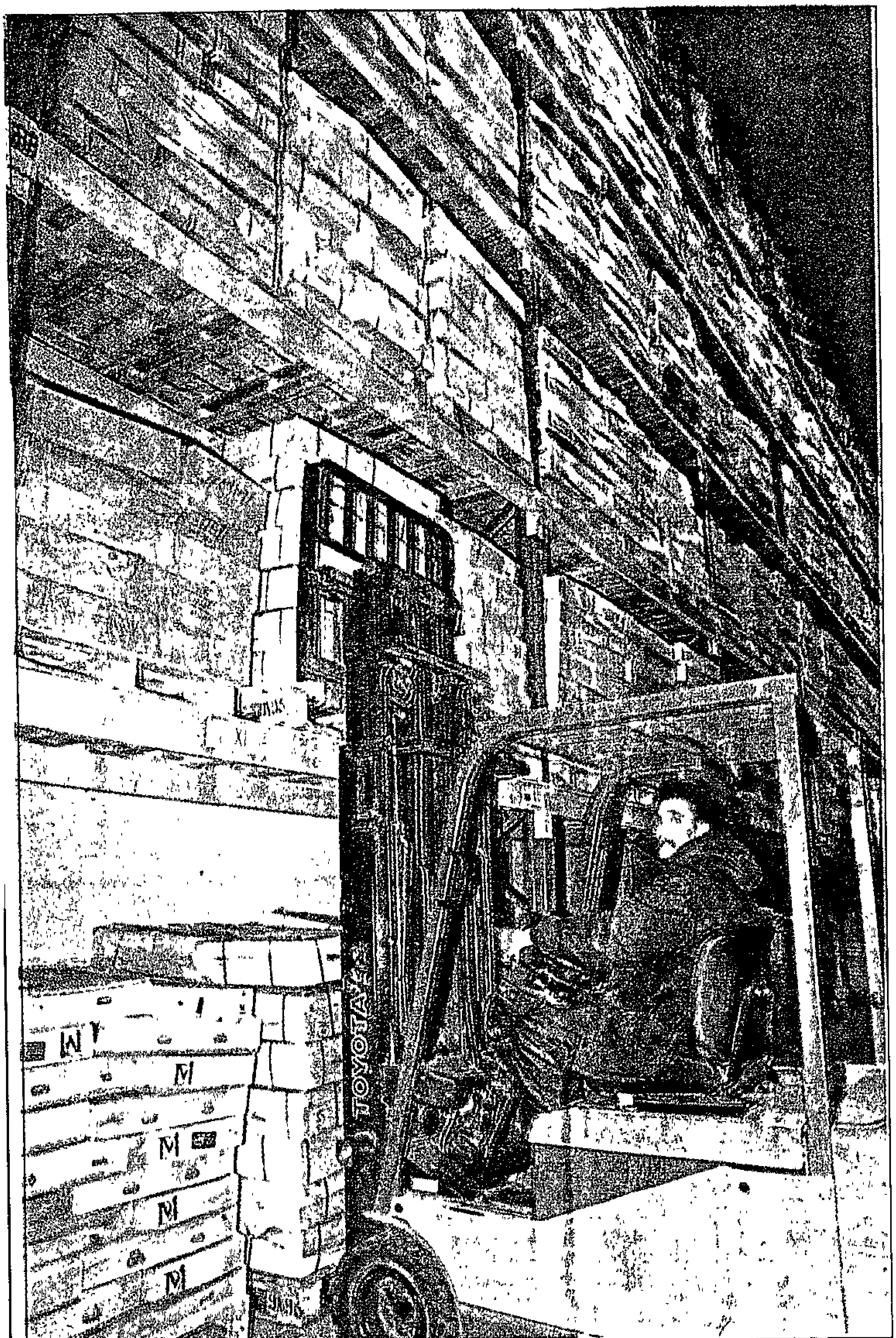
He said the level of sophistication relating to invoice fraud, bribery and the "systematic setting up of operations by big business with middle men to bypass customs" required additional expertise besides the SAPS and customs and excise.

Patel said these initiatives had serious consequences on the level of employment.

Following the cabinet reshuffle, the union had decided to direct evidence directly to the office.

Patel said it appeared customs and excise was reluctant to prosecute or name offenders, which was contrary to the spirit of an agreement reached within the National Economic Forum in 1993.

The union on numerous occasions, and organised labour's recently released document Social Equity and Job Creation — the Key to a Stable Future, called for the replacement of customs and excise top management in order to stem the huge flow of goods entering SA illegally.



FEELING THE FREEZE: Mr Ivan Ryneveld, a worker at a cold storage company in the harbour, ponders the fate of 100 tons of imported British beef which has been frozen in -28° for three weeks while the Department of Agriculture and vets debate the future of the banned meat. *PICTURE: CLIVE SMITH*

Meat trade lobbies for ban to end

(74F)

DALE GRANGER

CT 11/4/96

IT WAS more dangerous to drive to work than eat British beef, South African importers and English exporters said yesterday in lobbying for the ban on their product to be lifted.

While the Department of Agriculture debates with leading vets over whether imported British beef was free of mad cow disease, R10-million worth of imported British beef has been frozen in cold storage and a decision on the ban is only expected tomorrow.

"There is nothing wrong with the product," said one Cape Town importer, who said profit margins were slight on a business dealing in volumes and, with each passing day of the ban eating into profits, they would only be able to hold out for a few more weeks.

He said if the meat was shipped back to the UK or incinerated, it would be "very difficult to say who is going to be stuck with the bill."

Mr Patrick Gaertner, managing director of Gaertner Trading, which has 200 tons of imported beef worth about R1,2m hanging in limbo at a cost of about R20 000 a week, said the three-week ban had "already eaten a sizeable margin of profits".

He found it ironic that many countries that imported beef to South Africa did not test their cattle for BSE, while in South Africa the Meat Board was quick to "get on the bandwagon and ban imported beef when meat slaughtered widespread in back streets was much more serious".

Meat exporter Mr Bob Winter, speaking from Essex in England, described the whole issue as "people listening to gossip rather than facts. I just wish they would make up their own minds and listen to scientific evidence instead as the safety of British beef has been authenticated".

Flood of cheap imports

The relaxation of import duties and smuggling of cheap textiles, footwear and tyres is costing South Africa millions of rands in revenue and jobs. Alan Morris explains why... (74F) (~~...~~) (~~...~~)

SOUTH AFRICAN CAR, TYRE, textile, clothing and footwear industries are reeling from an inflow of cheap imports, with thousands of workers losing their jobs.

This inflow is partially due to the lifting of protective tariffs in terms of an agreement the Government reached with the World Trade Organisation and the determination of Trevor Manuel, the former minister of trade and industry, to cut the tariffs protecting South African industry.

Illegal imports are flooding into the country due to inadequate control by the hopelessly understaffed and inefficient Department of Customs and Excise.

Ben van Rensburg, chief economist of the South African Chamber of Business, estimates that the Government is losing about R12,6 billion a year in import duties due to smuggling.

The Department of Customs and Excise has responded to growing pressure and 600 additional staff will be hired over the next few months.

Hardest hit

The textile industry has been one of the hardest hit, with millions of rands worth of textiles entering the country from neighbouring countries without duty being paid.

Michael Hankinson, president of the Textile Federation, estimates that between 30 and 40 percent of all textile imports are entering the country illegally.

Basil Hersov, chairman of the giant company Anglovaal, contends that this flood of textiles is threatening to destroy the industry. "I understand it will take three to five years before effective customs control is restored. By which time we may well be out of business," he said.

According to Dave Berry, president of the Footwear Institute of South Africa, the number of people employed in the industry has shrunk from 56 000 in 1989 to 28 000 last year. Local producers now have 47,9 percent of the market compared to 87,36 percent in 1989.

Cheap imports

At the end of March, the National Union of Leather Workers and the South African Clothing and Textile Workers' Union took to the streets to protest against cheap imports, alleged custom fraud and the resultant job losses.

Paul Theron, chief economist of the Clothing Federation, estimated that about 50 million garments worth more than R360 million were smuggled into the country in 1995. This represented about half of all clothing imports.

The motor vehicle and tyre industries have also been affected by the relaxation of import duties.

Trevor Manuel ... as Minister of Trade and Industry he was determined to cut the tariffs protecting South African industry.

Sowetan 12/4/96

"It will take three to five years to restore customs control. By which time we may well be out of business"

Mike Smithyman, managing director of Dunlop and the chairman of the South African Tyre Manufacturers Conference consisting of South Africa's tyre makers Dunlop, Firestone, Continental and Goodyear, said that about R336,8 million worth of tyres had been smuggled into the country last year.

He claimed that many of these tyres were unsafe and had contributed towards the high accident rate. This was particularly so in the case of the minibus taxi industry, where some of the imported tyres being marketed "are not designed to take heavy loads".

Stephen Gelb, an economist at the University of Durban-Westville, argues that "while tariffs need to be lowered as one mechanism to encourage higher productivity and improve the competitiveness of South African industry, to effect this move too rapidly and without adequate support for affected firms and workers, simply leads to the destruction of productive capacity".

Imperative

He feels that it is imperative that the Government develop retraining schemes for workers and support for firms in the areas of technology, investment finance and export promotion.

"It is a simple administrative task to cut tariffs, but far more complex to establish the necessary structures to assist affected firms and workers," he said.

Profound effect

Clearly, the spate of cheap imports has had a profound effect on workers in the industries concerned. Few of the thousands of retrenched workers have been retrained for new jobs. Many have found it impossible to find work.

Robert Tshandu, a former textile worker, was retrenched last August. He was the sole breadwinner and has five children.

"We are suffering terribly. I worked in the industry for 15 years and now there are no jobs. I don't know what I am going to do."

For Tshandu and thousands of other workers, the relaxation of import duties and the near collapse of Customs and Excise has brought acute misery.

The endeavour to resuscitate the Department of Customs and Excise is a hopeful sign, but it appears the Government is doing little else to offer renewed hope for Tshandu and his counterparts. – *Africa Information Afrique.*

Import controls on tyres may be spiked

CT(DT) 14/4/96

(195) (74F)

IMPORT controls on tyres could be strapped in the next few months, says a leading importer, but others in the industry are less hopeful that the battle between local manufacturers and importers will be resolved soon, writes **DON ROBERTSON**.

Importers in the industry, worth R3-billion a year, have operated under quantitative restrictions — a 25% import duty and a permit system.

The Board of Tariffs and Trade has promised that a four-year investigation will be completed soon.

Local tyre manufacturers have criticised the impact of imports on the local market, especially illegal imports estimated at R320-million a year.

But Johan Kotze, managing director of Performance Tyres (distributor of Pirelli), says that by June or July legislation will be changed and the permit system should be dropped. Importers and local manufacturers, however, will be required to provide details of safety tests on all individual makes and kinds of tyre.

These details must be submitted to the SA Bureau of Standards. Details required were contained in the Government Gazette of November 10 and came into effect on January 1.

Mr Kotze says Performance Tyres will continue to target the high-performance market. Sales are likely to increase by about 10% this year, he says.

Dennis Applebee, managing director of Tyrequip, which imports Michelin tyres, says he is unaware of changes to legislation.

Gavin Hardy, chairman of Fedstone and former chairman of the SA Tyre Manufacturers' Conference, says the "cornerstone of an agreement" is on the table and the industry and government are working to solve the impasse between importers and local manufacturers.

Imported exotic car scam exposed

(74F)

CT 15/4/96

DAN SIMON

CAR buyers are being warned to be wary of buying bargain-priced exotic cars after the recent exposure of an international car theft scam involving luxury vehicles stolen in Germany and shipped to Cape Town.

The warning comes from a city car dealer following the arrest two weeks ago of two illegal German immigrants who have been linked to the theft in Germany of three exotic cars worth about R2 million.

The men, who arrived in South Africa last May, registered the cars in Durban before re-registering them in Cape Town and trying to sell one at a price way below its value.

The scam prompted one exotic car dealer, Bloomsbury Carriage, to place an advertisement, warning the public of the possible pitfalls when buying bargain-priced exotics, in the Cape Times Drive Times supplement last week.

It said that as syndicates had become more sophisticated, so it had become increasingly difficult to verify ownership or customs clearance or to clear any other legal technicalities associated with such cars.

"Further to this is the fact that many other exotics are coming in through neighbouring countries with either little or no duty being paid.

"If you buy such a vehicle, the onus is on you when the customs people come around to collect either the vehicle or unpaid duties/taxes," the advertisement said.

Bloomsbury disclosed on Friday that it was one of three car dealers in the city that had been approached by two German nationals wanting to sell a 1995 left-hand drive Mercedes 320SL for R300 000.

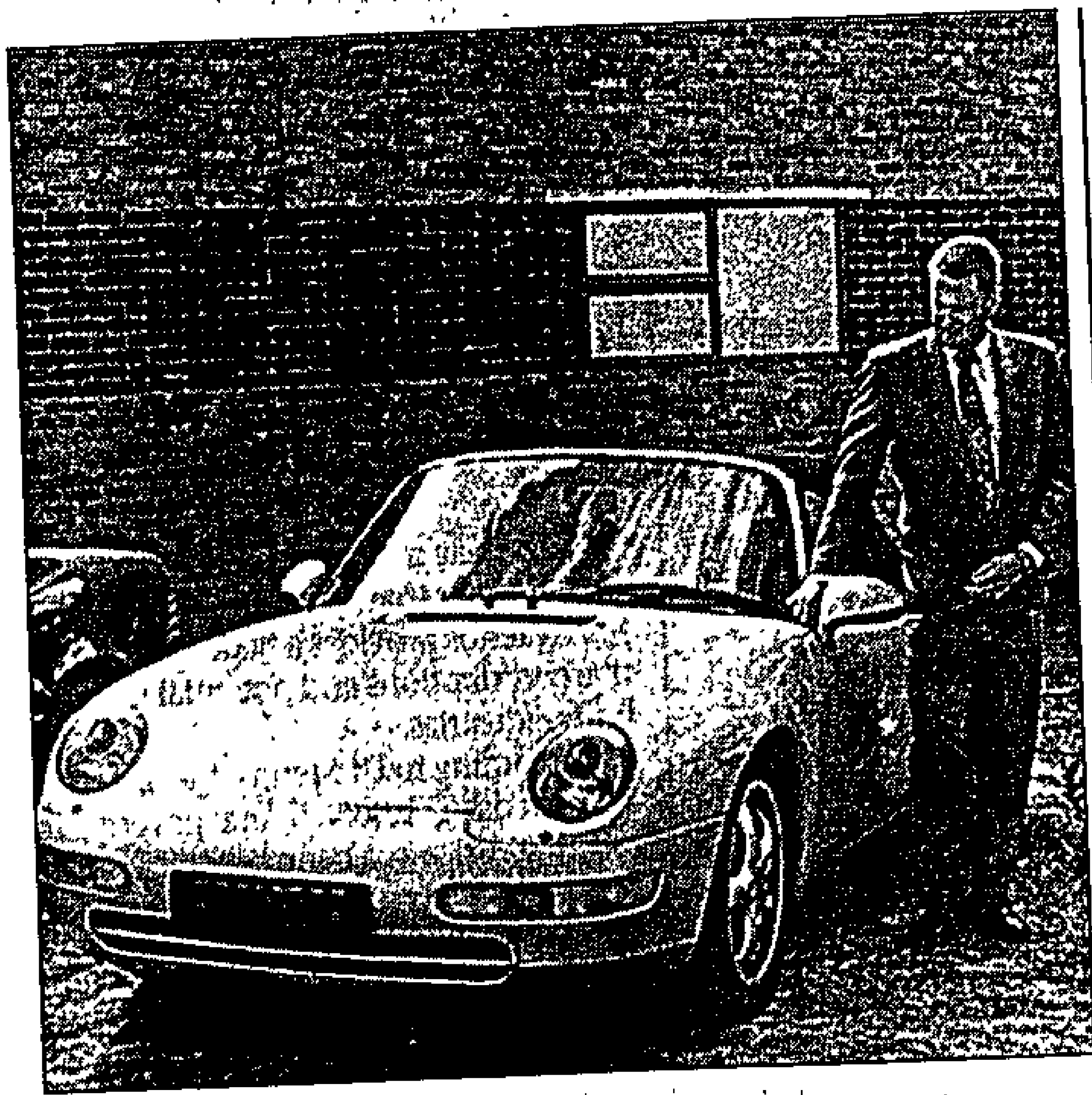
"It was a steal, but I smelt a rat. No one gives their car away at that price," said Mr Peter du Plessis, who added that the car would have sold for R435 000 in South Africa.

After being turned down by Bloomsbury, the men tried to sell the same car to two other car dealers without success.

One dealer tipped off members of the Cape Town vehicle theft unit, who arrested one suspect in Sea Point and confiscated the 320SL and a Porsche Targa.

A second suspect was arrested in Rosslyn, Pretoria, early this month and a Mercedes 500SL worth R800 000 was confiscated.

Falsified SA identity documents and three unlicensed firearms, including a 12-bore shotgun, were also seized.



LUXURY HAUL: The Porsche Targa above is one of three luxury vehicles worth more than R2 million that were stolen in Germany and shipped to Cape Town. PICTURE: DAN SIMON

Police have since established that the three cars were stolen in Germany around May last year and shipped to Cape Town by container.

Vehicle theft unit member Captain Jacques van der Merwe said on Friday that since the arrests, he and colleagues in Durban had uncovered two incidents of insurance fraud, totalling R2,9m and involving the suspects, in Durban and Cape Town.

Of this amount, R290 000 was paid out to the suspects in Cape Town when they reported that their Newlands home had been broken into and valuable household items stolen. Police found the "stolen" items stored in a warehouse.

Van der Merwe said he was working with Interpol and German police to ascertain the men's backgrounds.

He said his unit had confiscated four stolen luxury German vehicles since the beginning of the year.

"I know for a fact that there are other vehicles in the country which came in through Cape Town.

"Some of these are broken up and reassembled once they are in the country.

"Unfortunately, there is a problem when it comes to checking containers as there is a lot of red tape involved to get a

Clothing unions urge clampdown on fraud

(74F) (ISS4) BD 16/4/96

Renee Grawitzky

BD 16/4/96

CLOTHING industry wage negotiations begin today amid calls by both the SA Clothing and Textile Workers' Union (Sactwu) and the SA Clothing Federation (Clofed) for the prosecution of retailers and others involved in customs fraud.

These calls come in the wake of recent raids on major retailers who possessed illegal imports, and the signing of a code of conduct on customs and excise between the union and clothing and textile manufacturers — to commit themselves to ensuring duties were paid on all imports, whether their own or third party imports.

A snap survey of several major retailers, including Pick 'n Pay, Edgars and Mr Price, indicated that although some claimed not to have seen the code, they were not, at least in principle, opposed to such a move.

It is believed that Clofed has expressed its concern to the finance ministry that customs and excise had failed to prosecute retailers for customs fraud unless there was concrete proof they were directly involved in such actions.

Customs and excise commissioner Dan Colesky said the Customs and Excise Act provided only for action taken against importers for non-payment of duties.

Retailers in possession of illegal imports who wanted to reclaim their goods were only obliged to cover any outstanding duties, he said. The clothing industry estimated that between 40%-50% of total imports were illegal.

At the start of clothing industry negotiations, Sactwu expressed concern that last year's agreements had not yet been gazetted by the labour department.

Sactwu's core demands include a 17% increase, extension of wage agreements to all regions, increased provident fund contributions, and a 1% employer contribution to the proposed Housing Development Trust, to be administered by the industrial council.

Grincor chief calls for port privatisation

(74f)

By Jon Beverley

CT (BR) 16/4/96

Durban — The privatisation of South Africa's ports could improve efficiency and alleviate congestion, Murray Grindrod, the chairman of Grincor, said in the group's latest annual report.

Efficient movement of goods in and out of the ports is vital to the South African economy, he said, but "certain of our group's operations have been adversely affected by port delays". He said the privatisation of Portnet would create new opportunities for Grincor to establish strategic partnerships.

Though Portnet was attempting to alleviate the inefficiency and congestion, "internationally, it has been shown that privatisation improves efficiency and the quality of services, and government should be encouraged to bring this process to fruition as early as possible".

The company expects that first-half earnings are likely to be lower than in the second half. In previous years profit had been boosted by the sale of ships, which was not planned for this year.

"The outlook for the year is positive, with the prospect of the domestic economy continuing to grow and international trade also looking reasonably buoyant," the report said. "The outlook for international shipping is less clear, but with a broader spread of activities developed by the group, Grincor is well positioned."

Grincor has continued its capital investments, mainly for expanding the fleet and for investing in internal infrastructure, the report said.

Certain business units had been re-arranged and the benefits of these rationalisations were expected to materialise in the medium term.

ıip-offs anonymous

CLOTHING and textile employers and employees privy to information regarding illegal imports and industry malpractices could tip off the Clothing Federation anonymously, Clofed executive director Hennie van Zyl said yesterday. (74F)

He said this week's meeting of the law enforcement task group, a private sector initiative aimed at ridding the economy of illegal imports, had made facilities available for members of the public to anonymously report malpractices to the federation. BD 17/4/96 (18H)

DRIVING AHEAD *Mike Whitfield with one of Nissan Diesel's new generation four-ton Cabstar trucks*

Fears grow that foreigners could harm trucking industry

ET(BR) 22/4/96 (182) (74F)

MARGIE WILLIAMS

Johannesburg — Recent entrants into the South African truck market have upset the balance between what is good for the industry and what is good for the country, Mike Whitfield, the director of Nissan Diesel South Africa, said last week.

Whitfield was speaking at the launch of Nissan Diesel's new generation four-ton Cabstar truck on Thursday.

"What is good for the industry normally emerges from the strong competition between manufacturers and what is good for the country comes from our job creation, our exports, our taxes and all the hidden benefits from the manufacturing infrastructure," he said.

He said local truck manufacturers had been supporting the Motor Industry Development Programme, which aimed at providing affordable vehicles.

He praised competition, saying it ensured the country kept up with advancements in technology, controlled costs and strove for quality service and improved efficiency.

However, he said, competition had to be fair. Some local manufacturers were concerned about unfair competition with recent entrants into the market and the government's inability to police infringements and enforce the law.

Whitfield said local manufacturers had invested billions of rands in their facilities but some newcomers had little invested in South Africa and could leave if conditions became difficult.

Cheap imports close company

CT (BR) 22/4/96

By Françoise Botha

(74F)

Cape Town — Sarjar Fashions, a Cape clothing manufacturer, was set to join what would probably become a string of clothing firms to go into liquidation following the flood of cheap imported clothing into South Africa, said Gerald Sarembock, the managing director of the company.

An application for the liquidation brought by Reichmans, the creditors and financiers, was granted in the Supreme Court in Cape Town last week.

The company, which has been trading for 24 years, would close its doors to about 270 workers, including highly trained cutting room staff and machinists.

The industry could not compete with the illegal imports, he said. "They are affecting our margins and our cashflow. It is very difficult in the clothing industry at the moment," said Sarembock.

He did not believe the liquidation had anything to do with the South African Clothing and Textile Workers' Union demanding a 17 percent pay increase.

Sarembock said illegal imports had also affected the computer equipment industry.

"There is really only one solution to all this and that is to remove all import duties and increase the VAT substantially," said Sarembock.

Last month, the Clothing Federation called for its members to sign a code of conduct on customs and excise fraud in a bid to stamp out illegal imports.

The union said it would support legislation that would make it compulsory for imported clothing to carry a label that identified the country of origin.

This would help to block illegal imports, the organisation said.

All UK beef imports 'must be destroyed'

(74F)

CT 22/4/96

OWN CORRESPONDENT

JOHANNESBURG: Several thousand tons of beef that have been imported from the United Kingdom and kept in quarantine must be destroyed or returned to England, according to meat experts.

A delegation was sent to the UK earlier this month to investigate the dangers of Bovine Spongiform Encephalopathy (BSE) or "mad cow" disease.

Its members, who included Meat Board general-manager Dr Pieter Kempen and representatives of the departments of Agriculture and Health, found that British beef posed a possible threat to South African consumers.

In a statement yesterday, the Meat Board said although it was difficult to calculate precisely the quantity of British beef in the country as there were many importers, the amount was several thousand tons.

A shipment of 2 000 tons that had been blocked from entering the country two weeks ago would also have to be destroyed.

"In the light of the British prohibition on the sale of beef and beef products for human consumption, it would be irresponsible to the South African consumer if all beef imported from the UK was not destroyed forthwith," the statement said.

The ban on British beef should remain until the UK had been classified BSE-free. The statement suggested that the ban should be extended to other countries that could not provide a disease-free record for at least the past five years.

The precautions are in line with measures implemented by the United States and several Arab countries.

The Meat Board said that in addition to safeguarding public health, its recommendations were designed to prevent the disease spreading to South African herds.

"We shall have to do everything within our power to keep BSE out of our country," the Meat Board statement said. "To this end we shall have to determine if any carcass meal (cattle feed containing animal protein) has been imported."

It is unclear how BSE is spread. Veterinary surgeons in the UK suspect it is linked to cattle feeds that contain animal proteins. The disease can remain dormant for some time and can be detected only when it becomes active.

Destroy imported UK beef, say experts

(74f) Star 22/4/96

BY TARYN LAMBERTI

Some several thousand tons of beef kept in quarantine after being imported to South Africa from the UK must be destroyed or returned to England, according to meat experts.

A delegation, including Meat Board general manager Dr Pieter Kempen and representatives from the departments of agriculture and health, was sent to the UK to investigate the dangers of Bovine Spongiform Encephalopathy (BSE) or "mad cow" disease earlier this month. They found British beef posed a possible threat to SA consumers.

It was difficult to calculate the present amount of British beef in SA as there were many different importers, said Johan Viljoen of the Meat Board yesterday.

He said the imported beef amounted to several thousand tons and a shipment of 2 000 tons which was blocked from entering the country two weeks ago would also have to be destroyed.

"In light of the British prohibition order on the sale of beef and beef products for human consumption, it would be irresponsible to the SA consumer if all beef imported from the UK is not destroyed, forthwith," Kempen said.

Referring to future imports, the statement said the temporary ban on the import of beef and beef products from the UK should remain in place until the UK has been reclassified a BSE-free country. The ban should be extended to include other countries that could not provide a disease free record for at least the past five years, it said.

The precautionary measures were in line with similar measures implemented by the US and some Arab countries.

The recommendations made by the Meat Board were not only based on the potential threat to consumers' health but are "of further importance because SA cannot afford a threat of eradication of its beef herd as a consequence of BSE infection".

It is still not clear how BSE is spread. Veterinary surgeons in the UK suspect the disease is contracted through the intake of feed containing animal proteins. The disease would only become detectable when it became clinically active in an animal and could remain dormant for some time.

South African microbiologists, contacted by The Star when the "mad cow" disease furore broke earlier this year, said humans could only contract the disease by being in contact with infected cattle's brain tissue.

The Meat Board has adopted a "better safe than sorry" view.

Competition from imports hurts Pep

BD 23/4/96 (74F)

Jacqueline Zaina

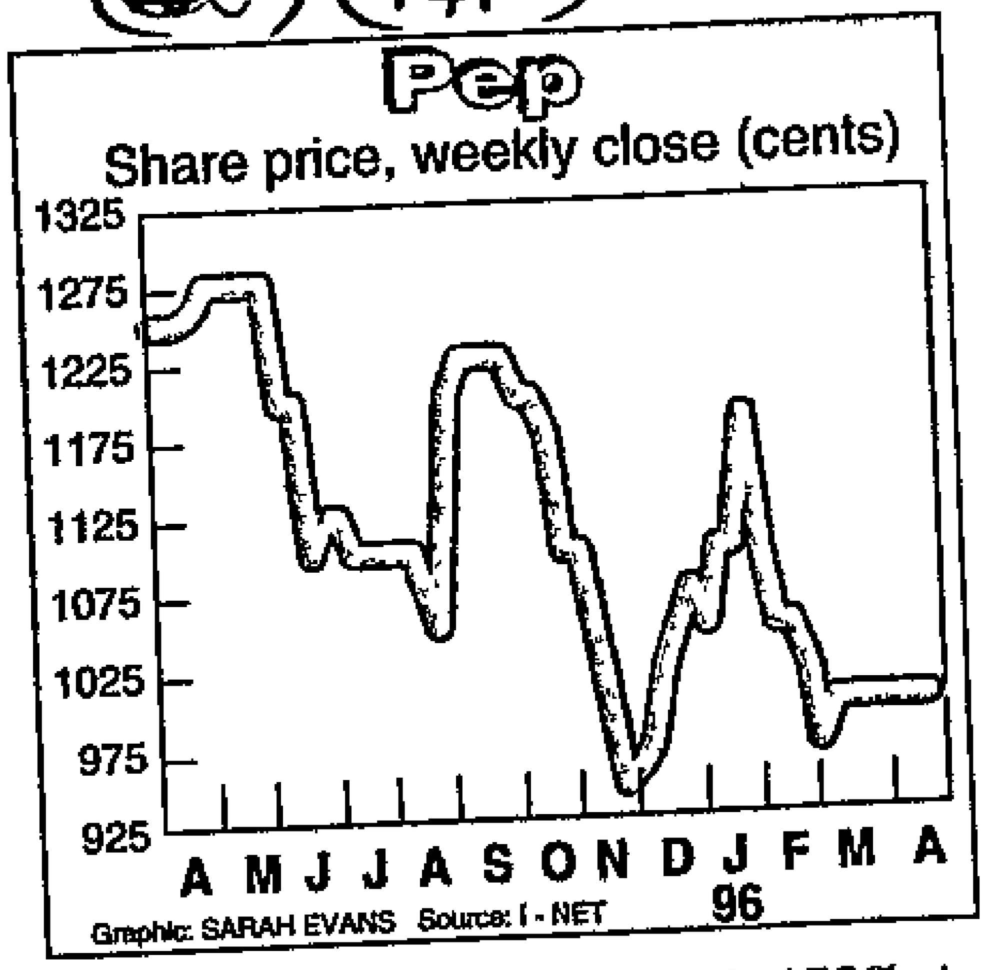
CLOTHING retailer Pep raised attributable income 6% to R129,3m in the year to end-February after its bottom line was knocked by unrest in KwaZulu-Natal, illegal imports and drought.

Operating margins increased to 9,8% from 9,3% the previous year, worsened by the availability of credit in the lower-income market, which affected the cash retail trade.

Share earnings increased 6% to 56,1c (52,9c). Following the decision to change the company's financial year end to June, directors said a final dividend for 10 months would be declared when the results for the 16 months to June were reported.

Turnover rose 14% to R1,8bn. Pepkor financial director Cornus Moore said margins had been under severe pressure as the company attempted to maintain market share in the face of large-scale importation of clothing "circumventing the customs network".

Increased competition from imports affected margins in the manufacturing division as well as profit growth. Operating profit before investment income was 1% higher at R182,1m.



Finance charges jumped 153% to R32,1m from R12,7m after an investment in improved information systems and stockholding was financed through additional interest-bearing loans, Moore said. This left pre-tax profit 5% lower at R178,5m.

Interest-bearing debt more than trebled to R179,5m from R38,7m the previous year, with stock levels up 19% at R690m. The group's investment in fixed assets grew 26% to R191,1m and

Continued on Page 2

Pep

(74F)

Continued from Page 1

BD 23/4/96

the number of the stores it operated increased by 49 in the course of the year.

A drop in the group's tax rate due mainly to the abolition of the transition levy, the lowering of tax rates in neighbouring countries and overprovision in previous years resulted in a tax bill of R43,3m — 29% down on the year before. Taxed profit was 6% up at R135,2m.

Moore said Pep Stores expanded its activities in southern Africa, opening four stores in Zambia during the year and acquiring a 25% interest in Zimbabwean retail chain Power Sales.

The group's Your More Store chain in Scotland, which opened 43 stores during the year — taking its total number to 97 — contributed nearly R2m to group operating profit. New information systems and widespread rains in southern Africa were also expected to contribute positively to the group's earnings potential in the current year.

Moore said future earnings growth would be boosted by the group's aggressive expansion programme in SA and neighbouring countries. The group had no plans to launch a credit facility, as it targeted the C and D income market.

A certain minimum income level was required before credit could be offered, he said.

Namibian beef imports increase

BD 24/4/96 (74F)

Louise Cook

PRETORIA — SA is to step up beef imports from Namibia by 30% following the ban on UK beef.

Meat Board marketing manager Wilby Venter said Namibia was the obvious country to import beef from because of prolonged drought, which had forced it to push up slaughterings before winter to enable farmers to survive.

Local prices were expected to fall to about R7,95/kg with more meat coming onto the market in winter, a seasonal pattern.

Namibian meat board manager Jaco van der Merwe confirmed the drought had forced a pre-winter export drive. SA was expected to import more than 90 000 carcasses, compared to 77 0000 last year.

Namibia would also supply the EU. Namibian prices of R6,80/kg were not expected to change much before the end of winter.

Other industry sources said beef prices and consumption had remained steady, despite last month's mad cow disease scare, when British beef imports were banned.

Meat board GM Pieter Kempen has called for the destruction or return of remaining supplies of UK beef in SA. The UK had supplied 7,5% of SA's beef, mainly for processed products. The extra Namibian beef would supply about half that hit by the ban.

Cabinet backs beef destruction

CT 25/4/96 (74F) MEAT

POLITICAL WRITER

THE cabinet yesterday backed the decision by Agriculture Minister Dr Kraai van Niekerk to ban the import of British beef in the wake of the "mad cow disease" (BSE) scare — and ordered the destruction of all British beef, at the cost of importers.

It is estimated that there are about 9 000 tons of British beef in SA. About 57 000 tons were imported last year.

The SA Meat Board has also called for the destruction of beef and beef products imported from Britain.

"It would be irresponsible to the consumer if all beef imported from the UK was not destroyed," meat board spokesman Mr Pieter Kempen said in a statement. "We shall have to do everything in our power to keep the disease out of our country.

"The effects of destroying heads of cattle as a result of BSE outbreak in our country will be devastating to feedlots, producers and ... small farmers alike," Kempen said.

Importers told to destroy British beef

Star 25/4/96

By Patrick Bulger
Political Correspondent

Cape Town – The Cabinet yesterday ordered beef importers to dispose of all British beef following the mad cow disease scare in the UK.

(3) MEAT (74F)

The Cabinet said it concurred with Agriculture Minister Dr Kraai van Niekerk on the refusal of entry of all beef imported from the United Kingdom and the instruction to importers to dispose, at their own expense, of all beef kept in bond, as well as meat on the way to South Africa.

SA importers angry at order to destroy British beef valued at R17,5-m

Star 26/4/96 (74F)

Who will foot the bill depends on whether irrefutable links between mad cow and Kreutzfeldt-Jakob diseases are found

By Nikki Whitfield

The Cabinet's order that local importers destroy around 2 500 tons of bonded British beef valued at about R17,5-million has angered importers who face a loss and the Meat Board is urging Government to bear the cost.

It is the latest development in this country in the international arguments over what's called "mad cow disease" that has made British beef suspect and banned by the European Union and in several other countries.

"It's all good and well for the Cabinet to make decisions like this, but who's going to pay for it?" said Eddie Bielovich, chairman of the National Federation of Meat Traders.

"If something has been allowed by the Government in the first place, surely it should be their call to foot the bill if they decide to change things?"

Dr Pieter Kempen, general manager of the Meat Board, agreed with Bielovich.

"The responsibility lies with the Government. They allowed the imports in the first place, so they should destroy it."

The haggle over who must pay is not confined to South Africa. Britain has for weeks been bargaining with the European Union over how many suspect cattle must be slaughtered for the international ban to be lifted - and who will compensate the beef farmers.

The latest UK Ministry of Agriculture plan to win back approval with its trading partners on the Continent is a sacrifice of 40 000 cows.

British beef has been bonded in warehouses in SA since the Department of Agriculture slapped a ban on it last month.

Kempen estimated about 2 500 tons of beef at R7 per kg had been seized. However, he said the Meat Board did support the call for it to be destroyed.

"We aren't worried about the public's health because we don't believe there's much danger of mad cow disease being passed on to humans. But we support the call for it to be banned simply because we cannot afford to let BSE (bovine spongiform encephalopathy or mad cow disease) enter into herds in this country."

The human form of mad cow disease is Creutzfeldt-Jakob Disease. A dozen or so people have died of it in Europe over the past decade.

Deon Joubert, parliamentary officer of the Department of Agriculture, said whether importers would be compensated for the meat they had imported and the costs they would incur in getting rid of it remained to be seen.

"A lot depends of the scientific evidence as to whether there is a risk between mad cow disease and Creutzfeldt-Jakob.

"If it is found there is no risk, the countries taking the decision to ban it will be at the receiving end of the payment stick."

British Trade Minister Anthony Nelson has urged the SA Government to reconsider its ban on imports of British beef.

Nelson is in South Africa for the "Britain Means Business" trade show in Durban this week.

In discussions with KwaZulu Natal agriculture MEC George Bartlett, Nelson pointed out that British beef had been declared safe by the EU Commission, the World Health Organisation and other experts after the mad cow disease scare.

CT 29/4/96

Beef importers face losses

(74F)

STAFF WRITER

EIGHTY shipping containers of British beef in South Africa are to be destroyed — but not without a fight.

The beef is to be destroyed as a precaution following reports that the disease, Bovine Spongiform Encalopathy, better known as mad cow disease, can be transmitted to humans.

Mr Savo Sakota of Durban Deep Wholesale Meat in Roodepoort who owns 20 of the containers, about 400 000kg of meat worth over R3 million, said he would go to court before allowing anyone to bury his perfectly healthy meat.

"Meat in this consignment comes only from cattle in herds that have been free of mad cow disease for the past five years," he said. "We have that certified by the British health authorities."

This was a requirement, among others, imposed by South Africa when the veterinary services branch of the Department of Agriculture issued him a permit to import the meat. He had complied with every one of the department's requirements.

"Someone has decided it is no good. But it is up to them to buy it from me, and then destroy it," he said. "I'm not insured against having meat condemned in this way."

In Cape Town importer Mr Patrick Gaertner, who owns over R1m of the beef in storage in the harbour, said if the meat posed a health hazard, then it had to be destroyed.

However, he wanted to know what new information about mad cow disease had come to light over and above what had already been known for eight years by meat importers and the Department of Agriculture.

"They have given us 21 days," he said. "We are already holding the department responsible for our loss. If necessary, I will get a court order preventing them from destroying the meat."

The most common way of disposing of a large quantity of condemned meat is to dig a hole and dump it, he said.

Imports surge highlights customs' shortcomings

BD 2/5/96 (74F)

Nicola Jenvey

DURBAN — Surging imports have thrown into sharp relief the shortcomings of SA's customs and excise department.

For those who work in the service, constant sniping by industry has taken on a harsher edge due to allegations that officials are so poorly paid they are susceptible to corruption.

Then there has been the unsettling prospect of public service job cuts and the early retirement of some top staff.

Whether or not the new SA Revenue Services (SARS) can revive the fortunes of the ailing department, only time will tell.

Certainly, at Durban — Africa's busiest port which has been widely accused of being an open door for smugglers — the new SARS is just another event in a long chain staff have to deal with.

The Durban customs and excise office is a 1930s red-brick building with long corridors and wooden doors.

In spacious rooms, desks — government-issue and reminiscent of school-days — house work stations and employees in their mid-twenties on average.

"Events of the last few years have separated the hard-working, dedicated customs officials from the others," customs and excise deputy director Joe Britz said.

The priority is to keep the 230 "best of the best", as Britz called them, motivated and proud of their jobs.

Durban's port controls more than 70 000 containers a month, and turnaround time for entry permits is 48 hours — despite limited computerisation and outdated clearing systems.

On average only about 2% of containers entering the harbour are physically examined.

Cindy Fouche is a checking officer whose father worked at customs and excise before her. She followed in his footsteps five years ago.

She has to ensure that clearing agents' bills of entry yield the due amount in duties. In March she checked almost1 500 applications and stopped 23 containers for inspection.

Her investigations recovered R104 000 in unpaid duties to add to the R132 000 she recovered in February.

Importers caught underpaying duties are subject to a 10% penalty above their dues. For her efforts, Fouche receives 10% of this, to a maximum of R200.

"I have never considered leaving customs and excise ... the promises made by SARS will eventually come to fruition," she said.

When adjustments clerk Clive van Rooyen joined eight years ago, he believed he could help to combat fraud. Yet, as it turned out, he also saw a decline in morale and the disappointment of being lowly paid.

Industry has recently offered to assist customs and excise by seconding private sector expertise and information on various industry sectors. Such offers have not come a moment too soon.

The staff also find themselves slowly being squeezed out of their offices and inspection facilities by goods seized.

The 1991 appeal by the clothing and textile federations that illegally imported goods not be dumped on the SA market or deported elsewhere in southern Africa means 72% of the available space is used to storing decaying garments and rolls of material.

Pigeons, cats and a solitary eagle now live among the catches, and brightly coloured materials are slowly turning grey under the steady flow of droppings.

All of which seems a far cry from the recent brass band, blue-uniformed launch of SARS.

The new service has promised revised scales with higher salaries, new training and education and modernised equipment to promote efficiency, and to enhance revenue collection.

No one at Durban is under any illusion, however, that the improvements will take years to filter through.

Alloy importers cleared by US

(74f)

Simon Barber

BD 3/5/96

WASHINGTON — The US commerce department has cleared SA ferrochrome producers of breaching subsidy ceilings for their imports in 1994.

The department said the subsidies received by Samancor, Consolidated Metallurgical Industries and Chromecorp subsidiary Chrome Resources had fallen well below the threshold set by the US. SA ferrochrome exports hit $70m last year, against $28m in 1994 and $29m in 1993. The department revoked countervailing duties from ferrochrome exports with effect from January last year.

The department found the companies had neither requested nor benefited from the general export incentive scheme and other export incentives, export loans from the Industrial Development Corporation, beneficiation allowances, electricity rebates, government loan guarantees or even preferential rail rates.

Forum to stop illegal imports

(74F)

Louise Cook

BD 7/5/96

VARIOUS farming sectors had set up a special forum, similar to the private sector's Customs and VAT Enforcement Caucus, to halt the flood of illegal food imports valued at millions of rands, sources said yesterday.

The milk, meat and oilseeds boards said the organisations would run the newly established Forum for Combating Illegal Imports. More marketing boards were expected to join.

However, a meat board source declined to name potential new members, saying the situation was extremely sensitive as inspectors were often targets of violence.

An informed source in the meat industry said the new agricultural forum would not necessarily join the caucus. However, future co-operation was not excluded.

The caucus represented 15 industries, including textile and clothing, tyre, music, electronics, pharmaceutical and liquor, also hit by a flood of contraband products entering SA.

The caucus was given the go-ahead by Cabinet to work closely with the police and other government agencies to prosecute offenders.

Customs and excise commissioner Daan Colesky estimated 30% of all imports evaded the custom's net.

Imports value rise for October

CT(BR) 8/5/96 (74F)

By Françoise Botha

Cape Town — The value of imports in October increased 23,4 percent from September to R9,18 billion, but total exports decreased 6,5 percent to R8,78 billion, according to figures released yesterday by the Central Statistical Service

Import and export figures climbed from the corresponding month in 1994, with imports up 34,9 percent and exports up 14,6 percent.

The seasonally adjusted volume of imports for October increased 20,2 percent from September, but over the three months ending October it fell 13,8 percent compared with the previous quarter.

The value of exported merchandise for the month decreased 4,4 percent to R6,99 billion and of gold by 13,8 percent to R1,78 billion compared with September. Exports of manufactured goods, 38,1 percent of the month's total, decreased by 14,8 percent. Animal and vegetable oils and fats showed the biggest decrease of 24,1 percent, followed by food, beverages and tobacco, which were 20,4 percent lower.

The service said yesterday that preliminary figures for January showed that imports had risen by 18,9 percent over December while exports had only increased by 3,3 percent.

The deficit on the current account was expected to fall from R12,6 billion last year to between R6 billion and R7 billion this year, said Pieter Calitz, an economist at Sanlam.

He attributed this to the slower growth of industries out of the primary sector, which were expected to import fewer investment and durable goods, and an increase in the value of South African exports because of prices becoming more competitive.

Illegal tobacco imports flourish

BD 13/5/96

(74F)

Louise Cook

PRETORIA — The customs and excise department has warned it lacks the resources to staunch the flood of contraband cigarettes pouring into SA.

The industry said last week that at least 2% of the industry's estimated R6,5bn-a-year sales had been captured by illegal trade, with many contraband cigarettes now sold over the counter in shops and cafes.

But the department, already engaged in raids on illegal textile, liquor and tyre imports, said it needed more staff to fight the problem.

"We simply do not have the manpower to follow up all complaints immediately," commissioner Daan Colesky said.

He said that new staff needed extensive training before they could be sent into the field.

The industry said the contraband trade, which pulls in brands such as Camel and Marlboro mainly from Mozambique and Angola, had been spurred on by hefty excise duties in recent years.

Illegal imports were identified by the absence of health warnings on the packets.

Rembrandt said another problem was that people bought cigarettes from wholesalers ostensibly for export but forged documents to avoid VAT and sold the product back into the local market.

United Tobacco said illegal sales probably accounted for far more than 2% of the market.

A spokesman for Utico said the tobacco company had also reported several supermarkets and cafes for selling contraband cigarettes to customs officials and the police.

"We rely entirely on the authorities to fight it... We cannot simply go in and confront offenders."

Lowveld tobacco co-operative MD Louis Smit said the growing trade would hit the SA industry's 35 000-strong direct workforce.

The Tobacco Institute of Southern Africa said about 200 000 people depended on the industry for a living.

Iscor hit by low sales and steel imports

(089-74F) BD 15/5/96

David McKay

ISCOR had been badly hit by poor domestic sales, production glitches and an increase in imports which had eroded its market share, analysts said yesterday.

Commenting on Iscor's prediction that it would post a 40% drop in operating profit for the six months to June, analysts said that there was an inventory drawdown of up to 1-million tons or between 10 and 13 weeks of stock by local consumers.

Lower domestic demand was chiefly due to a less than 3% growth in GDP, and the failure of the RDP to kick in, one analyst said.

Consumers had decided that it would be better to use existing stocks rather than purchase new steel from Iscor, he said.

Local steel sales accounted for more than half the dispatches from the company's steel division, or 3,3-million tons in the group's 1995 financial year, while exports accounted for 2,4-million tons.

Another factor was the increase in imports from 3% of total SA steel consumption to about 6%. This was due to the reduction in import tariffs from 46% to 5% after 1 September last year in line with SA's signing of the GATT agreement. This had partially reduced Iscor's market share, one analyst said.

However, executive chairman Hans Smith said the depreciation of the rand against the dollar would probably see a reduction in the amount of imports to SA.

Production problems at the Vanderbijlpark Works stemmed from a R1,2bn capital expenditure programme in which Iscor had decided to reline its two main blast furnaces and close down two smaller ones over the next two-and-a-half years, Smith said.

He said that the company had decided last year to delay the relining of the first of the furnaces because there was still "some life in it". However, the delay resulted in the furnace becoming only 70% efficient this year, which had resulted in a loss of production of about 700 tons of liquid steel a day from the works.

Smith eased fears that the relining of the furnaces would result in further production losses as the company had built up 270 000 ton inventory for the 90 days it took to reline one furnace. The relining to the first furnace would begin in July, he said.

Iscor's warning that it would report lower than expected operating profits cut another 1c from its share price on the JSE yesterday, leaving it to close at 348c.

Decision to cut import tariffs panned

(74F)
BD 16/5/96

Linda Ensor

CAPE TOWN — Government's decision to cut import tariffs below international trade requirements without an accompanying industrial policy was panned yesterday by the parliamentary trade and industry committee.

Grilling the Board on Tariffs and Trade, the committee said it wanted greater involvement in tariff policy, and would pursue the issue with Trade and Industry Minister Alec Erwin.

Board chairman Nico Swart said the board had operated in a policy vacuum. Its task would be far easier if it

Continued on Page 2

Tariffs

(74F)
BD 16/5/96

Continued from Page 1

could work to a clear industrial policy.

Business and labour have long argued that industry and jobs are threatened by tariff cuts below World Trade Organisation (formerly GATT) requirements, but government has yet to produce a clear industrial policy, such as supply-side help, for business

Committee chairman Edna Sethema said it was unsatisfactory that the committee played no role in formulating tariff structures.

"We need to acknowledge the mistakes we have made in the past in reducing tariffs," she said.

The committee raised its concerns when Swart released details of a board probe of 8 000 industrial tariff lines after SA signed the 1994 GATT pact.

Tariffs in the industrial sector would fall from 15% in 1994 to 9% in 2002, against GATT's average weighted binding level of 16%.

In the case of consumption goods the decline would be from a weighted average of 34% to 18% (GATT: 27%); for intermediate goods from 8% to 4% (10%); capital goods from 11% to 6% (15%); and unclassified goods from 11% to 8% (10%).

Committee member Rob Davies (ANC) questioned whether tariff cuts were the best way to improve international competitiveness. Economically successful countries had liberalised tariffs in tandem with developing industrial capacity, he said.

Swart said the board had cut tariffs on the basis of government's general plan to liberalise trade, but where there had been industrial policies, as in the motor, clothing and textile industries, these had not been implemented at the same time as tariffs were cut

The board and the department had started working together.

Also under discussion were ways to give the SA Customs Union a greater say in determining tariffs, Swart said Lower tariffs had led to business reshaping product mixes, improving productivity, changing marketing structures and investing for increased export volumes.

The board was formulating final recommendations on tariffs for all agricultural products bar tea.

In the interim it was setting tariffs at a level where imports would land at a price similar to SA wholesale prices, and was considering countervailing duties to deal with the heavy subsidisation of agriculture in the US and EU.

Sugar cane export income set to soar

(74F)

Nicola Jenvey

DURBAN — SA's 1996/97 cane export earnings could more than triple to about R1,25bn compared to last year's R400m, Illovo Sugar MD Don McLeod said yesterday.

Early indications were that SA would have about 1-million tons to export compared to 360 000 tons last year, although final export earnings would depend on the exchange rate, world sugar price and seasonal net production, he said.

SA Sugar Association export manager Andrew Barr-Simm said that high rainfall could push the 1996/97 crop to 2,25-million tons. The local market needed 1,3-million tons. Exports would comprise 800 000 tons of raw sugar and 200 000 tons of refined sugar.

Among new markets were Japan, Korea, Singapore, Philippines, Egypt, Dubai and Morocco, while SA had longstanding agreements with USA, Canada, China, Kenya, Ghana and Tanzania. In the 1995/96 season Illovo Sugar raised its share of industry output to 48,6% from its usual 43%.

McLeod said crop recovery on the KwaZulu-Natal south coast had raised sugar production by 32 000 tons to 805 774 tons. The company consequently raised attributable profit 29% to R53,7m in the six months to March. Sales grew to R830,6m (R763,8m).

Drought-hit Tongaat-Hulett's sugar division, however, reported a 7% cut in contribution to group earnings for the year to March. Tongaat lifted attributable income 41% to R403,6m while turnover grew 5,4% to R4,1bn.

The sugar terminal's three silos could store 520 000 tons. Industry sources foresaw no congestion problems once exports began.

BD 16/5/96

Industry has been severely jeopardised, says Unispin's managing director

Increased knitwear imports send yarn maker reeling

(74F) CT(BR) 20/5/96

By Marc Hasenfuss
CAPE EDITOR

Cape Town — Increased knitwear imports sent Unispin Holdings, the Port Elizabeth yarn manufacturer, reeling in the six months to March 31.

The group, which is controlled by Claas Daun, the German investor, managed a threadbare R62 000 at bottom line — well down on last year's R11,6 million. Market enthusiasm for Unispin has also waned with the share languishing at a 12-month low of 40c, which is a substantial discount to the present net asset value of 55,3c.

Chris Snijman, Unispin's managing director, said the company had been severely affected by a flood of knitwear — both legal and illegal — from the East.

This was reflected in the 1 percent fall in turnover to R118 million and more so in the shredded trading margin, which left operating profit 78 percent down at R2,7 million.

Operating profit was almost entirely swallowed by a heavier interest bill of R2,6 million, stemming from a 90 percent hike in interest-bearing debt to R27 million.

Unispin's R24 million profit went up in the year to September 30 last year and this looks unlikely to be matched — even in the 15 months to the revised December year-end. A dividend has understandably been overlooked to bolster gearing and facilitate long-term growth.

Snijman said the Board of Trade and Industry's inability to implement an equitable system of import duties and failure to control the customs and excise structure had created a "chaotic international trade situation in South Africa".

He said the authorities seemed to have realised the severity of the situation and were at last taking remedial action. "But, the very fabric of the industry has been severely jeopardised and recovery will continue to be very difficult."

On the positive side, Unispin's balance sheet still looks in good shape. Gearing is an acceptable 32,9 percent (up from 12,7 percent previously), while current assets of R155,7 million and current liabilities of R60,4 million make for a healthy quick ratio of 2.6 times.

The sound balance sheet lends weight to the director's view that Unispin has a sound long-term future "once textile industry conditions are normalised".

Snijman said the company would continue to invest in technology and human resources.

"These investments will ensure improvements in quality, delivery, service and costs and should ultimately result in the group becoming internationally competitive."

Snijman said that Unispin had recognised the limitations of the domestic market and had formed a distribution network for exports in Europe and America in association with the Daun organisation. "This initiative has already begun and promises to develop into a major market."

Provision in import law is upheld

BD 22/5/96 (74F)

Deborah Fine

TEA supplier Ynuico Ltd has lost its Constitutional Court bid to have a section of the Import and Export Control Act declared unconstitutional.

The section prohibits the company from importing foreign tea unless it also purchases a percentage of domestically grown tea.

It empowers the trade and industry minister to prescribe in the public interest that "no goods of a specified class or kind or no goods other than goods of a specified class or kind" may be imported except in accordance with the conditions stated in permits.

The trade and industry ministry, in a Government Gazette notice in 1988, prohibited the importation of tea into SA without a permit.

The company submitted that the section fell foul of section 37 of the constitution. It argued that section 37 meant only Parliament had the power to make laws.

In a unanimous decision yesterday, the Constitutional Court ruled that the section and the notice had been enacted before the 1993 interim constitution.

Section 37 dealt only with legislative power after the 1993 constitution. Moreover, all laws prior to the commencement of the 1993 constitution were preserved by section 229 of the constitution which stated that such laws would remain in force subject to their repeal or amendment.

Dispute over political canvassing in factories

BD 22/5/96

Linda Ensor

CAPE TOWN — Western Cape clothing manufacturers and the SA Clothing & Textile Workers' Union have clashed over factory access for canvassers ahead of next week's local government elections, with employers taking a hard line barring entry.

Rex Trueform and House of Monatic and others such as Pals Clothing, Modern Fashions, Peerless Shirt Manufacturers and Val Hua had refused access to canvassers in contravention of the provincial electoral ordinance, Cosatu provincial treasurer Randy Pieterse said yesterday.

In refusing Cosatu-affiliated Sactwu's request for access, several employers said they were abiding by Cape Clothing Manufacturers' Association policy.

Association chairman Jan Baard said the association believed that electioneering during work hours for party political purposes was "undesirable" and undermined the commercial interests of employers.

He believed it caused disruption and division among workers and lowered morale and productivity. Employers were therefore justified in turning down requests for access if they had a reasonable apprehension that these negative consequences would result.

Baard felt chaos would ensue if all political parties were given access to factory premises during working hours, and would not accept canvassers had right to unfettered access.

In terms of the provincial electoral regulations "any canvasser or educator of voters shall have reasonable access to any public or private area where voters live or work". Baard said, however, that while the association was prepared to abide by a court ruling, it believed that electioneering on factory premises was not reasonable.

Rex Trueform personnel manager James O'Brien stated in a letter to Sactwu that "political electioneering in our factory is a sensitive issue with some workers having strong views on their political affiliations. Past experience has resulted in an unsettling of the work force which we can ill afford at this point in time."

Shop stewards were concerned, O'Brien said, that all political parties be given an opportunity to canvass.

Cosatu said it would continue addressing membership outside factories until the matter was resolved.

SA dealers want used car imports put into reverse

(ED) (74F) ARG 30/5/96

JOHANNESBURG - The National Automobile Dealers' Association has called on the Department of Trade and Industry to immediately stop the import of used vehicles.

"More and more foreign used vehicles are being illegally imported into South Africa, with damaging effect to buyers and South Africa's motor industry," NADA chairman Derrick Dixon said in a statement.

"The Import and Export Control division of the Department of Trade and Industry is being urged to stop the used imports immediately."

Mr Dixon said importers were selling vehicles in South Africa without any service infrastructure to support the buyer.

He said some of the vehicles sold were not compatible with South African models and, therefore, could not be serviced through South African dealers as no back-up parts were available.

"Sometimes we (dealers) can assist, but not always, and already there are motorists out there sitting with cripples (vehicles stranded without service and parts support) for which they have paid good money."

NADA has called for an urgent meeting of the DTI's import and export control division, the SA Revenue Services' Customs and Excise authorities, the Department of Foreign Affairs, Naamsa, the Automobile Association, component manufacturers association, NAACAM, and the National Union of Metalworkers. - Sapa.

Invoicing imports in rands will allow forward planning

BD 30/5/96

(74F)

INVOICING of imports in rands is one of the prime advantages now offered to importers.

Rand invoicing is one of the tax-haven advantages offered by UAL Trade Finance (IOM) Ltd — recently brought on stream on the Isle of Man.

UAL Trade Finance (IOM) is an operating subsidiary of Nedcor and administered as such through Nedcor's operations in the island's capital, Douglas.

Johannesburg-based UAL Merchant Bank general manager David Fienberg says purchasing goods abroad on behalf of SA importers and invoicing these goods in rands has obvious spin-offs for importers.

Charges

"The SA importer is able to pre-determine his import duties and VAT charges well in advance.

"Without this facility, importers are buying forward cover on their imports but are not able to determine the value of duties and VAT in advance. Given the recent dramatic depreciation of the rand, this can involve a substantial amount.

"UAL gives importers the opportunity to cover forward their duties and VAT. It provides them with an effective management tool for planning ahead. Many will have found — at great cost — that this management tool has been lacking in the past month or two."

Importers who issue bills or promissory notes are normally confronted with a range of associated charges, including bank charges — local and foreign — and government stamp duty.

Foreign banks often charge the finance at a premium because they perceive a SA risk. Taking out some of the links in the chain can help to cut costs to the buyer, says Fienberg.

Among the main activities of UAL Trade Finance (IOM) Ltd is the discounting of Bills of Exchange for SA importers and exporters. This can be structured to avoid payment of stamp duty, and in some instances bank guarantee

DAVID FIENBERG

charges can be avoided.

UAL Trade Finance has the people and the systems on the ground to effectively package structured transactions, says Fienberg.

Structured finance can also be arranged for major imports and export transactions.

UAL Trade Finance can borrow dollars in the Euromarket and lend the funds to SA corporates for trade finance.

Fienberg says the effectiveness of these transactions becomes apparent on the major currency flows usually associated with large SA corporates.

A typical transaction size exceeds R5m, he says.

Structured transactions through the Isle of Man also relate to both exports and imports.

Fienberg says that during the sanctions era many companies set up operations abroad as an emergency sanctions-busting vehicle to be used if required. But they were seldom used.

"Now that SA is once again part of the international community, reducing costs becomes increasingly important and companies are more inclined to use specialists."

The Isle of Man has long been a tax area with low corporate and personal taxes and no capital gains, wealth inheritance taxes or death duties. Taxation of corporate profits is kept to a minimum; in some cases this can be fixed at a maximum of £300 a year, regardless of the companies' turnover.

Along with careful control by the Isle of Man Government Financial Supervision Commission — combined with tailor-made insurance, banking and shipping legislation — the island has established itself over the past two decades as one of the best-regulated and responsible off-shore jurisdictions, says Fienberg.

Protection

"Legislation is in place designed to offer maximum protection for investors and their assets, without limiting the options available."

While the Isle of Man benefits from its special relationship with the European Community (now European Union), it is not a member or associate member of the EU.

This enables the island to trade freely among other EU member states, yet still legislate independently on matters of taxation and domestic interest.

Used car imports 'must be banned'

(74 F)

Business Day Reporter

THE National Automobile Dealers' Association has called on government to ban the import of used vehicles, saying an increase in illegally imported vehicles was harmful to both local buyers and the SA motor industry.

Sapa reports that the association said imported used vehicles were usually sold without the necessary service infrastructure needed to support buyers and local suppliers were often unable to provide back-up spares.

Chairman Derrick Dixon said there were already a number of owners stranded with vehicles for which there was no service and parts support, for which they had paid "good money".

"Servicing these (imported) vehicles and providing back-up spares cannot be done by the sellers, and the customers naturally turn to our members for help," Dixon said.

"Sometimes we can assist, but not always."

He urged the trade and industry department to convene a meeting between business, government and labour on the problem, which had the potential to change the local vehicle market's profile and threaten jobs.

Dixon said the sanctioning of imported vehicles in New Zealand had led to a sharp drop in new vehicle sales, which in turn had led to wide scale job losses.

BD 30/5/96

Shoe imports see loss of 4 000 jobs

(74F) BD 5/6/96 (

Jacqueline Zaina

SURGING imports forced local shoe manufacturers to eliminate more than 4 000 jobs — nearly 20% of the workforce — in the first three months of this year.

Industry sources said yesterday that although total sales last year had jumped 18,4% to more than R5bn, the growth was all taken by cut price imports, which had risen 83%. Local players have had to close 25 factories, and the Footwear Manufacturers Federation of SA said local production was expected to remain depressed for the first half of this year.

Federation figures showed total employment in the sector stood at 22 806 at the end of last year. The figure fell to 20 833 in January and 20 208 in February.

Federation executive director Dennis Linde said the figure dropped to 18 700 in March.

Local production had fallen 31% to 42,6-million pairs from 61,7-million in 1990. In the same period, employment has fallen 32% from about 27 500 workers and a total of 143 factories closed.

Manufacturers said the local industry was expected to begin stabilising because production capacity had been so deeply cut.

But the federation warned that retailers were overstocked by about 20-million pairs — nearly half last year's local production — which would depress demand until the excess had been depleted.

Linde said any improvement hinged on government helping reverse the damage inflicted by Chinese footwear imports which were "killing the local industry", he said. The trade and industry department said last week it was considering launching a probe into Chinese imports, using new anti-dumping legislation.

But SA Breweries-owned Conshu Holdings CE Robert Feinblum said he feared government intervention might be too late.

Feinblum could not say whether the company planned to retrench staff but said "business is very flat at the moment and it is an option one has to consider".

Bolton Footwear MD Sid Finlayson said the surge in imports at the end of last year and the fall off in retail sales had depressed local demand. This caused the sharp rise in retrenchments this year.

The company had been forced to implement a "short-time" strategy because there was not enough work to occupy its entire workforce. He said the trade and industry department would need to tighten up the loopholes in customs. Unless some sort of quantitative restrictions were included in its efforts to limit imports from China, these would be ineffective.

Hansard

Value of imported products

406. Mr A H NEL asked the Minister of Agriculture

What was the value of (a) wheat, (b) maize and maize products, (c) rice, (d) oil-seeds, (d) cotton, (e) tea, (f) coffee and (g) vegetable oils imported in (i) 1992, (ii) 1993, (iii) 1994 and (iv) 1995?

74F

N717E

The MINISTER OF AGRICULTURE:

The value of:

	(i) 1992 R'000	(ii) 1993 R'000	(iii) 1994 R'000	(iv) 1995 R'000
(a) Wheat	197 755	474 514	258 665	610 765
(b) Maize and maize products	1 176 158	336 890	41 122	424 542
(c) Rice	302 450	324 369	451 352	497 495
(d) Oil-seeds	145 727	201 497	157 200	254 190
(e) Cotton	140 984	165 250	222 762	293 024
(f) Tea	49 297	57 308	53 065	57 304
(g) Coffee	46 177	64 712	132 412	181 206
(h) Vegetable oils	353 636	423 664	802 880	912 957

Commercial farmers: number of units

407. Mr Z D MNGUNI asked the Minister of Agriculture

(a) How many commercial farming units were there in each of the provinces at the end of (i) 1980, (ii) 1985, (iii) 1990 and (iv) 1995, (b) what was the total extent in hectares of these farming units and (c) what was the average extent in hectares per unit?

N718E

The MINISTER OF AGRICULTURE:

(a)(i) 1980

Province	(a) Commercial Farms	(b) Hectares	(c) Average size (ha/unit)
Cape	27 325	55 516 000	2 032
Natal	12 611	11 842 000	939
Transvaal	7 069	4 288 000	607
Orange Free State	22 367	14 621 000	654
Total	69 372	86 267 000	1 244

(ii) 1985

Province	(a) Commercial Farms	(b) Hectares	(c) Average size (ha/unit)
Cape	25 420	55 306 000	2 176
Natal	11 640	11 889 000	1 021
Transvaal	6 460	4 291 000	664
Orange Free State	22 360	14 663 000	656
Total	65 880	86 149 000	1 308

(iii) 1990

Province	(a) Commercial Farms	(b) Hectares	(c) Average size (ha/unit)
Cape	24 414	53 415 535	2 188
Natal	6 220	3 958 365	636
Transvaal	20 430	14 084 564	689
Orange Free State	11 021	11 426 130	1 037
Total	62 085	82 884 594	1 335

(iv) Statistics for 1995 are not available, but the estimated figures for 1994 are as follows.

Province	(a) Commercial Farms	(b) Hectares	(c) Average size (ha/unit)
Northern Cape	6 760	29 068 469	4 300
Orange Free State	10 772	11 035 733	1 025
Eastern Cape	6 497	10 135 102	1 560
Western Cape	8 624	9 899 505	1 148
North West	8 087	6 063 199	750
Northern Province	5 378	5 461 269	1 015
Mpumalanga	6 297	4 898 953	778
KwaZulu-Natal	6 216	3 929 677	632
Gauteng	2 918	744 093	255
Total	61 546	81 236 000	1 320

Commercial farmers: loans/subsidies

408. Mr I D VAN ZYL asked the Minister of Agriculture:

(a) What amounts in (i) loans and (ii) subsidies were made available by the Government to commercial farmers over the last specified six financial years for which figures are available and (b) what was the amount owed by farmers to (i) the Land Bank, (ii) commercial banks, (iii) co-operatives, (iv) the Agricultural Credit Board, (v) the Land Tenure Board and (vi) private persons at the end of (aa) 1992, (bb) 1993, (cc) 1994 and (dd) 1995? N719E

The MINISTER OF AGRICULTURE.

(a)	(i)	1990/1991	R 182 916 700
		1991/1992	R 272 257 400
		1992/1993	R 243 722 100
		1993/1994	R 186 556 700
		1994/1995	R 100 497 800
		1995/1996	R 79 744 400
	(ii)	1990/1991	R 237 613 800
		1991/1992	R 292 827 900
		1992/1993	R2 959 278 800
		1993/1994	R 580 663 400
		1994/1995	R 180 766 500
		1995/1996	R 354 065 600

(b)	*(aa) 1992* *R'000*	*(bb) 1993* *R'000*	*(cc) 1994* *R'000*	*(dd) 1995* *R'000*
(i) Land Bank	3 711,0	3 991,7	4 274,2	4 679,6
(ii) Commercial Banks	5 117,2	5 822,6	5 687,8	6 385,6
(iii) Co-operatives	3 900,6	4 307,6	3 911,1	3 950,2
(iv) Agricultural Credit Board	1 348,6	1 480,7	1 471,0	1 411,6
(v) Land Tenure Board*	—	—	—	—
(vi) Private persons (including farmers)	1 395,9	1 465,7	1 570,2	1 641,8
Total	15 473,3	17 068,3	16 914,3	18 068,8

*Information not available.

'Watershed' US decision will aid SA steel exports

ARG 19/6/96

(74F)

PETER FABRICIUS
The Argus Foreign Service

WASHINGTON. - South Africa's top trade official in the US has declared that "the American market is now open to us" after a "watershed" decision by US trade authorities to drop moves to slap heavy import tariffs on several South African companies exporting steel pipes to America.

The United States International Trade Commission (ITC) decided by a vote of five to one yesterday that US producers of circular, welded, non-alloy steel pipe were not being injured by imports of this pipe from South Africa and Rumania.

This decision drops provisional duties on the steel imports and is a big victory for producers after a setback last month when the US Department of Commerce ruled finally that they were dumping steel pipes in the US market by selling them here at well below the ruling price in South Africa.

This "dumping margin" was so high because of high Souh African prices, caused by high export rebates and protective import barriers to foreign steel.

Six US steel pipe producers petitioned the US trade authorities to impose anti-dumping duties on steel imports after sales began to pick up with the ending of sanctions.

Last November 30, high provisional duties were imposed on the steel imports, which will now be returned to South African producers after the ITC ruled that although the South African steel was being sold way below the South African price, this was not materially injuring US steel producers.

Local producers argued successfully that the dumping margin was large because of artificially high prices in SA, not because their US prices were so much lower than the ruling price in South Africa.

Mr Dana du Randt, economic minister in Washington, said he was delighted by the ITC decision.

"It's wonderful news for South Africa. It means the US market is now open to our products.

"This holds potential for other SA steel producers to enter the US market.

"This is a watershed because it shows SA can aggressively market its products in the global market place."

R1m worth of smuggled chicken netted: The customs and excise department has nabbed its first container of smuggled chicken valued at almost R1 million in a successful undercover operation. Johan Beets, the head of customs' investigative unit, said the seizure near Lainsburg last week of a 40ft container carrying 23 tons of chicken leg quarters was connected to other investigations into clothing import frauds in Cape Town. CT (BR) 20/6/96 (74F)

SMUGGLING (74f)

MOB RULE?

FM 28/6/96

Powerful international smuggling syndicates are sabotaging efforts to reduce the estimated R2bn lost in excise duties each year Even members of the recently formed Customs & Vat Enforcement Caucus — a private-sector initiative — are in fear of their lives.

Chairman Richard Ferrer declines to confirm this but nonetheless refuses to disclose members' names in case of reprisals. But Customs & Excise chief investigator Johan Beets says intimidation of officials and informants is common.

The caucus comprises members of the textile, clothing, electronics and 12 other industries. Its members, acting as undercover agents, have so far managed to pinpoint duty evasions amounting to R400m since 1994 but only R50m has been collected. Customs & Excise deputy commissioner Fanie Basson says district offices are grossly understaffed and collection is a lengthy process.

Ferrer says despite understaffing, the crackdown is becoming effective In the past six months, six arrests have been made resulting in the recovery of R10m. Four arrests in the textile industry saw R4,1m recovered and another R1m is likely to be recouped soon Last year, clothing and textiles worth about R100m were seized from 150 containers.

But industry pundits say the amounts recovered are small. The problem will continue until ports and border posts are adequately staffed and corruption is stamped out. Sacob director Ben van Rensburg says the R2bn/year loss is a conservative estimate. "On top of that, a business sector that cannot compete will not employ people. The damage is immeasurable."

Basson says the manning of 13 border posts will be complete by 1999. He adds nine officials from the Beit Bridge border post will appear in court in October on fraud charges amounting to R100m. Two other cases are being investigated.

He says that in addition to targeting specific industries with the help of the caucus, the department has launched a five-year plan to train staff to fill 300 posts. Of the current 59 posts, only 23 are filled. Recruitment to fill the gaps is under way, on top of which Customs aims to employ 30 more staff before the end of the year. It has also invited 12 officials from the UK to train staff. ■

Illegal imports linked to syndicate

Linda Ensor BD 28/6/96 (74F)

CAPE TOWN — Illegally imported goods with an estimated market value of R150m had entered Cape Town harbour during the last year and were linked to a powerful smuggling syndicate, customs and excise national investigation division head Johan Beets said yesterday.

In a major breakthrough in the months-long investigation, two men were arrested on Wednesday night and charged under the Customs and Excise Act with irregularly dealing in goods and presenting false documents.

However, the head of the syndicate has so far eluded the police.

Since April last year the state lost about R100m in import duties and VAT because of imports which had bypassed the customs system.

Of the 116 containers released without import duty being paid, 11 were seized by customs and 105 escaped into the marketplace. Ninety-five of these containers contained 493 tons of fabrics, 350 388 pairs of shoes, 95 tons clothing, household appliances and in smaller quantities glassware, trunks, suitcases and plastic kitchenware.

The prepaid goods had been imported from Singapore, Hong Kong, Thailand and Taiwan and were mainly sold to street traders and flea market vendors in SA, Beets said.

Analysts said the plant would also capacity of No 5 kiln.

Motor imports will keep rising, says car industry

BD 26/6/96 (74F)

Edward West

MOTOR imports would continue making inroads into the local market, despite remaining protection mechanisms in the Motor Industry Development Programme, industry sources said yesterday.

The National Association of Automobile Manufacturers of SA (Naamsa) estimated that about 25 000-27 000 fully built cars and 3 000 light commercial vehicles would be imported this year. About 20 000 of these were expected to be sold by Hyundai, which assembled vehicles from semi-knocked-down form in Botswana.

Including the Hyundai sales, fully built imports were expected to attain a 10% share of sales this year — well up on last year's performance.

The lowering of import tariffs under the development programme has encouraged a host of new imported vehicles to SA's market.

Samcor CE Jim Miller believed about 40 000-50 000 vehicles would be imported this year. "You can bet that if they can bring in imports at the current high level of tariffs, the numbers can only increase when tariffs fall again," he said.

Mercedes-Benz SA marketing director Eric Scoble said local manufacturers also were expected to import greater numbers of vehicles as their export performances improved. Under the development programme import duties could be offset by export credits. SA was a relatively small motor market, but imports were flooding in because of poor customs controls and because of the overstocked vehicle situation worldwide, Scoble said.

The Naamsa spokesman said: "Alarmists believe fully built imports will eventually comprise 40%-45% of annual vehicle sales, while more conservative estimates range from 15%-20%." The industry has forecast car sales of about 234 000 units this year.

Naamsa said the number of fully built imports was expected to fall substantially next year, when Hyundai began full assembly operations in Botswana, but the number would continue rising after that as the local market grew and tariffs continued falling.

17 000 JOBS LOST IN WESTERN CAPE

Illegal imports cost Revenue over R100m

CT 2/7/96 (74F)

CUSTOMS OFFICIALS investigating fraud involving goods estimated at more than R200 million have received threats. The loss to the Revenue office in the past four months could total R100m. **FRANÇOISE BOTHA** reports.

GOODS manufactured in "sweat shops" in the Far East and imported illegally have cost the Western Cape economy at least 17 000 jobs in the past six months — but the figures could be higher.

An investigator who is looking into the illegal imports estimated the loss to the South African Revenue Services in lost VAT and import duty in the past four months at over R100 million.

President of the Textile Federation, Mr Mike Hankinson, said yesterday that there had been a huge surge in illegal imports over the past three years, with problem getting particularly bad over the past 18 months.

"The big difference has been that a group of middlemen have come in to do the job that some retailers would have done in the past," he said.

"The clothing industry has been hardest hit by the fraudulent imports, but several other industries may have been affected as well."

The goods, which include textiles, clothing, footwear and electronics, have been brought into the country with no import duty, wharfage or VAT. These could add more than 40% to the cost.

Many of the imports, particularly clothing, had been manufactured in foreign sweat shops, where labourers are paid as little as $1 (R4,33) a day, and exported at extremely low prices.

"This makes it impossible for local manufacturers to compete and as a result many have been forced to close down," said Hankinson.

Customs and Excise head of the National Investigation Division of the South African Revenue Services, Mr Johan Beets, said over R100 million in import duties and VAT had been lost over the past four months.

In an effort to protect local industries and increase Revenue Services income, the Department of Customs and Excise has launched an intensive nationwide campaign to crack down on fraudulent imports.

The campaign last week resulted in the department seizing clothing, textiles and footwear worth more than R200 million.

A second raid on Friday saw the confiscation of electronic goods with a market value of over R2 million seized from a single shipment.

Beets said the electronic goods shipment could be connected to the multi-million rand haul and may provide clues to the kingpin of what was thought to be a Cape-based smuggling syndicate.

"The goods are also linked to a Cape importer," he said, but refused to give further details.

The electronics include well-known Japanese and Taiwanese brands of over 700 video machines, 140 music centres, portable compact disc players and speakers.

A customs warehouse official estimated the collective market value of the goods at over R2 million. Only R21 600 had been declared for import purposes.

Beets said the extent of the investigations by the department had sparked panic among fraudulent importers and that the customs official heading the team had been threatened several times and had had to have his telephone number changed.

Though the department had made great progress in stamping out criminal activity, the possibility that bribes were being paid to customs officials was also being investigated.

"There are likely to be internal bribes. When you consider the value of the goods that are being imported, it costs very little to pay a customs official," Beets said.

The official could receive anything between R5 000 and R20 000 for a single consignment. This could amount to a couple of times a junior officer's salary," he said.

Hankinson said the Textile Federation, along with other sector representative organisations, had held discussions with the department what would be done with the growing quantity of seized goods in state warehouses in a bid to limit their impact on the local market.

Certain goods would be sold by state auction.

To protect local industries, specifically the textile, clothing and footwear industries, the bulk of the 600 tons of goods held in state warehouses would either be donated to charity or exported.

SA retains UK beef ban

(SMEAT)

Louise Cook

(74F)

PRETORIA — Government said yesterday it would confiscate any consignment of imported UK beef to SA.

Agriculture department director-general Frans van der Merwe said no import permits would be issued until SA, which banned imports amid the mad-cow disease scare earlier this year, was satisfied the UK met new conditions.

Conservative Party MP Graham Riddick told the House of Commons on Wednesday that an SA company had ordered UK beef worth £250 000 — the first order from outside the UK since the ban in March.

Van der Merwe said the import was not illegal, but removing it from the harbour would be.

BD 5/7/96

Alcohol imports top up KWV vats

~~WINE~~ (BD) (74F)

Linda Ensor BD 19/7/96

CAPE TOWN — KWV International had been forced to import 5-million litres of absolute alcohol from Europe over the last year after a shortage of wine in SA left it unable to meet its overseas demand, chairman Willem Barnard said yesterday.

The absolute alcohol was used for brandy production and distilling wine. Barnard said it had also been necessary to import grape juice concentrate.

The shortage of wine, which was reining in the expansion of SA exports, had been exacerbated by the strong growth in domestic demand. As a result, openings had been created on the local market for imported foreign wine, Barnard said.

While KWV's wine exports had shown a 25% growth in value terms over the past year, there had been a slight decline in volume growth because of the wine shortage.

He feared that SA wine producers were losing a one-off opportunity to snatch market share in Europe where current interest in SA wines was high.

Even last year's record crop was insufficient to meet the potential demand and KWV had had to increase its prices to lure farmers into supplying it with wine.

Barnard said steps had been taken to stimulate the production of noble varietals and prolific bearers, but noted that these would take about two years to reach fruition.

Particular focus was being given to the Orange River district for the production of grape juice concentrate and muscat wines.

In Boland, where good red wines were produced, KWV was attempting to reverse the switch away from grape cultivation towards vegetable and deciduous fruit farming.

This trend developed during the years of SA's international isolation when the farmer's return on his investment was "pathetic."

Barnard said KWV was satisfied with the quality of its exported wines which had won a number of international awards. Its marketing and distribution in Europe had been greatly enhanced by the recent acquisition of a distribution agency in Germany.

Meanwhile, Distillers Corporation's planned expansion into Africa has seen the opening of an office in Zimbabwe which would bottle Viceroy 5 Year, Oude Meester, Klipdrift and Count Pushkin Vodka.

Possibly because of the Zimbabwean government's sensitivities on the issue, the office had been staffed with Zimbabweans.

Three wines in the Drosdy-Hof range, the late harvest, claret and stein, had been bottled in Zimbabwe since October last year but a wide range of products would be imported from SA.

FOREIGN TRADE (F)

1996 – ~~1997~~

Harare in deal with SA

AN AGREEMENT in principle was reached with Zimbabwe on Friday on preferential tariff and quota levels and rules of origin for Zimbabwean clothing and textile exports to South Africa, writes **THABO KOBOKOANE**.

Trade and Industry Minister Alec Erwin said details would be spelt out soon so that the agreement could take effect in September. 744F

At a previous meeting, South Africa had offered a 50% reduction on duties, but insisted on at least 25% local content.

Erwin also "undertook" to respond to Zimbabwe's request for market access for its farm products.

Erwin and his Zimbabwean trade counterpart, Nathan Shamuyarira, said the agreement marked a "breakthrough" in trade relations.

Tension developed after 1992 when South Africa terminated the 1964 trade pact with Zimbabwe.

ST (BT) 4/8/96

Forum takes on illegal importers

(74F) (DAIRY) (MEAT)

ILLEGAL imports of dairy and meat products, worth millions of rands, are now being "contained", writes DON ROBERTSON.

The Forum for Combating Illegal Imports, a body made up of control boards, was established three months ago and has been successful in causing illegal importers to be apprehended. Lack of controls at border posts forced the boards to introduce their own measures.

The forum's campaign has been linked to a joint business initiative in which the SA Chamber of Business is playing a big role. It ties in with a decision taken in April to enlist the help of British customs officials who will be stationed at border posts for the next year.

It is estimated that smuggling has cost the treasury about R12-billion in lost import duties.

Illegal imports of meat have disrupted the local industry, says Meat Board managing director Pieter Kempen. "Up to 4 000 tons of mutton a month were filtered into the system because of the lack of controls at harbours, but our efforts have largely stopped all this."

ST (BT) 4/8/96

SA, Zimbabwe deal bolsters African trade talks

BD 5/8/96

(74F)

David McKay

THE export tariff agreement on textiles and clothing forged between SA and Zimbabwe last week would bolster SA's chances of concluding a single trade protocol with its other southern African trading partners.

A trade and industry department spokesman said yesterday that the agreement was "not out of step" with the Southern African Development Community (SADC) protocol which was being negotiated with member countries, including Zambia and Namibia.

In terms of the agreement with Zimbabwe, it was decided in principal that tariff and quota levels on textile imports to SA could be lowered.

A meeting between business, labour and government from the two countries later this month would take the matter further, he said.

It was possible that the agreement could be extended from textiles and clothing to the agricultural sector and to sanitary equipment.

He said the agreement would throw a lifeline to textile and clothing producers in Bulawayo, which were on the brink of closing down.

Trade and Industry Minister Alec Erwin also undertook to respond to Zimbabwe's request for market access for its farm products.

He was "happy" with the provisional agreement because Zimbabwe was considered one of SA's key trading partners in Africa, the spokesman said.

At a previous meeting SA had offered a 50% reduction on duties, but also insisted on at least 25% local content.

Imported beer trendy alternative

(74F) BD 6/8/96

Jacqueline Zaina

IMPORTED beer brands are making significant inroads at the top end of the R7,5bn beer market, as wealthier consumers seek out the range of trendy alternatives.

NMK Schulz, which brings in 30% of imported beers to SA, says its sales have doubled this year.

Sales director BJ Lankwarden says the recent emergence of English-style pub chains in SA, which have marketed themselves on the ability to offer a wide range of international brands, has been one of the main factors contributing to the surge in consumer demand for foreign brands. In addition, the greater exposure of SA consumers to foreign cultures and tastes through increased travel opportunities has resulted in a desire to experiment with different brews.

Market sources say the relative lack of innovation in the local brewing industry over the past few years left a gap in the market for importers to exploit.

The fact that many restaurants were starting to publish beer lists in addition to wine lists meant consumers were increasingly aware of the wide range and beginning to demand a choice, said Lankwarden.

Sources say even SA Breweries, which dominates the local market with brands including Lion, Castle, Amstel and Carling Black Label, could not ignore the perceived excitement at the premium end of the market. The group had tied up an agreement to import Heineken from Holland, ensuring that it did not land up with a "rats and mice brand", said one source.

According to Lankwarden, imported beer brands have made it more acceptable for women to drink beer, increasing the market as a whole.

"Whereas it was previously not the done thing for women to drink beer, the overseas brands are often marketed on the basis of distinctive taste and served in an elegant glass. It has become more acceptable, if not fashionable, for women to order beer," he says.

While imported beers are becoming more popular in SA, the market for imported beer remains an upmarket phenomenon and is small compared with total beer sales.

Lankwarden estimates that the "white market" accounts for 7% of total beer sales, with imports making up less than 1% of the market as a whole. This translates into a market value of R25m a year. However, the figure is expected to increase to 1,5%-2% within three years.

Growth of the market depends on the price of imports, which is still well above that of local brands. A 340ml bottle of a foreign brand costs between R6-R10 in a pub or restaurant, compared with the average R3,50 for a local beer.

The removal of a 30% surcharge on imports last October had almost been cancelled out by the depreciation of the rand, said Lankwarden. However, he believed SA could expect to see a number of new products being manufactured locally. These included possibilities for local brewers to produce ales, which were subject to a different fermentation process to the lagers SA consumers were used to,

Among SA's big-selling overseas brands were Heineken, imported from Holland, Boddingtons from England, Guiness from Ireland, Pilsener Urquell — a Czechoslovakian brand — Germany's Erdinger and Corona from Mexico.

Makro food and liquor director Jonathan Miles said imported brands accounted for about 7,5% of the group's total beer sales. The international brands had taken a "fair slice" of the market.

The removal of the surcharge had helped for a time with the pricing of imports, but the market was essentially being driven by a trend led by the Mexican brands, which had made it fashionable to be seen drinking something other than a local brand, he said.

The advent of English-style pubs provided consumers with the opportunity to taste the products, though at higher prices. This had made retail prices more acceptable in relation to local brands, he said.

Another industry player expected the trend towards imported brands to continue, as had happened in Britain and the US, where, increasingly, discerning consumers were more inclined to distinguish between brands on the basis of taste.

Stringent local content rules relaxed

SA drops tariff on Zimbabwe textiles to 30%

(74F)

BD 6/8/96

Samantha Enslin

SA's trade offer to Zimbabwe will lower barriers to imports further and faster than planned, in a bid to end the long-running trade dispute with Harare.

It emerged yesterday that the deal, struck in principle last week, includes SA relaxing stringent local content rules that had been a condition for the preferential tariffs on Zimbabwean clothing and textiles. The existing tariffs, which range between 63% and 78%, will be cut to below 30% from next month, and to 20% by the year 2000.

The deal, which was forged in principle between Trade and Industry Minister Alec Erwin and his Zimbabwean counterpart Nathan Shamuyarira, follows four years of negotiations.

Zimbabwe threw out SA's previous offers, claiming they were too onerous. The SA government has been under pressure from its clothing and textiles industries, which have been ravaged by cheap imports, to maintain a tough stand. The deal represents a climb-down by both sides. Zimbabwe had been seeking an 18% clothing tariff, while SA had initially offered a 40% tariff and stipulated that such products had to contain 75% Zimbabwean local content. SA had been concerned about the level of Zimbabwean imports that had originated in the Far East.

But under the new deal, any product that has undergone two manufacturing processes in Zimbabwe will qualify for the tariffs. The National Clothing Federation said SA was also moving far faster on cutting tariffs than previously planned.

Federation president Bernard Richards said the deal would put pressure on the SA clothing and textile industry but compromises had to be made on both sides.

SA foreign trade relations deputy director Busi Gaboo said the tariff offer was in line with World Trade Organisation recommendations. The Zimbabwe deal would be the basis on which trade deals with other Southern African Development Community countries would be negotiated, he said.

Zimbabwe is also pushing to have the agreement extended to other sectors, including agricultural products. SA has undertaken to respond to that request by the end of this month.

Michael Hartnack reports from Harare that Shamuyarira said thousands of textile sector jobs in Zimbabwe were now secure.

He told the Zimbabwe Herald that the deal "effectively reopens the SA market to those Zimbabwean manufacturers able to compete on price".

Shamuyarira said the Rhodesia-SA most favoured nation status bilateral pact of 1964 was being restored. SA was believed to be committed to an "interim arrangement" until an SADC regional trade protocol emerged.

Foreign crayfish to make their debut on Cape tables

(74F) ARG 10/8/96

WILLEM STEENKAMP
Staff Reporter

CRAYFISH and rock lobster from all corners of the world could soon be widely available on the tables of Cape restaurants following the lifting of import duties on the sought-after seafood.

Following the shortages of West Coast crayfish because of a decrease in the allowable catch from a high of about 4 000 tons four years ago to only 1 500 tons this year, the government finally relented and lifted import duties.

This could see a range of different species of rock lobsters or crayfish finding their way into Cape Town.

Other countries that have species of rock lobster and crayfish for sale include the US, several countries in South America and countries in the Pacific Rim, including Australia and Canada.

In the past local quota holders were forced to sell 25 percent of their quota locally.

But as the crayfish resource dwindled, that 25 percent represented a much smaller quantity.

This led to exorbitant prices as demand overtook availability. Locals were also unhappy that the legal size of crayfish was decreased, causing unhappiness among consumers who believed they were not getting value for money.

Rudi Laan, an economist at the Directorate of Sea Fisheries, said recently there had been mounting pressure on the government to drop import duties on crayfish.

The crayfish industry was also keen to export their full quota as they were getting excellent prices, particularly in the Far East where West Coast crayfish are highly sought-after.

"The West Coast crayfish has a red colour, particularly after it has been cooked, and in the East that colour is a sign of happiness," said Mr Laan.

"Our crayfish are particularly highly sought after at weddings in the East."

Mr Laan said the lifting of import duties could be to the benefit of the consumer and prices could drop.

"This is the essence of a free market system and no doubt market forces will prevail and set the price for both local and imported species."

Stanley Dorman, managing director of Mariner's Wharf in Hout Bay, welcomed the lifting of import duties and taxes on the product and said he would leave on a fact finding mission in October to rock lobster and crayfish producers all over the world to establish which species he will import.

Last year Mr Dorman imported some Maine lobsters at prices lower than local crayfish. They proved to be hugely popular.

Mariner's Wharf is one of the largest sellers of crayfish in South Africa and Mr Dorman believes the dropping of import duties will allow him to meet the ever growing demand for the popular seafood at his restaurant and seafood shop.

Unions cleared over labour woes

IMF blames SA tariffs for high wages

(74F)

CT (BF) 16/8/96

By Peter Fabricius

Washington — South Africa's protective import tariffs, not union intransigence, was primarily responsible for the excessive wages paid to skilled workers and the "dangerously high" unemployment levels, an IMF report said.

The report is in the IMF's latest yearly survey of South Africa's economy by its South African team. It said South Africa's import barriers were still too high and were keeping prices of manufactured products artificially steep, which allowed manufacturers to pay unproductively high wages to skilled labour.

The inflated costs hindered them from competing abroad and therefore from growing and creating new employment.

The IMF argued that tariffs on many categories of imports rose between 1994 and last year. It said South Africa's commitment to its tariff-reduction goals remained uncertain, though the country had signed the General Agreement on Trade and Tariffs' import tariff reduction agreement in 1994.

The Washington-based organisation strongly backed proposals for a South African free trade area with the European Union, because it believed this would drive import tariffs down further. That would force South African manufacturers to become more internationally competitive, it said.

The report said South Africa's high unemployment rate was the country's chief economic challenge. The rate was 32 percent of the labour force, according to the 1994 October household survey released by the Central Statistical Service.

The survey, the service's most recent, calculated that the black unemployment rate was even higher, at 40 percent. Half of the unemployed blacks were in rural areas, half were younger than 30, 70 percent had never worked and almost all had less than a Std 10 education.

These figures suggested that most young unemployed blacks were handicapped not only by their limited skills, but also by "inflexibilities in the price at which they can offer their labour services".

IMF economists have suggested elsewhere in the world that this problem could be addressed by introducing lower wage rates for job-market entrants.

However, the IMF report said that the South African economy was absorbing almost all skilled workers, but at wage levels that made South African manufacturers uncompetitive internationally. — Independent Foreign Service

FNB declined to pin the decision on the value of property," he said.

Illegal imports and easy credit cause Pep slump

(74F) BD 23/8/96

Samantha Sharpe

CAPE-based cash retail group Pep posted a 17% slump in attributable income to R100,9m in the 16 months to June compared with the year to February 1995, after illegal imports and competitors' easy credit in the lower-income market affected bottom line.

Pep executive chairman Arnold Louw said the latest financial results were not comparable with last year as they reflected earnings for 16 months following the change in parent company Pepkor's year-end from February to June.

However, Pep reported a 6% increase in attributable income to R129,3m in the year to February 1996, which indicated a heavy loss for the four trading months to June.

Share earnings before exceptional items were virtually unchanged at 52,8c against 52,9c in 12 months to February last year and 56,1c in February 1996. Stripping out exceptional items this fell to 43,7c a share, with a marginal increase in the dividend to 24,5c versus 23,5c.

Turnover increased to R2,4bn from a previous R1,57bn. However operating profit before investment income slipped to R175,98m from R179,54m as sustained pressure on margins from increased illegal imports took their toll.

An increase in investment income brought operating profit to R214,8m as against R200,8m previously.

But, a rise in financing costs flowing from loan-funded improvements to the group's information systems put a dampener on operating income and was reflected in a lower profit before exceptional items.

A R20,8m write off to exceptional items flowing from changes in employee medical fund accounting, put pre-tax profit at R147,3m compared with R188,1m in February last year, with the group's tax charge significantly lower.

Louw said despite a slight improvement in business confidence in the 16 months under review, continuing unrest in KwaZulu-Natal and the drought in large parts of southern Africa had a negative effect on the mass market for clothing, footwear and household textiles.

"(However), benefits resulting from the improved information systems in Pep Stores will begin to have an effect on the chain's results, while the good rains and an aggressive expansion and refurbishment programme will also have a positive effect."

EXECUTIVE SUITE

Gentyre feels effect of cheap imports

(~~[illegible]~~)(74F)

Lukanyo Mnyanda BD 29/8/96

HIGHER export earnings helped lift tyre manufacturer Gentyre's attributable income to R56,8m (R55,2m) for the year to June, despite strong competition from cheap imports.

Earnings a share fell to 338c from 346c as a result of a rise in the weighted average number of ordinary shares in issue. The company declared a final dividend of 67c, bringing the total to 115c (96c).

Turnover jumped 21% to R665,6m, while operating profit dropped to R70,5m from R77,3m during the corresponding period.

Interest received rose to R1,8m (R869 000), while pre-tax profit dropped to R72,3m from R78,2m. The company's tax bill dropped to R15,5m (R22,9), leading to a slight rise in post-tax profit to R56,8m compared with R55,2m in the corresponding period last year.

Chairman Clive Tutton said tough conditions in the local market would lead to the company focusing more on its export performance.

It had managed to increase units sold in the international market by a massive 123%, enabling export earnings to jump to R114m (R51m).

"The SA tyre market has changed dramatically in the in the past 18 months. With the country's pariah status disappearing, we are now global players with all the competitiveness that this implies."

Tutton said changing market circumstances had been reflected in the company reducing its operating margin to 7,6% from 8,9%.

Its unit sales in the local market had risen 7%, meaning it had managed to increase market share and counter the increased inflow of cheap imports, which was compounded by the collapse of border controls. Gentyre would continue reorientating itself from a local supplier to an export-directed company and hoped to export 50% of its output before the end of the decade.

It had increased output 29% despite a drop in employee numbers. The Port Elizabeth plant was in a strong position to increase output a further 35% without major capital expenditure.

Gentyre would attempt also to strengthen its links with Continental AG, which gave it access to international markets.

The outlook for the future was promising with the company well placed to ensure that sales in Africa, Europe, US and Far East were backed by an efficient distribution operation centred on the new warehouse facility in Port Elizabeth.

"Labour relations are stable and increased production levels combined with the ability to maximise on future business opportunities ... augur well for the future," said Tutton.

Smuggled tobacco escapes tax

BD 2/9/96 (74F)

Kathryn Strachan

MORE than 30% of cigarettes sold in the world are smuggled across borders to evade taxation, Asian Consultancy on Tobacco Control representative Prof Judith Mackay said this week.

She told a Pretoria workshop on tobacco control that in a single case of smuggling, currently being heard, R1,2bn was involved.

She said governments had to be aware of the widescale cigarette smuggling, which resulted in the loss of a large proportion of potential income.

Mackay said Asia had seen enormous changes in tobacco controls over the past 10 years and their example showed that developing countries could successfully introduce tobacco legislation and change attitudes in a relatively short time.

While the health ministry led the challenge against tobacco, many other government departments such as finance, sport and customs and excise had equally crucial roles to play in curbing tobacco use.

She said that because the full effect of tobacco-related deaths was not yet apparent in developing countries, many governments were still not convinced of the degree of harm caused by smoking. Governments were preoccupied with other, more visible health problems, they had little experience in dealing with the tactics of the tobacco industry and they could be reluctant to act because of the perceived benefits of tobacco tax revenue, she said.

"Thus it is important for governments to realise that tobacco always brings a debit to their economy and that tobacco control measures are in their economic, as well as health, interests," she said.

World Health Organisation expert Neil Collishaw told the workshop that while tobacco consumption was falling in the developed world, consumption was rapidly increasing in developing countries.

He cited a World Bank report which stated that; "Unless smoking behaviour changes, three decades from now premature deaths caused by tobacco in the developing world will exceed the expected deaths from AIDS, tuberculosis, and complications in childbirth combined."

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Illegal liquor imports hurt honest traders

(74F) CT (BR) 4/9/96

Françoise Botha

Cape Town — Illegal liquor imports, on which no duties have been paid, are on the increase and are putting pressure on honest traders' margins, said Mike Kovensky, managing director of Aroma Liquor holdings.

The situation was becoming "quite chaotic", Kovensky said at the company's annual general meeting last week.

Unscrupulous traders were involved in growing numbers of fraudulent transactions, using the substantial savings on spirits to cross-subsidise wine and beer prices, he said.

"They are using these ill-gotten gains to cut costs on other products, which camouflages where the activity is taking place and makes it more difficult to uncover," he said.

Certain liquor stores were offering wine to the public at about half of the best possible wholesale purchase price, he said.

Kovensky said authorities were doing little to crack down on illegal imports: "They simply do not have enough manpower to deal with the problem."

As a result, margins from Aroma and Drop Inn liquor trading were expected to continue to be tight and little relief was expected from hotel operations, he said.

Tourism in the Western Cape had suffered because of recent clashes between the druglords and the anti-drug groups. The coverage the press had given to these clashes also affected tourism.

"The Western Cape is beginning to be perceived as a high crime area, much like other parts of the country, and tourism is suffering. We have already had cancellations for the end of the year and occupancies may be slightly lower because of it," said Kovensky.

Customs uncovers textile shipment scam

Nicola Jenvey BD 16/9/96 (74) (477)

DURBAN — Customs and excise officials pounced on another smuggling scam at the weekend, recovering goods, in a raid in Durban, which would have cost SA R3m in evaded import duties.

National investigation task team head Johan Beets said containers packed with textiles had been confiscated — part of a 3-month investigation which had recouped goods liable for R25m in duties. The scam had involved two containers allegedly destined for Botswana and so exempt from customs duties.

The containers — packed with fabrics and Chinese-made polycottons — had crossed into Botswana for clearance papers before being smuggled back into SA.

Officials had also recovered another 10 containers. False bills of entry and permits had been found. Beets said no arrests had been made, but investigations were under way.

The national investigation task team was created six months ago. Its biggest success has been pouncing on an illegal Cape Town clothing and textile syndicate in June, recovering goods worth R150m.

Disease plagues ostrich exports

Louisa Cook (3HEP) (POULTRY)

SA's R31m ostrich meat export industry was under renewed threat from Newcastle disease due to failure to implement proper vaccination programmes, veterinarians said at the weekend.

The disease, a range of viruses which has killed as much as 80% of poultry and ostrich populations in previous outbreaks, flared up again six weeks ago, affecting ostrich operations in the vicinity of Oudtshoorn and poultry farms in most provinces.

Klein Karoo Co-operative veterinarian Willem Burger said ostrich meat from 60 farms at Kammanassie, Volmoed, De Rust and Olifantsrivier in the Little Karoo would not be exported this year.

"In the long run the industry is facing the loss of the EU market. We expect that EU countries will impose strict regulations in the near future," he said.

Onderstepoort Veterinary Institute director Dirk Verwoerd said prevention of the disease demanded that each bird be vaccinated twice a year. But, many farmers had failed to do so.

There were suspicions that the outbreak, which began six weeks ago, was spread by finches, sparrows, crows, ducks and swans rather than humans or ostriches. This made the situation difficult to control except through a focused vaccination programme.

BD 17/9/96

Boehringer Mannheim op

BD 17/9/96

Business Day Reporter

BOEHRINGER Mannheim, the German pharmaceutical manufacturer, confirmed its commitment to SA yesterday by opening its new R7m headquarters in Randburg, but called for renewed efforts to re-establish the confidence of investors.

Boehringer Mannheim SA CE Knut Seifert chided government on its attitude to the pharmaceutical industry, "as shown in the recent Sarafina 2 controversy", and rejected claims that prices in SA were unreasonably high.

"The average unit price of our products is far below the European price levels," he said.

Boehringer Mannheim, which has a worldwide turnover of $3,2bn, specialises in therapeutics, laboratory diagnostics, diabetes care, point-of-care testing and biochemicals.

Seifert said the pharmaceutical industry had always offered to co-operate with the health department, and would do so in the future.

"It seems that our efforts are not always appreciated. One should keep in mind that the industry employs a lot of people, including many who are highly skilled. Together we are investing millions of rands. If the industry is not welcome in a country, then companies

Bitter turn in ANC Cape leaders' race

BD 17/9/96

Linda Ensor

CAPE TOWN — Western Cape ANC secretary-general and health and welfare MEC Ebrahim Rasool has stirred up a hornets' nest in the ranks of the ANC in the province with his public exposure of its problems, and he is expected to come under heavy flak at the party's provincial executive committee meeting on Saturday.

Sources said Rasool's weekend criticisms of the provincial leadership had fuelled divisions within the party, which had been torn apart and demoralised by the leadership battle under way in the run-up to the regional conference at the end of the month.

Factions supporting the different candidates — Justice Minister Dullah Omar, ANC MP Tony Yengeni and Rasool — had emerged and were sabotaging each other's work, sources said.

Outgoing leader Chris Nissen was said to have failed to unify and lead the organisation through its current crisis and to have shifted allegiance from one candidate to another.

Rasool was criticised for discussing the party's problems and leadership conflict in the media and for contributing to the very failures he blamed on them. He was also accused of failing to attend provincial committee meetings.

"It is very bad for one provincial executive committee member to publicly attack others, including the provincial secretary," an inside source said.

"This goes completely against the principles of the organisation."

One of the critical divisive issues was the strategy the ANC should adopt towards the largely NP-supporting coloured community, and how to make coloured activists feel at home within the organisation.

Rasool blamed the current leadership for the "dismal" failure of the party to undermine the provincial dominance of the NP in the local government elections.

He also accused the leaders of failing to address the lack of coloured support in the organisation, and its lack of openness.

In a clear challenge to Omar, who has emerged as the front-runner in the Western Cape leadership stakes, Rasool questioned the effectiveness of those supporting him.

These included party secretary James Ngulu and sport and recreation MEC Lerumo Kalako.

Rasool subsequently issued a public, unreserved apology to Omar for creating the impression that he was engaged in a personal fight for the position of provincial leader.

In a document outlining his view of the problems of the organisation, Rasool criticised the ANC's tendency to narrow the base of decision-making and power to the "inner circle" of the provincial executive committee, alienating members and branches.

In the document, called ANC: A Home for Everyone — Political Plan for the ANC in the Western Cape, Rasool emphasised the importance of discussing the notion of African leadership. He said this was a "bone of contention for many progressive coloured activists who believe there are unequal relations within the ANC and unequal treatment of coloured and African communities and comrades".

Rasool called on the party to critically assess its performance in the local government elections and to develop a vision and a plan.

Move to stem leaks in tax collection

BD 19/9/96 (74F)

Linda Ensor

CAPE TOWN — Parliament's public accounts committee has decided to take drastic action on the massive leakage in the tax collection system and is to ask Finance Minister Trevor Manuel to account for progress on restructuring the SA revenue service.

The committee heard this week that staff levels had deteriorated further with the result that tax of more than R20bn had escaped the net. Committee chairman Ken Andrew said a political decision was needed to remove obstacles to the restructuring process.

Auditor-general Henri Kluever welcomed the committee's decision, saying serious difficulties had been experienced in transforming the service into an autonomous entity. No real progress had been made since October, when the Cabinet decided to amalgamate inland revenue and customs and excise under the umbrella of the SA revenue service. He felt the process should be accelerated so that the service was taken out of government and given complete control of its own resources. It could be financed through a small percentage of revenue collected.

Kluever said setting up the service as an autonomous body for the ultimate benefit of the taxpayer should not be negotiable or delayed any longer. Smuggling was of such proportions that normal business activities were being affected, he said.

Piet Liebenberg, who took over as revenue service CE from June 1, said the only way for the unit to become autonomous was to have specific enabling legislation passed by Parliament. His department was working on a draft Bill which would be discussed with Manuel and the public administration department. The most serious problem was the service's inability, under public service commission rules, to offer competitive salaries to chartered accountants. An advertising campaign at the start of the year for staff at the service's Sandton office, which collected the most tax in the country, had been a flop. The office needed 78 chartered accountants but had only 19.

Liebenberg was not able to say how much eluded the tax net, but guessed that it was now more than the R21bn suggested two years ago by Katz commission chairman Michael Katz.

British experts who examined controls at customs and excise found the service dramatically understaffed and the controls inadequate. Liebenberg said the experts had discovered that undervaluation and false invoicing were the main methods used to import masses of goods illegally. Action was being taken to address this.

□ The revenue service said yesterday Trevor van Heerden had been appointed commissioner of inland revenue and customs and excise, assisted at customs by special adviser Fanie Basson.

Flood of Swazi sugar puts local industry under strain

(74F)

~~SUGAR~~

CT (BR) 23/9/96

By Andi Spicer

MINING AND RESOURCES EDITOR

Johannesburg — The South African sugar industry is currently under severe strain as imports from Swaziland and Zimbabwe are flooding into the domestic market at an alarming rate.

More than 230 000 tons of Swazi sugar are being imported annually, up from around 5 000 tons in 1989. Swaziland says that it exports about 145 000 tons, mostly in finished or semi-finished form.

Lost revenue within South Africa is expected to reach R275 million this season, Don McLeod, chairman of the South African Sugar Millers' Association (SASMA), said in June, while foreign exchange earnings are forecast at R1,3 billion.

"Unfortunately, South Africa has become increasingly exposed to the world market price as a result of competition from Swaziland whose ability to avoid exporting sugar by diverting it into the Southern African Customs Union (SACU) has placed it in a unique position as a low-cost producer with no exposure to the world market," warned the chairman of the South African Sugar Association (SASA), Tony Ardington.

The crisis comes as South Africa is expecting its best-ever crop with production in the region of 2,4 million tons with an export potential of 1 million tons.

SASA has been complaining bitterly over the issue and is steeling itself for a fight. It opened the shots last month by failing to renew contracts giving Swaziland access to the port of Durban, as well as research and training facilities from next April. Swaziland, however, can use Maputo in Mozambique to export its crop.

South African sugar is shipped around the world, and since the country emerged from isolation it has started to gain new markets. It has one of the most efficient cane-milling industries globally and is also one of the lowest-cost refiners, according to UK-based analysts Landell Mills.

Sugar is a highly protected industry internationally, with access to the huge US and European markets restricted by tariffs. While arguing that sugar is such an important foodstuff that domestic growers and consumers should be protected from shortages and gyrating world prices, the main western markets have effectively locked out producers such as South Africa.

In the European Union the Lomé convention gives ex-colonial states in the Caribbean, Africa and the Pacific preferential access to European markets. The United States has a quota system which also allows friendly countries to sell sugar into the US.

"The Uruguay round of GATT resulted in a number of commitments that were intended to lower internal price support, lower import tariffs and increase market access," explained SASMA's McLeod. He believes that GATT, or the World Trade Agreement as it is now known, will have limited results for the world sugar industry because the US and EU are not required to reduce their sugar tariffs.

This means that it is "important for the sugar industry to receive adequate tariff protection so that it can benefit from its world-competitive position when the world playing field is levelled in the future," he said.

South Africa can ill afford to lower its tariff protection while the barriers are still up in the world's major markets, said SASA.

And while not allowed into US and European market on any meaningful scale, South Africa at least had its domestic market until Swazi and Zimbabwean sugar flooded in.

"The southern African region as a whole is a net exporter of sugar, and it is important for a protocol to be reached between the South African and Swaziland industries who are in SACU, and for any extension of the customs union to provide for a protocol for the extended region," said McLeod.

In the meantime, the sugar war, as it has become known, could get nastier if the flow of Swazi sugar fails to dry up.

Clothing imports from Malawi tighten trade for SA's industry

74F BD 26/9/96

CAPE TOWN — A sudden increase in clothing imports from Malawi was prolonging the period of tight trading conditions currently being experienced by the SA industry, Clothing Federation of SA economist Paul Theron said in the Clothing Industry News.

There was "great concern" that Malawi, which had an "insignificant" clothing manufacturing industry, was being used as a conduit for low-priced garments (from other countries) to evade customs duty, he said. The issue had been taken up with the trade and industry department, but Theron said officials had not taken it seriously enough.

He attributed the rise in imports to the free trade agreement with Malawi and said import pressure was expected to grow under the new trade agreement with Zimbabwe.

"The industry will continue to face increasing pressures on the domestic market from imports as the customs tariff levels are phased down and preferential access is granted to neighbouring countries."

More than 15 000 people had lost their jobs in the clothing industry since October last year, indicating that "the recession in the industry is far from over".

Theron said the clothing producer and consumer price indices continued to be well below the general consumer price index, at about 4%.

"This is good news for the consumer although it is not translating into revived demand for value-priced products when compared to other consumer products ... the rate of price increase of other consumer items is swallowing a greater proportion of disposable income."

Although the textile production price index had fallen, it was still out of line with the clothing indices and manufacturers would continue to be hard-pressed to contain costs.

In the same edition of the newsletter, Investec Securities analyst Arnold Werbeloff said talk of the demise of the SA formal clothing industry was "misguided".

"What is likely is that the more efficient and effective operators will adapt to the lowering of duties and exceed shareholder expectations.

"Other firms will either lose market share or be overtaken by market demands. Thus, the task of the astute investor will be to identify well in advance the winners in the next business cycle upturn and decide whether to invest at the low prices currently available or to enter later on a market timing basis," Werbeloff said. — Reuter.

The MINISTER FOR SAFETY AND SECURITY:

(a) and (b) With the establishment of Border Police on 13 August 1995, a centralised statistical capacity pertaining to the illegal movement of persons and goods, was established from 1 January 1996. Prior to this date statistics concerning firearm seizures were held at the different ground level substructures responsible for the tracing of such items.

(i) *Mozambique:*

(aa) (aaa) 1994: As stated above, no accurate statistics were kept.

(bbb) 1995: Because of the facts given, it must be accepted that the following statistics may be unreliable, however, the following has been extrapolated concerning the seizure of firearms for 1995. A total of (a) 15 AK47 rifles and (b) 2 other weapons were recovered at border posts

(bb) According to proper statistics kept by this component, a total of (a) 4 AK47 rifles and (b) 15 other weapons were seized.

(ii) *Swaziland:*

(aa) (aaa) 1994: As stated above, no accurate statistics were kept.

(bbb) 1995: A total of (a) nil AK47 rifles and (b) 7 other weapons were recovered according to unreliable statistics.

(bb) A total of (a) nil AK47 rifles and (b) 12 other weapons were seized.

(iii) *Zimbabwe:*

(aa) (aaa) 1994: As stated above, no accurate statistics were kept.

(bbb) 1995: A total of (a) nil AK47 rifles and (b) 1 other weapon was recovered according to unreliable statistics.

(bb) A total of (a) nil AK47 rifles and (b) nil other weapons were seized.

HANSARD

QUESTIONS

†Indicates translated version.

For written reply:

Protective tariffs on imported products

430. Mr J A JORDAAN asked the Minister of Trade and Industry:

74F

(1) Whether, in view of the State subsidy paid to Sasol, a certain company, the name of which has been furnished to his Department for the purpose of his reply, has applied for protective tariffs to be introduced on imported products which compete with its own products; if so, what level;

(2) whether his Department intends introducing these tariffs; if so, (a) when and (b) at what level;

(3) whether his Department has received any complaints about (a) the quality and/or type of product produced by and/or (b) alleged uncompetitive conduct on the part of the said company; if so, (i) what was the nature of the complaints and (ii) from whom were they received?

N744E

The MINISTER OF TRADE AND INDUSTRY:

(1) Yes. Sasol Fibres, the only manufacturer of filament tow and staple fibres of acrylic in South Africa, applied to the Board on Tariffs and Trade (BTT) for tariff protection on filament tow and staple fibres classifiable under tariff subheadings 5501.30, 5503.30 and 5506.30.

(2) The BTT is currently undertaking a preliminary investigation in order to determine whether there is sufficient justification to proceed with a formal investigation into the matter. Depending on the outcome of this investigation the BTT will decide whether or not to proceed with a formal application which, in terms of the prescribed procedures will have to be published in the Government Gazette for general information and comment by affected parties. It is not possible at this stage to give an indication of the level of protection except to state that whatever level might be recommended, if any, will have to comply with South Africa's World Trade Organisation commitments i.r.o. tariff binding levels for the said products

(3) Yes. In response to the application submitted by Sasol Fibres certain complaints were brought to the BTT's attention. These related to service, reliability of deliveries and quality and were received from downstream consumers. Most of the response, however, related to the cost raising effect that such a duty would have on the textile and clothing pipeline.

Local authorities: seed capital

801. Mr J A RABIE asked the Minister of Housing:†

(1) Whether any seed capital was made available to local authorities in the latest specified period of 12 months for which information is available; if not, why not, if so, (a) to which local authorities and (b) in each case, (i) what amount was so made available and (ii) for what purpose was such amount made available;

(2) whether she will make a statement on the matter?

N1437E

The MINISTER OF HOUSING:

(1) No, no seed capital was made available for local authorities for housing. Under the new capital subsidy scheme, a subsidy is allocated to a specific individual to obtain a home of his/her own. This property could be within a housing project approved by the relevant provincial housing board and developed by either a private developer or a local authority or the subsidy could be allocated to an individual to obtain a house anywhere in the country. During the 1995/96 financial year a total amount of R471,3 million was paid out by provincial administrations with regard to the capital subsidy.

(2) No.

Rapes/child molestations

829. Ms S C VOS asked the Minister for Safety and Security:

Duty dodgers saving R9bn

(744F)

Samantha Sharpe

BD 17/10/96

CAPE TOWN — Illegal spirit imports and exports had cost SA an estimated R9bn in unpaid duties, threatening the future of legitimate industry players, Stellenbosch Farmers' Winery chairman Jeff Malherbe said yesterday.

He told the group's annual meeting the liquor industry had contributed about R1m to the investigation of cases involving the evasion of excise duty.

However, legal action was needed also through amendments to the Liquor Act to ensure an end to the "haphazard" distribution of liquor.

It was untenable, he said, that certain sectors of the trade were strictly regulated, while others operated with scant regard for the law.

The wine and spirit producer reported a 22,8% rise in turnover to R1,8bn in this financial year, which translated into a 62,7% improvement in net income to R118,5m.

Tons of suspect beef shipped back to Britain

(74F) (3 MEAT)

Despite government orders to destroy the imported 'mad cow' meat, incensed importers succeed in having it returned

Star 23/10/96

By Melanie-Ann Feris

Thousands of tons of British beef which had been bonded in warehouses in South Africa since the Department of Agriculture slapped a ban on it in March this year – at the height of the mad cow disease scare – have been shipped back to the United Kingdom.

In April the Cabinet ordered the destruction of about 2 500 tons of meat valued at about R17,5-million, but incensed importers called on the Government to bear the expenses.

Importers refunded to a certain extent

Dr Gideon Bruckner, director of veterinary public health at the Department of Agriculture, said yesterday the meat had been exported back to the UK at the importers' expense. He said importers had been refunded to a certain extent for the meat that had been returned.

Some of the rejected meat had also been dumped into the ocean – about 50km off the ports of entry – under supervision of the department, Bruckner said.

One hundred containers of meat, weighing approximately 4 700kg and priced at about R15/kg, is still awaiting shipment to the UK before the end of this month.

"If the meat is not shipped back it will be destroyed, probably by incineration," he said.

Sapa reported this week that mountains of beef stockpiled in Europe because of the mad cow crisis could be used to feed the poor following a call earlier this week by Irish Agriculture Minister Ivan Yates.

Ireland, which currently holds the European Union's rotating presidency, plans to raise the "food aid" proposal at a world food summit in Rome in mid-November, Yates said, without elaborating on the plan.

Beef stocks which have been building in cold storage rooms since the European Union introduced measures to prop up a market devastated by the mad cow scare are expected to reach about 700 000 tons by the end of the year.

The ban on British meat is still being enforced in South Africa.

Bruckner said yesterday his department was confident that none of the banned meat had been allowed out of the containers in storage and distributed for sale in SA, although there had been suggestions from importers that the meat be exported to other African countries.

"Our stand was that what is not fit for South African consumption is not fit for consumption by other African countries," he said.

Union calls for a boycott of imports

(74F) Sowetan 23/10/96

THE South African Independent Trade Unions Confederation (Saituco) yesterday warned owners of imported cars to get rid of their vehicles within three months.

Announcing a campaign to boost the local manufacturing industry, the union objected to what it called the "dumping of inferior foreign products on South African markets".

Saituco said these included cars from Botswana, matches from Sweden and toothpaste from Britain.

"We therefore call upon all South Africans to rid their grocery cupboards, wardrobes, garages and streets of all imports which the people of this country are able to manufacture or assemble," Saituco said in a statement in Pretoria.

'Imported car owners should get rid of them'

"We appreciate the fact that it is not easy to dispose of a car immediately, but we urge all aspirant buyers to boycott any imported car. The current owners should dispose of such cars within three months."

The union claimed the African National Congress and the National Party had given international "imperialist agents" an undertaking to bring an end to all local car manufacturing by the end of next year.

Saituco, claiming a membership of 200 000, said its initiative was aimed at creating jobs for South Africans.

"We believe that this campaign will also go a long way in combating crime as unemployment is one of the root causes of crime." – *Sapa*.

Imported cars must go – Saituco

(74F)

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Aspirant buyers

Sowetan 23/10/96

"We appreciate the fact that it is not easy to dispose of a car immediately, but we urge all aspirant buyers to boycott any imported car. The current owners should dispose of such cars within three months."

The union claimed that the African National Congress and the National Party had given international "imperialist" agents an undertaking to bring an end to all local car manufacturing by the end of next year.

Saituco, claiming a membership of 200 000, said its initiative was aimed at creating jobs for South Africans.

"We believe that this campaign will also go a long way in combating crime as unemployment is one of the root causes of crime." – *Sapa.*

Chuck out imports – union body

By Edwin Naidu

Buy-local campaigns are not new in South Africa. However, a trade union confederation has gone a step further, exhorting consumers to get rid of all their imported possessions.

The South African Independent Trade Unions Confederation (Saituco), which claims to have a membership 200 000, said yesterday it wanted consumers to dispose of foreign products within three months – even if it meant consigning imported vehicles to the scrap heap.

It said the drastic move would help create employment, as well as cut down on crime.

The South African Chamber of Business (Sacob), importers and supermarkets would soon be informed of the campaign, said Saituco spokesman Success Mathaithsane.

He threatened mass action, including removing imported goods from shops, if businesses ignored their call.

"We call upon all South African-Azanians to rid their grocery cupboards, wardrobes, garages and streets of all imports that the people of this country are able to manufacture or assemble," he said.

Mathaithsane said while it would not be easy to dispose of a car immediately, he urged consumers not to buy imported vehicles. "We are not encouraging people to burn their cars, but to trade them in for a locally made model, and let the imported model rust in the showroom," he said.

International businesses in South Africa said the boycott call was "pie in the sky". "Such a silly scheme would only serve to cut off one's nose to spite one's face," said an importer.

D S Kim of Daewoo household appliances said it was "stupid" to call for an end to imports when South Africa was still struggling to regain foreign investor confidence.

"Welcome to the real world. I do not know where they get their funny ideas from," said Hugo de Villiers of International Parts and Components.

Sacob director-general Raymond Parsons refused to comment.

(74F) Star 24/10/96

for its lack of progress

(74F)

Limited tariff reductions will assist importers

CT (BR) 24/10/96

STUART RUTHERFORD

Durban — The trade and industry department plans to reduce tariffs on certain inputs to provide some relief after the recent drop in value of the rand, Alan Hirsch, the department's chief director of industry and technology strategy, said yesterday.

Hirsch said at the Afrikaanse Handelsinstituut congress of the industrial, mining and financial chambers that the department was involved in a background study and hoped to put proposals to Nedlac in the first half of next year.

"The currency has depreciated by about 15 percent, and the cost of imports have increased by about that amount, so we want to negate that by reducing tariffs where necessary as long as it doesn't have a detrimental effect on industry.

"The review will look at all the tariffs and will probably focus on anomalies in the present process of tariff reform," said Hirsch.

He said the tariff changes would also help slow down the rate of inflation and give South Africa better leverage at World Trade Organisation (WTO) meetings.

Hirsch said there was as yet no timetable for the changes, and the department would follow the same procedure undertaken for the WTO tariff reforms.

At du Plessis, the president of the Chamber of Mines, said at the conference that South Africa could not achieve a continued GDP growth of more than 3,5 percent under present structural conditions, because of the low level of domestic saving, high risk of investing and poor foreign capital in-flows.

"There is a lot in the macro-economic strategy that deserves our support ... but it is time to put your money where your mouth is," he said.

CAPE ARGUS, **THURSDAY,** OCTOBER 24,

NEWS

Dump all your imported goods, unions demand

(74F)

ARGUS CORRESPONDENT

ARG 24/10/96

"Buy local" campaigns are nothing new in South Africa, but the latest call by a trade union confederation – for people to get rid of all imported possessions – is bound to take the cake.

Saying it will create employment and cut down on crime, the SA Independent Trade Unions Confederation(Saituco), which claims 200 000 members, has announced consumers have three months to rid themselves of foreign products – even if it means consigning imported vehicles to the scrapheap.

Saituco spokesman Success Mathaithsane said it would soon inform the South African Chamber of Business (Sacob), import companies and supermarkets of the campaign.

He also threatened mass action, which could involve removing imported vehicles from showrooms and goods from shelves, if businesses ignored their campaign.

"We call upon all South Africans/Azanians to rid their grocery cupboards, wardrobes, garages and streets of all imports which the people of this country are able to manufacture or assemble," he said.

Mr Mathaithsane said although it would not be easy to dispose of a car immediately, he urged buyers to boycott imported vehicles.

"We are not encouraging people to burn their cars, but to trade them in for a locally made model, and let the imported model rust in the showroom," he said.

International businesses in South Africa blasted the call for a boycott as "pie in the sky", saying "such a silly scheme would only serve to cut off one's nose to spite one's face".

Daewoo household appliances importer DS Kim said it was "stupid" to call for an end to imports to South Africa when the country was still struggling to regain foreign investor confidence.

"Welcome to the real world, I do not know where they get their funny ideas from," said Hugo de Villiers of International Parts and Components.

Sacob director-general Raymond Parsons did not want to comment on the call.

Electronic goods streaming into country illegally

Seartec sounds the alarm

ARG 25/10/96 (74F)

LLEWELLYN JONES
BUSINESS REPORTER

Nearly three quarters of all imported audio and video equipment enters the country illegally, according to Chris de Bruin, chief executive of Seartec, the Seardel group's electronics and stationery arm.

Speaking at the group's annual general meeting in Wynberg yesterday, Dr De Bruin said smuggling was inevitable where there were high duties in place.

Seardel executive chairman Aaron Searll praised the government's recent successes in the fight against illegal imports, including clothing, but warned that there was still much that needed to be done.

"The talk of billions of rands worth of illegal goods entering the country is quite frightening," Dr Searll said. "It will soon begin to affect the balance of payments and, therefore, seriously damage the economy if nothing is done."

He strongly believed international experience showed there was a good case for slashing duties – more money had flowed to the fiscus of those countries which had done so as it no longer became profitable to evade the duties.

As further evidence for reducing duties in South Africa, he said there was virtually no smuggling of electronic goods which had low duties attached to them.

But Bernard Richards, the joint managing director of Seardel, reserved a word of criticism for the government's handling of the phase down of duties.

"In terms of the 7-year phase down of duties in terms of our obligations to the World Trade Organisation, duties were supposed to be revised as of September 1," he said. "Despite our exhortations we have yet to achieve finality on this issue."

Illegal imports and a damaging strike saw Seardel struggling to boost turnover in the first three months of its financial year beginning July.

Dr Searll said turnover at the group, excluding subsidiary Frame, rose only 2,9 percent to R429 million in the first quarter.

With the inclusion of Frame's R208 million first quarter turnover however, Seardel's first quarter turnover rose 52 percent to R637 million.

Dr De Bruin said that while Seartec's first quarter turnover rose only one percent to R52,6 million, the pre-tax profit margin had improved. Seartec holds the distribution rights for Sharp goods in South Africa, and manufactures Scripto writing instruments.

and the Western Cape. – Sapa

Star 26/10/96

(74F)

Tiles being dumped in SA

A probe had been launched into the alleged dumping of ceramic wall and floor tiles from Italy on the South African market, the Board on Tariffs and Trade said. In a notice in the Government Gazette, the board said a petition to this end had been lodged by the SA Ceramic Tile Manufacturers' Association (Sactma), which said its members were unable to compete with the low prices of imported products. The board said Sactma had submitted sufficient evidence to justify an investigation. It called on interested parties to submit written information before November 25. – Sapa

Illegal car imports threaten SA dealers

(74F)

JACK DEWES

CT (BR) 30/10/96

Port Elizabeth — Illegal imports of second-hand cars have become a big threat to South Africa's motor industry, said Philip Myburgh, the president of Motor Industries Federation (MIF).

"The MIF, in conjunction with many roleplayers, both in the commercial sector and government, are trying through various forums to stem the tide of this illegal practice, which could have a catastrophic impact on the market," said Myburgh.

Speaking at the MIF's annual conference, Myburgh said New Zealand learnt a lesson in 1988 when the government allowed imports of used vehicles.

"Within one year their own vehicle sales dropped from 120 0000 to 50 000 units," he said.

This resulted in the loss of many jobs, "which is something we can ill afford", he said.

Myburgh said the South African government's delay in implementation of its macroeconomic plan was making it difficult for the industry.

"The South African new vehicle market trend has been downward since 1981, when cars peaked at 301 528 units," he said.

"With the reduction of duties we have seen the re-entry into the South African market of various companies, which in the sanctions years divested from South Africa, as well as new motor companies from the Pacific Rim trying to grab a foothold in the local market," said Myburgh.

The new entrants "have already claimed about 10 percent of the entire new vehicles sales market", with the result that "in real terms local manufacturers have seen no growth in the domestic market", he said.

He said this put the squeeze on dealers' margins, who were already under the pressures of cost-cutting among manufacturers competing against imports.

Profit was further affected by the swing towards smaller cars retailing at less than R40 000, which could account for 40 percent of new vehicle sales by 1999.

Beef shipment seized in Durban

BD 1/11/96 (74F)

Louise Cook

A LARGE illegal shipment of beef — possibly contaminated with the "mad cow disease" afflicting British cattle herds — had been intercepted and confiscated at Durban harbour, the agriculture department said yesterday.

Veterinary public health director Gideon Bruckner said the shipment — 12 containers with 205 tons of beef, originating in Rotterdam — was discovered at the weekend.

Bruckner said the local importers, Weddel Swift and Chestor Wholesalers, were not under suspicion, but the European Commission's fraud unit had been asked to investigate. He declined to say who was under suspicion.

Weddel Swift director Henry Badenhorst said: "We bought a consignment of French beef from France. We were dealing at arm's length with the French supplier. We are most concerned that such irregularities have occurred, which could affect the export status of France to SA."

The illegal beef was the first to reach SA since the ban in March, Bruckner said. "As a result of the tight controls, any irregularity is spotted immediately."

The fraud was discovered when agriculture department public health inspectors found that contents of cartons differed from specifications on import documents.

The containers were supposed to carry beef from approved plants on the European continent only — but in fact carried mixed meats from different plants in Europe and the UK. It appeared the packaging of the consignment had been tampered with — possibly at Rotterdam harbour, where beef from non-approved European abattoirs as well as from the UK might have been added to the original consignment.

Durban harbour officials said that in the case of beef imports to SA, each container was checked before leaving the harbour. The suspect beef, 8 000 cartons containing a total of 205 602kg, was confiscated, Bruckner said.

The SA, European and UK veterinary authorities were collaborating on the probe.

Based on SA's meat consumption of 21,3kg a person a year, about 7 000 people could have been fed for a year from the shipment. If the meat had been used in processed products such as polonies, even more consumers would have been exposed.

In March this year, SA followed the EU's ban on all UK beef after fears of a possible link between bovine spongiform encephalopathy, found in some UK herds, and the human killer, Creutzfeldt-Jacob disease. The ban has not yet been lifted and will remain in force for as long as the EU maintains its stance.

Meanwhile, negotiations between the EU and the UK continue on the slaughtering of British cattle suspected of having the disease, in an effort to eradicate mad cow disease from Britain.

See Page 12

BUS IMPORTS FM 1/11/96 (74F)

BLUNTED ARROW

The Golden Arrow bus company, which runs Cape Town's metropolitan bus operations, has had 33 imported buses impounded by the Department of Trade & Industry (DTI).

Twenty of the double-decker buses —

bought from Citybus in Hong Kong — are rusting in a Table Bay pound; the other 13 are somewhere in Durban's port. The original deal involved 98 buses, costing R160 000 each, which are second-hand but have been upgraded. New, local buses — which Golden Arrow says are unavailable until 1998 — would cost R900 000 each.

Golden Arrow, which says its current fleet is seriously overstretched, was refused an import permit for the Hong Kong buses last year. However, another company, CED Marketing, had a permit to import second-hand buses from the UK. When the purchase option expired, CED still held a permit, and it was on this that the Citybus vehicles were imported.

The first 20 arrived on July 23, customs duty was paid and the buses released. A week later, following complaints by local bus builders, the vehicles were impounded by the DTI.

At the time, Port Elizabeth bus-builder Busaf MD Rob Duff complained: "We are amazed that the buses have been allowed into SA when current legislation forbids such imports. The fact that the buses are in SA suggests one of two possibilities — either they are here illegally or some irregularity in the issuing of permits has occurred. We're concerned this situation may be setting a precedent."

Golden Arrow claims that there has been no violation of the principle of the permit issued to CED. On the other hand, it appears that Golden Arrow and CED may have taken a calculated risk in importing a make of bus different from that specified on the permit.

The matter may yet reach court — but meanwhile the Hong Kong buses, which Golden Arrow says it needs to maintain its fleet as inexpensively as possible, are quietly rotting away. And if there are no equivalent local vehicles, what are Golden Arrow, and other SA bus companies, supposed to do? ■

REVENUE

By DON ROBERTSON

SA customs bloodhounds sniffing out illegal imports

(74F) ST(BT) 24/11/96

THE Customs and Excise Department has made huge strides in controlling illegal imports in the past few months following its change to a more autonomous operation.

The SA Revenue Services, which incorporates Customs and Excise as well as revenue collection, now operates as a largely independent statutory body with control over administration, human resources, technology, equipment and premises.

Decisions will in future be taken by a board of management with private-sector participation. Although effectively in operation, the proposals require approval by the Cabinet, expected next year.

Dr Ben van Rensburg, chief economist at the SA Chamber of Business, recognises this increased level of autonomy as a major breakthrough which, he says, has already produced improved levels of recovery of illegal imports.

Customs and Excise, in a state of virtual collapse earlier this year, has in the past been linked to the Departments of Public Service and Finance, and this was frowned on by business leaders.

Representatives from the tyre, clothing, textile, automotive industries and audio-visual sector have slammed the department for the lack of customs control at various ports.

"The department is getting to grips with the situation and some considerable successes have been recorded, especially in Durban. There has also been a vast improvement in training, led by the 12 customs officials from the UK who are now on an extended stay in South Africa," says Van Rensburg.

BEN VAN RENSBURG

A senior UK customs official on a visit to South Africa says, however, that it is essential to have a, "well-paid, well-resourced customs service or forget it".

The SA Customs Department has a staff of about 1 600 to control more than 25 ports of entry. The British equivalent has over 26 000 employees with more than 1 800 at Heathrow alone.

"Customs officials must be well paid to avoid corruption, have sufficient technology and be properly trained to operate successfully," he says.

Textile Federation director Brian Brink says there has been a fairly significant impact in the past few months following the secondment of the investigators from the UK to look at systems, administration and training. A number of illegal import avenues have been closed and there is a glimmer of hope. The removal of goods in transit to neighbouring countries is, however, still a major problem.

Hennie van Zyl, executive director of the Clothing Federation says illegal imports are still a major problem, although some progress has been made. It is estimated that 50-million garments worth R350-million were smuggled into South Africa last year, costing between R200-R250-million in lost duties.

Van Zyl also criticises the Department of Customs and Excise for failing to reduce ad valorem duties on clothing and textiles in September as promised two years ago.

"Although the duty reductions are small, anything that helps counter illegal imports should be welcomed. The clothing industry is probably in its worst position in 20 years with total output expect to decline by 6% this year. In an industry which is the most labour intensive of all, this state of affairs is distressing," he says.

Bert Wessels, chief executive of Toyota SA, also has some reservations. Speaking at the recent Auto Africa exhibition, he said the greatest threat to the motor industry was unauthorised imports of used vehicles.

Technically, no used vehicles may be imported or registered in South Africa.

"We are not sure that this situation is being adequately policed at the moment. The introduction of the National Traffic Information System will help, but the government has to display some resolve in eliminating the problem," he says.

Bill to curb imports to be tabled next year

New protection for local industry?

(74F) ARG 30/11/96

ALIDE DASNOIS
BUSINESS EDITOR

Parliament will be asked early in the 1997 session to tighten up trade legislation, giving South Africa the right to impose safeguard duties on imports.

The Board on Tariffs and Trade Amendment Bill is likely to be one of the first pieces of legislation debated by parliament after the recess.

According to Leora Blumberg, deputy chairperson of the Board on Tariffs and Trade, the bill aims to bring the definition of "disruptive competition" into line with the requirements of the safeguard agreement of the World Trade Organisation (WTO) so that South Africa can impose safeguard duties, if necessary, without contravening WTO rules.

This must be done as a matter of urgency, says Ms Blumberg, because until the definition is changed, South Africa cannot use safeguard duties on imports to protect industries in the Southern African Customs Union, except at serious risk to relations with other members of the WTO.

The organisation's rules allow safeguard duties in specific circumstances, where an industry is suffering or likely to suffer "serious injury" from a surge of imports.

"It is vital to have the remedy available immediately, in case the need arises – particularly in the current environment of reducing duties and increasing imports, which is detrimentally affecting certain industries in the common customs area," said Ms Blumberg.

But, she says, the remedy will only be used in very serious and specific circumstances, and in strict accordance with WTO rules, to be reflected in administrative guidelines being drafted by the board and the Department of Trade and Industry.

South Africa's present definition of "disruptive competition" is too loose, allowing the imposition of safeguard duties on imports in conditions which are not permitted by WTO rules.

Other member states voiced their concern at the definition at a recent meeting of the WTO's safeguard committee in Geneva.

The Board on Tariffs and Trade has also proposed that the 1964 Customs and Excise Act be amended to provide for provisional safeguard duties to protect industries in the Customs Union.

WTO rules allow member countries "in critical circumstances" to impose provisional safeguard duties on imports for up to 200 days, pending full investigation of the effect of the increased imports on domestic industry.

At the moment South African legislation does not allow for this, Ms Blumberg says.

SA dashes expectations of speedy tariff reduction

Michael Hartnack

(74F) BD 5/12/96

HARARE — Euphoria over last week's progress in the latest round of Zimbabwe-SA trade talks evaporated yesterday, apparently as a result of dashed hopes that SA would drop its 90% tariff on Zimbabwe's textile and clothing exports by year end.

"They are playing with us every time we meet," Confederation of Zimbabwean Industries president Jonee Blanchfield told national news agency Ziana.

Calling for the immediate imposition of "stiff retaliatory measures", Blanchfield said: "All they do is talk, talk, talk, and yet we are suffering."

Her complaints were echoed in less strident form by Commercial Farmers' Union executive director David Hasluck. He said the union had waited two months for a response to its request for access to markets which could yield R220m a year in exports to counterbalance SA's R6bn trade flow into Zimbabwe.

Simultaneously, Finance Minister Herbert Murerwa announced yesterday the long-delayed Zimbabwean tariff schedule was ready for presentation to the cabinet. In July a highly protectionist schedule was published and then withdrawn.

Blanchfield has asked the European Union to refuse SA trade concessions until it updates the 1964 trade pact with Zimbabwe.

Squad cracks 30 import scams

BD 10/12/96 (74F)

Nicola Jenvey

DURBAN — The customs and excise crack squad created in April to smash import fraud has exposed more than 30 scams totalling about R10m over the past two months, mainly involving electronic goods.

National investigations head Johan Beets said yesterday he was confident that this Christmas season would yield fewer illegal goods.

Reports from industry indicated that the nine-month operation had been paying dividends as the squad concentrated on "busting" inaccurately declared imported goods.

Although some goods were still being smuggled ahead of Christmas at prices which showed that import duties must have been evaded, the problem was smaller than last year.

The majority of cases cracked had involved electronic goods that had been undervalued by as much as 80%. Beets credited the British customs and excise crack squad contracted to the SA government on a year-long secondment with the majority of the busts, and rated the exchange "a vast success for SA customs".

Incidents involving clothing and textiles appeared to be diminishing, Beets said.

The national task team had also smashed a luxury motor vehicle scam, recovering about R5m in unpaid import duties on eight cars.

Since the birth of the team, 42 of 60 posts had been filled and Beets was optimistic the officials would restore confidence in the customs system.

Customs error 'killed firm'

(74F) BD 17/12/96

Edward West

THE lights at Electric Lamp Manufacturers of SA, the largest manufacturer of incandescent lamps in SA,. will be turned off permanently after the Christmas shutdown and the entire staff of about 200 will lose their jobs, all because of a customs error.

Consolidated Lamp Manufacturers (CLM) said yesterday its subsidiary, Electric Lamp Manufacturers, had suffered heavy losses because of the failure of customs administration to implement the planned phase-down of tariffs under GATT.

Instead, the 1999 tariff structure was introduced prematurely.

CLM MD Rudi van Eck described the demise of Electric Lamp, which had operated in Port Elizabeth since 1948, as a tragedy.

"The department of customs and excise failed to correct key items omitted from its tariff book. By its own admission this was an error identified 18 months ago. Only three weeks ago the department partially corrected the error, but by then our market had been irreparably destroyed ... closure is our only option," he said.

The omission by the customs and excise department left a loophole for imports, which destroyed Electric Lamp Manufacturers of SA's market and caused a loss of R27m last year. Losses were still running at about R1,5m a month, he said.

CLM shareholders GEC Alsthom and Phillips had concluded that Electric Lamp of SA had no future in the present environment.

"We traded quite profitably for four years until the beginning of 1995, when customs' failure to implement the GATT phase-down damaged the business terribly. It was not that the policy of the trade and industry department was at fault. We could have managed through the planned five-year phase-down and emerged at the end as a world competitive producer," he said.

GEC had agreed to buy Phillips' shareholding in CLM.

Other companies in the CLM stable were less affected by customs errors because they manufactured a wide range of other lamp products. Errors and inconsistencies in the application of GATT still needed to be corrected if these companies were to remain viable, said Van Eck.

IMPORT CLASSIFICATION AND TARIFFS

THE THOUGHT THAT COUNTS

(74F)

The Cape Supreme Court was asked recently to decide whether a necklace made of gold-plated magnets should be treated as medical equipment, imitation jewellery or magnets, for tariff purposes.

The case was brought by the SA Historical Mint against the Minister of Finance and the Commissioner of Customs & Excise (as he was then designated) under the Customs & Excise Act. The former had determined the necklaces were imitation jewellery and therefore subject to 30% tariff. FM 20/12/96

However, says Herbsteins partner Cyril Prisman, the overseas manufacturers of the necklaces claim they have the power to alleviate various ailments — such as arthritis and even circulatory problems if worn around the neck.

The judge said the SA Historical Mint concedes the necklaces have no proven benefits and that the claims made for them were "controversial." Nevertheless, the items were imported solely for their claimed medical properties. The question is: In which category of the complex Schedule 1 to the Act should the necklaces be classed?

There are two other categories in which they could be placed and both are duty-free. One was described as "hearing aids & other appliances which are worn or carried, or implanted in the body, to compensate for a defect or disability." (This definition would include a cardiac pacemaker.)

Alternatively, argued the SA Historical Mint, the necklaces should fall into another duty-free category — that of magnets of various types.

The Commissioner argued the necklaces should fall within the definition of jewellery. The preliminary question for the court was whether it could admit expert evidence on the meaning of the words jewellery or imitation jewellery.

On the precedent of another Customs & Excise case which hinged on the meaning of the words "motor car," the court held that words must be given their ordinary meaning — as determined by the judge. He held that the test was whether the necklaces are used for personal adornment. According to US precedents, an article of jewellery should serve a utilitarian purpose only incidentally — if at all.

The judge held, to the contrary, that it was the purpose of adornment that was incidental. The necklaces could be classed neither as jewellery (in which case they would have to be of precious metal or stones) or imitation jewellery, despite the magnets being gold-plated and the fine chain and clasp.

The necklaces serve instead a utilitarian purpose. Whether the users could achieve their purpose of obtaining relief from their ailments was neither here nor there. It was the purpose — not its attainment — that appeared to be incidental.

Nor could the necklaces be regarded as medical equipment designed to compensate for a defect or disability. The outcome of this judicial reasoning is that the necklaces have to be classed as magnets. They are plainly and simply permanent magnets joined together for functional purposes by a fine chain and should therefore be duty-free.

❑ The SA Historical Mint is a direct marketing commercial firm. ■

FOREIGN TRADE

- IMPORTS -

JAN '98 - AUG '99

Import duties on wine leave a sour taste

BD 9/1/98

(74F)

John Dludlu

GOVERNMENT's move to introduce duties on a range of wine imports has attracted a barrage of criticism and anger from players in the industry.

Alex Dale, marketing and sales director at wine maker Longridge, said yesterday the adjustments would "particularly have a damaging effect" on the upper end of the wine business.

The adjustments, announced this week, would raise duties on premium champagnes — such as Dom Perignon, Krug and Cristal — by as much as 4 000% compared with last year.

Imported wines would be affected too: those used as a component of local brands such as Tassenberg would be taxed at 25% of free on board value, while the deluxe market would be most affected. It was unclear how significant the effect would be on prices.

Dale said the tariffs looked like a "protectionist and narrow-minded measure" that would not raise significant revenue.

"It is ironic that the African National Congress government is doing what would be expected of the previous government," he said.

The move meant that "we will see less of the better wines".

The trade and industry department's agro-processing directorate said the revision was designed to "replace quantitative import control with customs tariffs".

The department's written response contained documents dating to November 1994, outlining the process leading to the adjustment of tariffs. The response included representations from certain industry players.

Government sources said the effect on prices would not be as high as feared.

The French trade commission expressed concern at the announcement which would raise duties on French champagne by at least 1 500%.

It said it was surprised by the decision and had not been notified.

Like other industry watchers, the commission was concerned by the retrospective application of the adjustments to January 1 which would affect stock on its way to SA.

Echoing Dale's concerns that the amendments would affect "small-volume, high-value items", industry

Continued on Page 2

Wine

(74F)

Continued from Page 1

BD 9/1/98

commentator and Business Day writer Michael Fridjhon said the adjustments would affect the already beleaguered "niche" products. The upper end of the industry, which would bear the brunt of the duties, was already under pressure from the rand's devaluation.

"It is interesting that the amendment does not affect beer imports. This shows that (the department's) vendetta against SA Breweries has clouded its judgment on tariffs/import control policy," he said.

The duties meant the state was furthering the protection of the Western Cape wine industry, Fridjhon said.

Other sources said there was already a shortage of wine imports in SA. One said SA imported 2-million cases of spirits, compared with about 6 000-8 000 cases of champagne.

Comment: Page 7

Stainless steel dumping probe findings delayed

(789) (74F)

Lucia Mutikani

THE Board on Tariffs and Trade, which is investigating allegations of large-scale dumping of stainless steel hollow ware, was expected to release its findings in the next few weeks, Southern Africa Stainless Steel Development Association executive director Dave Slater said yesterday. BD 9/1/98

He said findings of the investigation, which were expected to be released this week, had been delayed by the Christmas break.

Late last year, the body petitioned the board to investigate claims of excessive dumping of stainless steel hollow ware in SA.

Slater said stainless steel products were coming into the country at less than the local cost of raw material.

"Hollow ware from Hong Kong, the People's Republic of China, the Republic of China and the Republic of Korea has been having a disastrous effect on the local stainless steel hollow ware industry," he said.

"The total value of imports during 1996 was R60m, more than 50% of which was dumped.

"The cost to the country is probably double that figure, if one takes into account lost jobs and missed opportunities both within and among suppliers," Slater said.

Steps to improve education taken in face of budget crisis

Kevin O'Grady BD 13/1/98

GAUTENG education MEC Mary Metcalfe announced steps yesterday to improve the quality of schooling as schools reopened today, but said budget constraints would hamper the provision of textbooks and stationery.

About 3 000 of the 5 000 temporary teachers whose contracts were allowed to expire last year were likely to be reemployed to ensure that "there is a teacher in front of every class by the second week of the school year".

Among the steps to be taken in the wake of last year's 4,1% decline in the Gauteng matric pass rate were measures to improve the quality of teaching and learning, teacher and pupil discipline and teacher development.

"One of the most important steps" would be the gazetting of regulations listing serious and minor offences committed by students with guidance for appropriate disciplinary action. "The implementation of this management and discipline tool has enormous potential in establishing the parameters of acceptable behaviour in our schools."

The regulations would be complemented by a management guide for principals, a framework code of conduct for pupils and guidelines on effective school discipline for teachers.

The Gauteng education department would take increased responsibility for monitoring the quality of learning by keeping tabs on the continuity of attendance, coverage of the syllabus and the completion of work by pupils.

The department's district offices would undertake an audit of poorly performing secondary schools and concentrate on assisting them in dealing with their most critical problems.

A "teacher appraisal instrument" agreed on by government and unions last year would be introduced in a shift away from the school inspector system. The absence of a system combining development and appraisal had been "largely responsible for the downward spiralling in the system".

The department would not hesitate to report ill-disciplined teachers to the SA Council of Educators or to follow its own internal disciplinary procedures.

Although changes to the funding of schools would not take effect this year, national funding policy, which would direct a greater proportion of funding to poorer schools, would be implemented from the beginning of the 1999/2000 financial year. This year, the department would spend R173m on 59 major new school-building projects as well as extensive repairs and renovations.

Due to overexpenditure this year, mainly on teachers' salaries, there would be no funds for the replenishment of textbook supplies. The department's stationery tender — for supplies to public schools other than former Model C schools, which still make their own arrangements for textbooks — was delayed and cut by 70%.

See Page 2

Ties thaw as Mandela heads for Moscow

Stephen Laufer

PRESIDENT Nelson Mandela is to travel to Moscow soon amid signs of a thaw in the "mini ice age" between SA and Russia.

Russian Deputy Foreign Minister Viktor Posuvalyuk and his SA counterpart Aziz Pahad met in Pretoria yesterday to iron out details of the trip.

At a press conference in Pretoria, they would not divulge the exact dates, saying only that the visit would be announced officially in Moscow seven to 10 days in advance, as was the usual practice. It is understood that the announcement is likely to be made late next week.

Mandela is expected to spend three to four days in Moscow, meeting Russian President Boris Yeltsin. The deputy chairman of Russia's parliament, Arthur Chilingarov, said Mandela would be asked to speak before the duma, or parliament, during his visit.

Yeltsin has been holidaying amid renewed speculation about his health, a possible reason for the delay in announcing Mandela's trip.

The "ice age" between Moscow and Pretoria — the legacy of a turnaround in Russian policy towards the African National Congress in the early 1990s after the collapse of the Soviet Union — has kept the Kremlin off Mandela's international itinerary since he became president. He is understood to have been particularly angered by Yeltsin's warm support for former president FW de Klerk.

Picture: Page 3

Restaurateurs up in arms over wine tariffs

BD 13/1/98 (74F)

Shareen Singh

OWNERS of French restaurants in SA are pressing the French government to retaliate against new tariffs on imported wines.

Germain Marquis from the Association of French Restaurants, which represents 14 restaurants in SA run by French nationals, said the introduction of tariffs would result in the European market "reacting against SA".

The association would meet French embassy officials next week to discuss measures to put pressure on SA to drop the tariffs introduced last week.

"The wines we sell are really not in competition with SA wines. It is of a completely different quality, which a small market is attracted to." That market might shrink because the average middle-class person who "treats himself now and again may not be able to do that if it gets too expensive".

SA products would also suffer as Europeans were likely to put "tax barriers" on local wines.

Other players in the industry have also criticised the tariffs. Alex Dale, marketing and sales director at winemaker Longridge, said they would "particularly have a damaging effect" on the upper end of the wine business. The tariffs looked like a "projectionist and narrow-minded measure" that would not raise significant revenue.

The adjustments would raise duties on premium champagnes — such as Dom Perignon, Krug and Cristal — as much as 4 000%.

See Page 7

Duty pops cork on wine prices

Consumer likely to bear brunt of 25% increase

ARG 14/11/98 (74F)

LLEWELLYN JONES
BUSINESS REPORTER

Prices of some wines are expected to rise after the Department of Trade and Industry slapped a 25% duty on imported wines last week.

The move by the DTI has taken industry players, still reeling from the possible effects of the proposed new Liquor Act, by surprise.

Riaan Kruger, head of the Cape Wine and Spirits Institute, a body that represents wine producers, wholesalers and marketers, believed the increase in costs would be directly passed on to consumers.

Mr Kruger said this would come on top of the price rises that would arise inevitably out of the restructuring of the liquor industry in the proposed new Liquor Act.

"We (the CWSI) have calculated that the new system will add 25% to general prices," he said

Such companies as Gilbeys, Stellenbosch Farmers' Winery, Shoprite, Woolworths and Makro, which all import large quantities of wine, are expected to be hit hardest by the new import duties.

Some top-of-the-range champagnes could jump in price by hundreds of rands, said Mr Kruger, adding that the rise in duties would also affect the middle and lower end of the market.

SFW, the country's biggest wine producer, is also the biggest wine importer, bringing in vast quantities of wine from such countries as Chile and Argentina to make low-priced, high-volume brands like Tassenberg.

Retail giant Shoprite, an importer catering for a very price-sensitive market, is also likely to feel the pinch.

With a worldwide shortage of wine, SFW and Shoprite have both come to rely on imports for the lower end of the market, while many South African producers export their premium-quality wines to earn valuable foreign exchange.

Woolworths has been importing vast quantities of mid-range-quality wines from such countries as Chile, Hungary, Bulgaria and France to improve the variety available to customers.

"The shortage of wine, particularly red wine, has left us with no choice but to import," Woolworths senior wine buyer Ivan Oertle said.

"Inflation on red wine is already unrealistic – in the region of 25% – and this is only going to exacerbate the situation."

Pick 'n Pay, however, is unlikely to be knocked as hard as its competitors.

Dave Stewart, the store chain's senior wine buyer for the Western Cape, said imports represented less than 5% of Pick 'n Pay's range of wines.

BRENTON GEACH

Tariff hike: Pick 'n Pay doesn't see a problem but other retailers are worried

EU talks to go ahead amid wine tariff worries

John Dludlu

74F

THE co-operation talks between SA and the European Union (EU) resume later this month amid worries over SA's move to introduce tariffs on imported wines.

Government recently announced plans to introduce tariffs on imported champagnes and wines. This was designed to move away from quantitative restrictions in the sector, according to government.

An EU official said yesterday Brussels was in favour of a move towards tariffs as the system was more transparent, but he warned the final result should not be more protection in the sector.

"We are a bit concerned that it (tariffs) may pollute the atmosphere of the talks."

He said while one item — say the wine tariffs — might not have a big effect, a series of issues might have a negative effect.

Henriëtte Kievit, a business consultant at the Amsterdam Consulting Group, said there were sentiments in Europe that the wine tariffs were introduced to put pressure on the EU to open up its markets, notably in the farm sector. Another source said SA would be asked to explain the move towards tariffs on wines and champagnes. The tariffs were expected to affect mainly southern EU states which had strong agricultural lobbies.

Bahle Sibisi, newly appointed chief director for foreign trade relations at the trade and industry department, said technical talks would resume this month to tackle trade liberalisation ahead of next month's ministerial meeting.

Trade Minister Alec Erwin and João de Deus Pinheiro, the political heads of the negotiations, were due to meet in mid-February to review progress on the talks.

The EU official said the EU's executive had completed a detailed proposal on trade liberalisation. This would be presented to the EU council's group on Africa to "check if it is within the March 1996 (EU) mandate".

BD 14/1/98

New car duties 'will give importers the edge'

CT (BR) 15/1/98 (74F)

Roy Cokayne

Pretoria — The latest reduction in import duties on passenger vehicles to 54 percent would allow importers to hold vehicle prices at current levels for at least 6 months and place them in a more price-competitive position, Manny de Canha, the managing director of Associated Motor Holdings, said yesterday.

De Canha said it was doubtful local manufacturers would be able to maintain current prices as they were faced with cost pressures brought about by a weak rand and high labour costs.

He believed the latest duty reduction on imports and their more price-competitive position would "certainly lead to increased sales, as consumers shopped around for the best deals from a value-for-money point of view".

"The market will continue to get more competitive as duties and tariffs decrease even further in line with the MIDP (Motor Industry Development Programme) strategy, enticing more world players to vie for a slice of the market.

"Developments locally also make South Africa a continually better proposition to use as a springboard for conducting business with the rest of Africa and the Indian Ocean territories," he said.

De Canha said the reduced or stagnant vehicle sales predicted for this year by local manufacturers were not a true reflection of the market situation.

"The market is still growing while changing substantially in structure with the importers of vehicles, who are ideally placed to take up any slack experienced by local manufacturers, accounting for an increasingly larger slice of the market," he said.

Email: fmeco.bus@tml.co.za

TARIFF PROTECTION

(74F)FM 30\1\98

Consumers find food hikes hard to digest

But tariffs board denies shift in government stance on imports

Retail chains have condemned a recent rash of tariff increases in food and drink products, accusing government of denying consumers the benefit of low global prices.

Democratic Party leader in the Gauteng legislature Peter Leon says the spate of tariff increases "seems to indicate a possible U-turn in government's formerly commendable dedication to tariff reform."

With the tariff increases all announced over the past month or two, the question is whether a new period of protectionism is beginning.

But Board on Tariffs & Trade (BTT) chairman Danie Jordaan denies any policy shift. "A large number of tariff lines were in fact reduced during this month. Further reductions will be published during February," he says.

"This is our fourth annual cut in most tariff rates in line with our WTO (World Trade Organisation) commitments and tariff phase-down schedule, which in many cases has reduced and will reduce tariffs to levels lower than our WTO commitments."

Nevertheless, BTT statistics (see graph) show that applications from various industries for tariff increases shot up by 60% during 1997 — from 30 in 1996 to 48 last year — indicating a possibly growing industrial and food processing lobby which favours protection against cheaper foreign goods

With the East Asian currency crisis expected to force down export prices from that region's highly productive industries, the year ahead could well produce a flood of applications to increase tariffs against cheaper imports.

BTT deputy chairman Leora Blumberg says "it is hoped that draft antidumping legislation will be published in the first half of the year." The legislation will incorporate the WTO rules and "is also likely to change the institutional framework to allow for a more streamlined process. However, it should be noted that antidumping duties are only utilised where there is 'unfair' competition in the form of dumping or subsidised exports, as determined by the WTO rules"

But, for the moment, the fight centres on tariffs raised against food and drink imports

Seen from a global perspective, says Pick 'n Pay Group Enterprises MD Gareth Ackerman, "our food is expensive We can get prices down if we are allowed to bring in foodstuffs at lower prices — provided, of course, that no dumping takes place. From a macro-economic perspective, if we want to export on a competitive basis, we also need the discipline of cheaper imports."

Shoprite-Checkers marketing director Brian Weyers says that though better discounts now seem to be available on frozen poultry products he is "concerned over the vertical integration in the industry, with some groups involved from feed production through farming to the processing of poultry products.

"This can only be unhealthy in the longer term, as we need to free competitive market forces"

With rumours circulating in the market that Bonnita could be taken over soon by either Dairy Maid or Clover SA, competitive forces in the dairy industry also seem under a degree of threat. "Following recently announced dairy tariff increases we can possibly expect prices, in general, to increase by about 10% this year," adds Weyers.

But, says Clover SA CE Marthinus Hermann, there are two sides to the tariff coin.

"The positive aspects of the dairy tariff changes include the ending of a long period of uncertainty, the elimination of certain loopholes and the correction of the abnormally low tariff on butter imports — from R3/kg to R5/kg.

"The negative aspects are that ... the lowering of tariffs on certain categories of cheese will result in the eventual lowering of SA producer prices and the sacrifice of job opportunities in favour of heavily subsidised overseas products."

From top: Pick 'n Pay's Gareth Ackerman; Board on Tariffs & Trade deputy chairman Leora Blumberg; Tiger Oats' Hamish McBain; DP Gauteng legislature leader Peter Leon . . . *joining the fray on food and wine import protection*

Duties on imported cheddar and gouda cheeses, which according to Hermann represent about 90% of all cheese consumed in SA, have been reduced from R6,50/kg to R5/kg. But the butter tariff increase makes sense, he adds, "as it is a luxury product, relatively speaking, with only about 10 000 t/year consumed in SA, against about 120 000 t/year of margarine."

But, adds Hermann. "The entirely indefensible removal of import duties on liquid milk creates possibilities of imports from neighbouring countries which are not as generous as SA and still impose significant duties on SA products. The same applies to Europe which, despite its distance and with the help of special subsidies, can now penetrate our markets without the same opportunity being afforded SA — a one-

Tourism a key sector for German investors

(74F) BD 9/2/98

Melanie Sergeant-Haape

MUNICH — The drive to attract new investors to SA is proving a tough task, but new initiatives are being launched to encourage German companies to take the plunge.

The Southern Africa-German Initiative (Safri) believes that by focusing on key sectors, it has a greater chance to persuade would-be investors to look anew at investing in the region.

Safri spokesman Joseph Gorgels said: "We are focusing on the tourism industry, as well as honing in on human resources development."

On the initiative of Safri member-company Lufthansa, the organisation is sponsoring a study of the overall economic impact a strategic approach to tourism would have on countries in the SA Development Community (SADC).

The study will be conducted by the World Travel and Tourism Council and Gorgels believes it will assist companies already directly involved in tourism, as well as others indirectly involved, to see the benefits of working in this industry in southern Africa.

"A strategy such as that used by Spain and other European countries could be followed. They adjusted their national policies according to the needs of industries like tourism and have really benefited enormously," said Gorgels.

To this end, Safri is also co-operating with the southern African tourism promotion organisation, Arbeitsgemeinschaft Südliches Afrika, in hosting the high-profile Africa Night at the world's largest tourism-trade show, the International Tourismus Bourse, on March 8 in Berlin.

On the human resources-development front, Safri is organising a preparatory conference to discuss southern African-German entrepreneurial dialogue shortly before the World Bank's Southern African Economic Summit which takes place in Windhoek on May 17.

"Here we hope to work with the chambers of commerce and industry from the various SADC countries to strike up a charter of useful and practical guidelines for human resource development in the region," Gorgels said.

Following this meeting, a southern Africa-German entrepreneurial summit is planned for the second half of the year. At this stage, the Safri executive favours Mozambique as the venue.

Apart from these initiatives, Safri chairman and Daimler-Benz chief Jurgen Schrempp has kept up dialogue with leaders from SADC nations and met Deputy President Thabo Mbeki during the recent World Economic Forum in Davos, Switzerland.

"While the high crime rate in SA continues to scare many companies away from investing there, we are pleased about some developments such as a new joint venture which will provide low-cost boarding material for home construction as well as a commercial project which will provide water supplies to 50 000 homes in SA — and a metal processing venture in Namibia," said Gorgels.

REI and CB in property merger

ADELE SHEVEL

Johannesburg — REI shareholders had committed over 75 percent of REI shares to accept CB Commercial's merger offer and would sell their shares to CB Commercial, the two property companies announced yesterday.

The offer values REI, which operates as Richard Ellis outside the UK, at £57,25 million, subject to attainment of certain financial targets for 1997.

The new firm will be called CB Commercial-Richard Ellis.

David Read, the joint managing director of Richard Ellis Africa, said he was confident this development would boost the local office's foreign currency earnings.

"This past year has seen a very significant increase in international projects handled by our local offices," including recent valuation projects in the Netherlands, Kenya, Malawi, Mozambique, Swaziland and Namibia, among others, he said.

High noon for illegal vehicles

ROY COKAYNE (74F) CT(BR) 18/2/98

Pretoria — Final consensus on measures to fight illegal vehicle imports, including the possible confiscation and scrapping of illegally imported vehicles and some form of amnesty for owners who had unwittingly acquired them, would be reached later this month, Gary McCraw, the director of the National Automobile Dealers' Association (Nada), said yesterday.

He said consensus would have to be reached on a blueprint document for the government.

"All the interested parties must subscribe to the document so there is no doubt about the way forward."

Nada is heading an action committee that has been considering possible measures to fight the influx of used vehicle imports into South Africa.

Representatives on the action committee include government departments (such as transport and trade and industry), customs and excise, border police and the South African Revenue Service (SARS). Private sector representatives include Business Against Crime, the National Association of Automobile Manufacturers of South Africa, the Motor Industries' Federation, Nada, the insurance industry, banks and the transport consultative committee.

It is estimated that between 27 000 and 37 000 cars, bakkies, leisure vehicles and luxury models and between 8 000 and 10 000 trucks are illegally imported into South Africa each year, resulting in lost customs and excise duties, VAT and motor industry revenue.

> *Some banks are unwittingly involved in the funding of illegal vehicle imports*

McCraw said a lot of discussion had taken place at a meeting of the action committee last week but consensus could not be reached, particularly on the issue of an amnesty.

He said all the interested parties had gone back to their constituents and the final document to be presented to the government would be thrashed out on February 27.

McCraw said the main issues to be agreed upon included what to do about the importation problem and how to handle and police problems of illegal used vehicle imports in the future.

There are mixed feelings about both the confiscation and amnesty plan. Some banks were unwittingly involved in funding illegal vehicle imports while some consumers had unknowingly bought them. Both would suffer loss if these vehicles were confiscated and scrapped.

McCraw said the National Traffic Information System, which was scheduled to be in operation from last month but had been delayed by a few months, was regarded as a possible solution to illegal vehicle imports.

He said once all the manufacturers and vehicle importers were on the system, it would prevent illegally imported vehicles or incorrect records being put onto the system and would prevent the registration of these vehicles.

SA could benefit as import prices fall

(74F)

RICHARD STOVIN-BRADFORD

CT (BR) 19/2/98

Johannesburg — The launch of European Monetary Union (EMU) in the European Union (EU), the world's largest economy, should lead to lower import prices for South Africa, Paul Mortimer-Lee, the chief capital markets economist at Paribas, said at a briefing on the euro yesterday, hosted jointly by Business Report and Paribas.

The European market currently absorbed a third of South African exports. "Better European growth following the launch of EMU should benefit the country's exports," he said.

The advent of the euro would complete the single market in Europe and make it more competitive. A "leaner and meaner" business environment would emerge, establishing Europe's role in a "tripolar world" alongside the US and Japan.

While a more competitive Europe should translate into lower import prices for South Africa, a stronger euro could just as easily raise them, particularly as many exports were currently invoiced in dollars but imports were often paid for in marks.

"Europe will become much more of a closed economy, like the US," he said. "So there will also be an increase in global currency volatility."

In practical terms, South African companies needed to concentrate on adapting information technology systems and invoicing procedures. Banks and investment institutions also needed to adapt to the new regime, both in support of their clients and for their own account.

The benefits of the advent of the single financial market in Europe would be the opportunities for South African entities to issue bonds in euros, tapping a huge new financial market and for euro investors.

Mortimer-Lee described EMU as "one money, one Europe, one great opportunity", warning South Africa not to underestimate the will of Europeans to make it happen.

MINISTRY AGAIN REJECTS BID TO IMPORT JET FUEL (183)

(74F)

Johannesburg — The government has rejected the application by the southern African airline industry to import its own jet fuel to avoid high fuel prices, which cost more than R400 million a year.

"In view of the current regulatory dispensation and the need to keep it in place in the interim, as well as the adequate supply of jet fuel, I ... am not in a position to recommend the importation of jet fuel at this time," Penuell Maduna (pictured), the minerals and energy minister, said in a letter to the Airlines Association of Southern Africa.

This was the third application to be rejected by the ministry.

Maduna said the issue would be addressed as part of the deregulation of the liquid fuels industry. — Ncaba Hlophe

CT (BR) 23/2/98

Industry puts match to counterfeit goods

(74F)

Shirley Jones
KWAZULU NATAL EDITOR

Durban — Police and industry investigators put a match to R30 000 worth of counterfeit clothing, shoes and watches in Pietermaritzburg yesterday.

The goods, carrying Nike, Fila, Adidas, Reebok, Citizen and Seiko labels, were confiscated from hawkers in October.

However, the Anti-Counterfeit Coalition (ACC) said this haul consisted of only a small part of the R246,2 million worth of counterfeit goods that were seized throughout South Africa between April and November last year.

The ACC represents 25 companies that sell major sporting and clothing brands. Stanley Kotkin, the chairman, said warehouses were overflowing with counterfeit goods.

Counterfeiting, which went hand-in-hand with smuggling, was having a devastating effect on businesses, he said.

"We were naive and didn't realise what we were heading for," he said. "This started about 18 months ago with goods coming in in waves. There was no stopping it."

Kotkin said that 5 000 pairs of fake Fila shoes had been stopped in Johannesburg two weeks ago. The fake shoes had been declared at $2,50 a pair whereas the genuine articles were imported at $28 a pair. The difference in duty was R1 a pair versus R42.

Kotkin said that the confiscated goods were just the tip of the iceberg.

CT (MR) 26/2/98

Govt proposes new antidumping procedures

(74F) BD 9/3/98

John Dludlu

GOVERNMENT will release proposals aimed at streamlining antidumping procedures, reshaping institutions and bringing domestic legislation in full compliance with the World Trade Organisation (WTO) before June.

Leora Blumberg, deputy chairman of the board on tariffs and trade, said, however, that it might be unnecessary and costly to set up new institutions.

Blumberg said there was internal consensus in the trade and industry department to delink tariff-setting and antidumping investigations.

The two functions presently reside within the board.

She said government would like to deal with some of the major concerns within the existing framework by streamlining and separating certain powers and functions. Since her appointment to the board in 1996, expectations of a major institutional shake-up have heightened.

However, on Friday, she said amendments — and not a repeal — would be made to the law that set up the tariff board. It has been suggested that a completely new antidumping authority be established to deal with unfair trade as tariff protection is being broken down.

The main thrust of the antidumping proposals would be to ensure compliance with WTO provisions.

Drafting of the proposals had been held up by a range of factors, including a rise in antidumping complaints; complexity of the law under consideration; improving management of the probes; as well as the need to ensure the law was consistent with both the country's constitution and WTO.

In 1996, which appears to have been a peak year, the board initiated 17 antidumping inquiries, figures show. This is from a constant of 10 since 1992 and is high for a country like SA.

Progress had already been made in shortening the time period in providing relief to industries suffering from unfair trade, increasing public awareness of antidumping remedies and in implementing the WTO provisions. "There is nothing that is of serious concern to WTO in our legislation", she said.

Although Blumberg said "we are not there yet," she pointed out that government was committed to achieving WTO limits of completing investigations within 12 months or, in some cases, 18 months.

More attention was being paid to assessing petitions before opening investigations, and some investigations had been terminated.

The board has been moving cautiously to strike a balance between providing speedy relief to industries under pressure from unfair trade amid declining tariff levels and ensuring that antidumping is not used as a protectionist measure.

Government has also received technical assistance from overseas partners, including the European Union, WTO, New Zealand and the US.

NEWS

New anti-dumping laws coming

CT (BR) 19/3/98 (74 F)

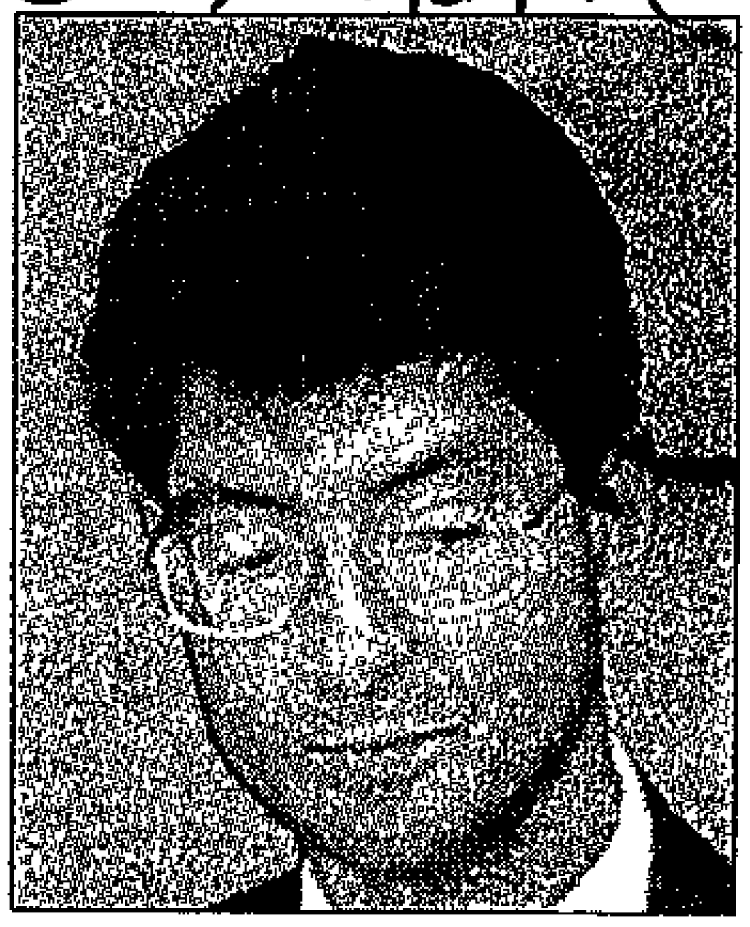
LYNDA LOXTON

PARLIAMENTARY CORRESPONDENT

Cape Town — New anti-dumping regulations would be introduced this year to counter the unstable global training environment and any possible fall-out from the Asian crisis, Zav Rustomjee, the director-general of trade and industry, said yesterday.

Briefing the parliamentary portfolio committee on trade and industry on his department's 1998-99 budget, he said that between 20 and 25 anti-dumping investigations were planned this year against the 19 conducted last year, which was almost 200 percent higher than those undertaken by either the US or the European Union.

Faisel Ismail, the trade promotion chief director, said the amount set aside for export promotion in 1998-99 had been cut by R24 million to R103,9 million. This was because of a decision to cut foreign posts from 76 to 62 while greater use was made of staff in the foreign affairs department's



Zav Rustomjee, director-general of trade and industry

100 overseas offices. This was in line with global trends.

Committee members queried the department's claim of having helped create about 70 000 jobs last year while the Central Statistical Service had reported that aggregate employment levels in manufacturing fell by about 60 000 jobs.

"The reason for that is that some of these jobs will only come into being in the next budget year as those projects get under way," Rustomjee said.

"If you look back to last year, the projects we approved under the manufacturing development programme are coming in today. What we are witnessing across the manufacturing sector is a very deep restructuring which is affecting almost every industrial sector but is affecting a couple of sectors to a greater extent, especially clothing, textiles, motoring and some sectors of the metal industry.

"But we are seeing major improvements in productivity, major increases in export focus and in many firms a radical change in mindset in the approach to business," Rustomjee said.

Koos Roelofse, the department's financial manager, told the committee that the amount set aside for the spatial development initiatives around the country would be increased by 23 percent to R40 million. So far, this initiative had attracted 29 projects, mostly in the Maputo Corridor, involving investments of about R17 billion.

Plan to be prepared for illegally imported cars

CT (PR) 24/3/98 (74F)

Roy Cokayne

Pretoria — A plan to deal with illegal vehicle imports would be submitted to the national inter-departmental structure by early next month, said Dave Peddle, the convener of an action committee that has been considering the problem, yesterday.

Peddle said the structure involved three line departments in the South African Revenue Service, the border police and home affairs, together with other interested departments such as national intelligence.

"The plan will consolidate the views of the various stakeholders. An amazing degree of consensus has been reached on what could be done. But two issues have to be resolved: what to do about the illegal importation of vehicles and what to do about illegally imported vehicles that are already in the country," he said.

The action committee has been headed by the National Automobile Dealers' Association and includes representatives of the taxi industry, the department of trade and industry, the National Association of Automobile Manufacturers of South Africa, and the banking and insurance industries.

Peddle said a document containing the viewpoints of the role players had been circulated to delegates. A consolidated report would be forwarded to the national inter-departmental structure once all the role players had submitted their comments.

China promises to put the boot into 'unfair' shoe exports

CT (IVR) 7/4/98 (74F)

THABO LESHILO
BUSINESS EDITOR

Pretoria — South Africa could not beat the far east on cheap products and should rather concentrate on high valued-added goods to improve its global competitiveness, Alec Erwin, the trade and industry minister, said yesterday.

Labour costs in the far east are one-fifth of what they are in South Africa.

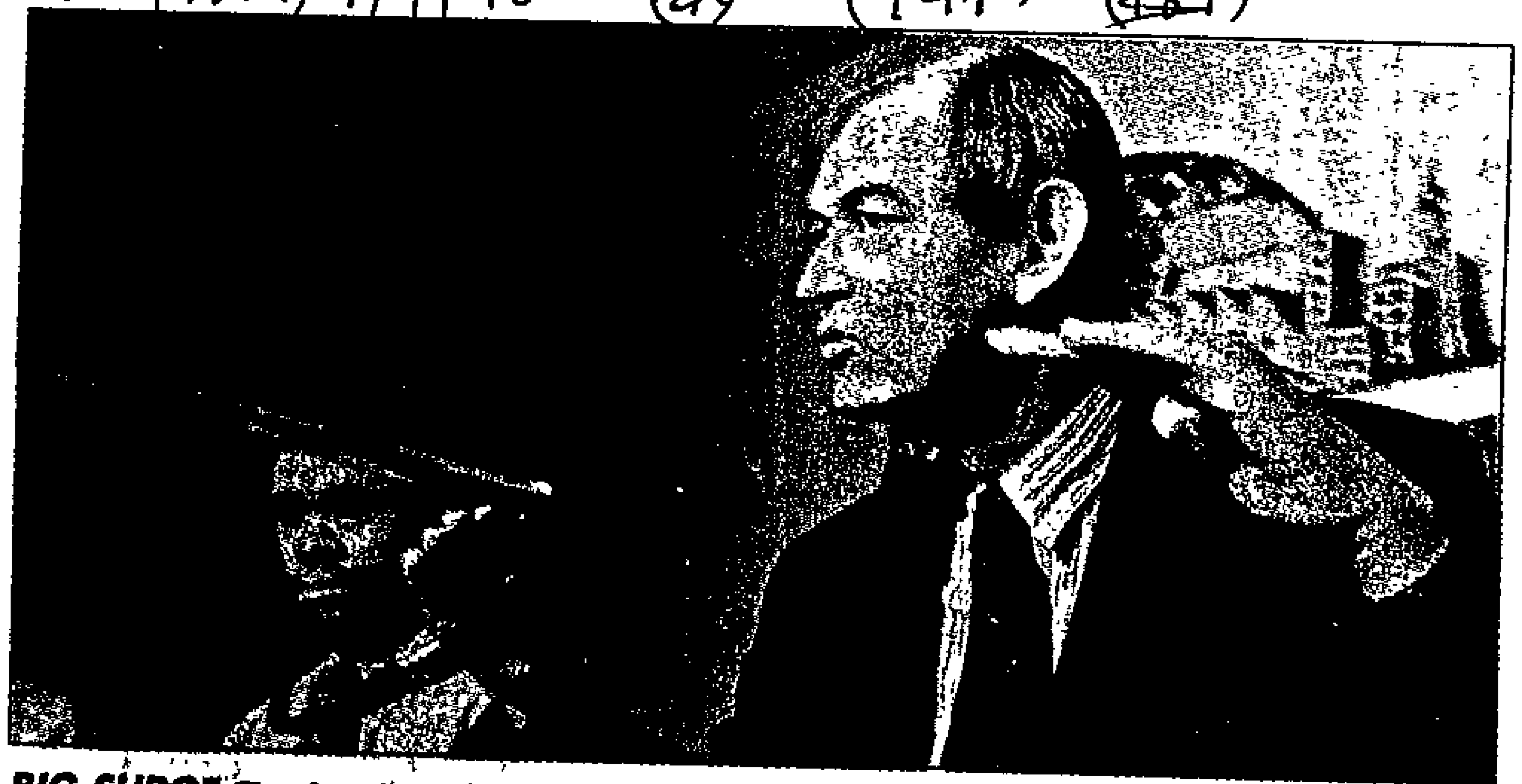
Returning from a week-long trade and investment mission to China and Hong Kong, Erwin said he had had "constructive" talks with the Chinese about stopping the "big surge" in their export of cheap footwear to South Africa.

Combined, China and Hong-Kong are South Africa's 11th largest export market, worth R3,8 billion. Pretoria's imports from the two countries are worth R5,9 billion.

The Chinese, he said, were prepared to help Pretoria stop the flood of cheap imports that are destroying the local shoe manufacturing industry.

Such has been the impact of the imports — some illegal — that production volumes in the local shoe-making industry have dropped from 62,4 million pairs of shoes in 1988 to 36,4 million pairs last year.

Employment levels in the industry subsequently fell from 25 459 employees in 1988 to about 16 000 last year. Three million pairs of illegally imported shoes entered the country, mainly from the far east, last year alone.



BIG SURGE *Trade minister Alec Erwin says South Africa can't beat the far east on cheap products but must concentrate on adding value to exports* PHOTO: JOHN WOODROOF

"They acknowledge the importance of the need for our economy to grow and don't want to destroy it," said Erwin.

The Chinese, he said, were prepared to invest in and to explore joint ventures with the local footwear manufacturing industry, with an eye on the export market.

Erwin said the Chinese understood last year's imposition by South Africa of import quotas on footwear from countries not aligned to the World Trade Organisation.

China is still negotiating its membership of the world trade body.

Listing the accomplishments of his mission, Erwin said the Shangai Industrial Investment Corporation had earmarked 30 industrial investment projects in South Africa in the areas of construction, infrastructure and ceramics.

He also said individual meetings between the 80-strong business delegation in his mission and the Chinese had resulted in the signing of memorandums of understanding to establish a R210 million truck assembly plant in South Africa and a R7 million joint venture for a stone-crushing plant in the Northern Province, among other achievements.

NE

Sudden surge pushes account R361 million into the red, catching economists off guard

Imports dent trade figures

ET (PR) 1/5/98 (74F)

CHRISTO VOLSCHENK
ECONOMICS EDITOR

Cape Town — A strong surge in imports pushed the trade account into the red in March, the South African Revenue Service said yesterday.

A deficit of R361 million was recorded on the trade account in March from a surplus of R511 million in February. Economists were expecting a surplus of between R500 million and R800 million in March.

The unexpected deficit ignited fears of a bigger-than-expected first-quarter deficit on the current account of the balance of payments.

The Standard Bank economics division said imports could have risen in anticipation of lower interest rates and a weaker rand.

Peter Worthington, economist for JP Morgan, said the latest trade data suggested the first-quarter deficit on the current account (still to be published by the Reserve Bank) might be bigger than the deficit of R3,1 billion recorded in the fourth quarter of last year.

Yields on bonds in the capital market rose shortly after the bad news hit the market, but recovered to previous levels later in the day after encouraging economic data from the US.

Imports jumped 8,5 percent, from R10,5 billion in February to R11,16 billion in March, owing to a 35 percent rise in machinery imports. Exports remained almost unchanged at R11,1 billion in March. The rise confused economists, who were expecting imports to slow because of the sluggish economy.

Worthington said that although trade data was traditionally volatile, he found the March import figure "odd".

Some economists avoid forecasting the monthly trade data because of its volatility. It was hoped the data would be less volatile after trade figures for Botswana, Lesotho, Namibia and Swaziland were excluded recently.

The cumulative trade surplus after three months of the year amounted to R624 million, the service said.

Economists warned that the negative impact of the recent turmoil in east Asia and Zimbabwe, both important export markets for South African goods, was still to be reflected in export data in coming months.

SA imposes hefty duties on three Asian countries

BD 6/5/98 (~~???~~) (74F)

SA SAID yesterday it had imposed hefty preliminary antidumping duties on three Asian nations at the centre of a probe into the dumping of stainless steel holloware.

The latest issue of the Government Gazette listed China, South Korea and Taiwan as countries that had antidumping duties slapped on them.

Hong Kong, also part of the probe, was cleared by the investigation after it was established goods from the territory were originating from China.

The gazette said the duties would remain in place until October 21 this year.

The punitive duties follow a petition last year by the Southern African Stainless Steel Development Association to the Board on Tariffs and Trade.

In its petition, the association said stainless steel holloware was being dumped in SA at less than the local cost of the raw material.

"We are very delighted by this development. We think it will be good for the local industry," association executive director Dave Slater said.

He said holloware from China, Taiwan and South Korea was having disastrous effects on the local stainless steel holloware industry.

"The total value of imports during 1996 was R60m of which dumping amounted to more than 50%," said Slater. "The cost to the country is probably double that figure if one takes into account lost jobs and missed opportunities within the industry and among suppliers."

Johann Human, trade and industry ministry dumping investigations director, said the three countries would be given time to respond to the preliminary findings of the probe before final duties were imposed.

Human said that no response was received from China and only one company from South Korea replied and that firm was then exempted from preliminary tariffs.

China was handed tariffs in the range of R33,30/kg to R34,91/kg on cookware made from stainless steel, including goods that are exported from Hong Kong.

Stainless steel cookware from South Korea will now attract tariff duties of between R23,94/kg and R27,28/kg.

Taiwan had tariffs of between R21,36/kg and R34,16/kg imposed on its stainless steel cookware. — Reuter.

NEWS

Bag makers get sacked by illegal imports

CT (MR) 7/5/98 (~~184~~) (74f)

THABO LESHILO
BUSINESS EDITOR

DYING TRADE *Charles Kopps, the owner of International Bag & Travel Goods, is retrenching 30 percent of his employees because of overwhelming competition from illegal importers* PHOTO JOHN WOODROOF

Johannesburg — South Africa's embattled bag manufacturers were under threat of extinction because of rampant customs fraud, the association of bag makers said yesterday.

Charles Kopps, the vice-chairman of the Association of SA Manufacturers of Luggage, Handbags & General Goods, also accused China and other Asian countries of dumping bags on the local market.

Kopps said the situation was so bad that only three bag manufacturers remained in Gauteng, compared with 30 a decade ago. The 15 registered manufacturers employ only 3 000 people countrywide, down from 30 000 employees in the old Transvaal area 10 years ago.

Kopps said the bags industry had a combined annual turnover of R120 million and commanded only 6 percent of the local market.

Kopps's company, International Bag & Travel Goods, based in Amalgam, is negotiating the retrenchment of 30 percent of its 150 employees with the South African Textile Workers' Union. He blames his company's fortunes on illegal imports.

"Unless the government does something drastic to address the problem, the entire industry will die, leading to further job losses, which will in turn threaten the stability of the country," Kopps warned.

Figures released by the South African Police Service in 1996 showed the government lost more than R1 billion a month in revenue through customs fraud.

Steven Lipschitz, the director of Travelscene, a luggage manufacturer based in Industria, said under-invoicing had reached "ridiculous depths".

He said one culprit was recently caught bringing in a consignment, including sets of six-piece tapestry luggage valued at $7,70, or R38,50 each. The bags retail for about R800 locally.

Lipschitz said his company had not raised its prices in the past five years because of the cheap illegal imports. "We make all our products from beginning to end, and my workers have accumulated skills over the years. I would annihilate the Chinese if only they paid the 30 percent duty," he said.

Christo Henning of the South African Revenue Service confirmed that Lipschitz was helping the service with the valuation of imported bags. He said four importers were being investigated to ascertain if their prices reflected what they actually paid for the goods.

There is also illegal importation into the country of tea, shoes and other goods worth hundreds of millions of rand.

Y News

Triangle Glass bids to halt imported glass inquiry

(~~1998~~) CT(BR) 1/7/98 (74f)

Ravin Maharaj

Durban — Triangle Glass had called upon the Board on Tariffs and Trade to immediately suspend its investigation into the imposition of dumping duties on imported glass, Cyril Gebhardt, the managing director of Triangle, said yesterday.

Triangle is the independent glass distributor backed by smaller distributors of glass to the building industry.

Gebhardt said PFG, the sole manufacturer of float glass in South Africa, was petitioning for dumping duties, as its market share had dropped from virtually 100 percent to 63 percent because of imports.

The building glass market in South Africa is worth about R350 million a year. There is a huge oversupply of glass, mainly from imports from India, China and Israel.

The Board on Tariffs and Trade was unavailable for comment.

Keith Luyt, the managing director of PFG, said: "We are applying for anti-dumping against dumped imports, which are products basically sold below the domestic price in the country of origin."

Luyt said the company's market share had been eroded, but it was not afraid of competition. Instead, he said PFG wanted to compete on levelled playing fields, though there were not many local glass manufacturers.

Tax 'is intended to discourage smuggling' (74P)

John Dludlu BD 3/7/98

GOVERNMENT is working on fiscal measures to clamp down on commercial goods that enter SA via the inefficiently controlled borders of neighbouring countries.

Christo Henning, spokesman at the SA revenue service, said last night a 14% value-added tax on commercial goods from neighbouring countries into SA's 17 borders would be implemented later this year. Talks to this effect were under way with SA's partners in the Southern African Customs Union; Botswana, Lesotho, Namibia and Swaziland.

The measures were aimed at cracking down on the smuggling of illicit goods by people who had avoided customs duties for years, said Henning. This was done by smuggling goods into countries and exporting them on to SA.

The tax would affect goods worth more than R10 500, with some exemptions.

A decision to tighten the borders was taken last year, but Henning did not believe the decision would discourage intra-customs union trade. Guidelines were being drafted ahead of the formal introduction of the measures.

"To meet the challenges (of well organised criminals), customs is focusing on maintaining high standards of enforcement while minimising interference with licit travellers and trade," a statement said.

Beef imports from Zimbabwe due

BD 10/7/98 (74F)

Michael Hartnack

HARARE — Beef exports to SA worth about Z$150m a year under SA's updated "most favoured nation" trade pact with Zimbabwe will go some way towards rectifying the trade imbalance between the two countries.

Paul d'Hotman, CE of Zimbabwe's Cattle Producers' Association, said yesterday the beef exports were ready to begin.

Delays in Zimbabwe regaining access to SA markets, and the massive imbalance in trade in favour of SA, were described by President Robert Mugabe last month as "unsustainable".

Some commerce and industry leaders here have warned of a looming "trade war" in view of an alleged aggressive export drive by SA. They accuse the country of simultaneously maintaining trade protectionism.

D'Hotman said all technical problems with Zimbabwe's 5 000-tons-a-year beef quota had been resolved and the parastatal Cold Storage Commission would look for markets along with Meatmark, established by the cattle producers.

"We were told last week by the SA high commissioner, Kingsley Mambolo, that the technical issues had all been sorted out and that local producers could immediately start exporting beef," said D'Hotman.

Zimbabwe hopes to push other agricultural exports to SA, including citrus, once problems over crop hygiene have been resolved.

Zimbabwe earns about Z$400m a year from beef exports to the European Union.

However, the country has not been able to exploit fully its 9 100-tons-a-year quota for deboned meat.

Repeated scares regarding foot-and-mouth disease, exacerbated by illegal smuggling of stock across quarantine lines from infected areas, have held back exports to Europe.

Stock losses due to recurrent droughts have made the position even worse.

Zimbabwean clothing and textile manufacturers have yet to recapture the SA markets they built up between the signing of the trade pact between the former rulers of SA and Rhodesia in 1964, and Pretoria's adoption of protective tariffs in 1991.

(74F)

THERE ARE IMPORTS . . . AND IMPORTS

FM 24/7/98

SA buys more of the good kind

Machinery is SA's largest import category, accounting for 36% of total imports in the first five months of 1998 And it's also the only major category showing really strong growth (see chart). This, argues Barnard Jacobs Mellet chief economist Chantal Friedman, suggests import growth is leading to a rebuilding of productive capacity.

People tend to associate fast-growing imports with the spectre of current account deficits such as Mexico's in 1994 and Thailand's last year. But SA is a different case, says Friedman. For one thing, its deficit is still under 2% of GDP. But the other important issue is *why* imports are growing.

They can be a sign of an overheating economy, as in the case of Mexico and Thailand, where consumer goods imports grew rapidly, heralding inflation. But in SA, in the first five months of the year, vehicles and parts imports (generally a good indicator of consumer demand) were down 3,5% year-on-year. And if the machinery category is stripped away from imports, import growth falls from more than 9% to less than 2% year-on-year.

The machinery category embraces everything from capital equipment to consumer electronics. But machinery imports are an excellent leading indicator of gross domestic fixed investment (GDFI) in machinery (see graph) The machinery category accounts for more than half of total GDFI This implies the growth is related to building up productive capacity

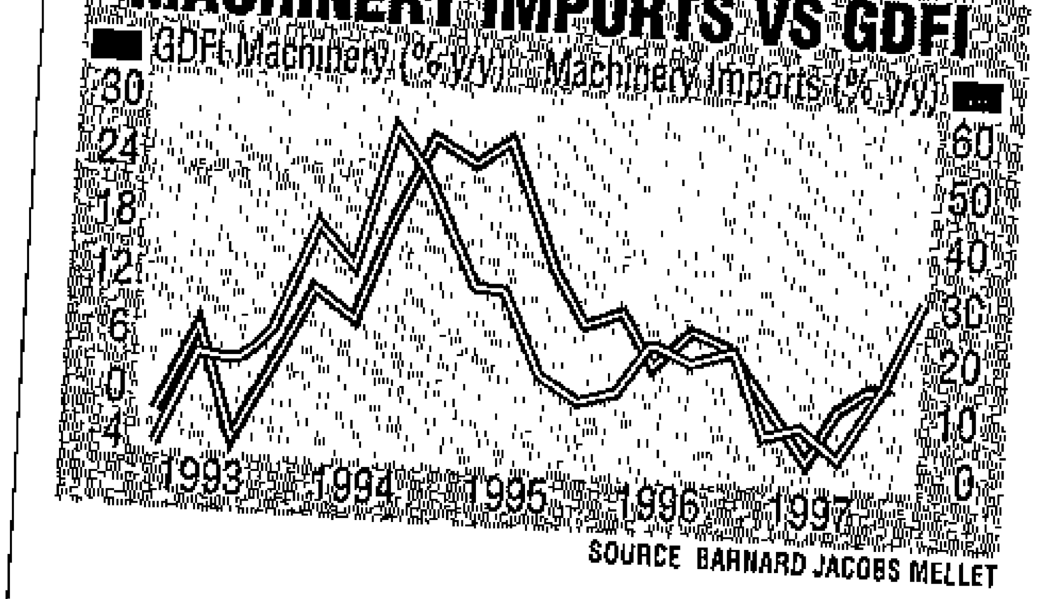
Imports for the Saldanha Steel project have helped boost machinery imports off their low 1997 growth rates. But though capital goods appear to be less responsive to higher interest rates than consumer imports, they will still suffer some damage from the rand's fall and interest rate rises

And though this will help narrow the current account deficit, it will also restrict the country's growth potential. Friedman argues "the problem that really needs to be addressed is not that of high imports, but how to attract the long-term capital inflows to fund them "

MAJOR IMPORT CATEGORIES
Jan-May 1998

Category	% of total	% y/y
Mineral products (mainly oil)	9,5	-11,4
Machinery	36,2	25,8
Optical & photo equip	3,9	15,7
Vehicles & parts	11,6	-3,6
Chemicals	10,9	4,5
Rubber & plastics	4,4	10,6
Pulp & paper	2,4	4,6
Textiles	4,0	24,8
Agricultural	6,4	-8,9
Total imports		9,4
Total excl machinery		1,9

MACHINERY IMPORTS VS GDFI



SOURCE BARNARD JACOBS MELLET

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LEFT HOLDING THE BAGS *Michael Candy displays the type of bags which could be made locally* PHOTO: BARRY TUCK

Fingers pointed at banks for importing cotton bags

~~Section~~ (74F)

SHIRLEY JONES
KWAZULU NATAL EDITOR

Durban — Some South African banks were importing cotton bank bags, depriving local manufacturers of crucial business, Walter Simeoni, the chairman of the South African Cotton Textile Manufacturers' Association, said this week.

"Banks are purchasing cotton fabric bank bags (from) countries where wages represent 5 percent of South Africa's wages," Simeoni said.

"There is even a rumour that some of the products originate from countries where child labour is used." He said more than half of all bank bags in South Africa were imported from so-called cheap labour countries.

Simeoni said the problem was a long-standing one and had already led to liquidations. Paramount Fashions, a small manufacturer in the Eastern Cape that relied heavily on bank bag manufacture, closed down about a year ago.

Local bank bag manufacturers, who asked not be named, said most imported bank bags came in duty-free and permit-free from Malawi.

The only banks whose bags are 100 percent local are Boland and Absa.

A spokesman for Standard Bank, one of the importers targeted by the Cotton Textile Manufacturers' Association, denied importing any bags, pointing out that with current exchange rates this practice would be out of the question.

Nedbank said at least half of its bags were sourced locally.

CT (BR) 4/8/98

Confusion as food import controls go

(74F)

Louise Cook
and Paul Vecchiatto

BD 7/8/98

A TRADE and industry department announcement yesterday, of a decision by Trade and Industry Minister Alec Erwin to lift import and export controls on some foodstuffs, has caused confusion in agricultural circles.

The department will abolish the need for import permits on maize, dried fruit, tomatoes, tomato juice, ketchup, prepared vegetables, jams, fruits and jellies, and export control on coffee.

A statement released earlier today said that import controls would be lifted, but a department spokesman said that this applied only to the quantitative controls and not tariffs.

SA currently has an import tariff of $5/t on maize due to the low world prices.

The maize tariff is formula-based and is triggered by the fall as measured on spot maize prices on the US FOB Gulf price. If the 21-day moving average price moves outside $100/t-$110/t for 14 days, this would trigger a change in import tariffs.

If the Gulf price moving average falls to between $90/t-$10/t, a tariff of $15/t is imposed. The US FOB Gulf price was last seen around $96/t, a three-year low.

The department's spokesman said the permit system was in place as a monitoring measure and it was being scrapped as a cost control measure.

However, importers would still have to adhere to the tariff rates and comply with the relevant health protocols.

Animal Feed Manufacturers' Association chairman Louis Wolthers said his impression was that a R25/t import tariff on maize coming into the country was now scrapped in accordance with a recent request from the millers to the Board on Tariffs and Trade, which formed part of the department. This would mean that maize could now again be imported at a zero tariff rating.

SA is experiencing an oversupply of white and yellow maize and many traders said that the tariff was necessary to prevent dumping of foreign-supplied grain.

According to the SA Revenue Service's customs division, SA imported 87 071 tons of white and yellow maize valued at R69,34m last year.

The National Maize Producers' Organisation was investigating the statement, while maize traders said they could not believe that the tariff would be scrapped.

The trade and industry department was not available for comment.

SA Coffee Secretariat chairman Aart Jurriaanse said the industry was not aware of any export controls anywhere in the coffee industry. — I-Net Bridge.

Feed makers call for action on vitamin import tariffs

Louise Cook

(74F)

PRETORIA — Animal feed manufacturers were losing millions of rands a year while a decision was awaited on adjustment to an "unnecessary" 20% import tariff on vitamins, the Animal Feed Manufacturers' Association said yesterday.

The existing tariff on some imported vitamins was imposed unilaterally by customs and excise despite there being no local manufacturer of the products that would be threatened if the tariff were scrapped, it said.

"Only one vitamin is manufactured locally. Scrapping the tariff would therefore not threaten any local business or jobs," association GM Hansie Bekker said.

"The first talks (with the Board on Tariffs and Trade) to change the tariff started ... in December 1996. In October last year a formal application for an adjustment was submitted to the board.

"The matter is still not finalised and while we're waiting for a decision the industry loses millions a month."

Agricultural roleplayers said in the past it took too long to get a tariff adjusted and a solution was needed. The poultry, meat and dairy industries had to wait nearly three years for adjustments.

Sources said this was partly because tariffs on agricultural commodities had to be handled by the trade and industry minister and the agriculture minister. After this, the application also had to go to Finance Minister Trevor Manuel before a new rate could kick in.

Tracey Simbey, adviser to the agriculture ministry, said some weeks ago the department was aware of the problem and something would be done to speed up the process. A draft document on agricultural policy would address improved co-operation between the agriculture and trade and industry departments, she said.

Parliamentary portfolio committee chairman Rob Davies backed this view, saying it was necessary that new tariffs took effect before too much damage was done.

The Board on Tariffs and Trade was not available for comment.

Duty-free meat on SA's doorstep

Louise Cook

(74f)

PRETORIA — The recent revival of a bilateral free-trade agreement between SA and Zimbabwe, which has been dormant for several years, could see the first arrival of duty-free meat from Zimbabwe in SA in the next few months.

Paul d'Hotman, manager of the Zimbabwean Cattle Producers' Association, said that in addition to the trade agreement, the "roller coaster ride" of the Zimbabwe dollar against the rand boosted trade.

D'Hotman told the Southern African Meat Producers' Forum at the weekend that the volatility of the currency would enable Zimbabwean exporters to take advantage of the 5 000 ton tariff-free quota for meat.

He said the virtual collapse of the Zimbabwean dollar dropped the value of cattle 30% overnight.

In the past, a 40% trade duty made Zimbabwean meat costly to import, but the trade agreement, coupled with the low prices for cattle, reversed the situation.

Gerda van Dijk, trade director at the agriculture department, reportedly confirmed this weekend that both SA and Zimbabwe had received a stream of applications from exporters and local importers interested in having a shot at the new trade line.

In terms of the bilateral agreement, up to 5 000 tons of meat a year can come duty free into SA. This is despite the fact that Zimbabwe — a member of the European Union's Lomé Convention — has struggled to meet its annual EU quota of 9 100 tons.

D'Hotman said that by the middle of this year, only 3 500 tons out of the 9 100 tons quota had been exported to the EU.

"Of particular concern to Zimbabwe beef producers is the status of the EU/SA free trade agreement and its possible affect on the beef industries of southern African countries. Apart from the direct consequences of cheap EU beef landing in SA ... of greater concern is the possibility that this agreement could be used as a precedent in negotiations for a successor to Lomé."

The planned SA/EU free trade agreement is still being negotiated but fears of its potential negative impact on the beef industries of Namibia and Zimbabwe are rife in southern African industries.

Namibian Meat Producers' Association chairman Jan de Wet told the forum that Namibia asked the EU to halt all subsidies on meat exported to SA as "these export subsidies create an unequal playing field in the southern African market".

He said Namibia managed to get the EU to lower subsidies on beef exports to SA by 45% since February last year.

D'Hotman said it was "still too early" to know if Zimbabwe's meat exports to the EU would suffer as a result of the latest bilateral agreement with SA. Despite the number of slaughterings which "at face value" should have enabled Zimbabwe to meet its EU quota last year, it did not do so due to lower market realisations.

Levy will ensure 'protection' of industry

Sasol calls for import duty on oil

CT(MR) 19/8/98 (74F) (187)

JONATHAN ROSENTHAL

INDUSTRIAL EDITOR

Johannesburg — Sasol, the synthetic fuel producer, has asked the government to impose import duties on crude oil and liquid fuels in a move that will once again pit it against the rest of the domestic oil industry.

In its June submission on the government's draft white paper on energy policy Sasol said a tariff could replace current restrictions on the import of refined fuel products as well as the synthetic fuel subsidy, which kicks in when the oil price falls below $17 a barrel and currently swells Sasol's income by about R100 million a month.

Current regulations only allow existing oil refiners to import refined product, and then only if there is a national shortage.

Earlier this year the department of minerals and energy blocked an attempt by the Airline Association of Southern Africa to import its own jet fuel.

Richard Hughes, a Sasol spokesman, said yesterday that import tariffs would "ensure that the synthetic fuel industry in South Africa is protected in the same manner as the majority of other manufacturing industries in South Africa".

He said import control was one of the two pillars on which the regulation of the liquid fuels industry was based.

"To ensure a phased deregulation of the industry, the government would have to maintain import control until the industry is fully deregulated at the end of the transition period," he said.

Sasol said in its submission that the state's agreement with the World Trade Organisation (WTO) compelled it to phase out all quantitative import control measures by December this year. Sasol suggested an alternative would be to impose import duties on crude oil and liquid fuels.

"The attractiveness of such a system is that it could ensure that the objective of import control is attained yet (would) be fully in line with WTO principles. Such a system could be used to bring protection for synfuels in line with WTO accepted practice and also be a source of revenue for government," it said.

But the South African Petroleum Industry Association (Sapia), a lobby group representing oil refiners, said that import duties on crude oil or refined product would distort the market and prejudice oil refiners.

Collin McClelland, Sapia's director, said tariff protection for Sasol should only kick in if there was a real danger of Sasol going broke because of low oil prices — an objective that would not be achieved by a blanket duty on imported crude.

"If there is going to be a system of protection, the current one is better because it is collected at the end-user level instead of inflating all costs along the chain," he said.

McClelland said the government would have to come up with an interim measure of import control during the transition period.

□ **Liquid fuels, Page 8**

Government to charge VAT on customs union goods in bid to fight illegal imports

(74f) CT (BR) 26/8/98

THABO LESHILO
BUSINESS EDITOR

Johannesburg — The government would start charging VAT on goods from the Southern African Customs Union (Sacu) from today in a bid to stop illegal imports, Christo Henning, a spokesman for the South African Revenue Service (SARS), said yesterday.

The new tax would be phased in and target certain members of the customs union. South Africa's partners in Sacu are Botswana, Lesotho, Namibia and Swaziland (BLNS).

Henning declined to say which of the countries would be immediately affected, how much the tax would be or the dates from which it would be payable. He said the information was embargoed until today at noon.

The SARS proposed that the VAT be introduced at 14 percent — the rate applicable in South Africa.

Henning said customs officials would be posted at South Africa's 14 border posts with the BLNS countries to collect the tax.

"The man in street should not feel the effect of the tax that much," said Henning. He said the tax was necessary to stop the widespread illegal trafficking of goods into South Africa, and would save the country billions of rands in lost revenue.

VAT regulations were recently amended to eliminate zero-rate VAT abuse on bogus alcohol and tobacco products exported to the BLNS countries. SARS said the previous system was abused by using falsified export documents for goods that actually never left the country.

Coopers & Lybrand, the tax consultancy, slammed the move for failing to discriminate between bogus and bona fide exporters.

NE

TAX *Customs officials will begin revenue collection in person from October 1*

SARS to clamp down on smugglers at border posts

CT (PR) 27/8/98 (74F)

THABO LESHILO

BUSINESS EDITOR

Johannesburg — South African Revenue Service (SARS) customs officers will man all border posts for the first time from October 1 to collect VAT on imports from Botswana, Lesotho, Namibia and Swaziland.

Christo Henning, a spokesman for the SARS, said the infrastructure was in place to start collecting the 14 percent VAT at designated entry points from Namibia and Botswana from October 1. Swaziland and Lesotho border posts would follow suit from November 1.

"It will be the first time that SARS customs officials are present at all the land border posts through which goods are imported and exported," said Henning. "It will allow proper control over the cross-border movement of commercial goods and effect the enforcement of anti-smuggling measures."

He said houses and basic infrastructure were erected as part of a "rapid deployment programme" and staff were being appointed and trained.

Computers have also been installed. The network will be shared with the South African Police Service.

Henning said the decision to control the movement of commercial goods would stop the practice whereby goods not subject to VAT at the time of importation were traded in underground markets with no tax ever collected on the sales.

He said another advantage of the new arrangement was that it would help clamp down on fraudulent exporters seeking illegal refunds.

Vendors requesting VAT export refunds will be required to produce the goods and documentation to support the export at one of the commercial land border posts to qualify for the refund.

FORGING TIES *Gill Marcus, the deputy finance minister, and Claude Morel, the ambassador of the Seychelles, sign an agreement on avoidance of double taxation and the prevention of fiscal evasion relating to taxes on income, in Cape Town yesterday*

Customs sharpens its legal teeth

(74F) CT (BR) 14/9/98

Roy Cokayne

Pretoria — A transformation programme to improve the effectiveness of customs, tighten its grip on tax evaders and reduce smuggling and the importation of contraband was launched last week by Gill Marcus, the deputy finance minister.

The programme's goals are efficient revenue collection; better risk analysis to detect and deter illegal trading activities, thereby protecting local economies and facilitating trade for legitimate business; protection of the public from harmful goods and materials and meeting South Africa's international obligations in terms of international agreements.

Pravin Gordham, the deputy commissioner of the South African Revenue Service (SARS), said customs now caught between 10 and 15 percent of transgressors, but this would increase to 80 percent through the programme.

HIGHER STANDARD *Gill Marcus aims for tax evaders*

Gordham stressed the need for customs to have "sharp teeth" to send the message that it could deal with those who did not comply with the laws.

The date set for the project is 2003. It will involve operational training; the roll out of operational best practice; business process review and system implementation and a human resource strategy.

The business process review and system implementation, the core of the programme, would examine all major information technology and manual systems with a view to achieving better use of technology; a shift from manual to electronic processing; better integration into other systems, such as VAT and more efficient processing of imports and exports, he said.

Gordham emphasised the determination of the SARS to rid the organisation of any form of corruption and bribery and to create a new morality.

He said the British government was contributing £9 million to the transformation process.

Marcus said for customs to fulfil its obligations, it needed to address human resources, provide technology, and change the culture of customs to become service oriented.

A number of goals had been set for the immediate future involving border management, industry and taxation, Marcus said.

SA NEWS DIGEST

☐ TARIFFS

(189) (74F)

Dumping impels US to announce duties on stainless steel imports

The US commerce department announced on Wednesday preliminary duties ranging from 2,77 percent to 67,68 percent on imports of stainless steel plate in coils from Belgium, Canada, Italy, South Africa, South Korea and Taiwan.

The duties were approved to compensate for steel that had been "dumped" on the US market at unfairly low prices, the department said. CT (BR) 30/10/98

The department will make a final determination on the duties on January 10, 1999. The Specialty Steel Industry of North America (SSINA) said the preliminary duties confirmed allegations by US steelmakers that the dumping of stainless steel plate in coils on the US market was pervasive. "We expect these margins to go higher after further investigation," a SSINA spokesman said. — *AFP, Washington, DC*

SA import tax plans criticised

(74f)

Namibian forum opposes intention to charge VAT

BD 2/11/98

John Dludlu and Christof Maletsky

PLANS by SA to charge value-added tax (VAT) on imports from partners in the Southern African Customs Union have attracted a barrage of criticism and objections from the Namibian private sector.

Though Pretoria has postponed the tax's introduction to allow further consultation, Namibian businesses have formed a forum, known as the Namibian VAT Initiative, to raise their concerns at the measures which were to have come into force last month.

The initiative — including Namibian leading business organisations such as the Meat Board of Namibia, Unitrans Namibia, Namibian Chamber of Mines, DeLoitte & Touche and the Windhoek Chamber of Commerce and Industry — said the tax would have multiple effects. Among these would be the disruption of cross-border trade flows, raised business costs for Namibian companies, eroded efficiencies, as well as discriminatory practises against Namibian businesses.

Jens Kuehhirt, a partner at Deloitte & Touche, said at the weekend the campaign to seek improvements in the suggested measures had been extended to Botswana, which was facing a similar fate.

Although the initiative was to have applied only to Namibia and Botswana on October 1, its original implementation date, plans were afoot to extend it to the two other customs union partners: Swaziland and Lesotho.

The initiative was suspicious that while SA had shelved plans to introduce the tax — as a first step towards a policy of clamping down on tax evasion and smuggling in the sub-region — government was set to "bulldoze" the measures regardless of the complaints.

No comment was available from the SA Revenue Service yesterday.

Finance ministers from SA's four customs union partners met in Windhoek on Friday to discuss the measures. It was unclear yesterday what they agreed to.

The initiative has complained that plans to charge a 14% VAT on goods transiting through SA to third countries — which is reclaimable — discriminates against the customs union countries who use SA's export facilities and "clearly (fall) outside the scope of the VAT act".

In addition, excluding Namibian transport operators from zero rating was a "serious discrimination against Namibian ...operators in the SADC (Southern African Development Community) context", the initiative said.

Namibian Finance Minister Nangolo Mbumba has said regional tax systems, especially indirect taxes such as VAT or sales tax, should be tailored so as not to unduly hamper regional economic and trade liberalisation. While the business initiative accepts the rationale behind the tax, it has raised doubts about SA tax authorities' readiness to collect such a tax.

Independent Namibian transport operators who, the initiative has claimed, are cheaper, would be adversely affected by the tax. They would now have to prepay VAT on transporting goods into Namibia and then go through an "onerous procedure for reclaiming these monies".

This was likely to divert business from SA, despite the high costs involved.

EU group files complaint concerning steel dumping

From Reuters (100) (74F)

Brussels—An anti-dumping complaint over imports of unalloyed hot-rolled coil steel from six countries had been filed with the European Union (EU) by Eurofer, the European iron and steel industry group, the group said yesterday.

The European Confederation of Iron and Steel Industries said it had complained about imports from Bulgaria, India, Iran, South Africa, Taiwan and Yugoslavia.

"The increase in imports has far exceeded the development of consumption and has caused serious injury to the European producers," Eurofer said.

The European Commission has 45 days to decide if it should investigate the anti-dumping complaint, and up to 15 months after that to decide if punitive duties should be imposed.

Eurofer said the countries mentioned had increased their share of the EU market for hot-rolled coil steel to 15 percent in 1998 from 5 percent last year.

"This rise was only possible by substantial price undercutting and price levels below the normal value for the product concerned.

"As a result of these dumped imports, prices on European markets have fallen substantially."

Complaints involving heavy plate, wire rod and cold-rolled sheet steel were expected.

CT(BR) 27/11/98

Six countries to pay extra for 'dumping'

(74F)

John Dludlu

BD 13/1/99

SIX countries alleged to be dumping goods on the SA market are facing severe punitive measures under the country's fair trade measures.

According to last month's Government Gazette, provisional duties have been slapped on China, India and Taiwan, among others, for six months to June while the allegations are being investigated. A provisional duty, intended to provide interim relief for a suffering domestic industry, is imposed only after a prima facie case of injury to the complainant has been presented to government.

Provisional duties of between R2,51 and R30 a unit have been imposed on a range of acrylic blankets originating from India, Korea, Turkey, China and Hong Kong after a complaint brought by the Textiles Federation last April.

Separately, the commissioner of customs and excise has imposed provisional duties ranging from 10,7% to 47,6% on stainless steel tubing and pipes from Korea, Malaysia and Taiwan.

Johan Human, the director for countervailing and dumping investigations at the Board on Tariffs and Trade, said yesterday that these countries had 30 days to comment on the preliminary reports of the board.

If a case of dumping was proved in six months, import duties would be increased to provide a cushion to local industries.

However, if no dumping was found the investigation would be terminated.

In the current era of tariff reduction, antidumping measures are often the only means available to countries that are suffering from the effects of unfair trade to provide relief to their industries.

According to the World Trade Organisation, SA is one of the most active users of such antidumping measures.

Joint strategy to counteract illegal imports

BD 19/1/99 (74F)

John Dludlu

GOVERNMENT, business and labour have joined hands in devising measures aimed at clamping down on billions of rands worth of illegal imports which are causing untold suffering to legitimate businesses in SA.

After a government decision several years ago to halt auctions of illegally imported goods, it has been decided that alternative measures — which would create job opportunities and help the state recover lost import duty revenue — should be formulated.

As a result, the trade and industry department has decided the goods which enter SA illegally should be recycled and no longer exported out of the continent as was the case until now.

However, differences exist on who has to carry out the recycling process which is expected to be labour intensive.

Jabu Ngcobo, the general secretary of the SA Clothing and Textile Workers' Union, said at the weekend the 146 000-strong union favoured the idea of creating a section 21 (not for profit) company that would carry out the recycling process.

Both the clothing and textile industries' federations felt the recycling should be done either by the state, or the state should contract it out to a private sector company.

"We don't think the private sector should make a profit out of this (confiscation of goods by the state)," said Brian Brink, executive director of the Textile Federation, echoing sentiments that government should benefit from the proceeds of the recycled goods in lieu of lost import revenue.

Ngcobo said if any surplus funds were generated by the mooted company — in which business would be represented — that would have to go either to charity or education of workers.

Illegal imports account for a third — or about R1bn a year — of total clothing and textile imports in SA, according to industry estimates.

The Southern African Footwear and Leather Industries Association has said illegal and undervalued imports still pose a major threat to jobs, with 2 800 jobs lost in 1997 to imported footwear in spite of the imposition of quotas from imports originating from non-World Trade Organisation trading partners.

It is envisaged that second-hand recycling machines would be used in shredding the confiscated goods and sources say recycled clothing and textiles goods could be turned into blankets or used in the motor industry.

SA one of six steel 'dumpers' cited in call for import tariffs

BD 25/11/99

Analysts say steel companies are partly to blame for the industry's problems, and that prices will continue to fall

(74F)

LONDON — Steel producing areas pleaded with the British government last week to step up pressure on the European Union for tariffs on steel products they claim are being dumped on the UK market, strangling the local manufacturers.

The Steelaction group, which represents 28 local authorities in steel producing areas, called for heavy duties on hot rolled coil and other steel products it said were "flooding into Britain and threatening British jobs".

Rotheram councillor Roger Stone, chairman of Steelaction, said Asian producers, in particular, were "sending their steel here and selling it at prices below what they charge in their own domestic markets".

The steel communities want British ministers to push for interim tariffs on imports when the European Commission produces a preliminary report on six steel dumping complaints brought by Eurofer, the European steel producers' association.

The inquiry is into alleged dumping of hot rolled coil, used to make industrial products, by Bulgaria, India, SA, Taiwan and Yugoslavia. Eurofer is planning further anti-dumping complaints against heavy plate and wire rod imports from countries including China, India and Turkey.

Both steels are used in construction.

Other countries are implementing or considering protectionist measures also as a result of the collapse of demand for steel in much of Asia, formerly one of the world's biggest importers of steel products.

Taiwan and India have imposed tariffs. The US has resisted pressure from domestic steel makers to impose controls, but a White House report earlier this month offered $300m in tax breaks to help beleaguered US companies stay in business.

Sheffield-based steel consultancy Meps warned that demand and prices were likely to fall across the EU this year following a collapse in prices in the third quarter last year. However, Meps said steel companies were in part to blame for the industry's problems because they kept up production and prices well into the second half of last year to maintain short-term profitability.

"This crazy see-sawing in the market has to be eradicated," Meps said.

In the US, pressures are building in Congress for the introduction of tough new measures aimed at restricting steel imports. Several Democratic lawmakers have taken up the cause and are leading the drive to offer more protection for the domestic industry.

Fuelling the protectionist sentiment on Capitol Hill is the surge in foreign steel imports in the wake of the Asian financial crisis. The influx of cheap imports has led to widespread job cuts and losses among US steel producers, campaigners contend. At least two House Democrats are drafting legislation that would cut back steel imports to mid-1997 levels.

Unhappy with President Bill Clinton's steel report, several Republicans are expected to join Democrats in calling for steps to curb steel shipments. Foreign steel imports are now estimated to account for roughly one-half of the US steel market.

☐ Lawyers for US steel makers urged the commerce department last week to rule that SA's Industrial Development Corporation's participation in Columbus Stainless represented a government subsidy. — Financial Times.

'Duties vital to revival of nuts and bolts'

(169) BD 10/3/99 (74F)

SA manufacturers of nuts and bolts argue they need to be protected from free trade in an open market, writes Sibonelo Radebe

GOVERNMENT slapped provisional import duties last month on nuts and bolts manufactured in Australia, China and Taiwan, following warnings by local manufacturers that they faced going out of business because of the dumping practices of these countries.

The provisional duties, which are to last until August, exclude imports from Malaysia, although the country was included in the countries accused of dumping.

"Dumping of cheap imported products was one of the main causes of massive job losses and a decline in production volumes seen by the local nuts and bolts industry in recent years," says David Macgillivray, chairman of manufacturing company CDC, which was one of the major local companies at the forefront of the antidumping campaign.

After a preliminary investigation, the board on tariffs and trade responded with provisional duties.

A source in the trade and industry department said the decision to put in place provisional duties showed the concern of the local manufacturers was genuine. The board took an informed decision in line with the rules and regulations of the World Trade Organisation, said the source.

It would use the period of the provisional duty to investigate the matter further and give all stakeholders, including importers, an opportunity to make representations.

The board would then make recommendations to the trade and industry minister on whether or not a longer-term antidumping measure beyond August would be necessary.

With the provisional duties in place, China is liable for import duties of a 40% average on most of its steel bolts entering SA. Australia has to pay about 135% duty on its nuts and Taiwan about 20%.

Macgillivray said the imposition of duties was essential to the revival of the local nuts and bolts manufacturing industry. However, he questioned the board's decision to leave Malaysian products outside the net, saying products from Malaysia were no different from those of the other three countries.

The industry was not against free trade, but wanted to ensure fair competition for local manufacturers who had to compete with products which were 25% cheaper.

A source in the industry said the price differentiation was due mainly to the fact that manufacturers from these countries obtained steel at a far cheaper price than local manufacturers. "The Asian crisis has caused a surplus capacity and subsequently a dramatic fall in the steel price."

The president of the SA Fasteners' Manufacturing Association, Sonwabile Ndamase, said government should not follow the idea of free trade blindly.

CIGARETTE SMUGGLING

(74f)

RETAILERS FIND THERE'S NO SMOKE WITHOUT FIRE

FM 16/4/99

Contraband smokes could be 10%-20% of the SA market

International crime syndicates are making a killing exporting top cigarette brands, then smuggling them back into SA, where they find a ready market — estimated at about R2bn/year — undercutting the legal product.

The illegal trade — mainly in favourite brands such as Peter Stuyvesant, Rothmans and Benson & Hedges — is taking its toll on legitimate traders. Last year L Suzman, a Johannesburg tobacco wholesaler, went into liquidation, and former MD Chris van der Walt blames the smuggling as an important factor in the company's collapse.

Thirty billion cigarettes worth R10,5bn are legally sold each year in SA (see graphs). Van der Walt estimates that a further 20% — 6bn smokes — declared for export are smuggled back in annually and sold on the black market.

It's called roundtripping: crime syndicate members — often apparently legitimate wholesalers — buy stock ostensibly for export. The goods leave the country, usually for Botswana, Lesotho, Namibia and Swaziland (BLNS countries); the exporter reclaims 14% Vat at the border posts and then the consignments are smuggled back into SA and sold.

Even more attractive to roundtrippers are non-BLNS states, notably Mozambique and Angola. Here the roundtripper escapes excise duty as well as Vat — a 60%-plus bonus.

It's a global business, but has received little publicity here, where information is severely restricted by the industry's and SA Revenue Service's reluctance to discuss the problem.

Of L Suzman's collapse, Van der Walt says the illegal product "was at least 10% cheaper than we could sell it. Our margins were only 7%-7,5%, so we'd have had to sell at a loss to compete on a price basis.

"The tobacco industry has small margins. These people had 14% to play with. Roundtripping is highly organised. A number of them were identified as *bona fide* wholesalers who were able to sell the product at 7% or 8% discount. You'd know they'd be roundtripping. Every now and then they'd be raided, but the authorities found it difficult to police."

In a submission to government, one L Suzman executive said a regular client "who historically purchased about R700 000 stock a month no longer purchases anything, but continues to offer its clients the same brands of cigarettes".

Rothmans International controls 85% of the SA cigarette manufacturing market, mainly with Peter Stuyvesant, Rothmans, Dunhill and Craven A.

The company's public affairs manager, Abrie du Plessis, handles all smuggling matters on behalf of the cigarette industry. There is a Tobacco Institute of Southern Africa, but its president, Edward Shalala, refers all inquiries about smuggling to Du Plessis. "At the moment our feeling is the problem's gone down," he says. "Either it's gone down, or it's gone totally underground and we don't see it any more."

The SA Revenue Service holds what information it has close to its chest. Revenue investigator Pieter Swart says he knows the number of confiscated cigarettes held in State warehouses across the country, as well as the number of arrests made. "But I'm unable to release these figures at such short notice."

Customs officials are more forthcoming, though they are aware of the sensitivity and will speak only on terms of strict anonymity. One senior Customs officer says in January two containers seized at Durban docks contained 6m SA-manufactured Peter Stuyvesant cigarettes that had been roundtripped back from the Gulf state of Dubai. The cargo had been declared as mineral water. The case is under "intensive investigation" with a view to criminal prosecution.

"The cigarettes were meant for the export market outside the BLNS countries," says the Customs officer. "We can't establish where they were first exported to, but they were shipped back again from Dubai."

Last December a cargo of 890 000 Peter Stuyvesant cigarettes was seized as smugglers tried to roundtrip it back into SA at the Komatipoort border post with Mozambique. The cigarettes were hidden in a false compartment in a supposedly empty container.

Just weeks ago there was a big seizure at Beit Bridge, the border with Zimbabwe, where cartons of roundtripping cigarettes were being tossed across the border fence. Arrests were made.

For every shipping container of SA-made cigarettes roundtripped back from non-BLNS states, government loses R1,2m in Vat and excise duty.

"Cigarette roundtripping is a major problem," says the Customs officer. "It's done by organised crime syndicates and there's a distinct pattern.

"Millions of confiscated roundtripped cigarettes are sitting in State warehouses

CIGARETTES: THE INSIDE STORY

Portnet to deploy customs weapon

Simon Barber (74f)

WASHINGTON — Portnet is about to unveil a hefty new weapon in the fight against customs cheating, which the SA Revenue Service says is depriving the fiscus of about R100m a month.

It is a giant, hi-tech x-ray machine, made by Massachusetts-based American Science & Engineering (ASE), which Portnet and customs officials will use to view the contents of containers at Durban harbour and compare what they see with cargo manifests.

The tailor-made $5m system, which Portnet opted to procure after competitive bidding last year, was recently delivered to Durban's container terminal and will become operational within weeks once local operators have completed training, says ASE CE Ralph Sheridan.

ASE demonstrated the technology, originally devised to help US inspectors verify Soviet compliance with arms control treaties, at Quantico marine base outside Washington this week.

Using a mobile truck-mounted version of what Portnet has acquired, Sheridan and his team produced, within seconds, detailed computer images of the contents of a large moving van, including contraband and hidden compartments which standard x-rays — let alone time-consuming and theft-inducing manual searches — would likely have missed.

BD 7/5/99

In simple terms, standard x-ray photography captures silhouettes of materials the rays have difficulty penetrating. ASE's proprietary "backscatter" technique also uses the x-rays that bounce off objects to make a second set of pictures with extra detail.

The dosages of radiation involved are far less than an airline passenger absorbs during a trans-Atlantic flight.

Sheridan says ASE designed an entirely new platform for Portnet. The sensors, computers and control room are housed in two standard sea containers that can be picked up and moved as needed. Containers can be examined at a rate of up to 20 an hour. Human analysis of the resulting pictures, and comparing them with manifests, may take longer, he says.

The key, however, is that a digital record will have been established, and obvious contraband, like unlicensed guns, narcotics and explosives will likely be caught immediately.

The technology should not be considered a "silver bullet" that will solve all smuggling problems, Sheridan stresses, but it will increase government revenues by acting as a deterrent to trade fraud.

Sheridan says the price tag for Portnet's purchase — which he puts at between $4,5m and $5m and is confident the US Export-Import bank will help finance — includes training of operators and technicians to keep the equipment running.

AM Moolla warns on imports, counterfeits

CT (CBA) 6/7/99 (74F)

Ravin Maharaj

Durban – Sadek Vahed, the executive chairman of AM Moolla (AMM), yesterday sounded a warning that profitability, new investment and jobs would be on the line, unless authorities staunched the flow of illegal imports and counterfeit goods.

AMM is the second largest listed apparel manufacturer in southern Africa. It supplies products to the large retailers, including Edgars, Wooltru, Foschini and Specialty Stores.

Earlier this year, the group fought off a hostile takeover bid from Coastal, the Indonesian-owned textiles group.

Vahed said in the company's 1999 annual report, which was released yesterday, that large customers were seeking options to buy products from their regular suppliers at prices that were competitive with cheap imports, to the detriment of reasonable margins.

He also said an improvement in exports depended on the favourable conclusion of major trade agreements. AMM's target was to increase its exports to 25 percent of group sales over the next two years.

Yusuf Vahed, the chief executive officer, said the group had managed to deliver "reasonably good results" despite a disappointing second half, which put pressure on the group. Several large orders were cancelled or rolled over into 1999.

He said restructuring was achieving its objective of recouping lost turnover and profits.

AMM delivered earnings a share of 28,6c for the year to February 28 against the pro forma 28,7c in 1998.

AMM closed 1c lower at 43c on the JSE yesterday.

Crime unit seizes illicit Gap clothing

ET (BR) 9/7/99 (74F.)

RAVIN MAHARAJ

Durban – The Commercial Crime Unit has seized illegal Gap clothing valued at R25 000 from a Johannesburg retail outlet. This formed part of 'an aggressive plan to stamp out the flow of illegal imports and counterfeit goods, the unit said yesterday.

AM Moolla, the second largest listed apparel manufacturer in southern Africa, and its associated companies, have user rights with the registered owner of the family of Gap brands in some southern African states, except for Zimbabwe.

The police raid follows a recent warning by AM Moolla's chairman on illegal imports

The raid followed hot on the heels of a warning earlier this week from Sadek Vahed, the executive chairman of AM Moolla, who said profitability, new investment and jobs would be on the line unless authorities stopped the flow into the country of illegal imports and counterfeit goods.

Chrisna Botha, a member of the Commercial Crime Unit, said an immediate inquiry into yesterday's raid had been launched. The matter was likely to go to court next week.

Zahir Moosa, the legal administrator of AM Moolla, said the goods seized were authentic Gap-branded clothing destined for the US. He said the same goods were being sold at cut-throat prices at the retailer, based at Johannesburg's Oriental Plaza.

Moosa said AM Moolla representatives across the country had received a strong mandate from management to keep their eyes open in an concerted effort to stamp out the problem.

"Our staff are driving this process. We cannot allow this situation to dent our profitability. This can lead to job losses," Moosa said.

Vehicle exports continue to grow, but below expectations

Stan Maphologela (74F) (192) BD 12/7/99

SA's exports of built-up vehicles continue to show good growth, but the overall numbers have remained below earlier industry expectations, according to the National Association of Automobile Manufacturers of SA.

Naamsa director Nico Vermuelen says the recent sluggishness in exports was caused by two factors — a lag in export orders for Volkswagen SA and BMW SA and the depressing economic conditions surrounding the industry.

Total vehicle exports for the first five months of this year rose to 17 638 units compared with 13 902 from January-May last year, with cars showing growth of nearly 5 000 units. Commercial vehicle exports, affected by unfavourable economic conditions in other African countries, fell back from last year.

VW SA spokesman Matt Gennrich said most of VW's exports last year went to African countries.

"We have shipped close to 20 000 units already to Europe to date and the original forecast export order of 50 000 units for 1999 remain realistic. Bigger order volumes will start to come in the latter part of the year," he said.

Production targets called for 300 export Golfs to be built a day, in addition to the full range of VWSA vehicles assembled for the local market. The company is operating three shifts of eight hours each on the Golf IV assembly line.

BMW SA spokesman Deon Ebersohn said there was a steep ramp-up phase with new production infrastructure, which started three weeks ago and was producing up to 200 cars a day, with 60% for export and 40% for local needs.

"We still plan to meet our export target of 11 000 units, but there is a good chance of that number being exceeded," he said.

Analysts say there has been an overall decline in exports from SA. There has been a drop in demand in the UK, the main market for VWSA exports.

However, this is expected to change in the second half of the year when demand in Europe is expected to improve.

Businessmen sentenced to five years in jail

BD 20/7/99

Father and son guilty of evading import duties and VAT

Pule Molebeledi and John Dludlu (74F)

DURBAN — Two KwaZulu-Natal businessmen were sentenced yesterday in the Durban High Court to five years in jail for evading import duties and value added tax (VAT) worth R16m in a fraud action described by Judge Ronald McLaren as the first of its kind.

The two men, Jumnallal Bantho, and his son Prashan, also had a final confiscation order for R1m in assets granted against them in terms of the Proceeds of Crime Act.

The Banthos were accused of devising a scheme in which they imported second-hand clothing into SA through Swaziland without the necessary SA import permit. It was discovered that they evaded import duties totalling approximately R14m and about R2m in VAT. It was established that they formed a company in Swaziland known as Amar Distributors and obtained the necessary imports and rebate permits for importation of second-hand clothing into Swaziland. The goods were then imported to Swaziland, via Durban and then re-routed back to Durban on the same day.

Ebrahim Patel, the deputy general-secretary of the SA Clothing and Textile Workers' Union, said the convictions should serve as a wake-up call to executives of major retailers that they would land up in court.

The union, which has been calling for the prosecution of suspected businessmen, wants the importation of second-hand goods to be stopped. "We are saying put some high-profile retailers in the dock."

About R30m of illegally imported clothing made its way into SA last year, said Patel. Government, business and labour have been involved in the fight against illegal imports for years. Previously the campaign to stamp out illegal imports has been resolved out of court. Yesterday's final confiscation order was applied for in October 1997 by then KwaZulu-Natal attorney-general Tim McNally, but was only confirmed in December last year by the court.

McLaren said Bantho and son should serve one-sixth of their sentence before they could be considered for correctional supervision. He said the accused had effectively been stripped of all the proceeds of their crime and that was "how it should be".

The two men, who applied for leave to appeal against the sentences, were found guilty of 32 counts of fraud and contravention of import and export regulations, as well as contravening the act on VAT.

The confiscated property included the R609 954,03 in frozen bank accounts, the family's five vehicles — a Mercedes Benz, Nissan LDV, Toyota Hilux , Toyota Dyna and Toyota forklift. They also forfeited R50 000 each, which they had paid as bail because the judge said the money was derived from the proceeds of crime.

However, the Banthos were each given a R15 000 monthly allowance for living expenses. The SA Police Service's commercial branch confiscated 184 tons of second clothing which was to be destroyed because they were in poor condition.

The exact value of the proceeds of the crime was not known, but during the two-and-a-half years that the scheme was operational, approximately R3,5m in cash was deposited into their accounts.

RONNIE GOVENDER

End of the road for illegal imports

ST 1/8/99

Cars and trucks worth millions rust away as officials ponder what to do with them

(74F) (192)

THOUSANDS of illegally imported luxury vehicles, worth millions of rands, are rusting away at uncovered state warehouses around the country because the government doesn't know what to do with them.

In Durban alone more than 300 vehicles — ranging from exotic limousines to expensive trucks and buses — were seized and impounded by South African Customs officials because they did not have import permits.

According to the Import Control Act, second-hand vehicles may not be bought overseas simply to be sold in South Africa.

Marius Collins, assistant director at the Department of Trade and Industry in Pretoria, said that with the growing influx of illegally imported second-hand foreign vehicles, mostly from Japan, state warehouses around the country were bursting at the seams.

He said the vehicles were accumulating because there were no clear guidelines on how to dispose of them.

"It is now a political matter and the issue has reached ministerial level," said Collins. "The Minister of Trade and Industry, Alec Erwin, the Minister of Transport, Dullah Omar, and the Minister of Finance, Trevor Manuel, are discussing it.

"They have two options," he explained. "The first would be to destroy the vehicles because they're not fruitful to the South African economy and the local motor vehicle industry.

"The second would be to export the vehicles on tender. Those who bought them would be forced to export them. We cannot allow these vehicles to be used in South Africa."

Among the vehicles exposed to the elements at the New Pier state warehouse in Maydon Wharf, Durban, is a Rolls-Royce confiscated from the showroom of a local car dealer, luxury Mercedes-Benzes, Porsches, Mitsubishi Pajeros and two fully fitted ambulances.

Wayne Tonkin, assistant director for Customs Port Control in Durban, said: "We have to get rid of these vehicles because we need the space, but we cannot sell them because the Department of Trade and Industry is not prepared to concede on the import permit. These vehicles are useless to anyone who buys them because they cannot be registered in South Africa without proper permits."

He said his department had auctioned 49 vehicles two years ago but had to return the money to the buyers because the vehicles could not be registered.

Tonkin urged potential buyers to be wary of imported second-hand vehicles.

"We can easily identify foreign vehicles on the roads," he said. "We can ask anyone with a foreign car to produce their import permit. Cars without permits are seized immediately."

He pointed out, however, that a third party could not be prejudiced under the Import Control Act if he was not aware that the vehicle he had bought was imported illegally. "But the onus still rests with the third party to prove he did not know it was an illegal import," he said.

Tonkin said most of the second-hand cars entered the country from Japan via the United Arab Emirates, while the used trucks came from the United Kingdom and the US, where they could be bought "extremely cheaply".

"The Japanese vehicles are routed via the United Arab Emirates because they have duty-free ports," he explained.

"This makes it difficult for us to determine the true value of the vehicle because it will come with a new set of documents from the United Arab Emirates. We've found that there is some type of syndicate involved."

He said the owners of the vehicles were allowed into the warehouses to wash the vehicles and start their motors.

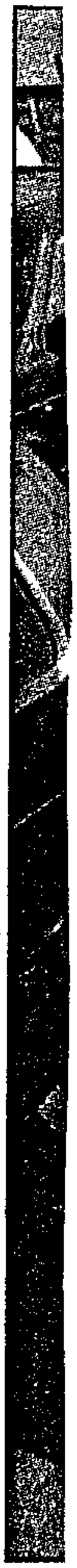
Collins said the import of second-hand vehicles into South Africa was prohibited to protect the local motor industry.

"We have enough vehicles in this country for our local second-hand market," he said.

"Only immigrants with permanent residence and residents returning to South Africa are allowed to bring in their second-hand vehicles. But they are obliged to keep these vehicles for at least two years before selling them."

He said the storage of illegally imported vehicles was a problem in Pretoria, Cape Town, Bloemfontein and Port Elizabeth, but that Durban had been worst hit.

Importers bringing brand-new vehicles into the country face a customs duty tax of 50,5 percent of the vehicle's value. There is also a luxury tax duty — up to a maximum of 20 percent of the value.



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UK wants joint ventures as exports to SA fall (74F)

BD 16/8/99

Neil Behrmann

LONDON — The UK's trade and industry department is actively encouraging direct investment and joint ventures in SA in an attempt to counter declining exports to the country.

The terms of trade have swung in favour of SA. British exports to SA fell 17.5% to £509m in the five months ended May compared with the same period the previous year.

The reasons given for the decline are the sharp appreciation of the pound against the rand — sterling is now trading around the R10 mark, almost double the 1995 level — the slack SA economy and a decline in imports by the mining industry. Imports from SA fell slightly to £568m, but are still £59m higher than exports.

Concerned about the trend, trade officials are encouraging British companies to invest in SA by either setting up joint ventures with locals or directly investing in businesses.

The general aim of this policy is to use SA as a base to export to Africa, Asia and elsewhere.

UK trade officials say the benefit to SA would be increased investment and employment, and for Britain there would be rising profit and dividends that would be translated into a rise in invisible exports.

The main advantage of SA compared with other countries is cheap resources, but trade officials say they are concerned about restrictive labour practices.

Meanwhile, officials here are busy marketing the British-SA Partnership Week, which takes place at the end of the month.

British businesses have become involved in SA road transport, water and other infrastructures, quarrying, mining and chemicals.

UK officials say the British automotive industry is also interested in deals, particularly since the signing of the SA-EU trade deal opens up the local market to more competition. Long-term investments will be in power, aerospace and engineering sectors

Sensing the potential, UK management consultants are also entering SA to compete with their SA counterparts.

It is generally expected that the UK's defence export deals made with SA will be signed before or during the Partnership Week.

British Aerospace (BA) and Saab aim to sell Gripen fighters and British Aerospace Hawke Trainers, while GKN Westland is punting its Super Lynx maritime helicopters.

If the deals go through, they will be worth about £1bn in exports for the UK.

BA and GKN are actively involved in setting up the "offset investment" deals.

The present estimates from BA and British defence, export and trade and industry officials indicate that the inward investment will be between £2bn and £3bn.

FOREIGN TRADE (F)

Business with Europe is booming

(74F)

Tigers of the East are a growing target for South African entrepreneurs, says Nzo

Star 2/1/97

By Norman Chandler
Pretoria Bureau

The value of imports from Europe has doubled over the past four years, while trade with Asia is expected to reach record levels this year.

Foreign Minister Alfred Nzo says in a review of his department's activities during 1996 that the opening up of relations with Europe has had a direct effect on the patterns of trade.

Trade with Asia has increased by 30% and it is now the country's second largest trading bloc.

Nzo says exports to Europe have increased from R23-billion in 1991 to R31-billion in 1995, while imports have jumped from R24-billion to R47-billion over the same period.

"Bilateral trade with Europe still constitutes by far the single largest source or destination, although trade with other areas is increasing more rapidly in percentage terms. Europe is still the most important source of foreign direct investment," Nzo says. Britain, Germany and Switzerland are the three leading European investors.

The country is also in negotiations with the European Union on trade agreements and a further round is due soon.

"There seems to be more understanding in EU circles regarding South Africa's needs for regional consultation on the effects of the proposed free-trade area on neighbouring countries," he says.

Five financing agreements totalling R300-million were signed with the European Union last year.

In terms of Asia, "relations deepened considerably, with trade expected to exceed the record level of R42-billion reached during 1995. Trade with Asia during 1995 increased by 30% over the previous year."

He adds that progress has been made in improved economic interaction with Asian countries, such as the avoidance of double taxation, investment and most-favoured-nation agreements.

He says relations with southern African states, in particular members of the Southern African Development Community, are the cornerstone of SA's foreign policy. The principal aim is to attain a more balanced regional development pattern.

"The challenge is to design and implement an effective regional growth and development strategy, based on equity, mutual benefits and environmental sustainability," he adds.

SA is pursuing the expansion of economic ties with countries in equatorial Africa and the Indian Ocean islands region as well as in north Africa, where agreements have been reached with Morocco, Egypt and Tunisia.

Since joining the Organisation of African Unity, he adds, the country has taken part as effectively as possible in a wide range of activities, including support for democratisation and in conflict prevention – particularly in central Africa.

UK team helps in crackdown on multimillion customs dodgers

(74F)

Star 11/1/97

By SASHA JENSEN

A crack team of British customs officials has helped South African counterparts to smash multi-million-rand crime syndicates which evaded more than R100-million in excise duties by undervaluing retail goods imported through borders and airports.

The 11 excise specialists, in partnership with South African customs staff and local investigation officers, have worked hard during the past four months to identify syndicates in remote parts of the country.

The British officials have been forced to fly in another six officers to assist with the "unbelievable workload" generated through their tough investigations.

British and South African customs officials, who are based in Johannesburg and Durban, have successfully mastered the syndicates' tactics at borders, ports and airports, forcing them to invent alternative scams.

Sources say the modus operandi of most syndicates is to try to undervalue the goods by up to 400% and smuggle through expensive items intended for sale in the country.

Although national investigation head Johan Beets predicted that Christmas would yield fewer illegal goods, officials said they were

'We have put the fear of God into these syndicates and we know they are devising new ways of eluding detection'

"as busy as ever" over the holiday period.

"The Christmas traffic was in full flow until December 23. Everything from sports shoes, televisions, hi-fi sets and videos arrived in boxes, and we examined each docket pertaining to the box as it was presented to us," one official said.

Customs and Excise and Inland Revenue Deputy Commissioner Hein Heydenrych applauded the work of all the investigators and officers involved: "We have put the fear of God into these syndicates and we know they are ducking and devising new ways of eluding detection.

"But we are well aware of this and, although we cannot divulge everything, we are on top of the situation," he said.

"We are very pleased with the success rates. The officers from both sides have worked hard to bring these results in and we are learning more means and methods to deal with these perpetrators."

The country is losing billions of rands in revenue as hundreds and thousands of goods are brought into the country with incorrect evaluations. Customs officials say cargo loads of television sets are "misdescribed" as sports shoes, clothes or even books on the identification dockets.

TO PAGE 2

FROM PAGE 1

♦ Customs crackdown

(74F)

Officials will detain the consignments and interview the carriers, whose details are then put on file for possible repeat offences. Star 11/1/97

Customs says carriers usually know what they are importing but claim innocence when they are challenged. Sources confirm that invoices are easy to fake by using a computer that outlines the cargo description.

"Some just say 'portable hi-fi' on the the invoice and when you open it, it is top-of-the-range equipment worth hundreds of rands more than stated. The problem is it ruins the industries that are trying to develop. The shoe industry and electrical markets suffer as retailers sell the goods for 100% below the usual amounts.

"For example, a R500 television set will be marked R50. One official reported a television set being marked as R7,50 which, until recently, was slipping through undetected."

The team has cracked more than 30 customs scams which, experts say, are destabilising South Africa's economy. Heydenrych confirmed that earlier this week British and South African customs officials seized eight illegally imported mechanical horses valued at R1,2-million in Durban after it was discovered the importers were trying to evade paying duties.

Speaking to the *Saturday Star* last night, police spokesman Director Bala Naidoo said the tractor trucks were imported from the United States in the middle of last year and were expected to be shipped to a fictitious company in Zimbabwe. Instead they were registered in South Africa.

Naidoo said the trucks were never intended to be shipped to Zimbabwe but, by a method known as round-tripping, the importers wanted to avoid paying customs duties and VAT.

"By using this system, companies and dealers purchase vehicles at a cheaper rate from outside South Africa in a method to avoid paying excise duties," Naidoo said.

British custom officials help crack SA import scam

ARG 11/1/97 (74F)

SASHA JENSEN
OWN CORRESPONDENT

A crack team of British custom officials have helped their South African counterparts smash multi-million rand crime syndicates which have evaded over R100 million in excise duties by undervaluing retail goods imported through borders and airports.

In partnership with South African customs and investigation officers, the 11 excise specialists have worked studiously to identify syndicates in remote parts of South Africa in the last four months.

British officials have been forced to fly in another six officers to help with the "unbelievable work load" which they have generated through their tough investigations.

British and South African custom officials, who are based in Johannesburg and Durban, have successfully mastered the syndicates' tactics at borders, ports and airports, forcing them to invent alternative scams. Sources say the modus operandi of most syndicates is to try to undervalue the goods by up to 400 percent and smuggle through expensive items intended for sale in South Africa.

Although national investigation head Johan Beets predicted that Christmas would yield less illegal goods, officials said they were "as busy as ever".

"The Christmas traffic was in full flow until December 23. Everything from training shoes, televisions, hi-fi equipment and video recorders arrived in boxes and we examined each docket pertaining to the box as it was presented to us," said one official.

Customs and Excise and Inland Revenue Deputy Commissioner Hein Heydenrych applauded the work of the investigators and officers involved: "We have put the fear of God into these syndicates and we know they are ducking and devising new ways of eluding detection.

"But we are well aware of this and although we cannot divulge everything we are on top of the situation," he said.

"We are very pleased with the success rates. The officers from both sides of the Atlantic have worked hard to bring in these results, and we are learning more means and methods of how to deal with these perpetrators."

South Africa is suffering from billions of rand of lost revenue as hundreds and thousands of goods are brought into the country with incorrect evaluations.

Customs officials say cargo loads of television sets will either be "misdescribed" as training shoes, clothes or even books on the identification dockets.

Officials will detain the consignments and interview the carriers whose details are then put on file for possible repeated offenses.

Customs say that carriers usually know what they are importing, but claim to be innocent when they are challenged.

Sources confirmed that invoices were easy to fake by simply using a computer which outlined the cargo description.

New tariff plan raises fears of illegal imports

(74F) ET(BR) 14/1/96

SHIRLEY JONES
KWAZULU NATAL EDITOR

Durban — The formalisation of a new tariff structure for South Africa's R4 billion tyre industry may have silenced manufacturers' complaints that they could not compete with importers on a level playing field, but it has increased fears of a dramatic escalation in illegal imports.

Their argument is that the increase of tariffs from 25 percent to 43 percent on passenger vehicle tyres and from 25 percent to 36 percent on bus and truck tyres, together with the more than welcome scrapping of the import quota system, provide massive incentives for illegal importers.

"The new tariffs on passenger and truck tyres are at an appropriate level for the current state of the industry. The problem now will be to police them," Brian Crowther, the managing director of BTR Dunlop, said yesterday.

Adrian Stanbridge, the sales and marketing director of Firestone, said illegal imports had been and continued to be rampant. Customs had experienced problems dealing with the volumes moving through South African ports. As a result only a small percentage of containers were actually inspected.

However, the presence of British customs officials at South African ports was reason to hope this problem would be dealt with, he said.

Stanbridge said it was difficult to assess the effect the gazetted changes would have on legal imports. Until now these accounted for about 25 percent of the market.

At best, he said it would provide the local tyre industry with a stop-gap to get its house in order. "Importers have a big task to become globally competitive," he said.

Until now, he pointed out, both the South African market and the South African industry were protected. Now, large international tyre manufacturers such as Bridgestone of Japan, Goodyear and Firestone were buying back into South African companies which would significantly change the rules of the game.

Tariff reduction 'will not affect car imports'

(74F) BD 22/1/97

Ingrid Salgado

FURTHER tariff reductions this year on light motor vehicles would have a minimal effect on imports and would not go far in offsetting the rand's depreciation, the National Association of Automobile Manufacturers (Naamsa) said yesterday.

The tariff reduction — from 61% last year to 57,5% at the beginning of this year — forms part of the motor industry development programme, an initiative to lessen the effect of a lower tariff regime under the general agreement on tariffs and trade. The programme is scheduled to end in 2002.

Other tariff reductions this year include cuts on light vehicle components from 46% to 43%, heavy motor vehicles from 36% to 32% and heavy vehicle components from 27,5% to 25%.

Naamsa said the cuts on light vehicles were "modest" and not likely to lead to a rise in imported vehicles. The largest cuts had already been made in 1994/95, when the tariff was 115%.

The National Association of Automotive Components and Allied Manufacturers said tariff reductions on vehicle components would not lead to a surge in imports in the short term. There would be a shift towards imports, but this was likely to be delayed.

However, association executive director Clive Williams warned that the local component industry, which was working under "minimal real protection", would have to move rapidly to become world competitors because of duty-free allowances to importers. He expected several businesses to merge or fold this year as a result.

Naamsa placed doubt yesterday on whether the reductions would be effective from January 1. A customs and excise spokesman confirmed that the reductions had not yet taken effect, saying the notices had yet to be signed.

A trade and industry spokesman said the ministry expected the current phase to start retroactively from January 1. "There is no need for the minister to authorise each phase," he said.

Tyre importers to oppose petition to raise duties

(74F) CT (BR) 23/1/97

SHIRLEY JONES
KWAZULU NATAL EDITOR

Durban — Tyre importers would fiercely oppose a call for a 66 percent duty on imported tyres submitted by South Africa's four major tyre manufacturers, a spokesman for a group of 14 importers, calling itself the Concerned Group of Tyre Importers, said yesterday.

The South African tyre manufacturers' conference -- which represents BTR Dunlop, Fedstone, Gentyre and Goodyear (Tycon) — lodged a petition with the government in December calling for anti-dumping tariffs on tyre imports from Indonesia, South Korea, Taiwan, China, the Slovak Republic, Mozambique, Malaysia and Singapore.

"We won't sit back and take this on the chin. We are forming our own representative body to challenge the local industry and government on both the duties and the anti-dumping petition. If we don't, we may as well close our doors," the import group's spokesman said.

Ironically, some of the local manufacturers behind the petition imported tyres from these countries, while major international conglomerates which were buying stakes in South African manufacturers — like Bridgestone of Japan which bought Fedstone for R290 million this week — also sourced tyres from these countries. The tyre industry in South Africa is worth R4 billion. Manufacturers estimate the market share of imported tyres to be about 25 percent.

Twenty-eight tyre brands will be imported this year, according to the South African Bureau of Standards. Of these, 50 percent will be brought in by the major manufacturers. Gentyre will import five brands, the Firestone group three, and Natyre, a Firestone subsidiary, six. Independent importers, including Michelin, account for the remainder.

According to last Friday's Government Gazette, the tyre manufacturers conference had provided sufficient evidence that increased imports of passenger car tyres at prices below those in the countries of origin were adversely affecting each of the four manufacturers.

The tyre manufacturers conference argued that since 1994, export prices in the countries in question had fallen. After the removal of import quotas for South African importers this month, exports were expected to escalate, causing further damage to the local industry, it said.

A spokesman for the concerned group said it would represent half of the tyre importers. The other half was affiliated to the local manufacturing industry. He described the tyre manufacturers conference as a cartel strangling importers.

Poultry, pork tariffs on menu with US

BD 13/2/97 (74F) MEAT

Simon Barber

WASHINGTON —The US would press SA not to raise tariffs on poultry and to remove barriers to pork imports, Agriculture Secretary Dan Glickman said before leaving to take part in this weekend's meeting of the US-SA binational commission.

Glickman, who will be having talks with SA Agriculture Minister Derek Hanekom, said he would also urge the government to rescind its decision not to accept US wheat grown in areas where there had been occurrences of karnal bunt, a fungus that damaged wheat but was harmless to humans.

The US is concerned that government will give in to pressures to hike tariffs on poultry. "I'll urge them to stand firm," Glickman said. Any increase would be "unfair" to both US producers and SA consumers.

Another irritant for the US is SA's requirement that pork be shipped frozen. "No other country" imposed this, Glickman said. "The science is not there to support it. I'm hopeful (the South Africans) will come to the same conclusion as everyone else."

On the wheat issue, Glickman noted SA inspectors had visited the US last year to judge the "integrity" of the US inspection system. They evidently were not persuaded that it was good enough to keep karnal bunt out of SA. "I'll urge them to reconsider."

The US ran a healthy surplus in the trade of agricultural, fish and forestry products with SA last year. Exports to SA rose 70% to \$330m, while imports from SA grew only 30% to \$121m.

Sapa-AFP reports from Brussels that European Union (EU) officials said yesterday the EU had cut by 10% the subsidies it paid to EU farmers on beef exports to southern Africa following protests that cheap EU supplies were hitting the income of poor livestock producers in the region. However, the move fell short of SA's demand for the subsidies to be phased out altogether. "It is a move in the right direction but we do not see it making that much difference," an SA official said.

The row over beef subsidies underlines broader tensions over trade and development that have hampered progress towards an EU-SA free trade agreement. The EU subsidies have had a particularly negative effect on the income of beef producers in Namibia and Botswana. Pretoria has also complained that while subsidised EU beef flows into the region duty-free, it has no prospect of exporting to Europe because of the EU's high tariff levels.

The EU is determined to exclude beef from any free trade deal.

Many exporters burned by the currency's sudden appreciation

Enthusiastic importers chase the bullish rand

CT(BR) 13/2/97 (74F)

MATT GETZ

Johannesburg — Many importers are convinced the rand's bull run is becoming a long-term trend and, as such, are throwing caution to the wind, Sharon Constançon, the managing director of Constançon Currencies, said this week.

Many were trying to cancel existing forward cover and stay out of the spot currency market. "That's probably a foolhardy thing to do," she said. "There's no guarantee that the firmer trend will continue."

Last year, when the rand nosedived, importers were active in the spot and forward currency markets. Many exporters, whose revenue grew with the falling rand, delayed selling their foreign currency and frequently abandoned forward cover.

This year the situation has reversed, but some said exporters did not react quickly enough and many had been burned by the sudden appreciation.

"The rand's rise impacts quite dramatically on us," said Mark Langley, the chief dealer at Gencor, a net exporter.

He said the mining house's strategy had not changed much, but if the rand went through R4 to the dollar "there would be serious alarm bells". In the meantime Gencor would watch the exchange rate closely and take advantage of any correction.

Importers, though, are overjoyed. "The appreciation is more than we hoped for. It's been fantastic," said the group treasurer at a large vehicle manufacturer.

He said his group had managed its currency exposure quite well through taking forward cover last year, but that had run out at the end of the year.

The group had stayed mainly uncovered until a few days ago, when the headiness of the rand's easy push through R4,50 made it start taking notice of how overbought the currency was getting.

"The rand was getting very cheap compared with where we had budgeted, but though R4,20 would be nice you mustn't get greedy," the treasurer said.

The change in the rand's direction, though still shortlived, has brought about changes in importers' and exporters' activities.

"From time to time you see some profit-taking from exporters and some averaging in by importers," said James Coetzee, the chief interest rate dealer at Decimax. Averaging in is the practice of covering a part of the import requirements.

SNEAKING SUSPICION *Lappies Labuschagne, the investigating officer, with the confiscated shoes* PHOTO ROBERT D'AVICE

Customs officials seize 20 000 pairs of shoes (74f)

CT (BR) 13/2/97 (187)

SHIRLEY JONES
KWAZULU NATAL EDITOR

Durban — Customs officials in Durban yesterday nabbed two 40-foot containers filled with 20 103 pairs of Convertex running shoes, with a street value of R4 million.

Importers of well-known footwear brands such as Convertex, LA Gear, Reebok and Fila are losing hundreds of millions of rands each year to clandestine importers who infringe the Copyright Act.

Investigators say Durban is the main port of entry for shoe consignments, which are either grossly undervalued so as to avoid customs duties or infringe the Copyright or the Merchandise Marks acts.

In this instance the importer, Zamo Trading in Boksburg, turned out to be fictitious and had supplied a false address. Customs said that Mohammed Jhabbar, the trader who had allegedly brought in the shoes and who runs a company known as Zamdock, trading as Sedgars, is not the official licence holder for the US brand in southern Africa.

First-time offenders claiming ignorance get away with a R1 500 admission of guilt fine and can remove their goods for sale, provided all labels or markings are removed.

However, this does not simply involve snipping off cardboard labels and taking the shoes out of their boxes. An official said that often labels had to be stripped off the heels, ripped out of the insides, dug off the rubber soles or cut off the tongues of shoes, completely destroying their retail value.

This had applied to a R500 000 consignment of Convertex shoes brought in by a different importer in December. A further consignment stopped at the end of last year, worth about R3 million, remains unclaimed in a state warehouse.

Depreciation policy comes under fire

(74F)

Frank Nxumalo

BD 13/2/97

THE dominant supplier of machine tools to SA has sharply criticised government for failing to allow a higher depreciation rate on imported machinery.

Association of European Machine Tool Manufacturers (Cecimo) president Jose Nicolas Correa said at the Machine Tools '97 exhibition at Nasrec, Johannesburg, yesterday that a higher depreciation rate would help companies counterbalance the depreciation of the rand, which had pushed up the price of imported capital goods.

The fact that most of the equipment being operated in SA was outdated had to be attended to urgently if the country was to become globally competitive. A manufacturing industry had to be created that could add value to major downstream industries.

The average age of heavy machinery operating in SA was between 30 and 40 years. Pressure on the engineering industry to modernise was mounting.

Forty percent of SA's imports were parts and accessories, indicating that manufacturers were repairing obsolete machines rather than upgrading to the latest technology.

Correa warned that training SA's young workforce in manning modern machine tools — 70% of which used computerised controls — should be a priority.

SA's machine tool imports are valued at R700m a year.

About 175 exhibitors from industrialised nations, including the US, the UK, Germany, Japan and Italy, are represented at the show, with goods worth R200m.

Illegal imports and strike take toll on Seardel

(184)(74F)

Samantha Sharpe

BD 14/2/97

CAPE TOWN — Clothing, footwear and textile group Seardel posted a 5,5% decline in attributable earnings to R23,9m in the six months to December, plagued by illegal imports and the adverse effect of a seven-day clothing industry strike at the end of July.

All comparative figures were restated to give effect to the acquisition of a controlling interest in textile group Romatex by subsidiary Frame Group during the reporting period.

The fall in attributable income was accompanied by a drop in earnings from 24,7c to 22,3c a share.

However, the group lifted its interim dividend distribution from 3,5c to 4c a share.

Turnover rose 4,2% to R1,4bn following the difficult trading environment and sluggish consumer spending, with operating income showing a marginal decrease of 1,4% to R78,3m.

Income before tax and exceptional items fell 4,5% to R63,3m, with a marginally lower taxation charge resulting in income after tax slipping 4,7% to R44,3m.

Seardel group chairman Aaron Searll said that the group's short-term economic prospects were not generally encouraging. Consumer demand was likely to affect earnings. Yet longer-term prospects for the clothing and textile industry stayed bullish.

TRADE *Agriculture ministers agree on lifting restrictions on sanitary reasons, but pork and poultry imports are not the whole of the story*

US and SA lift food barriers

(74F) CT (BR) 18/2/97

Peter Fabricius

Cape Town — South Africa and the US have agreed to allow the importation of US wheat now blocked by South Africa's sanitary requirements and to create mutually acceptable mechanisms for testing the health of other food imports from both countries to overcome non-tariff trade barriers. These have caused obstacles in the trade of products such as US frozen pork and non-containerised chickens and South African exports such as fresh fruit.

But at the same time as that breakthrough for free trade was reached, Derek Hanekom, the agriculture minister, warned that he believed South Africa might have to impose new trade barriers on the importation of the disputed frozen pork and chickens, which were blocked by sanitary requirements.

The agreements on removing sanitary obstacles to trade were reached in the agriculture committee of the US/SA Binational Commission chaired by Thabo Mbeki, the deputy president and Al Gore, the vice-president of the US. The agriculture committee met in Cape Town yesterday. Derek Hanekom and Dan Glickman, the US agriculture secretary, co-chair the committee. Both hailed the agreements as a breakthrough for liberalising trade in agricultural products.

Glickman singled out as a particular breakthrough the importing into South Africa of soft Durham wheat from the south-west US, which has been blocked by South Africa for many months because it has been infected with the disease karnal bunt that could affect the quality of the wheat but is not harmful to humans.

He said South Africa had agreed that any wheat which had passed US tests twice would be allowed into South Africa. The agreement reached yesterday focused on the creation of a "mechanism for the rapid resolution of phytosanitary barriers to trade", that is, barriers erected on the grounds of disease in an agricultural product. The US complained that South Africa had erected such barriers to the import of non-containerised chickens and frozen pork, by imposing higher health standards than other countries. Glickman said South Africa should not underestimate the importance of what had been agreed.

But Hanekom hastened to say that removing phytosanitary barriers was not the same as removing trade barriers. "We are saying that where there are other kinds of obstacles we have to find scientific ways or other ways of addressing those other obstacles. That doesn't mean that we are going to simply throw open our markets to all goods.

"But on the issue of tariffs on pork and poultry we will take a good look at it. I think there may be an argument for increased tariffs although I'm not committing myself to anything. It's a value-added good," he said.

Govt may limit ports of entry amid fears of increase in illegal arms

BD 20/2/97 (74F)

Wyndham Hartley

CAPE TOWN — The cabinet is to decide soon on proposals to limit international access to SA through 25 airports and a host of border posts amid national intelligence fears of a flood of illegal weapons from Angola.

National crime prevention strategy manager Bernie Fanaroff told Parliament's justice and safety and security committees yesterday that of the 35 airports that currently received international traffic, only three were fully staffed with police and customs control. Drug dealers could simply land at other airports and drive off in their taxis with their suitcases unchecked, he said. For this reason international access to SA airports should be cut back to 10 airports which were fully staffed by police and customs officials.

The need to end the free and easy access to SA without going through formal controls was vital in the control of cross-border crime such as drug trafficking, vehicle theft and arms smuggling, Fanaroff said. There was also a potential for huge flows of illegal weapons to begin entering SA soon from Angola as a result of the peace process there.

Deputy National Intelligence Minister Joe Nhlanhla confirmed that the national intelligence agency had played a role in developing the recommendations to cabinet with reports on the extent of illegal goods coming through the country's borders. There was a potential for weapons smuggling from Angola and this would exacerbate the existing problem of weapons being smuggled from Mozambique.

The agency had recommended that the number of border posts processing commercial traffic be reduced to 17. All the others would allow pedestrian and recreational traffic but all commercial vehicles would be turned back and directed to entry points that would have all the necessary facilities.

Those involved with the national crime prevention strategy were designing a model of what was needed at border posts in terms of police, customs and other manpower.

Fanaroff said between 40% and 70% of cars stolen in SA were exported through border posts. While the largest source of illegal weapons in SA was stolen domestic weapons, large numbers were being smuggled into the country. "Improving border control will make many crimes more difficult."

Since 1990, the control of borders and entry points had "collapsed", he said, and now there were about 13 committees trying to deal with the prob-

Continued on Page 2

Ports

(74F)

Continued from Page 1

BD 20/2/97

lems. During the apartheid era, border control was more efficient because it was controlled by the security police intent on catching members of the liberation movements trying to enter SA.

A special team was tracking weapons stolen from the security force, and another was studying the firearms register to ensure licences were held only by those entitled to them.

Fanaroff also said the national crime prevention strategy was concentrating on the management and structural issues needed to eradicate corruption from the criminal justice system. It was not enough to simply apprehend those in the police and the courts guilty of corruption. Unless there was a corresponding change in management and structure, corruption would continue to flourish.

He explained that if rogue police were selling or losing dockets it was not enough to punish them. A management structure that strictly controlled the taking of statements and the preparation of dockets was the only way to remedy the situation.

The blockages in the system from police investigation, to court appearances and prison terms were being addressed as a matter of urgency. There were 14 projects costing R1,2bn designed to clear these blockages and ensure that departments were working together. Part of the process was to improve the management of the courts as a means of reducing the time unsentenced people spent in prison.

USED VEHICLE IMPORTS

SECOND-HAND MENACE

FM 21/2/97 (74F)

Thousands of potentially dangerous used vehicles are flooding on to the market. Import agents are using forged permits to smuggle in the vehicles, mainly from Japan.

Unhindered, local businessmen say, the imports could seriously damage the motor industry. They point to New Zealand, where Japanese used vehicle exports have all but wrecked the motor sector.

The imports here have also led to a stand-off between Customs and the Department of Trade & Industry (DTI) over the legality of allowing in some vehicles.

Imports include cars and commercial vehicles. By avoiding duties, they are sold for much less than equivalent SA vehicles. Most of the vehicles are three to four years old, with limited distances on the clock — often as low as 40 000 km. In Japan, new vehicles are affordable but government regulations dictate that their value depreciates quickly. After four years, they undergo tests described as "punitively expensive" to stay licensed.

As a result, Japanese get rid of their vehicles fairly young and there's not much of a second-hand market. Most used vehicles are exported.

Police say shipments arrive in Durban every month. Under the law, used vehicles may enter only with a special permit — either from the DTI or from the other states in the Southern African Customs Union: Lesotho, Swaziland, Namibia and Botswana.

SA issues permits only in special cases, such as returning residents, immigrants and diplomats. It also levies an import duty on these vehicles — now 57,5%.

Where another Customs Union country issues a permit, local customs officials must release the vehicle for direct transport to that country. It is then that nearly all the smuggled vehicles find their way illegally into SA.

These other countries are also supposed to levy the 57,5% duty and pay it into a Customs Union pool. But because of the lack of controls, few of the permits are recorded. What money is collected is often destined for back pockets.

The most popular destinations for the Durban shipments are Lesotho and Namibia. Police say clearing agents show up at Customs with permits and the vehicles are released on condition they are driven straight to the border. But most disappear into the used vehicle market.

Customs requires documentary proof within 30 days that the vehicles have left SA. That's easily overcome. Roger Pitot, a trade consultant specialising in the motor industry, says: "On paper, most of the vehicles will go to other countries. But police know they don't. Bribery and falsification of documents are rife."

The situation has led to a dispute between Customs and the DTI. After seizing 42 illegal imports, Customs sold them at an auction in Durban on January 16. The DTI says it must issue import permits before Customs is allowed to do so and it has refused to grant them. A spokesman says: "We have given Customs two options. Either it re-exports the vehicles or takes them under supervision to be compacted at a scrapyard."

Customs says it doesn't need permits. Says an official: "Where a government department is involved, permits aren't required." In this case, he says Customs applied for clarification. All 42 vehicles were sold but the deals are on hold until the matter is decided. "I'm sure we will sell them at the end of the day," he says

Brand Pretorius

Jim Miller

Pitot says all kinds of used vehicles are arriving, with bakkies and minibuses particularly popular. The latter, especially Toyota Hiaces, are in demand from taxi operators. Pitot says vehicles may land here for as little as R10 000. Even after bribes and other costs, retail prices are much less than for local equivalents.

Brand Pretorius, who chairs retail giant McCarthy Motor Holdings, says: "It's impossible for dealers to compete on price."

In theory, that's great news for buyers. The prospect of low-priced, low-distance vehicles should be welcomed. But it's not that easy. Nearly all these vehicles don't meet our safety standards. Foreign-designed new vehicles built here or imported must undergo extensive modifications to suit driving conditions

Suspensions, cooling systems and brakes are among items that need adapting. So do seats. SA drivers need much bigger seats than those originally designed for Japanese.

The biggest danger, says Pitot, comes from minibuses. Built for Japanese family use, they become potential high-speed bombs when packed with extra seats and sixteen or more adults. Braking and road-holding could easily give way under pressure. A major accident "is a highly likely consequence," says Pretorius.

There's another, less deadly, problem. Some spare parts may be almost impossible to find. Breakdowns could result in long waits while parts are sent from Japan. Says Pitot: "I passed a 1500cc Toyota Corolla the other day. That engine isn't available here. If the owner has a problem, he's really in trouble."

Unhindered, imports of cheap used cars could hammer the motor industry. Jim Miller, MD of SA Motor Corp (Samcor), was head of Ford New Zealand in the late 1980s when used car exports,

P.T.O.

Star 22/2/97 (74F)

Crackdown on illegal imports to be intensified

By LESLEY VAN DUFFELEN

Durban – The promised crackdown on illegal imports robbing South Africa of billions in revenue every year is to start in earnest soon.

Far-reaching plans include a reduction in ports of entry for goods from 35 to 10 and ports of entry for people from 128 to 17, and the channelling of particular types of goods through specific ports. The army will also be deployed to patrol South Africa's dry ports.

Various proposals were given to the Government by members of Business Against Crime's ports and borders task group this week.

A team with members from Inland Revenue, the police, the Justice Department and customs are said to be ready to "fry some big fish quickly".

While the measures are likely to affect business, Durban Regional Chamber of Commerce director John Bryce said business would have to accept the tough measures because of the vast avoidance of import duties, smuggling and illegal imports that flooded the market and undermined the country's tax base and industries.

Despite inroads being made into the fraudulent import of goods, the SA Revenue Service estimates that goods valued at billions of rands are still slipping through the customs net each month. Within days, minimum values will be set for a range of "high-priority" goods such as shoes and ties where it is known that large sums of money are being lost.

A task team has travelled the world investigating the costs of these goods before drawing up the lists. If imported goods are invoiced lower than the going prices, the importers will be investigated. The list of items will eventually be widened when an extensive computer database is set up.

In addition to this, a sophisticated tracking system is to be introduced to make sure that all goods destined for export actually leave the country.

The aim of the system is to bring to an end the practice of round-tripping locally made goods so that VAT can be claimed and the goods then sold at a far cheaper rate on the domestic market.

Bryce said that under normal conditions, the chamber would not like to accept the rationalisation of ports of entry. Specific entry points for goods could disadvantage some companies with higher transport costs.

"The fact of the matter is that it was not tourists who were robbing the country. Goods are coming in in a big way and these measures are necessary in the interests of genuine revenue collection and the protection of local manufacturers," he said.

'Legal' clothing scam exposed

(74F)

DURBAN: Over R20 million in clothing and textiles is being shipped across South African borders duty free and the Department of Trade and Industry cannot block a loophole that makes it legal.

Some of the goods held in bond in Cape Town and Durban harbours for delivery to Walvis Bay are addressed to SA companies. The goods are being imported on a permit issued by Namibian officials.

● See Page 17

CT 26/2/97

CRIME *State's bid to halt textile racket thwarted by Namibia*

Huge smuggling scam uncovered

(74F) CT (BR) 26/2/97

SHIRLEY JONES
KWAZULU NATAL EDITOR

Durban — A multimillion-rand customs scam uncovered recently involving South African and Namibian companies will not be fully exposed because Zavareh Rustomjee, trade and industry director-general, has allegedly called off a Customs and Excise investigation.

Sources from within the textile industry said last week that Rustomjee had intended intervening in the R20 million customs union scam, in which a number of large South African clothing retailers are implicated.

However, through negotiations with the Namibian finance and trade departments, Rustomjee is believed to have discovered he could not stop Namibian authorities from issuing permits which allowed companies like Walvis Bay Apparel to import finished clothing and textiles duty- and VAT-free under section 460.11 of the Namibian Customs Act. But this stipulates that the imports be used to manufacture goods for re-export outside the customs union.

According to the source, a preliminary investigation revealed the goods were simply being repacked and transported into South Africa by road through the Adriaansvlei or Noordoever border posts.

A consignment opened in Cape Town two weeks ago was destined for Meltz Success, a clothing supply company within the Edgars group. A previous consignment waylaid in January allegedly contained clothing with tags on which the Woolworths name appeared.

Neither Rustomjee nor Edgars could be reached for comment.

Colin Hall, the chief executive of the Wooltru group, said his company would not tolerate fraudulent business within its group or within suppliers.

The industry source said the seven Meltz Success containers were on their way to South Africa from Walvis Bay with 16 containers of textiles. Two more were expected to follow.

The Meltz Success containers were opened and investigated in Cape Town where they were being held in bond before being forwarded to Walvis Bay. Duty and VAT was due on delivery in Namibia.

However, when the goods arrived in Walvis Bay, completely different documentation declaring that the goods had come in from Asia under section 460.11 instead of through South African ports was presented.

The source said the Walvis Bay scheme was just one of a number of round-tripping scams operating within the customs union.

SWAG *A policeman offloads a carton of contraband clothing during the investigation which exposed the Namibian export scam. This forms part of the consignment which is on its way to Meltz Success (inset), part of the Edgars group*

Industry leaders react to reports of cross-border customs scams

Textile body demands commission of inquiry

CT (BR) 27/2/97 (74F)

Shirley Jones

KWAZULU NATAL EDITOR

Durban — The Textile Federation (Texfed) demanded yesterday that government set up a full commission of inquiry to investigate cross-border customs scams that were taking place within the Southern African Customs Union.

"It should also inquire into the lack of government progress in restoring the effectiveness of the Department of Customs and Excise. The Department of Customs and Excise is grossly understaffed and underpaid.

"Costly investigations which have resulted in seizures of goods are not leading to prosecutions, and legislation is not being strengthened to act as a deterrent to the fraudulent activity which is taking place," Mike Hankinson, the president of Texfed, said.

Hankinson and other industry leaders responded yesterday to reports that clothing worth hundreds of millions of rands was being taken into Namibia duty-free and then sold in South Africa.

Duty credit certificates (DCCs) and other rebates were openly for sale on the South African market, a member of the textile industry said yesterday.

He explained that he sold DCCs on behalf of a number of companies. He believed it was perfectly legal to conclude "high sea" sales during which South African importers sold merchandise they had bought overseas to local companies, who imported it duty-free in terms of legitimate permits and sold it back to the original purchaser on delivery.

Industry heads also said yesterday that South African customs legislation urgently needed revision.

Stoffel van Rensburg, the deputy director of imports and exports for Customs and Excise, replied that, although there would be no review of customs legislation, the conditions under which permits were granted under section 470.03 — which allowed for the import of raw materials for use in the manufacture of goods for re-export outside the Southern African Customs Union — would be reviewed.

This applied both to existing and new permits, he said. As regards permits which allowed for the duty-free importation of textiles and clothing against exports of merchandise with a 100 percent South African content, he said no reviews were on the cards.

He said that, although there had been problems with the issue of permits by other customs union states, the rules governing the issuing of these permits should be the same.

Bernard Richards, the president of the Clothing Federation, said he would take up the cross-border customs fraud issue with the retailers concerned. He said all major retailers had signed a code of conduct last year which opposed the buying of illegally imported clothing.

Richards said the days when retailers could blame such "misunderstandings" on third parties were over. He said South African buyers were of first-world standard, knew global prices and the duties which had to be applied. This meant they could assess the prices of merchandise offered.

CUSTOMS *Labour calls for tough action against managing directors of offending companies*

'Punish smuggling ringleaders'

CT (BR) 3/3/97 (74 F)

Thabo Leshilo

Johannesburg — The labour movement has demanded tougher action against companies involved in bypassing the country's customs statutes, thus robbing the country of millions of rands in revenue.

Ebrahim Patel, the labour convener at the National Economic Development and Labour Council (Nedlac), called this weekend for criminal charges to be brought against the managing directors, instead of junior employees, of the guilty companies.

Patel said stiff penalties should be imposed on the guilty companies, adding that smuggling textiles into South Africa had led to the loss of thousands of jobs in South Africa. His comments followed last week's exposé of widespread customs fraud involving top retail stores.

Raymond Parsons, the head of the South African Chamber of Business and convener of the Nedlac business caucus, said the business community supported all initiatives by the government aimed at strengthening the country's tax-collection system.

CALL FOR ACTION *Raymond Parsons, Ebrahim Patel and Jayendra Naidoo* PHOTO JOHN WOODROOF

The two men aired their views at the end of a Nedlac executive committee meeting on Friday. The matter was not the subject of the meeting.

Jayendra Naidoo, Nedlac's executive director, said the executive committee had ratified an agreement by Nedlac's development chamber to enhance the effectiveness of community-based public works programmes.

The chamber proposed that community-based public works programmes be evaluated and monitored; the allocation of funds for projects be improved, completed projects properly maintained and that the construction industry be one the main vehicles for the provision of labour-intensive jobs.

He said the chamber also agreed that the government, labour, private construction firms and communities should work towards reaching an accord on job creation.

Other agreements ratified by the executive committee include that the essential services committee, provided for in the Labour Relations Act, be set up under the auspices of the Commission for Conciliation and Arbitration.

The essential services committee would determine which services, such as those rendered by a hospital or the police service, are essential.

If a service is defined as essential, workers providing such a service would not have the right to go on strike.

Naidoo said it was also agreed to support the establishment of the National Development Agency and that obsolete expressions and provisions of the Compensation for Occupational Injuries and Diseases Act be amended to remove the duty of employers to provide first aid, among other changes.

☐ **Sales of permits, Page 21**

Protocol would penalise us, say dissenters

Electronics clean-up hits a snag

(74f)

(89)

CT (BR) 7/3/97

SHIRLEY JONES

Durban — Two companies refused to sign a Consumer Electronics Association document presented to the customs and excise department yesterday which sought to establish minimum values for various electronic imports in an attempt to erase rampant under-valuation scams within the industry.

Omega Holdings and Connoisseur Marketing refused to sign it on the grounds that the document did not cater for the complete spectrum of imported electronic products.

However, Alan Coward, the chairman of the association, said yesterday that the document stipulated minimum free-on-board (FOB) values for all consumer electronics goods to assist customs officials in identifying the many instances where product values had been altered or reduced to avoid duties. In a recent incident, Durban customs seized television sets valued at $6 each.

Richard Ferrer, the vice-chairman of the association and chairman of the Customs and VAT Enforcement Caucus, said duty evasion applied to about 90 percent of car stereo imports, 95 percent of radio and CD cassette imports and more than 80 percent of video recorder and mini hi-fi imports with a combined loss of R262.6 million a year to the fiscus.

Coward said that, although the system was not yet perfect, it reflected a concerted effort by legitimate operators to clean up the industry. He said duty evasion was not synonymous with lower retail prices and in many cases it simply resulted in greater profit.

Shaun Lane, the financial director of Omega Holdings, which marketed a range of brands including Tempest, Supersonic, Autodek, Aiwa, Alpine and Toshiba, said while his company endorsed the document and the principle behind it, it disagreed with the stipulated values.

Lane said Omega had demanded a two-tier system which provided separate FOB prices for internationally branded products and a second tier for those aimed at the lower end of the market. He said the document was submitted for signing the day before presentation and believed more time was required to iron out problems. Ross Cederwall, a director of Connoisseur Marketing and Martin Ellert, its managing director, voiced similar sentiments.

Cederwall explained that Connoisseur imported from China and Malaysia where prices were significantly below that of the Japanese brands brought in by other signatories. "This system would result in our goods being topped. As a small company we would be penalised when we were doing nothing wrong," he said.

Distributors defy their own rules

(74f)

SHIRLEY JONES

KWAZULU NATAL EDITOR

(BR) 10/3/97

Durban — Legitimate distributors of electronic brands are buying their own products from third party importers which they claim they are going all out to eradicate, the Consumer Electronics Association (CEA) disclosed at the weekend.

Alan Coward, chairman of the CEA, admitted that the use of third party importers had escalated to the point where some scams amounted to money laundering.

However, he and other industry heads, although willing to share details of suspected frauds by major companies, were not prepared to go on record.

"Those who protested publicly last year received death threats," one company head said.

He said one of the most common "creative importing methods" used by third parties was to manipulate values by declaring major items which carried higher duties at under cost price while inflating lower duty items.

Examples cited in the minimum value agreement signed between the CEA and Customs late last week include the bringing in of video recorders at low values, but increasing values on remote controls which carry low duties.

Documents supplied to Business Report show the importing of hi-fis at under $20 each and the valuation of speaker sets at 10 times that value and more.

The Customs/CEA document shows that government has attempted to get the industry to make a stand on the issue.

The document notes that government's request was based on concern that it was far easier to manipulate values of products to evade duties using a third party.

The issue was discussed by CEA members at a meeting in November last year.

Duties on range of imported goods to drop to 15% flat rate

(74F) BD 13/3/97

Linda Ensor

CAPE TOWN — Ad valorem duties of 37,5% and 32,5% on a wide range of imported luxury and household goods would be slashed to a flat rate of 15% in a R150m bid to combat tax evasion through illicit trade and smuggling.

Products which should be cheaper in future included essential oils, perfumes, toilet waters, beauty and hair products, shaving and bath preparations, photographic cameras, plates and film, clothing, microphones, turntables, record players, cassette players, video recorders, lenses, mirrors, spectacles, binoculars and watches.

Finance Minister Trevor Manuel said the rates of 37,5% and 32,5% would be cut to a standard 15% for all products except motor cycles which would drop from 32,5% and 17,5% (for those with a cylinder capacity under 800cm³) to 15% and 7,5% respectively.

About R150m in revenue would be lost by the reduction, but Manuel believed it would "significantly reduce the incentive for smuggling", which would mean that losses would be partially offset by improved collections.

Current ad valorem duties ranged between 6% and 37,5% before VAT and while the Margo Commission had recommended their abolition and the Katz Commission was uneasy about them, government could not abolish them yet for revenue reasons, even though it was aware of the negative effects of exceedingly high duties.

"In many cases, the high rates of duty have provided an incentive for tax evasion, often through illicit trade or smuggling and consequently losses of tax revenues," Manuel said.

The Budget Review noted that the rates of these ad valorem duties, some of which dated back to 1969, were too high and had cascading effects.

SATURDAY MARCH 15/16 1997

Cut in points of entry a bid to curb smuggling

(74F) ARG 15/3/97

Midrand – The Government ~~is to~~ launch an extensive campaign to wipe out smuggling, including slashing the number of international airports and restructuring border posts.

Deputy Finance Minister Gill Marcus said at a Budget workshop in Midrand yesterday that the restructuring of the Customs and Excise Department was possibly the Government's toughest challenge in the reformation of the economy.

She said customs had been neglected in the past and it would take extensive work to improve trade revenue collection.

The Government had to regain control of traffic through the country's border posts and eliminate the lack of control at the numerous international airports, the Deputy Finance Minister said.

Ms Marcus said the number of international airports would be cut, from the 36 at present to around eight.

In an attempt to stop the smuggling of goods in and out of the country, specifically to and from South Africa's neighbouring states, the border posts through which cargo could be transported would be reduced from about 118 to 16.

The reduction of ad valorem taxes in the 1997/98 Budget was part of the long process of eliminating illegal trade.

Finance Minister Trevor Manuel said in his Budget speech on Wednesday that high tariffs had led to a greater incentive for tax evasion by way of illicit trade.

He cut tariffs on a range of goods, including video recording and audio equipment, motorcycles, beauty and hair care preparations, clothing and furs as well as spectacles and watches.

The existing rates of 37,5 percent and 32,5 percent would be cut to 15 percent. As far as motorcycles were concerned, the rate would be lowered from 32,5 percent to 15 percent for motorcycles larger than 800cc, and from 17,5 percent to 7,5 percent for those less than 800cc.

Mr Manuel said the cuts in duties would result in a loss of revenue of R150-million, but this would be partially offset by improved collections because of a reduction in smuggling.

Inland Revenue commissioner Trevor van Heerden said the lowering of the ad valorem taxes was a brave move and would allow "legitimate traders to squeeze smugglers out of the economy".

He added that the autonomy granted to the SA Revenue Services would result in enhanced tax collection and a significant broadening of the national taxation base.

Ms Marcus said the 1997/98 Budget was part of a wider process of overhauling the economy, and the reduction of income tax for lower income earners – also announced last Wednesday would be followed in by the reformation of middle to upper-income taxation. – Sapa

New appeal to EU against dumping of beef in SA

MEAT CT(BR) 20/3/97 (74F)

John Fraser

Brussels — Parliamentarians from the European Union and southern Africa launched a fresh appeal to the EU yesterday to stop dumping beef on the South African market.

The appeal was made at an assembly in Brussels attended by European MPs and their counterparts from Africa, the Caribbean and the Pacific.

Rob Davies, an ANC MP, told journalists that the EU beef was sold at half the price domestic producers in Africa had to charge. He claimed this ran contrary to EU pledges to help rural development in Africa.

The EU has responded to complaints from South Africa by changing the way it categorises beef exports to South Africa, but Davies claimed this "has had no significant impact".

He said EU exports had shot up from 7 000 tons in 1993 to 47 000 tons last year. He suggested the harm being done by the beef dumping outweighed all the aid the EU gave southern Africa.

And he claimed that producers in neighbouring states such as Namibia were also affected. This complaint was backed up by Botswanan MP Thembe Mogami, who stressed the historical importance of the South African market for his country's farmers.

Namibian parliamentarian Siegfried Wohler said it was "inconsistent" of the EU to support farmers in his country while destroying their market in South Africa.

Alex Smith, the British Labour European MP, supported this claim saying the EU could "overnight undo the work of previous aid programmes". He said this would be "absurd".

Sunday Times Business Times
March 23 1997

Manuel launches first salvo against smugglers

(74F) ST(BT) 23/3/97

CUSTOMS EVASION

By DON ROBERTSON

THE fight against tax evasion by smugglers, which costs the government at least R560-million a year, is not over, in spite of Budget proposals to reduce ad valorem import duties on a variety of electronic and other products.

A cut in import duties is seen by the government and industry as the best way of curbing illicit trade.

As recently as August last year major names in the electronics industry were importing the centre piece of a hi-fi system, on which there was a 37.5% ad valorem duty, for as little as $13.90, while hi-fi speakers, on which there is minimal duty, were marked up to well over $240.

Each hi-fi system is sold with speakers included, but the importer would benefit from having paid less duty.

It is estimated that the Department of Customs and Excise has lost about R260-million a year for the past three years as a result of smuggling and tax evasion by importers of electronic goods. The clothing and textile industry estimates lost revenue at R300-million.

In his Budget speech Finance Minister Trevor Manuel said that rates of import duties as high as 37.5%, provided an incentive for tax evasion through illicit trading or smuggling with a consequent revenue loss.

The expected loss as a result of the reduction in duties to 15%, will amount to about R150-million, but Manuel believes that the losses could be partly offset by the expected decline in the quantity of smuggled goods.

To assist Customs and Excise, the Consumer Electronics Association has persuaded its 19 members to agree to a set of minimum values on a variety of goods including VCRs, audio systems, car radios and TV sets.

These minimum values, which represent the lowest price available anywhere in the world, will be supplied to Customs and Excise on a monthly and updated basis. Any importer who declares goods at values lower than those supplied by the association could be subject to investigation by Customs.

The association — formed as an industry body to protect individual firms from recriminations by illegal importers — will ask the government to reduce duties further to 10%, "as this is the minimum needed by illegal traders to survive".

The document, signed by the 19 association members and sent to the Commissioner for Inland Revenue and Customs and Excise, also obliges the companies to stop using third-party importers to source their products.

The authorities believe that it is considerably easier to manipulate values for duty evasion purposes when a third-party importer is employed.

A similar minimum value system will soon be introduced by the clothing and textile industries.

Brian Brink, executive director of the Textile Federation, says the provision of minimum values will act as a "trigger" to assist Customs and Excise. "It is obvious, for instance, that an imported blanket can't be made for less than the cost of the fibre."

Import duties on clothing are currently at 78%, but will be reduced to 40% over the next five years. Duties on textiles are now 39% and will fall to 22% over five years.

Illegal imports and less protection take their toll

Nicola Jenvey BD 27/3/97

DURBAN — Port Elizabeth-based industrial clothing, footwear and textiles group Unispin saw attributable income crumble to R904 000 for the 15 months to December (12 months in 1995: R10,5m) as industrywide problems of illegal imports and decreasing tariff protections again took their toll, chairman Claas Daun said yesterday.

Unispin is the major supplier of hand and industrial knitting yarns and cotton yarn. Annual attributable losses in the early 1990s were followed by two years of profits.

Headline earnings to December a share dropped to 0,3c (18c). No dividend was declared.

Sales increased 13% to R293,9m, as the local trading environment proved highly demanding. Capital expenditure of R46,9m (R9,1m) lifted the interest bill to R7,7m (R1,5m) and retained income at year-end came in at R16,2m (R15,3m).

Daun said the year had marked Unispin's first year under new financial control and phase 1 of a three-year strategic plan which included an extensive capital expenditure programme aimed at reducing costs and improving efficiencies. Unispin would attempt to export products to combat the cheaper imports entering SA.

The group's balance sheet remained strong and liquidity was maintained through a healthy cash flow.

Daun said Unispin's progress towards recovery had been good during the period under review. Improvements effected under the strategic plan had not yet been converted into consistent profits.

This year the group would continue implementing the strategic plan, structured for medium- and long-term growth. A further R15m had been earmarked for capital expenditure. However, Daun warned that although the benefits of the plan were becoming evident, no significant profitability improvements would be achieved before the latter part of the year.

"The present chaotic local market conditions are not expected to vary significantly during the forthcoming year, but in the longer-term, Unispin's commitment to international excellence should provide appropriate reward," Daun said.

SA enters new terrain with probe on 'subsidised' exports

ARG 9/4/97 15 (74F)

Johannesburg – The Board of Tariffs and Trade (BTT) has initiated South Africa's first countervailing case into the alleged subsidised exports of porcelain insulators from India.

The BTT said in a statement yesterday that although "subsidised exports" had been on the statute books for some time, the board had never conducted a countervailing investigation.

Representatives of local industry recently lodged a petition with the BTT requesting countervailing action.

The investigation would be conducted in accordance with the rules of the World Trade Organisation Agreement on Subsidies and Countervailing measures.

The statement said the state had initiated a consultation process with the government of India on the alleged subsidies, prior to announcing the investigation.

Interested parties would be given 30 days to respond to the allegations and make submissions. – Sapa

Beef row: We've done enough, say Europeans

FOREIGN SERVICE

(74F)

ARG 13/4/97

Brussels – European Union officials claim they have done all that is needed to respond to concerns over European beef being dumped on the South African market.

The claims have been made by South African MPs, government officials and by neighbouring states such as Namibia. It has been alleged that the EU is depriving South African farmers and those from other Southern African Development Community states of a fair market because of the large volume of cheap beef which is being exported.

But Brussels agriculture spokesman Gerry Kiely said the European export subisidy had been cut, in stages, by 25 percent this year.

"We have a system inside the EU where prices are maintained at a high level, to guarantee farm incomes.

"We have taken full account of the criticisms and concerns which have been voiced by South Africa, and we believe that the cuts in subsidies go above and beyond what was needed to respond to the problem," he said.

Mr Kiely denied there had been any dumping of beef at unrealistically low prices.

And he disputed claims that a reduction in EU exports would benefit farmers in South Africa or its neighbouring states. "It is likely that the meat would then come from somewhere else – such as the USA or Australia."

CONTRABAND *20 containers of clothing and textiles arrive in South Africa from Namibia. Not a cent in duty is paid*

Customs turns blind eye to smugglers

CT(BR) 17/4/97 (74F)

Shirley Jones
Kwazulu Natal Editor

Durban — At least 20 containers of clothing and textiles, brought in duty-free under a Namibian permit, have crossed the border into South Africa, sources close to South African customs said this week

They said that although the South African customs and excise department knew about the containers, they did nothing to prevent their entry into South Africa.

The 20 containers were imported by Walvis Bay Apparil, the same company which sparked a row in February when 16 containers of clothing destined for a South African clothing and retail group were stopped and searched by South African officials.

The officials soon found they were powerless to halt the stream of goods into the country as the South African government had no say over permits issued in Namibia.

Goods worth tens of millions of rands are being supplied to South African companies through a legal loophole in the Customs and Excise Act, which applies throughout the Southern-African Customs Union.

This allows retailers to legitimately import goods through a Namibian company which, in turn, imports the goods under a Namibian permit. The merchandise is then trucked into South Africa and sold to the retailer.

Sources said although the goods in the 20 containers were known to have been en route to major South African companies, it was impossible to identify these retailers as Namibian customs had issued specific instructions that the containers were not to be tampered with.

They said one of the controversies was whether the permit used to import the 20 containers had expired or not.

Documents in Business Report's possession show this permit was extended at the end of December to cover the 16 containers at the centre of February's row.

It expired at the end of March, but the additional 20 containers were cleared at Walvis Bay in April as Walvis Bay Apparil apparently insisted the goods had been ordered before this.

South African authorities have questioned whether the company actually qualified for the 460.11 permit, which allowed it to import R20 million worth of clothing and textiles duty free

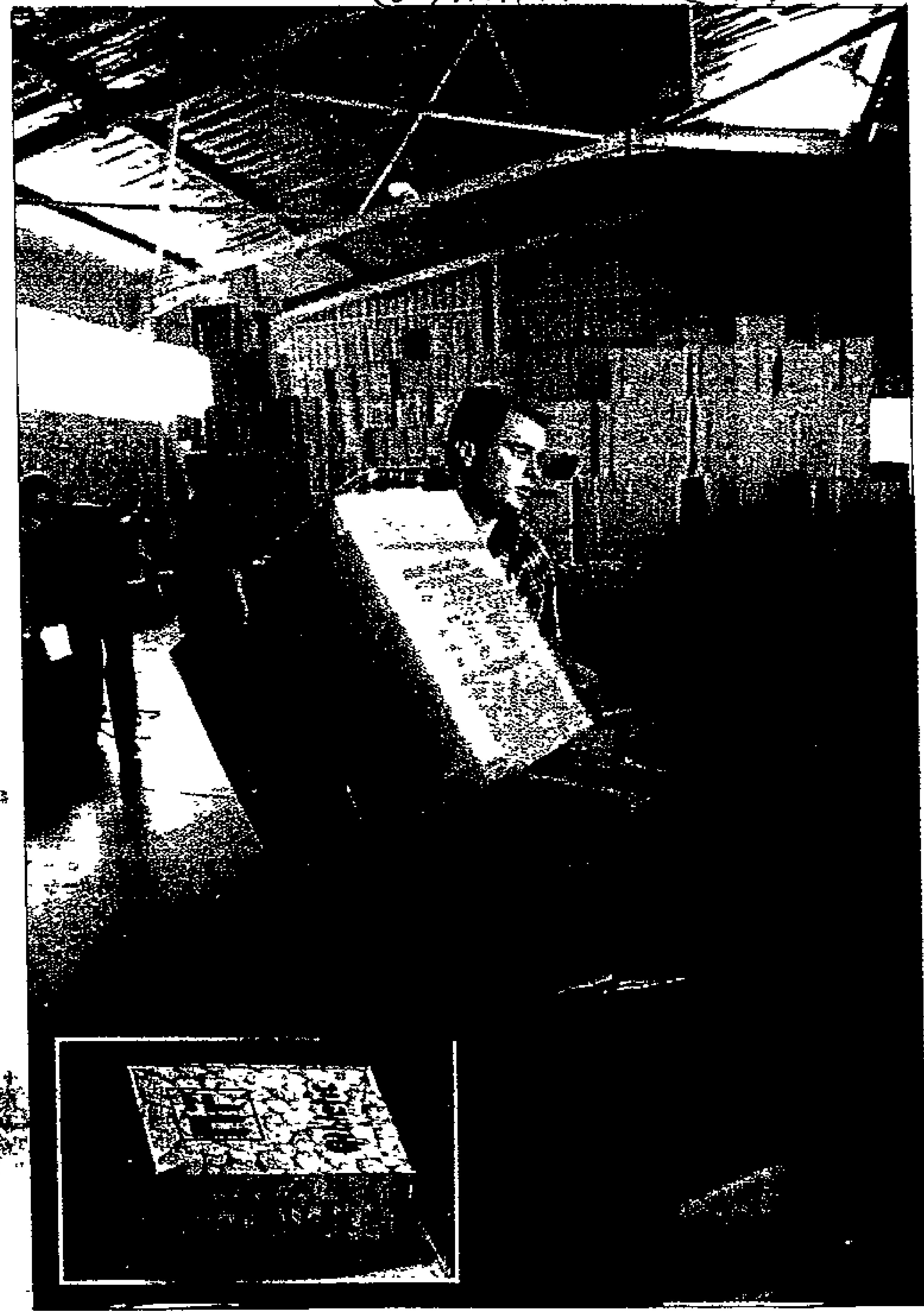
To qualify, the Namibian company would have had to export R90 million worth of goods, which was unlikely, they said.

Bernard Richards, the president of the Clothing Federation, said Namibian manufacturers did not have the capacity to export the volumes of clothing and textiles required to qualify for the amount of permits which had been issued by the Namibian government.

"Walvis Bay Apparil is not even a clothing producer and we therefore fail to understand how they could qualify for a permit," he said.

South African customs investigators visited Namibia last week to investigate the activities of Namibian companies believed to be using questionable permits and false documentation.

Christo Henning, a spokesman for the Customs and excise department, confirmed yesterday that an investigation was under way He said should the department confirm its suspicions, it would work towards amending the Customs and Excise Act.



FOOTLOOSE AND DUTY FREE *Police raiding the warehouse in Midrand found about 100 000 pairs of shoes bearing the Fila trademark (inset)*
PHOTO JOHN WOODROOF

Police swoop on pirate shoes

Jonathan Rosenthal

Johannesburg — A police swoop on the warehouses of Nan Fang International, a Chinese trading company, in Midrand yesterday uncovered millions of rands worth of allegedly pirated shoes.

Police found cartons filled with 80 000 to 100 000 pairs of shoes packaged in boxes bearing a label police described as a Fila trademark. Fila is a leading Italian sportswear brand.

The shoes in the boxes bore either a similar "Fila" label or were labelled "Athletic"

Stan Kotkin, the managing director of Fila South Africa, said the "F" on the shoes and packaging infringed a registered trademark held by Fila. "Their product is called NF Athletic, but the F is a Fila trademark," he said.

He said the retail value of 100 000 pairs of genuine Fila shoes could reach R30 million, while the retail value of the allegedly counterfeit shoes would be about R15 million.

Howard Hendricks, the footwear manager of Nan Fang International, denied the company had Fila shoes in its warehouse. Police said shoes with the "Fila" label would be seized.

But Kotkin said it transpired that the warehouse was a bonded warehouse and the goods could not be seized as duty had not been paid on them. "We couldn't get hold of Customs so it all turned out to be a bit of a mess," he said

Fake brand-name goods flood SA

Star 25/4/97 (74F)

Legitimate businesses are losing millions a year to operators importing poor-quality products

By Derek Rodney
Crime Reporter

South Africa's growing informal sector is being targeted by unscrupulous "businessmen" who are flooding local markets with fake famous brand goods.

Legitimate businesses are losing millions of rands each year to slick operators who are importing and distributing poor-quality consumer fake commodities, and in many instances, passing the products off as genuine, famous brand-name goods.

Police, assisted by legitimate famous brand owners, have already raided warehouses, stores, fleamarkets and stalls, including at the Rand Easter Show, this month and seized goods valued at more than R20-million in Gauteng and the Northern Province alone.

In the latest raid Commercial Crime Unit (CCU) detectives this week seized more than 2 500 cooking pots, valued at about R100 000, during a raid at a distribution warehouse in Sunderland Ridge, north of Sandton.

CCU investigator Captain Guillaume Nel said the raid followed an intensive six-month investigation into the sale and distribution of bogus cookware in the Northern Province towns of Pietersburg and Louis Trichardt.

It has been established that the goods were primarily sold at "bargain prices" to informal spazas and trading stores in the Northern Province before a distribution network was established in Gauteng.

CCU detectives are in the process of gathering documentation for the goods after employees failed to produce any paperwork.

Empty vessels ... fake brand-name pots have been sold at 'bargain prices'.

Nel said police would be contacting the South African Revenue Service to investigate any irregularities which the investigation may uncover.

The pots, packed and passed off as Hart cookware, were seized at a Rietspruit Street warehouse situated in the Sunderland Ridge industrial area north of the R28 Krugersdorp Highway.

Patent, trademark and copyright attorney Marilyn Krige of Adams and Adams attorneys, who are representing Hart cookware, said faked, poor quality goods which are flooding the country are rarely picked up at under-manned customs points.

"Even when offenders are picked up, the guilty parties pay fines before the goods are released back to them and hence further distributed," she said.

In another case, CCU investigators seized about 90 000 pairs of counterfeit shoes valued at more than R15-million during police raid on two Midrand warehouses after following up earlier raids at the Rand Easter Show.

Investigators seized goods valued at more than R1-million at the Rand Easter Show on April 4 after police received complaints from famous name brand owners.

Targeted ... Marlene Sekhe, who is one of out an existence in the country's growing

'Smuggling costing SA billions'

(74F)

New measures proposed to curb flow of goods

ARG 29/4/97

PAUL HARRIS

Johannesburg – Smuggling costs South Africa billions of rands in terms of lost Government revenue and by hitting the sales of legitimate business, experts say.

Last year Portnet estimated theft and smuggling at its ports cost the country about R12 billion a year. But, South African customs estimates that about 75 percent of all goods smuggled come over the land borders so the total figures must be much higher.

"The main point is disruption to South African business by illegal imports. It is a huge problem," said Ben van Rensburg, economist at the South African Chamber of Business (Sacob).

The main goods that are smuggled are tobacco, alcoholic drinks and electrical goods such as televisions and video recorders. But clothes and luxury goods such as perfumes are also leaking in from neighbouring countries.

Mr Van Rensburg says the tide of illegal goods swamping the country undercuts local businesses and is in danger of breeding a culture whereby customs laws are often ignored.

"It makes it difficult for business and the whole economy to make the transition from the old South Africa to where we want to be in the new South Africa," he said.

The reasons for the upsurge in smuggling lie in the re-entry of South Africa back into the world economy. After the 1994 election goods started to flow freely over the borders, swamping a customs and excise service used to years of economic boycott.

The nature of South Africa's borders is also a problem. "It is the sort of border where you can go and drive across the veld if you really don't want to go through customs," Mr Van Rensburg said.

But economists and customs officials say progress is being made to halt the flow.

One of the main proposals is to cut the number of points of entry for commercial goods. Allowances are planned for local requirements under strict controls, but the bulk of commercial goods would be turned back from airports and border posts that had not been designated.

Customs also plans the introduction of an electronic system similar to bar codes used on supermarket goods.

Eventually it is hoped to link all customs facilities from border posts, ports and airports on one computer network to allow rapid and accurate checking of all goods. – Reuter

Cabinet takes measures to plug SA's leaking borders

(74F) CT (BR) 1/5/97

SHIRLEY JONES
KWAZULU NATAL EDITOR

Durban — The Cabinet adopted a far-reaching border control initiative yesterday aimed at significantly tightening controls and revamping border posts to halt revenue losses thought to run to R17 billion a year.

Sydney Mufamadi, the safety and security minister, announced yesterday that the country's 52 border posts would be whittled down to 19 and the 36 international airports would be reduced to eight.

He said although the country's seven sea ports would remain open to international traffic, the quality of border control would be significantly improved.

In addition, work had started on an integrated information management system for all ports of entry as a matter of urgency.

Christo Henning, a spokesman for the revenue service, said yesterday that the millions which would go into upgrading the border controls was little compared with the vast sums slipping through the customs net.

Industry, especially the clothing, textile, footwear and electronics industries which had been crippled by customs fraud, applauded the government's initiative yesterday .

Richard Ferrer, the chairman of the customs and VAT enforcement caucus, a private sector body which works closely with customs to stamp out smuggling, said tighter controls would result in a massive reduction in the abuse taking place at the country's borders and would enable the government to better focus its existing resources.

Mufamadi said implementation of changes at land ports would take place within three months and the changes at airports would be completed within six months. A joint training programme was being designed and technological improvements would be incorporated into revamped border posts, he said.

Customs said the 19 border posts would be fully staffed, upgraded and reorganised to meet the new standards. Of those 19 border posts, only eight are now staffed by Customs officials.

The eight airports authorised for international flights were Johannesburg, Cape Town, Durban, Bloemfontein, Lanseria, Nelspruit, Upington and Pietersburg.

VISIONARY *Alan Coward, group managing director of Reunert's consumer and commercial division, sees growth potential in South Africa's television market as profit margins rise* PHOTO JOHN WOODROOF

Duty puts bite on smugglers

CT(BR) 2/5/97 (74E)

Jonathan Rosenthal

Johannesburg — The cut in duties on consumer electronics equipment from more than 100 percent three years ago to about 17 percent in the latest Budget has diminished the volume of smuggled goods, Panasonic's directors said this week.

Alan Coward, the group managing director of Reunert's consumer and commercial division as well as the president of the Consumer Electronics Association, said the drop allowed legitimate importers to fight back. "We have been able to drop our prices while some of our competitors have not been able to ... because they weren't paying duties in the first place," he said.

But he cautioned that even duties of just 17 percent, coupled with value added tax of 14 percent, still provided an incentive margin to smugglers. Profit margins for consumer electronics importers were only in the range of 2 percent to 4 percent, he said.

The group, which claimed to be the largest consumer electronics supplier in South Africa, said it planned to raise its share of the television market by a third to about 20 percent.

R401m customs loss in six months

CT 8/6/97 (74F)

ABOUT R401 million in customs duty was lost in the last six months of 1996 because of the number of vacancies in the Department of Customs and Excise, Auditor-General Mr Henri Kluever said yesterday.

In an audit report on the department's performance for that period, tabled in Parliament this week, Kluever said a further R11,7m in customs duty and penalties could have been collected, had the Johannesburg and Durban regional offices inspected five percent of the bills of entry.

A performance audit of the Public Works Department for the same period showed this department had failed to undertake a feasibility study before building a R2,063m prison in Vryburg.

It was subsequently discovered there was a high clay content in the soil on the site, and that additional costs amounting to R8,5m would have to be incurred to reinforce the foundations, the report said.

The project was then abandoned.

The report also brought to light twenty-seven notebook computers — bought for the Department of Trade and Industry — which could have been purchased for R33 993 less, from the same contractor, if they had been bought outside the state tender system. — Sapa

R401m in customs duty lost

(74F) BD 8/5/97

CAPE TOWN — About R401m in customs duty had been forfeited in the last half of last year because of the number of vacancies in the customs and excise department, auditor-general Henri Kluever said yesterday.

In a report on the department's performance audit for that period tabled in Parliament on Tuesday, Kluever said a further R11,7m in customs duty and penalties could have been collected had the Johannesburg and Durban regional offices inspected the minimum norm of 5% for the checking of bills of entry.

According to a performance audit of the public works department for the same period, the department had failed to undertake a feasibility study before building a R2,063m prison in Vryburg.

It was subsequently discovered that there was a high clay content in the soil and that additional costs amounting to R8,5m would have to be incurred to reinforce the foundations, the report said.

"The project was abandoned subsequently."

Although measures to ensure the optimal use of buildings and structures had been implemented by the department, certain buildings were used at only between 24% to 49% of the set norms, the report said.

Fire-fighting equipment in about 41% of the buildings owned or leased by the state had not been satisfactorily serviced for a year or longer.

At the foreign affairs department the basis used for calculating allowances for officials abroad — which had been adjusted yearly since 1989 according to inflation statistics — no longer reflected the actual cost of living.

This had resulted in payments amounting to R27,8m to officials abroad during the 1994-95 financial year in respect of cost of living differences between other countries and SA, the report said.

However, foreign affairs director-general Rusty Evans had indicated that since August last year calculations were made according to the "cost of living update".

This was used by more than 700 international corporations and government institutions.

Evans envisaged a saving of about R29m.

In the correctional services department performance audit, it was discovered that standardised design layouts were not being used.

However, if a royalty was payable in respect of "repeated" prisons, this would have amounted to 7,5% of original architect costs, the report said.

In the case of the Goodwood Prison, a saving of R5,7m would have been realised.

At the trade and industry department 27 notebook computers could have been bought for R33 993 less from the same contractor outside the tender contract, the report said. — Sapa.

New R40m hi-tech plan to fight illegal shipments

74F

CT 14/5/97

DAN SIMON
TOURISM WRITER

SECURITY is to be tightened at harbours in an effort to combat drug smuggling and illegal imports.

Transnet managing director Mr Saki Macozoma said Transnet, subject to its board of directors granting its approval next month, was to spend about R40 million this year on sophisticated X-ray equipment to scan all incoming and outgoing containers.

The new system would not only verify the contents of all containers, but would also enable customs officials to be alerted to importers who undervalued goods.

Large sums in duties and other tariffs were lost every year because of false declarations, which Macozoma described as a "grave" problem.

Macozoma gave details of the new security plan at the two-day Transnet/Western Cape — Moving Ahead conference, being held at Club Mykonos on the West Coast. The conference, attended by the Cape Town 2004 Olympic Bid Company and its main sponsors, is discussing Cape Town's needs for transport should it be awarded the Games.

Transnet had discussed the problems of drug smuggling and illegal imports with a number of government departments, including security and revenue services, Macozoma said.

"The problem is that for anyone to stem any kind of smuggling you need physically to open every container that goes through a port. Firstly, this is impossible and, secondly, if you tamper with the seals on containers, you cannot guarantee that the goods will reach the client intact.

"We need technology that can X-ray every container so you can see what is in it. For instance, if there are drugs, then the police force can be called in.

"If someone is undervaluing goods, then we will be able to notify customs (and) the revenue which would have been lost to the state will be collected. The revenue lost to the ports will also be collected."

Customs and port authorities were to use the same set of documents. This would allow containers and cargo to be moved more quickly.

The new technology would be introduced first in Durban as it handled most exports and imports, Macozoma said.

Trade war 'may hurt Swazi sugar industry'

BD 15/5/97 (74F)

Louise Cook

THE trade war between SA and Swaziland over excessive amounts of Swazi sugar coming into SA was likely to jeopardise the Swazi sugar industry in the long run, sources said yesterday.

The local sugar industry barred Swaziland last month from using its sugar export facility at the Durban harbour — thereby forcing the Swazis to turn to the Maputo harbour — and also withdrew access to local sugar research facilities, said SA Sugar Association spokesman Mike Mathews.

"The matter was now in the hands of the two governments — there is not much more industry can do," he said.

Trade and industry department director Alwyn Kraamwinkel declined to give details of talks between SA and Swaziland which were under way at present.

Asked whether a solution was in sight, he said that SA was primarily seeking a "long-term solution".

"SA is not in a position to set up antidumping measures as this is not an option within the Southern African Customs Union.

"We have to find an alternative way."

SA Cane Growers' Association director Brian Sugden said yesterday that SA was likely to use the talks to negotiate for a stake in Swaziland's lucrative export market through the Lomé convention, which allows Swazi sugar into the European Union at preferential rates, as well as Swaziland's generous access to the US sugar market through special quotas.

Sugden said that lately between 150 000 and 180 000 tons of sugar had been coming into SA from Swaziland.

"A few years back, this was only a couple of hundred tons."

He said that these imports clearly constituted a violation of old established agreements.

SA Sugar Association CEO Jack Wixley said Swaziland would not be able to find alternative research facilities and technology easily.

"Mauritius is the most likely alternative, but then the Swazis would lose out on new technology on cultivars developed specifically for this region."

Kraamwinkel declined to say when the next meeting between Pretoria and Mbabane would take place.

Footwear imports controls imminent

DTI minister to announce quota system soon, says official

ARG 22/5/97 (74F)

ALIDE DASNOIS
BUSINESS EDITOR

Import controls on footwear, delayed since April, are likely to be instituted within weeks in a Government bid to give the domestic footwear industry breathing space.

Minister of Trade and Industry Alec Erwin was likely to make an announcement "soon", the department's Alwyn Kraanwinkel said yesterday.

Mr Erwin said in March that import quotas would be reinstated for one year on footwear imported from countries outside the World Trade Organisation (WTO) in a bid to stem a flood of cheap imports. Quotas would amount to a maximum of 15 million pairs of shoes a year from these countries.

Imports from countries outside the WTO, particularly China, have leapt from 25 million pairs in 1994 to more than 40 million pairs in 1996.

Mr Kraanwinkel said the introduction of quotas, due for April 1, had been delayed to allow retailers and importers to form associations and reach consensus with manufacturers, not only on import control, but also on the way forward for the domestic footwear industry.

'The move will give the domestic industry time to restructure, upgrade technology and train workers'

Two associations, the SA Footwear Retail Association and the SA Footwear Importers' and Wholesalers' Association, had been formed. Manufacturers were represented in the Footwear Manufacturers' Association, he said.

The department estimated that competition from imports of footwear made in countries outside the WTO had cost South Africa 3 000 jobs between 1994 and 1996.

So far this year, Mr Kraanwinkel said, eight footwear factories had closed, with the loss of 558 jobs.

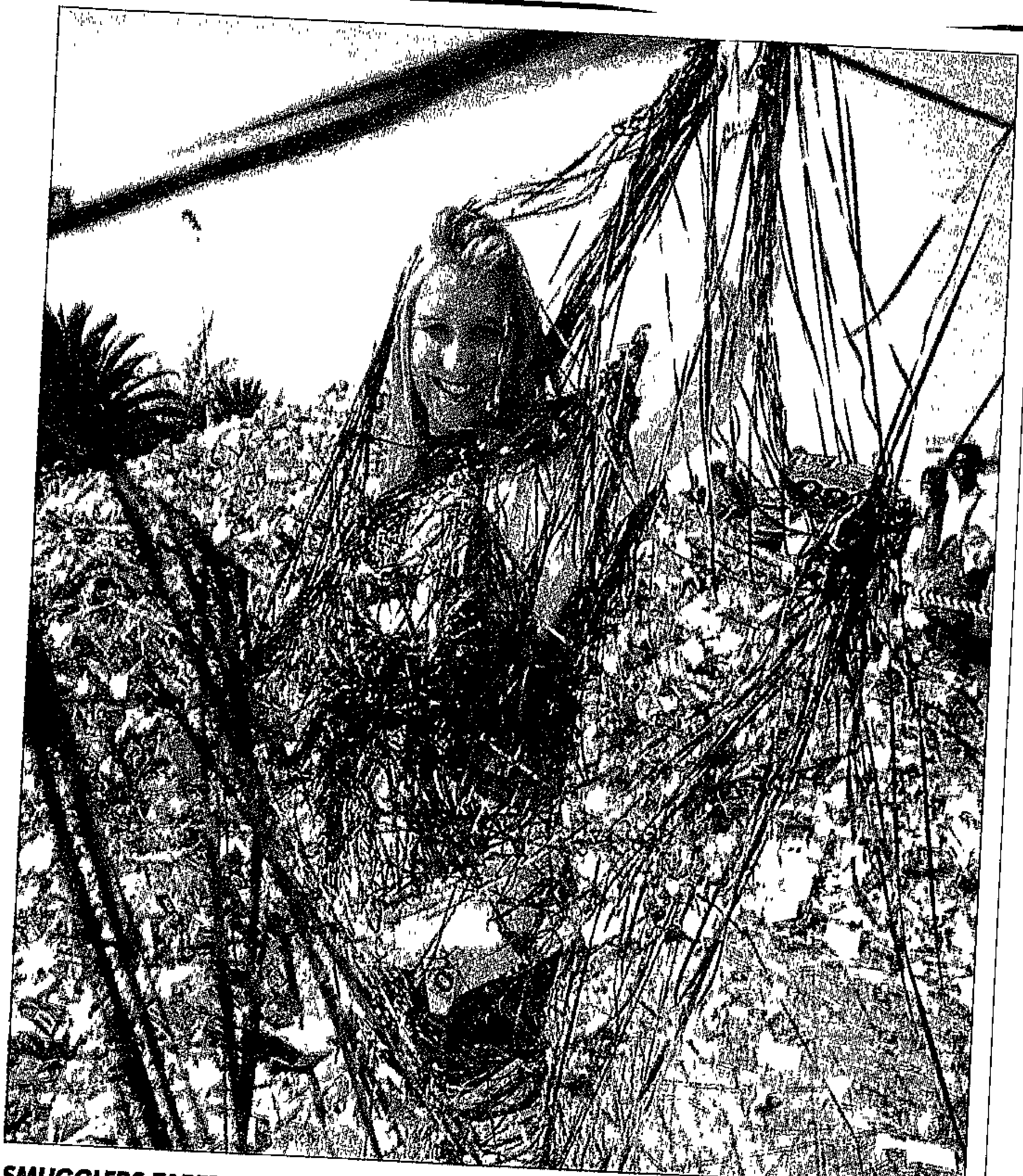
In addition, he said, about 1 300 jobs had been lost as a result of restructuring.

Main imports targeted were synthetic footwear and footwear with textile uppers.

Mr Erwin has warned that the introduction of quotas does not mean a return to protection on demand, but is necessary because of the "exceptional circumstances" of the footwear industry.

He said the move was aimed at ensuring "sustainable employment in the face of unfair competition" and would give the domestic industry time to restructure, upgrade its technology and train workers so as to become more competitive on world markets.

South African manufacturers, he said, found it hard to compete at the bottom of the market because of differences in labour costs between South Africa and some countries outside the WTO.



SMUGGLERS TAPED *Julie Falke, a TDK sales representative, with some of the 3 000km of counterfeit audio tapes publicly destroyed after a blitz by customs*

PHOTO JOHN WOODROOF

Fake tapes crushed in clampdown

(74F) CT(BR)23/10/97

Shirley Jones

Kwazulu Natal Editor

Durban — The public destruction yesterday of 100 000 counterfeit TDK audio tapes was just the beginning of a blitz against the importation and sale of counterfeit goods, said Christo Henning, a spokesman for the South African Revenue Service.

The decision to destroy the tapes with a steamroller, and later to incinerate a further 620 000, came in response to a far-reaching problem.

He said counterfeit goods worth hundreds of millions of rands — tapes, prerecorded music on audio cassettes and compact discs, branded clothing, footwear and electronic equipment — were flooding into the country and finding ready markets within the formal retail sector and through hawkers and flea markets.

Henning said it was tragic that there was such a ready market in South Africa for fake goods. This time, he said, the message was clear — the authorities would go beyond warnings and would act on threats.

The latest seizures of counterfeit goods were part of a wider interdepartmental, two-pronged attack on counterfeit goods and the underground industry behind it.

The authorities were in the throes of closing down border posts to commercial traffic, thus halting the influx of illegal goods. The department would then move in and confiscate contraband already on sale in the marketplace, he said.

AIR AND BORDER POST CLOSURES

Mufamadi keeps smugglers on the ground

Freight companies up in arms at plans to cut commercial entry-points from 52 to 19 (74F) fm 6/6/97

Government is about to take swift action to stamp out smuggling and drug trafficking by dramatically cutting the number of airports open to international flights. It will also clamp down on border posts open to commercial trading.

From August 1 the number of border posts open to commercial trade will be slashed from 52 to 19 while in October, 28 out of 36 airports will be stripped of their international status and the right to accept international flights.

Safety & Security Minister Sydney Mufamadi says the closures will bring SA into line with international norms. The UK has seven international airports, France four and Germany six.

SA Revenue Service spokesman Christo Henning estimates the loss from poor border control at up to R17bn a year "The closures are part of the National Crime Prevention Strategy, which focuses on transnational crime and ports of entry, and it's part of Mufamadi's efforts to clean up crime within SA."

Mufamadi's strategy has provoked an angry response from freight companies, which argue the closure of airports will push up airfreight charges.

National Airways Corporation MD Brian Frankel says "We will have to fly to a controlled airport to get customs clearance, which means we will have to pay approach fees and landing fees. We will have to pass the increased costs on to our clients. They will also have to wait longer to get their freight."

Commercial Airline Association of Southern Africa executive director Pierre de Bruyn says government "can't do something like that without consultation. The private sector has been excluded from discussions"

Henning dismisses the criticisms. "If we keep consulting we won't take action. Business supports this action. The National Interdepartmental Structure to Combat Crime joined with Business Against Crime to control our borders to combat illegal imports, immigration and drugs."

The airports to be closed to international traffic are those where "for Customs purposes, border control is particularly weak," according to Mufamadi's submission to parliament. Several "serve no useful purpose as air traffic is limited, but are open to misuse." In the Northern Cape the airports at Alexander Bay, Springbok and Kleinsee all have international status but are situated within a radius of 100 km

Flights will be monitored by radar and any aircraft making cross-border flights which land without authorisation will be seized Concessions will be given to smaller aircraft making short cross-border hops

The eight airports to retain international status are Johannesburg International, Cape Town International, Durban International, Bloemfontein, Upington, Lanseria, Nelspruit and Pietersburg. Five of these belong to the Airports Company.

Government has pledged to upgrade security at all eight within six months and to spend R165m on upgrading the 19 land posts.

David Pincus

Electronics companies hinder Customs

Industry's silence aids smuggling

(74F)

CT(BR) 3/6/97

Jonathan Rosenthal and Shirley Jones

Johannesburg — Customs was powerless to act against companies that had smuggled millions of rands worth of branded electronics goods into South Africa because members of the Consumer Electronics Association (CEA) were withholding critical information from investigators, sources said last week.

They said investigators in Johannesburg and Durban had stopped millions of rands worth of branded electronics goods, including Philips- and Aiwa-branded products, over the past few weeks.

However, the companies holding the licences to import the goods, including Philips South Africa, had failed to provide Customs with the correct prices that would prove whether the seized goods had been undervalued to escape customs duties, they said.

A source said the investigators had also stopped a consignment of Pioneer speakers, valued at between $3 and $3,50 each on documents submitted to Customs, when their actual value was believed to have been between $38 and $46.

Shawn Lane, the financial director of Omega, which distributes Pioneer and Aiwa products, said the Pioneer swoop had been made with the assistance of Omega. He said the seized Aiwa product were definitely "grey" and that Omega had provided full information to Customs.

A Philips spokesman said the company was investigating allegations that its products were being smuggled into South Africa. "The investigation is being treated as a priority," the company said.

The spokesman was unable to comment on the allegation that Philips had failed to provide Customs with information.

In terms of the original CEA agreement, member companies undertook to provide the VAT Enforcement Task group and Customs with the correct ex-factory values of branded goods, against which imports could be compared.

They also agreed to provide minimum prices on specific items, such as video recorders and car audio equipment, so that average minimum values could be determined.

Industry sources said on Friday that not only were certain companies withholding information for fear of showing that the minimum value information supplied to the CEA was false, but that the CEA itself, racked by infighting, was also holding back vital data.

Richard Ferrer, the CEA's vice-president, said last week that the first phase of the project, which gathered absolute minimum values for unbranded products, was "working brilliantly".

"It has stopped video recorders from coming through at $2,50 when the minimum value is about $135," he said.

But he conceded that the second phase, in which the values of branded products have to be disclosed, had been beset by problems.

CONTRABAND

Smuggling crackdown sends shockwaves through business

(74f) CT(BR) 4/6/97

SHIRLEY JONES
DURBAN

Sting operations which netted more than R15 million in smuggled goods in just over two weeks have sent shockwaves through the business community, Christo Henning, a spokesman for the South African Revenue Service (SARS), said this week.

Speaking after Monday's meeting of the National Interdepartmental Structure, which brings together the home affairs department, SARS and the South African Police Service in an attempt to jack up inept border policing, Henning said 10 stings had been carried out last month and a further 10 were planned for this month.

He said the stings had begun in Durban in mid-May with the seizure of goods ranging from electronic equipment to textiles, fake audio tapes, running shoes, two Mercedes-Benz cars and a Rolls-Royce Silver Shadow. Goods to the value of R4,3 million had been seized in a morning, he said.

According to Henning, a mini-blitz on Durban airport a week later saw Customs confiscate smuggled gold jewellery, Krugerrands and a number of luxury vehicles as well as stop a large number of illegal immigrants.

During a sting operation at the Kopfontein and Groblersbrug border posts, Henning said six vehicles were stopped carrying goods which had been underdeclared. "At Groblersbrug, two vehicles were seized importing cobalt, while they had declared they were importing steel," he said.

A crackdown at Beit Bridge at the end of last month targeted bulk and break-bulk imports. Two stolen vehicles were recovered and 10 suspected illegally imported vehicles were identified, he said.

"The confiscation of the 10 allegedly illegally imported trucks has sent shockwaves through industry, judging by the number of phone calls we have received since then. Research indicates that hundreds of vehicles have been exported into neighbouring countries and then round-tripped illegally back into South Africa by unscrupulous entrepreneurs," Henning said.

He added that as part of the sting operations, R600 000 worth of alcohol had also been confiscated in Johannesburg and a case of fraud was being investigated against a smuggler based in Durban. Last Wednesday, R1,5 million worth of illegally imported tyres had been seized in Pretoria, he said.

Henning said one of the critical issues which had emerged from discussions with the Durban business sector during the initial sting operation was confusion over whether border controls were a provincial or a national responsibility. He said Durban business had pointed out this confusion had long hampered effective control and follow-up actions. In the end, it was decided that upgrading Customs was a national problem, he said.

He also pointed out that, until now, South African business had wanted the best of both worlds — effective policing but relaxed border control. He said the latter was often viewed as an economical means of expediting both imports and exports.

But this had had the opposite effect, forcing the taxation base upwards. "For example, a survey conducted in Mpumalanga, where R1,6 billion was collected in the form of VAT, showed that, over the same period, R2,4 billion had been paid out in the form of VAT refunds to persons exporting goods," said Henning.

He said this had become a big headache for Customs. Unscrupulous exporters often grossly inflated the value of invoices, sometimes doubling the amount of VAT actually paid on goods.

Henning said it was now up to the business sector to decide whether relaxed control and rising taxes should be the order of the day or whether effective control to stop fraudulent transactions was preferable.

Budget cuts delay setting up 'ideal' posts

Durban — Durban would have been the ideal sea port, Johannesburg International the ideal air border post and Beit Bridge the ideal land entry point by the beginning of next month if drastic budget cuts at the South African Revenue Service (SARS) had not intervened.

Christo Henning, a SARS spokesman, said yesterday forcing Customs to tighten its belt had certainly delayed, but not destroyed, plans to set up the three border posts as role models and then bring others countrywide up to standard. He said while Cabinet had accepted a plan which included three fully functioning "ideal" border posts by July 1, this had been postponed to August while SARS attempted to re-negotiate its budget.

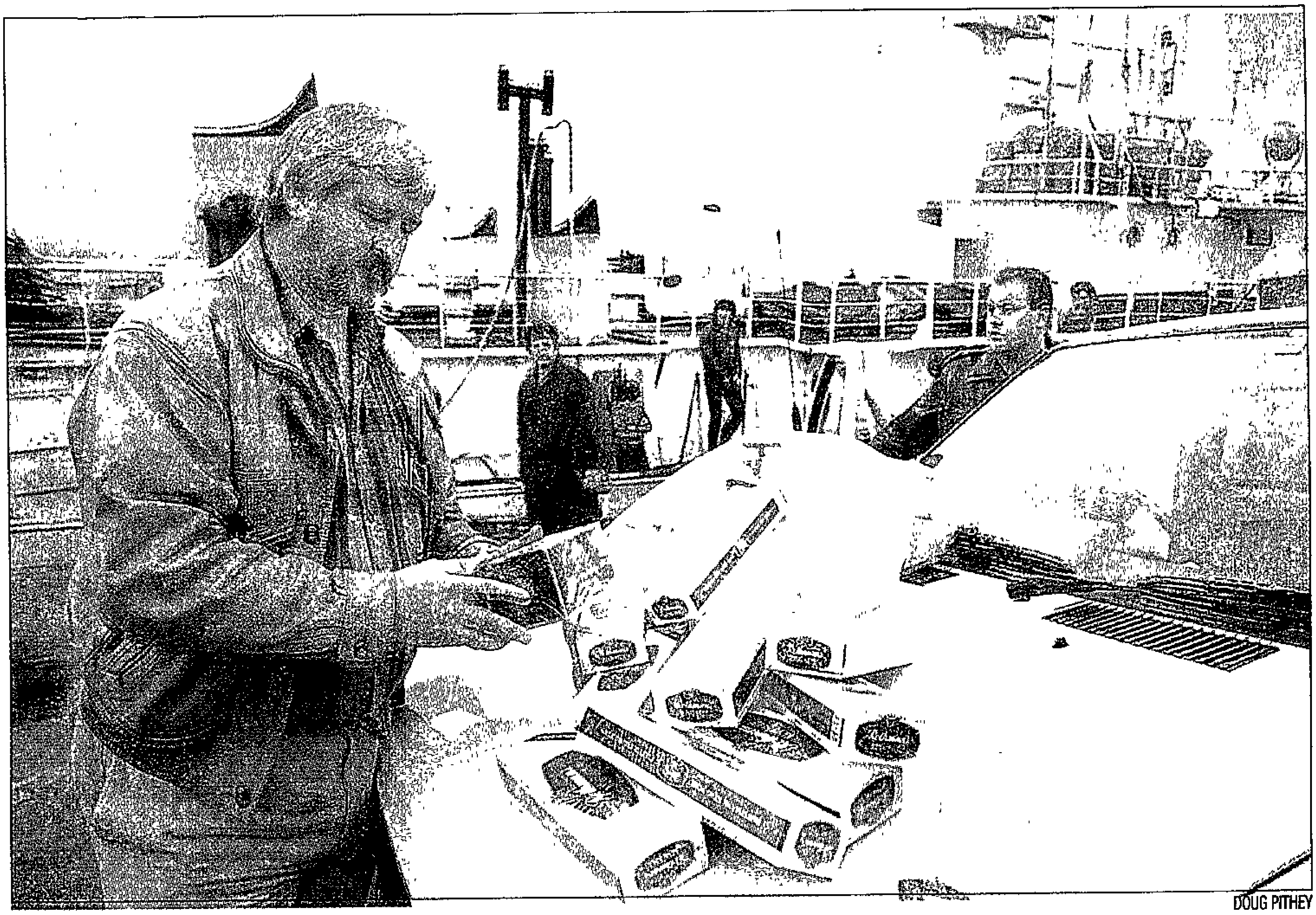
The discovery that the border post upgrade could not be completed without factoring in the BLNS (Botswana, Lesotho, Namibia, Swaziland) states made the programme more complex than was expected, Henning said.

Although specific details of the changes to be made at each of the border posts are not yet available, Henning said the upgrade programme was already under way and progress was being made.

A task team of legal advisers was presently examining the actual implementation process at the airport, land port and sea port while the CSIR was investigating information technology solutions for each of the ports, he said.

Henning said in the wake of budget cuts and a lack of resources, SARS would also consider approaching private enterprise to adopt and revitalise individual border posts in much the same way as business had adopted police stations.

He said the National Interdepartmental Structure for border control was also looking at a number of quick-fix solutions for Customs.



DOUG PITHEY

Confiscated: customs officer Fanie Versfeld with some of the duty-free goods confiscated in today's raid on Taiwanese trawlers at Ben Schoeman dock

Harbour raid wakes bleary-eyed fishermen

ARG 6/6/97 (74F)

From page 1

men and 20 customs officers braved the cold winter morning to make the search.

A convoy of 15 cars and police vans went to Ben Schoeman dock, taking two wrong turns before finding their target, a fleet of 10 Taiwanese trawlers. A barefoot sailor on the first boat was surprised to be woken by the officers, who proceeded to search the vessel. An angry dog standing on the roof of the cabin barked loudly.

Bleary-eyed sailors emerged bewildered and demanded to know what was happening. They went back to sleep while the officers thoroughly searched the trawler.

On other trawlers cartons of cigarettes, cans of beer and bottles of whisky, bought at duty-free shops were confiscated because they were not in sealed lockers.

Customs chief controller Fanie Versfeld said it was illegal for sailors to consume goods they bought duty-free while in the harbour. "If they want to smoke or drink while they are here, they must go to the local shops and pay normal prices."

On an oil rig moored near A Berth, officials found workmen using paint which had also been bought duty-free. They were ordered to put it back into a large container, which customs officials sealed.

Local search co-ordinator Jaco Baard said this was the first of a series of searches to foster closer co-operation between the police and officials from Home Affairs and Customs and Excise.

Ships raided in blitz on smuggling

(74F)

JOE ARANES
Staff Reporter

ARG 6/6/97

Police and customs officials raided ships in Cape Town harbour today in an operation aimed at stopping illegal imports and exports which cost South Africa billions of rands a year.

The pre-dawn raid, mostly on Taiwanese trawlers in Ben Schoeman dock and at A Berth, was part of the national crime prevention campaign to enforce stricter control at points of exit and entry.

Brian van Niekerk, of the national inter-departmental team for border control, said the relaxation of border regulations had resulted from the previous government's attempts at "sanctions-busting".

Unscrupulous businessmen had used the situation to avoid paying duties and were illegally importing and exporting goods, costing taxpayers billions.

"This operation is part of our national strategy to put effective border control mechanisms in place and to compel people to pay their excise and customs duties."

Senior Superintendent Van Niekerk said since the launch of the campaign three weeks ago they had confiscated goods worth more than R15 million.

Today about dozen uniformed police-

To page 2

Water buffalo meat imports anger farmers

(74F)

MEAT

Foot-and-mouth disease threat

ARG 7/6/97

Grahamstown – An Indian meat processing plant has been authorised to export water-buffalo meat to South Africa, despite the South African Government declaring Indian abattoir conditions "not up to standard".

With India facing an epidemic of foot and mouth disease, which South Africa suffered last year, the decision has angered South Africa's red meat producers.

They say the move could jeopardise plans – which hinge on the sub-continent retaining its disease-free status – for a meat-producing "power bloc" of South Africa, Zimbabwe, Botswana and Namibia.

South Africa's Red Meat Producers Organisation (RMPO) reacted with shock and anger yesterday afternoon to the Department of Agriculture's decision to issue one import permit to Indian meat processors, Ilana. Stressing that stringent hygiene and import criteria would apply, Agriculture department deputy director-general Chris Blignaut said today: "We were invited to India to inspect abattoirs and export facilities. They were not up to standard and we had to refuse permission to most of them to export water-buffalo meat to this country."

"This is the normal procedure applied to all countries who export meat to South Africa." But RMPO chairman Piet van Zyl said from Pretoria his organisation was astounded by the decision. South Africa had only recently been declared free of foot and mouth disease, he said.

Dr Van Zyl said: "Keeping the country free of the deadly disease is one of our primary concerns and it is general knowledge that India is experiencing serious problems with it.

"It is further ironic that the Southern African Meat Producers Liaison Forum, which regards this disease-free status as a top priority for the formation of a meat power bloc in the region, will meet shortly in Zimbabwe. The importation of meat from India will be high on the agenda and an angry reaction by producers is expected," Dr Van Zyl added.

But Dr Blignaut said the awarding of the permit was not cut and dried.

"We certainly would not jeopardise animal health in this country and risk losing our foot and mouth-free status by allowing imports of meat where the disease is present," he said.

"If India does not meet the stringent requirements for the exportation of meat, which are based on well-founded scientific research, then we may reconsider our decision," said Dr Blignaut. – Ecna

Anger at importation of Indian buffalo meat

The Red Meat Producers' Organisation (RPO) yesterday criticised the Department of Agriculture for having granted a permit for the importation of water buffalo meat from India.

It said such imports posed a risk to the local meat industry because India was experiencing serious problems with foot and mouth disease.

"It is clear that the Government has no sympathy with South Africa's red meat producers, and is actively working towards their destruction," RPO chairman Piet van Zyl said in a statement in Pretoria.

South Africa had recently been declared an area free of foot and mouth disease, a status which Van Zyl said was jealously being guarded by the RPO. The decision to allow meat from India to enter the country was astounding and should be rescinded, he said.

Deputy director of animal health Johan Krige said in Pretoria the import permit was granted about a month ago, and the first consignment was already on its way.

The department had taken every possible precaution to ensure that such imports were free of foot and mouth disease, he added.

"If there had been any health risk we certainly would not have allowed these imports." – Sapa

Star 7/6/97 (74F)

CAPE TIMES
TUESDAY, JUNE 10, 1997 ★

'NO PROTECTION AGAINST FAKES'

Drug imports may open Pandora's Box — expert

CT 10/6/97

(74F)

AN INTERNATIONAL EXPERT on counterfeit drugs says the cost of checking imported drugs will outweigh any savings, Health Writer **CAROL CAMPBELL** reports.

IMPORTING cheap medicines, as Health Minister Dr Nkosazana Zuma proposes to do, will risk counterfeit drugs flooding into South Africa if the process is not controlled scrupulously, an international expert on counterfeit drugs has warned.

Under the present system the South African Medicines Control Council (MCC) knows exactly where medicines are made and, if there is a problem, can trace the drug back to its factory source.

The MCC has advised the minister it is essential that the present system of controls on all imported medicines, regardless of their source, be kept.

Failure to do so would soon lead to the country being flooded by inferior and counterfeit medicines.

Speaking from London yesterday, Mr Frank Madsen, director of international security for the British pharmaceutical company, Bristol-Myers Squibb, said it was impossible to tell, by looking at it, if a drug was authentic.

Madsen has been involved in setting up the new Pharmaceutical Security Institute which, from its secret venue in Italy, is co-ordinating international efforts to stamp out dangerous "dud" drugs.

"The packaging, the batch number, everything looks exactly like the real thing — (but) the consequences of taking a counterfeit drug can be lethal.

"(Counterfeiting medicine) is a dangerous business. It is run by organised crime syndicates."

At a meeting of the World Health Organisation and the International Pharmaceutical Manufacturers' Association (IFPMA) in 1995, it was estimated that 15% of the pharmaceuticals traded worldwide was counterfeit.

The head of the MCC, Professor Peter Folb, said although this figure was not based on sound data, it was accepted as correct.

"Counterfeiting in medicines is big business," he said.

"(These drugs) are likely to be ineffective and may be unsafe.

"Dr Zuma's proposal is that once a company has been approved as a source of medicines for parallel importation, such medicines — regardless of their origin — may be brought into the country by the company, provided the company's name is attached.

"There can be no adequate control of this situation. There is every prospect of its being exploited by unscrupulous companies."

Madsen warned of Mafia-style counterfeiting operations in India, China, Nigeria and Brazil, but emphasised the problem was impossible to monitor.

"The counterfeiters make their medicine in one country, print the packaging in another, bring the two together in a third and sell it in a fourth. If countries like the United Kingdom and the United States, with their powerful legislation, can't control counterfeiting, who can?"

Madsen has sent a written submission on counterfeit drugs to the parliamentary portfolio committee on health.

South Africans could be exposed to these drugs if international pharmaceutical companies with local divisions bar Zuma from buying medicines from their factories elsewhere in the world.

"She will have to go through unscrupulous middlemen and that is where there could be a problem."

Madsen said the cost of setting up checks and balances to protect Zuma from counterfeit drugs would be so high that she might as well continue to procure medicines by local tender.

In the Philippines, 8% of all pharmaceuticals sold were counterfeit. About 9% of these were parallel imports and often of "spurious" origin.

"Some, unfortunately, could be described only as lethal. These were injectable antibiotics that contained no active ingredient or the wrong one.

"They all contained non-sterile water for mixing the product prior to injection."

Red tape blamed for ever-growing mountain of confiscated goods

Rag trade slates Customs inaction

(74F) ~~(184)~~ CT(OR) 12/6/97

WAREHOUSED *A member of the SAPS inspects previously confiscated clothing*

PHOTO JOHN WOODROOF

SHIRLEY JONES AND JACK DEWES

Port Elizabeth — The textile and clothing industries vented their frustration yesterday over inaction by Customs over the disposal of the ever-increasing mountain of confiscated goods clogging state warehouses.

Chris Snijman, the managing director of Union Spinning Mills (Unispin), said this week that confiscated goods were stashed in containers held in bond in Durban and Cape Town — subject to an as yet undisclosed plan to get rid of the goods.

"It has been discovered, however, that these containers are being stolen out of the bonds, emptied and put back again with tyres and other things inside them. It's a case of fraud upon fraud, compounding the fact that goods coming into this country are being fraudulently declared ... in fact, not even declared because of inadequacies in the customs and excise department."

Snijman said the government had asked the textile industry to suggest how to get rid of the confiscated goods. "Our idea, quite frankly is to burn it, but they have a problem with that."

Brian Brink, the head of the South African Textile Federation, said yesterday the industry had agreed to try the government's plan. This was to sell the goods by public tender to buyers prepared to guarantee they would be sold offshore and would never again encroach on the South African market. If this did not work, industry would lobby for a more permanent means of destruction, he said.

Brink said that, as far as he knew, the latest tender process for the disposal of 900 tons of clothing and textiles, mainly from Cape Town, was proceeding and had been narrowed down to 12 applicants. The whole issue was back with the Tender Board, and it was a case of wait and see, he said.

Customs itself seemed more frustrated with red tape. Christo Henning, a spokesman for the South African Revenue Service (SARS), said the latest tender calling for offshore buyers for the clothing "was with the Tender Board". This follows a previously unsuccessful tender for which Customs claims to have received totally inappropriate offers.

Henning said the ideal would be to dispose of the goods through private consultants. However, this would be impossible, given budgetary constraints, and would be held up until SARS was granted its autonomy in legislation now before parliament.

He said red tape meant processing of tenders by the conventional means was not as quick as Customs would like.

'IBA is to blame for problems at the SABC'

Jacob Dlamini

BD 13/6/97

CAPE TOWN — The Independent Broadcasting Authority (IBA) was to blame for the problems besetting the SA Broadcasting Corporation (SABC), academic Ruth Tomaselli told the parliamentary communications committee yesterday.

The mandate given to the SABC to broadcast in 11 languages had been idealistic and its consequences had not been carefully thought through, Tomaselli said.

Speaking during her interview for a post on the IBA council, Tomaselli said it had been irresponsible for the IBA to set parameters for the SABC which were doomed to fail.

She said the IBA was also responsible for government's failure to hand over proceeds from the sale and privatisation of radio stations to the public broadcaster.

There had been a verbal agreement that the money would be given to the SABC to help it strengthen parts of its radio portfolio, but the IBA had failed to pursue this once the sales had taken place, she said.

Tomaselli, a former member of the SABC board, accused the former IBA councillors of having had "very grandiose ideas of what they were supposed to do".

She said the IBA would have to determine clearly its strategic purpose and set down achievable time frames. IBA councillors also needed to display humility, listen more and talk less and be scrupulously aware.

Tomaselli said the use of television licences to collect fees was an outdated mechanism which should be scrapped. She approved of state funding for the SABC, but said it would have to be project-specific or for management purposes. This would not necessarily compromise the independence of the SABC.

In his interview for a position, SABC executive Solly Mokoetle said increased piracy had undermined the use of licences to collect fees. The SABC was drawing 82% of its revenue from the commercial sector but this would be eroded by the introduction of new broadcasters.

Mokoetle said the SABC's mistake had been to attempt to implement the mandate imposed on it by the IBA overnight. This had proved disastrous and had left the corporation with a large deficit.

Government funding would not affect the SABC's operations but there was a need for mechanisms to ensure that the corporation retained its independence, he said.

The committee is expected to begin considering all applications today and will submit its recommendations to Parliament for approval next week.

In a brief address to the committee, newly-appointed SABC editor of news and current affairs Allister Sparks said his main brief would be to prepare the corporation for competition.

SA to close five gateways to Swaziland

BD 13/6/97

(74F)

MBABANE — SA is to close five of its border links with Swaziland as part of a drive to combat crime.

SA Customs Union spokesman Christo Henning said yesterday that the closures formed part of a national exercise to scale down the number of exit and entry points into SA.

"This is part of the SA National Strategy For Crime Prevention aimed at reducing the influx of smuggled and fake goods such as cassettes and sneakers," he said.

Also to be reduced are the number of international airports.

"SA airports have been scaled down to nine from 36 and border posts have been reduced from 52 to 19," he said.

He said six of the 11 border posts with Swaziland would be retained. They are Oshoek, Nerston, Mahamba, Golela, Mananga and Jeppe's Reef.

Henning stressed that some of the border posts marked for closure were still operating, but they would be phased out before the end of the year.

These include Botha's Hoop-Gege, Emahlathini, Josefdal-Bulembu, Waverley-Lundzi and Onverwacht-Nsalitshe.

The announcement comes in the wake of Swaziland's biggest drug bust ever, in which dagga estimated to be worth more than R7,2m destined for SA was found by Swaziland police last week. — African Eye News Service.

Customs fingers R200-m scams

(74F) ARG 13/6/97

LENORE OLIVER
STAFF REPORTER

A joint initiative by South African and British customs officials has identified about R200-million in evaded taxes and duties on copycat goods imported into South Africa.

The officials joined forces in November in an attempt to cut down on the importation of counterfeit goods.

South African Customs and Excise Department spokesman Christo Henning said this trade damaged domestic industry.

The import of counterfeit goods, usually of inferior quality, undermined the legitimate market, infringed copyrights and sometimes undermined home industries by flooding the market with cheap goods.

The teams have been targeting high-value consignments of goods for the retail sector, including electrical items.

Last month 100 000 blank counterfeit TDK tapes were destroyed.

Gavin Koppel, managing-director of Omega Holdings, the holding company for Frank and Hirsch and sole distributors of the TDK brand, said 3-million counterfeit tapes had been confiscated so far during the joint initiative.

"The tapes are being stored in various warehouses around the country and will be destroyed over the next few months," Mr Koppel said.

"The counterfeit tapes are inferior and have been manufactured cheaply.

"The price is further reduced because importers smuggle these products into the country and avoid paying government duties," he said.

Mr Henning said the long-term aim of the initiative was to tighten customs control and improve compliance. The team had found that the consignments identified for checking were between 90 percent and 95 percent undervalued.

"We have identified a number of legislative and procedural shortcomings in the current system, like powers of arrest and delays in criminal proceedings," he said.

The team's work would be expanded to cover all major ports, airports and clearance depots.

Lee Dutton, director of the Hamilton Whitton Group, who acts on behalf of industries whose local markets are destabilised by the counterfeit trade, said there was a problem with goods from China, which were sold to hawkers who believed they were genuine.

BD.17/6/97

SA to impose protection quotas on Chinese shoes

(74F)

Wyndham Hartley

CAPE TOWN — Heavy protection quotas against importing shoes, particularly from China, are to be gazetted within days to give the beleaguered SA footwear industry a chance to recover from a 50% decline in production over the past seven years.

News of the restrictions against China, and other non-World Trade Organisation (WTO) member countries, comes only days after the return from Beijing of Deputy Foreign Minister Aziz Pahad. There he negotiated concessions for SA Airways and cemented the deal which will see full diplomatic ties with China this year.

Trade and industry department chief director of industrial promotions, Alwyn Kraamwinkel, told Parliament's trade and industry committee last week that the SA shoe industry was not competitive and had been hammered by the huge influx of imports, notably from China.

He said import controls would be introduced soon on all footwear products from countries that did not belong to the WTO. SA cannot protect domestic industry against imports from WTO members.

China's application for WTO membership is expected to be ratified in a year or two. Kraamwinkel said the measures were designed to give "some breathing space to the industry".

He said the high point of SA shoe production was 88-million pairs a year about seven years ago. Since then production had fallen to about 40-million pairs. The industry was still in decline.

Trade and industry sources said there was some confusion over the quotas because China had suggested that it would impose a voluntary restraint on its export of shoes to SA.

A parliamentary source close to the trade and industry committee said there had been considerable lobbying from shoe importers and sports shoe distributors. Chinese imports are almost exclusively synthetic products consisting of textile uppers. SA is still relatively competitive in terms of leather shoe production.

Illegal imports 'cripple' clothing and textile sectors

(74.f)

FRANK NXUMALO

Johannesburg — South Africa's footwear, clothing and textile industry is losing R17 billion a year to illegal imports, and manufacturers are in danger of being permanently crippled if the abuse is not controlled as a matter of urgency, Mervyn King, the chairman of the Textile Federation and of the Frame group, said last week.

The industry has also lost 17 000 jobs to illegal imports and has called for the appointment of a judicial commission of inquiry into customs abuse.

However, King said there were indications that the government was at last taking note of the federation's warning on the urgent need for tighter customs control.

"The government appears to have at last heeded our continual warnings about the need for improved customs control and, among other initiatives, there are moves being made to drastically reduce the number of border posts in South Africa.

"The massive loss of revenue to the fiscus as a result of duty evasion has now become apparent, as has been the extent of illegal importing," King said.

But King said despite the problem of illegal imports, he felt confident the industry was at last coming in from the cold.

"It's my firm belief that the pall of gloom that has hung over our industry for so long is a thing of the past. There are indications, however slight, that we are entering a new phase," he said.

On free market globalisation and industry concerns that bilateral trade agreements with other African countries were undermining the domestic market, King said the critical issue would be the proper policing of the Southern African Development Community area and finding ways of working with overseas countries that would be beneficial to South Africa.

"There is business to be done in southern Africa. All we need to do is to think creatively and look for opportunities.

"Similarly, globalisation of our industry presents new and exciting possibilities. Rather than merely seeking to avoid the cold winds of international competition, we should be looking for ways to work with, say, the Asian Tigers," King said.

CT (AR) 28/6/97

TV assemblers slam proposed import duty

ET (BR) 27/6/97 (74F)

Jonathan Rosenthal

Johannesburg — South Africa's larger television assemblers are furious about a proposal, due to be published in today's government gazette, to slap a 20 percent duty on imported television tubes and maintain a 30 percent duty on imported television sets.

The proposal, put forward by Anglo American Industrial Corporation and Daewoo to provide import protection for a proposed R800 million television-tube production plant, would boost the prices of domestically assembled televisions 10 percent.

It could also threaten the viability of many existing assembly plants, which employ about 2000 people, industry sources said.

Alan Coward, the group managing director of Panasonic, said yesterday the new tariffs would increase the retail price of televisions by about 10 percent and would prompt a shift to imports of fully assembled televisions.

He said imports of fully assembled televisions accounted for about a 10 percent share of the estimated 550 000 televisions sold in South Africa a year.

"It would make television manufacture marginal and create a monopoly controlled by Anglo American," said Coward.

"The duty could apply to black and white televisions as well, so the lower income groups would become even more disadvantaged."

Shawn Lane, the financial director at Omega Holdings, said he supported the Amic/Daewoo plant, but described the import protection proposal as "a licence to print money for an opposition company".

"If the local assemblers get a price reduction overseas, they could shut down their local assembly lines," he said.

Although Omega opposed import protection, it would "buy tubes from Amic all day if they give us an internationally competitive price".

The domestic assembler likely to be hardest hit by the proposed tariff increase is Sony, which uses a different technology tube from that which will be produced by Amic and Daewoo.

"Our tubes already cost 45 to 50 percent more, so we don't see why we should be discriminated against by having to pay a 20 percent duty on top of that," said Andrew Fraser, the television product manager for Sony.

Amic and Daewoo, in their submission to the Board on Tariffs and Trade, said: "The major implications for non-approval of this project is that the assembly of television sets in South Africa will not be economically viable in the long run."

Task group to expose counterfeit imports

(74f)

ST(BT) 29/6/97

TIRED of a lack of action, a group of copyright lawyers and a firm of investigators have formed a task group aimed at thwarting the importation of counterfeit goods, writes **DON ROBERTSON**.

A proposed Counterfeit Bill was due to have been passed by Parliament last year, but is still pending. It may be passed this year.

It is estimated that the importers who infringe on intellectual property rights, smuggle, and under-declare values to avoid import duties, cost state coffers hundreds of millions of rand a year.

The Intellectual Property Task Group has been formed by copyright lawyers John & Kernick; Adams & Adams; Spoor & Fischer and DM Kisch (who represent about 80% of brand names) and by an investigating team which currently assists the departments of Customs and Excise and Inland Revenue.

Earlier this year, the 19-member Consumer Electronics Association formed a similar group which provides Customs with a monthly, updated set of minimum values for goods such as VCRs, audio systems, car radios and TV sets.

Any importer declaring values below these figures could be subject to further investigation.

Carl van Rooyen of John & Kernick says one of the functions of the task group will be to mobilise members to help the authorities.

The firm has also provided Customs and Excise with a list of its top clients whose trademarks are most likely to be counterfeited.

Initially, Customs officials encountering suspect goods would notify the company which owns the trademark and they would investigate further.

It is expected that in time, trademark owners will use this service as paying members of the task group.

District 6: All yours, families told

ANDREA WEISS AND SHARKEY ISAACS
STAFF REPORTERS

Cape Town judge Siraj Desai has resigned as chairman of the trust set up to redevelop District Six, to clear the way for the formation of a new body which is more representative of families thrown out by the Group Areas Act.

Mr Justice Desai made the dramatic announcement that he was leaving the Cape Town Community Land Trust at a public meeting.

He was responding to demands by residents for a more representative organisation to take the development and restitution process forward.

He said events had overtaken the trust, formed several years ago.

"I share the view that the trust is not representative of former District Six residents and stakeholders.

Siraj Desai: clearing way

"I also agree it would be more appropriate that the land be handed over to those who were dispossessed," Mr Justice Desai added.

Through the land claim process there was now an "emergent beneficiary community" that could be identified.

He formally tendered his resignation after making the announcement at a meeting in District Six attended by several hundred people.

It was convened by facilitators Neville Alexander and Elaine Clarke as the culmination of a series of meetings to consult former District Six families.

Dr Alexander and Dr Clarke were appointed by the Commission on Restitution of Land Rights to resolve a dispute over the way in which the redevelopment of the land was to take place.

At the meeting, the residents passed a

To page 2

ARG 2/7/97 (SP) (271)

Imports blamed as 3 000 clothing jobs are chopped

THABO MABASO (74F)
BUSINESS REPORTER

Nearly 3 000 jobs were lost in the Western Cape's formal clothing and textile industry last year, mainly because of the reduction of import tariffs and growing illegal imports, the Cape Clothing Manufacturers' Association has disclosed.

The association added that in spite of these losses, there seemed to be a national phenomenon of an increasing number of workers employed in the informal clothing industry.

"We don't understand the phenomenon but we suspect there is less regulation and far more flexibility which leads to significantly lower input costs," association spokesman Peter Cragg told the Cape Argus during a snap survey to ascertain if there were significant job losses in the Western Cape last year.

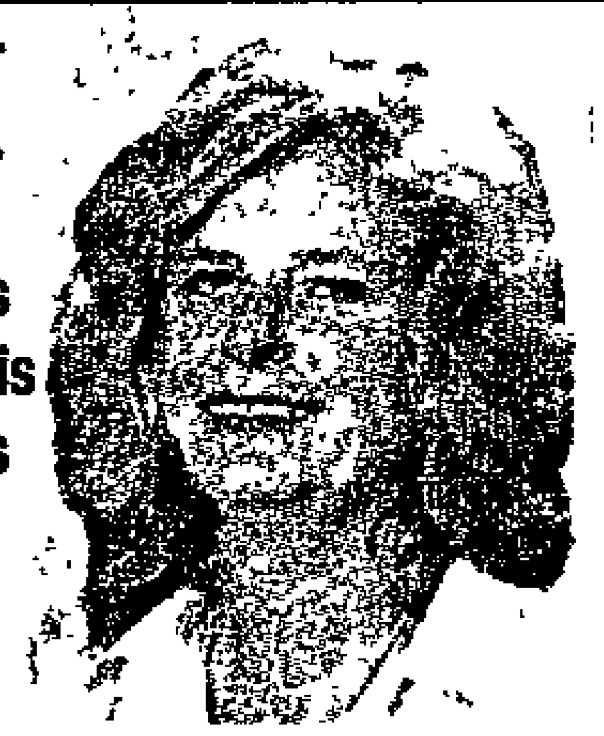
The Central Statistical Service (CSS) reported last week that South Africa's economy had shed 71 000 jobs in the non-agricultural formal sector last year. This was in spite of hopes by the Government to create 126 000 jobs in 1996.

Cape Chamber of Commerce and Industry spokesman Charl Adams said in spite of losses in the clothing and textile industry there seemed to be a growth of jobs in the tourism industry.

ARG 2/7/97

We're told that our region is booming. But where are all the jobs? Business editor Alide Dasnois (right) investigates

ISSUES 10



Three arrested over killing of doctor, fiancée

JOHAN SCHRONEN
CRIME CORRESPONDENT

Three alleged gangsters from Hanover Park have been arrested in connection with the killing of Simon's Town doctor Rolly Kessow and his fiancée, Henrietha Millward.

Two suspects were arrested in a gang stronghold in Hanover Park and police tracked down the third in Pollsmoor prison, where he was being detained under a false name after an armed robbery.

The bodies of Dr Kessow, 56, and Mrs Millward, 54, were found on June 7 beside Highlands Drive in Mitchell's Plain, where they had been dumped in pouring rain.

Minutes later, a gang travelling in the couple's car attacked service station staff in Morgenster Drive, not far from where the bodies were found. They took a radio- [illegible] a petrol attendant.

'GOOD OLD DAYS' OVER FOR SMUGGLERS

Surprise countrywide border control blitz

(74F) CT 10/7/97

SUDDEN BLITZES at South African ports of entry are likely to become regular occurrences. **KARIN SCHIMKE** and **ELISSA GOOTMAN** report.

TRAVELLERS using any of South Africa's 150 border posts yesterday experienced the country's first unannounced border control blitz.

In a co-ordinated effort to crack down on border crime, the Department of Home Affairs, South African Revenue Services and South African Police Service deployed almost 1 000 of their personnel nationally.

Plainclothes policemen from the narcotics bureau, uniformed police and customs and immigration officials worked side-by-side scanning luggage for undeclared and underdeclared goods, drugs and restricted materials such as certain kinds of pornography.

They also checked passports and travel documents.

Results for the day-long Cape Town blitz will be available today after information has been collated.

At Johannesburg International Airport yesterday one traveller declared swimwear to the value of R1 200, which on inspection was valued at R34 000. He was fined R7 000, said Ms Margaret Roper of Business Against Crime, which played a supporting role in yesterday's operations.

Money collected for South African Revenue Services in 121 cases brought in around R21 355. Two penalties for not declaring goods netted R2 852. Customs and Excise collected another R47 848 in duties.

A man with a false Nigerian passport was sent home.

At Cape Town International Airport, narcotics police and immigration officials were hoping to nab two passengers on a Miami flight who were tipped to be carrying drugs. They did not arrive in Cape Town, but Captain Jacques Galvin said it was not unusual for carriers to change flights at the last minute.

"Last week we caught a woman carrying 2 024 ecstasy tablets. Cape Town is a popular entry point for drug smuggling."

With only four people on the narcotics team at the airport, Galvin welcomed yesterday's concentrated crackdown, saying it was a "great deterrent" to would-be smugglers.

Officials involved in the blitz said the high security presence served as a warning that the "good old days of lackadaisical border control" were over.

Police Inspector Neil Vincent said: "This makes people sit up and take notice of us. At other international airports, people have to wait longer than this. Most of the time it's quite easy to bring something (illegal) in here. This operation is useful in two ways: its pro-active and preventive."

At Cape Town International Airport, hold-ups were wearily borne by people who after long international flights had to unpack their suitcases for customs officials.

By the time Peter van Houweninge's fifth bag was unpacked in the customs line, he was starting to look a little exasperated. Arriving home after a seven-year stay in the United States, he was anxious to see his mother, but the reunion was postponed for half an hour while a police officer inspected the contents of each of his bags.

When the officer pulled a plastic container of pills from a heap of Van Houweninge's folded shirts, he quickly explained: "That's Echinacea. It's an herbal remedy."

Van Houweninge said he thought the search was important, but "a bit of a pain".

Mr Anthony Oliver from Alabama said: "It was a bit of a hassle but necessary. They have to do this kind of thing."

Western Cape Business Against Crime chief executive Mr John Penberthy said: "The intention of the exercise — to ensure collaboration between the various departments — was achieved, and we all learnt a lot from one another.

"The message will go out that this kind of operation will happen frequently and unexpectedly and we'll get slicker at it. Doing this will hold deviants at bay."

Bottles worth a few scents

TEN bottles of designer European perfume almost landed a South African woman in hot water yesterday.

The woman, who said she bought the perfume in Germany, tried to pass through the "nothing to declare" customs line at Cape Town International Airport yesterday, during a major security blitz in which police officers and customs officials thoroughly checked all arriving passengers' bags.

She said she did not know that South Africans had to pay tax on imported goods above R500.

"That's ridiculous," said the woman's boyfriend — who is not an SA citizen — when Sergeant Christian Engelbrecht insisted that the bottles of Christian Dior's La Dolce Vita were worth "much more than R500".

"She already paid tax on these in Germany," said the boyfriend.

Then he changed his tack. "That's my perfume," he said — looking embarrassed but apparently knowing that as a non-resident entering the country on a three-month visitor's permit, he would not be taxed on the scents.

"They decided the perfume was his — who am I to say it isn't?" said Engelbrecht. "Maybe he likes women's perfume." — Staff Writer

NOTHING TO DECLARE: Airport c
nationwide blitz yesterday. Passp

Four-hour blitz on entry ports launched

Vuyo Mvoko

BD 10/7/97 (74F)

A FOUR-hour blitz at SA's entry ports yesterday netted tens of thousands of rands in import duties, VAT payments and fines.

At Johannesburg International Airport more than R25 000 was found in the first 45 minutes of the operation. Half of the passengers searched were found to have contravened a regulation, Business Against Crime spokesman Margaret Roper said.

Roper said police and customs officials searched all persons, luggage and goods entering the country, in search of anything illegal.

The initiative was approved by the cabinet, and three government departments were involved, she said.

The safety and security and home affairs departments, and the SA revenue service, wanted to demonstrate, in particular to business, that demands for relaxed border control procedures had had a downside of offering criminality an opportunity to thrive.

The departments said recently that "to date, the business sector has demanded relaxed border control procedures, seeing this as an economical solution because this then enables them to expedite imports and exports.

"However, this has had the opposite effect as the taxation base has been forced upwards, due to the fact that fraudulent transactions are made easier under a relaxed control."

The pilot blitz operation, at Durban harbour and airport on May 14, saw the recovery of goods worth R4,3m with a VAT value of R900 000.

Subsequent operations recovered millions of rands worth of goods. Roper said random blitzes would continue.

Nicola Jenvey reports that KwaZulu-Natal heralded few busts yesterday.

Searches of the luggage and passengers travelling on international flights through Durban's airport uncovered nothing. The harbour blitzes and border controls in the province uncovered 30 cartons of cigarettes allegedly destined for export but being rerouted to the local market, a stolen Opel Astra, a stolen radio and a bag of dagga.

US firms boost SA payrolls

(74F)

Malaysia and Japan also increase stakes

ARU 12/7/97

ALIDE DASNOIS
Business Editor

American companies added 11 000 employees to their payrolls in South Africa over the past year, a survey by a Washington-based think-tank has shown.

The survey by the Investor Responsibility Research Center found that between May 1996 and May 1997 United States-based companies increased their staff complements from 60 000 employees to 71 000, making them among the fastest-growing foreign employers in South Africa.

Firms from Japan, Malaysia and Canada also boosted their staff numbers by more than 20%.

But, the survey found, though employment by foreign firms rose 10% over the year, growth was generated mostly by the arrival of new companies, and not by additional recruitment by existing companies.

Totals employed by companies were down in May 1997 compared to May 1996, and more than 70% of the European companies that responded to the survey said they cut down on staff over the year.

The centre found that the most enthusiastic investors in the country were US-based companies, which brought in US $2,4-billion (R10,8bn).

Malaysian companies came close behind, with new investments and reinvested profits of US$ 997-million (R4,5-bn). The share of assets owned by Malaysian firms in South Africa has jumped from 1% of foreign owned assets to about 5%.

In all, foreign firms ploughed more than US $2,8 billion in new investments into the country over the year, more than triple the amount that came into South Africa a year earlier. Including reinvested profits, foreign direct investment topped US$7,8-billion.

Biggest single investments were the sale of stakes in Telkom to SBC Communications of the United States and to Telekom of Malaysia.

A Malaysian firm was also involved in another of the biggest deals when Petroliam Nasional bought a 30% stake in Engen for $435 million after an unsuccessful bid by Mobil.

NEWS

But consumers benefit as companies are forced to lower prices

Illegally imported tea sours local industry

CT(BR) 17/7/97 (74F)

JUDY MOSES

Johannesburg — Small amounts of tea being imported illegally into the country were negatively affecting the local tea industry, said Steve du Preez, an executive member of the customs and VAT enforcement caucus.

This was because legitimate tea companies were having to reduce their prices to compete with the lower prices at which their illegal competitors were able to sell, he said yesterday. However, he said the illegal importation of tea was "to the benefit of the consumer".

Imported tea is less expensive than locally produced tea of the same quality. Thus, while consumers might benefit, the South African tea industry is suffering.

Du Preez said those who "are not playing by the rules have a greater advantage (than those who are packaging tea legally)".

The two largest tea packaging companies, National Brands and Unifoods, would not disclose how much they were losing because of illegal tea importation.

The tea agreement states that tea companies have to buy South African tea in a ratio of 54 percent local to 46 percent imported tea. It was only when tea companies buy South African tea that they were given permits (to a certain value) to import tea, Michael Cherry, the chairman of the Tea Council of South Africa, said.

However, Du Preez said an agreement between the packers and the growers had been reached whereby packers would be required to buy local tea in a 50:50 ratio to imported tea. They were still awaiting the government's decision on this issue.

Customs and Excise figures show that 13 000 tons of tea was legally imported into South Africa last year. The Central Statistics Service said the amount of tea blended and packed for the retail trade last year as 26 000 tons. This figure includes imported tea, so the recorded tea production figure for last year stands at a little less than 13 000 tons. However, a reliable tea broker estimated that there were "1 500 to 2 000 tons of tea that were not going in to the production figures".

A tea broker described the various ways in which tea could be illegally imported into South Africa. One of the possible routes was for tea to be brought through border posts in underinvoiced trucks so that, for instance, only 40 of 50 bags were declared.

Alternatively, tea consigned to customs union countries could enter South African warehouses on false documents and remain within the country. "As soon as you pick up the scam, they move the tea and disappear," the source said.

☐ AUTOMOBILES CT(BR) 18/7/97

MIF bosberaad to target illegal imports

The Motor Industries Federation (MIF) called yesterday for a conference of border and harbour police, customs officials and other authorities to formulate strategies to stop the large flow of illegally imported used cars into South Africa.

Vic Fourie, the executive director of the MIF, said the bosberaad, scheduled for the first week of August, was organised after detailed discussions with the head of border control and policing and the head of sea borders. "We all recognise the problem can only be tackled with the full support of industry and the authorities." He said the meeting would include delegates from the National Association of Automobile Manufacturers of South Africa and the National Association of Automotive Component Manufacturers, among others.

Fourie said steps had been taken this year to cut down illegal imports at the initiative of the National Automobile Dealers' Association, which is part of the MIF.— *Roy Cokayne, Pretoria*

([illegible]) (74F)

☐ SECURITY

Chrysler stays on import route

ET(BR) 22/7/97 (74F)

Ncaba Hlophe

Johannesburg — Chrysler South African Services, the distributors of Chrysler motor cars, has no plans to build a manufacturing or assembly plant in South Africa even though it has felt the pinch of the 57 percent import duty it has to pay for its fully built vehicles, Thomas Ford, the general manager for Chrysler South Africa, said yesterday.

Ford said it would not make economic sense to flood the South African market with more assembly plants, as it appeared to be bursting at the seams with these facilities.

"We certainly would like to see the duty structure reduced or disappear altogether and, though we are aware that it scheduled to be phased down 40 percent later on, the question is what would replace it.

"We're convinced there is tremendous potential in the South African market to sustain healthy competition and, when such duties fall, we could do even better" he said.

Ford said the local automotive industry would have to make adjustments through a gradual transition to move in line with World Trade Organisation rules on free trade

However, his company would still source components built in South Africa and would concentrate on the distribution of fully built products, which "are doing very well".

Ford said Chrysler would be increasing its five dealers to close to 20 countrywide over the next two years.

Chrysler South Africa, a company with assets of more than R100 million, began operations in September last year and has sold about 700 vehicles in the past seven months. It hoped to sell more than 1 600 by the end of the year, Ford said.

Govt to decide on imported poultry tariffs following recommendation

BD 29/7/97 (74F) POULTRY

Louise Cook

UNCERTAINTY about raised tariffs on imported chicken and turkey would end in the next few weeks, when government was expected to announce its decision on the issue, sources said yesterday.

Only a decision from Trade and Industrt Minister Alec Erwin, following a recommendation submitted to his office yesterday by Land and Agriculture Minister Derek Hanekom, was still outstanding.

The results of a probe by the Board on Tariffs and Trade of the SA poultry industry, as well as the board's recommendation on a tariff, were reportedly also submitted to Erwin's office.

The tariff was expected to be finalised when Erwin returned from abroad in two weeks.

Board chairman Aalwyn Kraamwinkel refused to disclose the tariff level recommended by the board following its probe. He confirmed, however, that the investigation had "reached an advanced stage".

Local producers, represented by the Southern African Poultry Producers' Association, asked government last year to raise the tariff on imported frozen chicken cuts to 86% from 27%, or to introduce a sliding scale which varied according to import prices.

On frozen turkey cuts, the association asked for the zero rating to go up to a 27% tariff.

'Shocking shortage of facilities' in SA schools

BD 6\8\97

Kevin O'Grady

A SURVEY of the facilities and resources at SA schools had revealed "shocking" shortcomings, including a shortage of more than 57 000 classrooms, that condemned children to "the worst form of human degradation", Education Minister Sibusiso Bengu said yesterday.

Launching the School Register of Needs in Pretoria, Bengu said its findings were "an indictment of all who, by commission or omission, allowed this injustice to occur in this country. This has to change, and it will change".

The register was the first comprehensive database of all schools, their exact locations and the extent of their physical facilities, the condition of school buildings, services provided and resources available. More than 32 000 education institutions were visited during the survey.

Bengu said the register showed there was no water available within walking distance of 24% of SA's schools. The worst-off provinces in terms of water availability were Northern Province (48%), Eastern Cape (34%), KwaZulu-Natal (25%) and Free State (22%).

Another matter of concern was the low availability of electricity, Bengu said. Only 43% of all schools had electricity, while 79% of schools in Northern Province had none, 77% in Eastern Cape and 61% in KwaZulu-Natal.

The survey's investigation of the condition of school buildings found that the province facing the most serious problems was Northern Province where 41% of the existing buildings were "in a weak and very weak condition". In KwaZulu-Natal, 23% of schools fell into these categories.

Toilet shortages, calculated on the assumption that there should be one toilet for every 20 pupils, were also massive. KwaZulu-Natal schools had a shortage of 66 921 toilets, Northern Province 51 324 and Eastern Cape 46 785. Almost half of all toilets were pit latrines and 13% of all schools had no toilets, Bengu said.

The survey also found that while stationery and textbooks were relatively well provided (62% and 49% of schools respectively), media equipment, collections and learning equipment and materials was "almost nonexistent".

Three provinces had classroom shortages that were "extremely high". These were Eastern Cape with a shortage of 15 538, KwaZulu-Natal (14 534) and Northern Province (13 670). Based on information provided by school principals, about 1,167-million desks and chairs, 103 615 teacher chairs and 102 441 cupboards were needed for classrooms.

Bengu said the survey clearly showed that Eastern Cape, Northern Province and KwaZulu-Natal, which together housed 15 659 of the country's 27 864 schools, were the most disadvantaged as a result of their having incorporated most of the former homeland education departments.

Bengu challenged "individuals, political parties, media groups, religious organisations, financial institutions, nongovernmental organisation and even the government to assist us to restore the dignity and nobility of the learning process".

"If these terrible conditions are not changed, if there is no redress, equity, no sharing of resources, this country will experience a crisis far greater than the one in 1976," he said.

New registration system to curb illegal vehicle imports

Edward West BD 6\8\97

GOVERNMENT planned to curb the illegal import of used vehicles into SA through the completion of the final phases of the computerised Natis system of vehicle registration, transport department officials said.

At a discussion on illegal vehicle imports organised by the Motor Industry Federation yesterday, the officials said the Natis system had not been fully operational since 1993.

The situation had arisen because of technical problems associated with different computer systems in the former provinces, and different systems of registration in the former homelands.

Natis would, though, be operational by the end of the first quarter of next year, and the motor industry, through the National Association of Automobile Manufacturers of SA, had committed to have all vehicles manufactured in SA registered in Natis's databanks.

By enabling manufacturers, builders and importers to input chassis and other numbers, problems relating to clerks' duplication of vehicle registrations would be eliminated. Importers, dealers and individuals would be unable to get a licence or bank finance for a vehicle not registered on Natis.

Drivers' licence data compiled by the home affairs department would also be stored in Natis databanks in due course, officials said. A long, fairly costly registration process, needing police clearance, for second-hand vehicles entering SA in cases of immigration or other purposes, would be established.

Trade and industry department spokesman Philip Snyman said the department had raised the issue of permits for import sensitive industry products during the last customs union meeting. However the union said the issue should be addressed bilaterally.

When bilateral negotiations were attempted, other countries told the department it was a Southern African Development Community issue. "That is where we are right now," he said.

Although figures on the illegal import of passenger cars were hard to come by, delegates were told an estimated 500 to 790 used trucks had entered SA illegally this year, a large proportion of this year's forecast new heavy truck sales of about 3 400 units. This posed a severe threat to viability of the truck manufacturing industry.

The border police, a unit formed two years ago, seized illegally smuggled goods worth R70m in the year to May, mostly second-hand vehicles. From May to now the unit had seized goods worth R40m, also mostly vehicles.

ILLEGAL VEHICLE IMPORTS (492) (74F)

Turning the clock back?

Bid to stem import flood of used trucks and cars FM 8/8/97

They could call it the Truck & Reconciliation Commission. Government, police and the motor industry are considering a one-off amnesty to allow up to 20 000 owners of illegally imported used vehicles to keep them.

In exchange, they might pay a penalty or offer information that would help police stop more vehicles entering SA.

Discussions on a possible amnesty are at an early stage. Following a meeting outside Johannesburg on Tuesday, a committee representing manufacturers, dealers, police, Customs, the Department of Transport and others will consider the amnesty among several measures to stem the flood of illegal imports.

Used vehicles are not allowed into SA except under specific circumstances such as imports by immigrants or diplomats. Even then, they require a special permit. However, neighbouring countries do accept used vehicles and ship them in through SA ports. After being issued with temporary transit permits so they can be driven across the border to their destination, many disappear into the SA market with the aid of forged documents and corrupt officials.

In other cases, they do reach their country of destination but then slip back into SA through the more than 50 border posts.

Superintendent Brian van Niekerk of the recently created SA Border Police says there could be more than 20 000 illegal imports on SA roads.

Police have started to succeed in tracing and confiscating the vehicles. A single case recently involved 351 imported used minibuses; another investigation found 24 imported used cars on the floor of an SA manufacturer's own franchised car lot.

Control has been bedevilled by the lack of a central vehicle registry. When the former provinces and homelands operated their own systems, opportunity for abuse was rife. Now that the new central National Traffic Information System (NaTIS) is becoming operational, officials hope the loopholes are closing. But what to do about the imported used vehicles already here? The illegal import network is so sophisticated that many vehicles are sold through reputable dealerships and customers have no idea they are buying "hot" goods.

In principle, says Van Niekerk, that is no defence; police are entitled to destroy the vehicles and prosecute the owners. But that would often be counter-productive, particularly in the haulage industry, where seizure could put companies out of business and cost thousands of jobs.

Graham Boy, MD of Madison Freight Lines in Midrand, is one of those caught in the middle. He operates 20 trucks, all of which were bought used. Though he acknowledges he used "loopholes" to acquire one or two, he says the rest were bought through legitimate dealers.

He says he is willing to pay a penalty on each vehicle "but don't wreck the business and the livelihood of my workers."

SA vehicle manufacturers, who lose sales to the imports, say they are open to the idea of an amnesty, especially for truck buyers.

Private car buyers can't claim the same job protection argument. Nico Vermeulen, director of the National Association of Automobile Manufacturers, says the idea is worth discussing "as long as these people help us close the loopholes. But we can't let them walk away from an illegal act without some form of penalty."

David Furlonger

Permit system invites abuse, say sources

SA helpless to stem flood of illegal tea

CT (BR) 3/9/97 (74F)

Shirley Jones

KwaZulu Natal Editor

Durban — Widespread abuse of permits issued in Botswana, Lesotho, Namibia and Swaziland resulted in illegal imports of tea worth hundreds of millions of rand into South Africa, industry sources said yesterday.

South Africa had no means of either investigating or halting the widespread issuing of dubious permits or the abuse of legitimate permits, the sources said.

They said a light sentence given last week for the illegal importation of tea was no more than a tap on the wrist. They said it would not curb the massive problem that threatened the livelihood of the entire South African tea industry.

Ozair Essak, of Pietermaritzburg-based Royal Tea Packers, was sentenced to a R5 000 fine or 25 months' imprisonment, suspended for five years, for illegally importing tea.

Royal Tea Packers markets the Fresh Cup brand.

Industry sources pointed out that though Essak was found guilty of contravening section 21(1)b of the Import and Export Control Act, the light sentence would not act as a deterrent.

Industry investigators said they were informed that a consignment of tea en route from Zambia to Namibia would be diverted to Pietermaritzburg.

Two consignments, each declared to be worth $31 000, were cleared at Beit Bridge using an import permit for Pangolin Holdings in Namibia.

The consignment was cleared as goods in transit to Namibia, but the imported tea never reached its destination.

On August 20 it was seized in a Pietermaritzburg warehouse by the border policing unit. Essak has been ordered to re-export the tea to Namibia.

The local industry says this is the crux of the dilemma. When South African companies could previously not get permits to import tea, it was easy to use a permit issued in Botswana, Lesotho, Namibia or Swaziland.

These were either granted to a company that could not fully use the volumes it was allowed to import, or did not qualify for a permit in the first place.

In the Royalty Tea case, Pangolin was not entitled to the permit because it did not have a packing plant, the industry sources said.

Steve du Preez, the sourcing director for Unifoods and vice-chairman of the Customs and VAT Enforcement Caucus, said it was time to raise the profile of the tea import problem.

Du Preez said the problems the tea industry faced had been overshadowed by clothing, footwear and electronics smuggling scams.

He said tea smuggling was rife and vast amounts worth millions of rand were entering the country. The Royal Tea Packers case was the tip of the iceberg.

He laid some of the blame at the door of the permit system governing tea imports.

Attempts to persuade the trade and industry department to review the system had failed over the past three years, he said.

Abbey.

Customs blitz yields more than R45-m

Star 8/9/97 (74F)

By Derek Rodney
Crime Reporter

A nationwide customs and immigration blitz at major airports, harbours and border posts to clamp down on ruthless international criminals and businessmen who are exploiting the country's borders has yielded more than R45-million in lost revenue since April.

The crackdown, which began in April, is aimed at sending an unambiguous signal to law breakers and is the first united thrust by authorities to plug the country's more than 100 border control points. This resulted in more than R17-billion in lost revenue last year.

The campaign, spearheaded by the police, South African Revenue Service and Department of Home Affairs, has led to significant seizures of goods in Gauteng, Free State and KwaZulu Natal.

In the past four months, customs and police authorities have seized more than 200 false African passports and other identity documentation from prospective travellers at Johannesburg international airport.

At present less than 1% of passengers and goods are checked by authorities at Johannesburg airport alone, and it is hoped that through the initiative it will be increased to the world norm of 15%.

Johannesburg airport border control commander Superintendent Chris van Zyl said the unit was in the process of recruiting members from inside the police to fill an estimated 1 200 posts that have been set aside for police border posts around the country.

Johannesburg airport (air), Beit Bridge (land) and Durban harbour (sea) have been identified as model projects, with the intention of reducing the crime levels at these centres.

In Gauteng, goods to the value of more than R2,1-million have been seized. Customs investigators are also probing fraud amounting to more than R6-million against a Hong Kong-based company which imported electronic goods into the country with false documentation.

Investigators in the Free State have seized goods valued at R6,7-million.

SA NEWS DIGEST

□ VEHICLES (74F) ET (BR) 15/9/97

State's inability to halt illegal imports may threaten investor confidence

Investment opportunities in the South African motor industry could be threatened by the government's inability to stem illegal imports of used vehicles and components such as tyres, Errol Richardson, the executive director of McCarthy Motor, warned at Friday's Conference on International Competition and Promoting Tourism in KwaZulu Natal. He said this posed a serious problem as it would undermine the domestic manufacturing base and destroy investor confidence in this country as part of multinationals' global strategies. Richardson said although the motor industry development programme was by no means perfect, it formed a good set of rules for both the motor and component manufacturing industries. "The very nature of radical restructuring means new winners and new losers." He said the programme's outward focus forced companies to think globally. — *Shirley Jones, Durban*

NEWS

TRADE *Three eastern states accused of dumping hollowware in SA*

Pot makers press for protective duty

CT(BR) 15/9/97 (74F)

Jonathan Rosenthal
Industrial Editor

Johannesburg — Domestic cooking pot manufacturers were preparing to petition the Board on Trade and Tariffs to impose a dumping duty against three eastern countries, believed to include Korea, over the alleged dumping of hollowware onto the domestic market, industry officials said yesterday.

David Slater, the executive director of the Stainless Steel Development Association, said an estimated R60 million worth of hollowware was being imported each year, constituting about one-third of the domestic market.

"Much of this is coming from three eastern countries that we believe are dumping," Slater said.

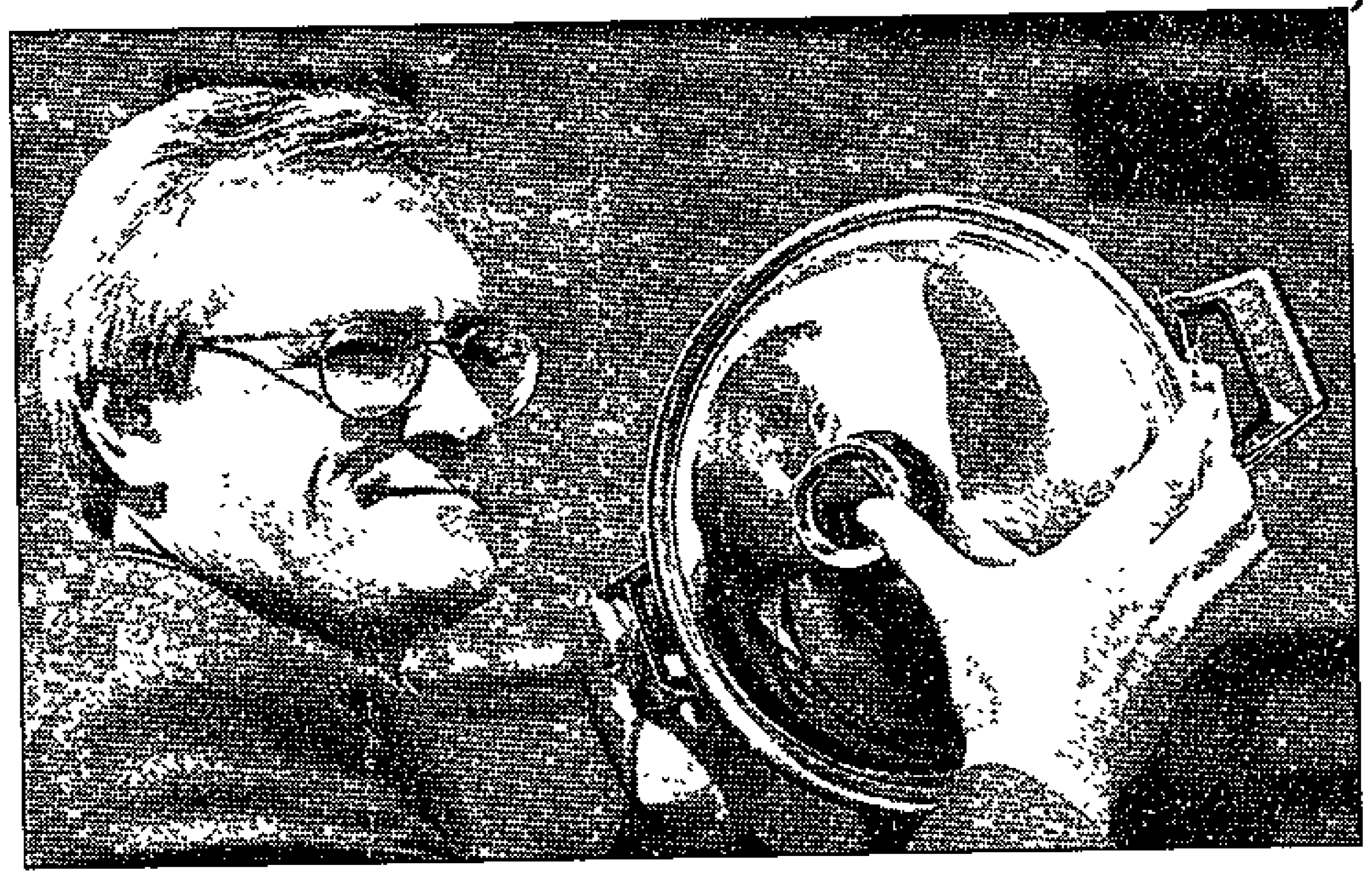
The association has commissioned consultants to draw up the petition, which must prove selling prices in the exporter's domestic market are higher than prices offered by the seller in the South African market.

"In some cases you are looking at a 50 percent variation between what the selling price should be and what it actually is," Slater said.

The petition must also show that the practice is injurious to domestic manufacturers.

He said imports of stainless steel products had grown at an average of 50 percent a year and were now valued at R170 million. More than half of the imports were for household goods.

Catering equipment manufacturers consume about 2 800 tons of stainless steel a year, or 3 percent of national demand.



STAINED MARKET *Stainless Steel Development Association's Danie Slabbert wants local market back* PHOTO JOHN WOODROOF

The association is also investigating industry complaints that stainless steel tube is being dumped on the domestic market, as well as the possibility that the correct duties are not being paid on much of the tube coming in.

"We believe welding pipe is being brought in as seamless pipe, which has no duty."

Imports of welded tube are subject to an import duty of 12 percent.

Ironically, Columbus Stainless Steel, which supplies the bulk of the domestic industry's stainless steel has been accused of a similar practice. Columbus has reportedly inflated domestic prices to keep its export prices competitive.

Domestic stainless steel prices are reportedly 10 percent to 20 percent higher than the export prices offered by Columbus.

A domestic manufacturer, who spoke on the condition of anonymity, said the price and quality of stainless steel from Columbus was still of concern to the downstream industry.

But this view was: "Our members are reporting improved availability and quality of local steel."

SA crackdown on fake goods

Focus on fleamarkets

ARG 16/9/97 (74F)

JOHAN SCHRONEN
CRIME CORRESPONDENT

Foreign brand name racketeers, including state-run factories in Asia, are flooding South Africa with fake sports and fashion wear.

Retailers selling the genuine articles say their businesses are being affected by the cut-price merchandise, usually of inferior quality, which is sold mainly on the streets and at fleamarkets.

The new police Border Policing Unit is focusing its efforts on the racket and has made inroads into a network operating between Gauteng and the Western Cape.

The unit consists of former border control units and the coastal water wings, which enforces mainly Sea Fisheries laws. One of the former water wings, the 11-member Kalk Bay group, has emerged as a major force in exposing the fake goods network.

Spokesman Craig Finlay said that in June the unit began investigating the "flood" of fake branded goods sold mainly by street vendors and stallholders at fleamarkets.

"Our unit and the one in Cape Town harbour joined forces and searched for training shoes, tracksuits and towels from Simon's Town to Green Point, Milnerton and up the coast, Strand, Gordon's Bay as far as Swellendam and Cape Agulhas – where we arrested several vendors," said Sergeant Finlay.

"The investigation uncovered large warehouses in Woodstock, Parow, Goodwood and Bellville, where we confiscated goods worth more than R1-million.

"The next breakthrough came when our colleagues in Gauteng, acting on our tip-offs, nabbed a consortium of businessmen, mainly in the import and export line, who were thought to be behind the Western Cape operation.

"We have arrested 32 suspects, immigrants with refugee status, asylum seekers, holidaymakers and illegal aliens from Angola, Zaire, Mozambique and Somalia."

The investigation was still in its early stages and the confiscated merchandise might be the '"tip of the iceberg". He said they had had a positive response from the retail industry, which had been affacted by the flood of fake goods in Cape Town.

Members of the Border Policing Unit have also arrested a man selling scheduled drugs in Mitchell's plain. The unit is now gearing itself to identify and uncover the underground medicine trade.

Sergeant Finlay said members of the Medical Council and other experts were expected to give lectures to members of the unit to provide them with more information against racketeers.

"South Africa looses between R50-million and R100-million through stolen drugs or the illegal trade in medicine," said Sergeant Finlay.

"We have made international contacts and are working closely with the Department of Customs and Excise and the Department of Sea Fisheries.

"But it still remains a major task policing the smuggling routes by air, overland and across the water."

Dairy industry wants govt to react to 'the dumping of EU products'

BD 15/9/97 (74F)

Louise Cook

THE dairy industry has threatened to lobby for subsidies to counteract dumping of dairy products on the local market by European Union (EU) countries.

Milk Board GM Bertus de Jongh said SA dairy farmers had been waiting for nearly three years for government to decide on tariff adjustments.

"In April imports of cheap dairy products from EU countries made up 33% of the local market. EU farmers qualify for production subsidies up to 60%, but we are sitting with a zero-rating or ridiculously low tariffs on imported curd, certain types of cheese and buttermilk powder."

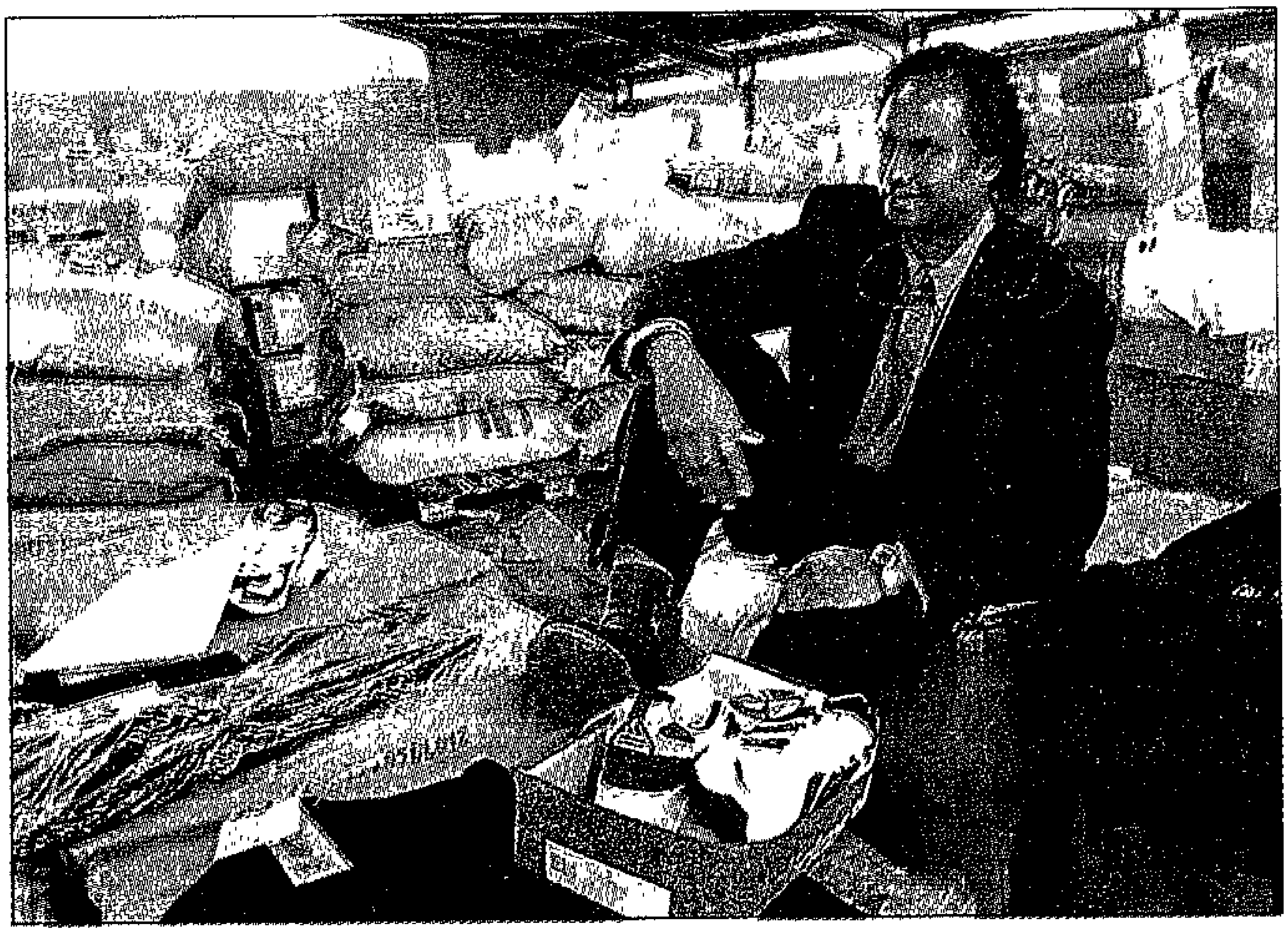
De Jongh said the board on tariffs and trade was asked in January 1995 to close loopholes that made it possible for importers to circumvent the tariff, but the tariffs were still the same.

In addition, it seemed the EU had no plans to scale down subsidies, De Jongh said. "EU countries do not regard the transformation of their dairy industries as a priority," he said.

"But Franz Fischler, the EU agricultural commissioner, has admitted that target prices for milk and floor prices of butter and skimmed milk powder will remain unchanged for the second year running. This blatant move will force the SA industry to insist on similar government subsidies," De Jongh warned.

The European Commission would table new proposals on its common agricultural policy before EU farm ministers this week, with the main thrust reportedly being a gradual move away from farm subsisidies and price support, to direct income payments unrelated to production.

Meanwhile, in SA, many cases of tariff fraud could be slipping through the customs net, De Jongh said. "This year one company was fined R6m for VAT arrears after the import tariff was ignored, but we will never know how much of this goes undetected."



WAREHOUSE BLUES *Jayendra Naidoo, the executive director of Nedlac, wants stiffer punishments for company executives involved in smuggling goods* PHOTO JOHN WOODROOF

Nedlac wants smugglers jailed

CT(PR) 16/9/97 (74F)

JONATHAN ROSENTHAL
INDUSTRIAL EDITOR

Johannesburg — Jayendra Naidoo, the executive director of Nedlac, yesterday called for stiffer punishments, including jail sentences, against the executives of companies involved in smuggling goods.

"The senior executives of companies are also responsible when people are found guilty ... the courts should have regard for prison sentences," Naidoo said at a press conference held in a South African Revenue Service warehouse, packed with confiscated goods.

He said customs fraud cost the fiscus an estimated R3 billion a year in lost tax revenue and undermined local industry.

"The people who pay the price of this are the poor and the unemployed," he said.

Customs and Vat fraud include the undervaluation of imported goods, forged documentation, the abuse of the import-permit system and false claims on Vat refunds.

Ebrahim Patel, who represents the labour constituency of Nedlac, called on South Africans not buy goods at prices which were unrealistic.

"Customs fraud, both directly and indirectly, has resulted in thousands of jobs being lost in South Africa."

Nedlac called for the closer co-ordination of the revenue service, the police and the departments of justice and home affairs in investigating and prosecuting criminals.

Japie Jacobs, a member of the Customs and Vat enforcement caucus, which has been assisting the state in reducing the flow of smuggled goods, said the government lacked a clear policy on what to do with confiscated goods and guidelines on how to value goods for tax purposes.

Jacobs also pointed out the slow rate of progress in implementing programmes to tighten up policing at border posts and in restructuring the revenue service.

New plan for illegal car imports

(74P)

ROY COKAYNE

CT(BR) 16/9/97

Johannesburg — The confiscation and scrapping of illegal vehicle imports was being considered by an action committee headed by the National Automobile Dealers' Association (Nada), the director of Nada said yesterday.

Gary McCraw said the proposed measure was part of the fight against illegal used vehicle imports into South Africa. He added that some form of amnesty was also being considered for owners of illegally imported vehicles who had unwittingly acquired them.

He said these were the two major recommendations being considered by a subcommittee.

McCraw said he was compiling a document to be put through to the action committee for finalisation before it was sent on to the government for its input, probably early next month.

It has been estimated that between 27 000 and 37 000 cars, bakkies, leisure vehicles and luxury models and 8 000 and 10 000 trucks are imported illegally into South Africa each year, resulting in lost customs and excise duties, Vat and motor industry revenue.

McCraw said there were mixed feelings about both the confiscation and amnesty plan. He said some banks were unwittingly involved in funding illegal vehicle imports, while some consumers had unknowingly bought them. Both would suffer loss if these vehicles were confiscated and scrapped, he said.

However, McCraw said the committee was not in favour of middlemen and "rogues who knew they were acting illegally" being granted amnesty.

He added that the committee also had to determine whether the four government departments involved in any amnesty — trade and industry; SA Revenue Services, including customs and excise and finance; the department of transport and department of justice — had the mechanisms to manage it.

The formation of the action committee follows a special summit meeting convened by Nada in early August and attended by representatives of various organisations which are determined to curb the inflow of illegal vehicles into South Africa.

McCraw said a possible solution to the problem was the Nation Traffic Information System (NaTIS), which was scheduled to be operational from December 1 this year This system would require manufacturers and importers to register vehicles and their engine and chassis numbers so that only the owner's name, and not critical information, could be changed when a vehicle was sold.

He said the current system was "totally open" to fraud.

Poultry producers win fight for higher import tariffs

Edward West (74F) BD 19/9/97 Poultry

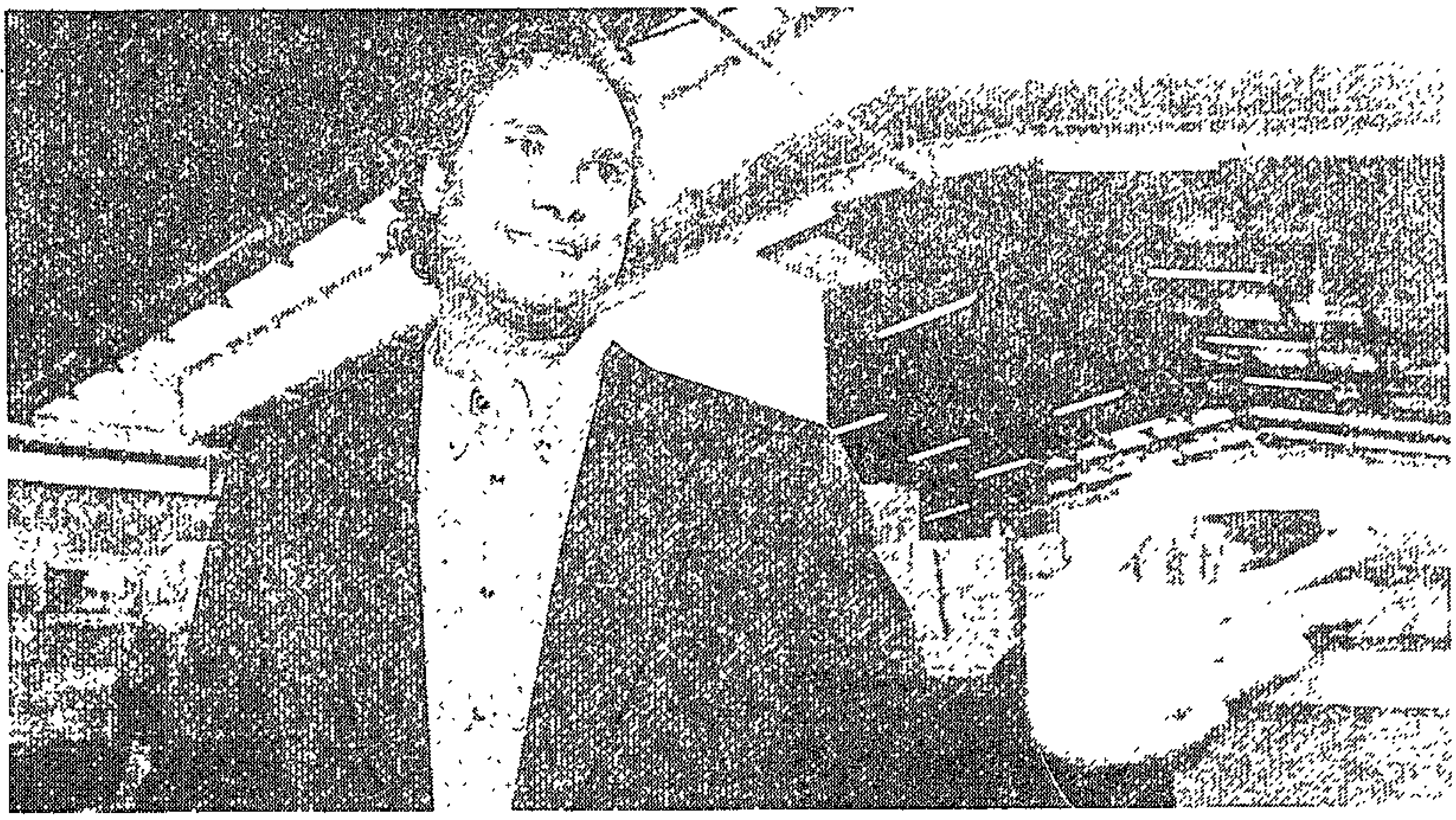
LOCAL poultry producers yesterday won their fight for a higher import tariff on chicken, but indications were that Trade and Industry Minister Alec Erwin turned down the request for a tariff on turkey cuts.

The Board on Tariffs and Trade said the minister had approved that the rate of duties on frozen chicken cuts be increased from 27% ad valorem to 220c/kg. The new rate kicked in yesterday and the move was supported by Land and Agriculture Minister Derek Hanekom.

Rainbow Chicken's share price reacted sharply to the news, gaining 15,6% or 12c on the Johannesburg Stock Exchange to close at 90c.

Rainbow Chicken chairman Dave Marlow said the industry welcomed the minister's decision.

But SA National Consumer Union spokesman Lillibeth Moolman said that tariffs increased the cost of food and could be justified only in cases where dumping could be proved.



Nedlac executive director Jayendra Naidoo addresses a news conference yesterday on customs fraud which is costing the country R3bn annually in lost tax revenue. Picture: CATHY PINNOCK

Call for action on customs fraud

BD 16/9/97 (94F)

Lucia Mutikani

CUSTOMS fraud cost the country about R3bn a year in lost taxes and was undermining local industries, National Economic, Development and Labour Council (Nedlac) executive director Jayendra Naidoo said yesterday.

Calling for stiffer penalties, Naidoo said customs fraud — undervaluation of imported goods, forged documentation, abuse of the import-permit system, the removal of imported goods in transit and false claims on value added tax (VAT) refunds — was undermining government's industrial policy and job creation objectives.

"The consequences are being strongly felt in various sectors — including clothing and textiles, footwear and electronics — where thousands of jobs have been lost," he said. "The Nedlac management committee agreed on a joint statement that reflects a firm commitment and calls for a start of work against a culture of criminal and illegal conduct, which will strengthen the efforts of authorities to eliminate this problem."

Naidoo said Nedlac encouraged co-ordination between the SA revenue service and the justice and home affairs departments in investigating and prosecuting customs fraud cases.

"Nedlac encourages co-ordination between the service and the department of trade and industry on a co-operation agreement with the Southern African Development Community and the Southern African Customs Union countries to investigate cross-border trade irregularities. We also encourage criminal prosecution of offenders, including, where appropriate, the executives of guilty companies, with stiffer penalties, including imprisonment."

Customs and VAT law enforcement caucus consultant Japie Jacobs said the problem was compounded by the lack of policy on the disposal of confiscated goods.

Report shows soaring exports have not kept pace

Scales tip in favour of vehicle imports

ET(BR) 25/9/97 (374F)

LYNDA LOXTON

PARLIAMENTARY CORRESPONDENT

Cape Town — Automotive component exports surged ahead last year but South Africa was likely to continue importing more vehicles and parts than it exported as the industry opened up, the trade and industry department has reported.

In its first report on the state of the motor industry since the introduction of the motor industry development programme in September 1995, the department said component exports had risen 47 percent between 1988 and 1996, when they earned R4,05 billion.

Of these, 31,1 percent consisted of seat parts and leather seat covers, followed by catalytic converters (12 percent) and tyres (7,3 percent).

Europe accounted for about 80 percent of component exports and Africa 8 percent, led by Zimbabwe.

At the same time, imports had also risen with a large number of new distributorships being established. Some manufacturers were importing completely built-up units.

"However, given that a significant portion of these vehicles were imported on a semi-knocked down basis at a concessionary rate and subject to a quota, the growth in imports does not significantly exceed expectations," the department said.

Most light vehicle imports came from Korea (22 530 units) followed by Germany (4 707).

The truck industry, which has faced more rapid tariff cuts, had seen a rapid shift from local manufacture to semi-knocked down assembly from mainly imported components.

Imports of components had also been growing because of higher vehicle sales and greater international competition. This had placed growing pricing pressures on component manufacturers. This had only partially been compensated for by the weaker rand.

"While there has, as yet, been no significant decline in local content, there are indications of lower local content levels in certain new models," it said. This was one of the most sensitive areas of the programme and was being closely monitored, although most component suppliers were adapting to import competition by expanding exports, linking up with other domestic or foreign firms and improving production efficiencies.

These developments had resulted in a R14 billion trade deficit in the sector in 1996. The profitability of the seven major vehicle manufacturers had fallen sharply, with some recording losses.

New scanners take lid off smuggling

CT (BR) 26/9/97 (74F)

RAVIN MAHARAJ

DAGGA BREAK *Organised Crime investigating officers Rob Irwin, back, and Perd Coetzer uncover 21 tons of compressed dagga in Durban. It was in a 40 foot container from South America and had a street value of about R25 million*

PHOTO BARRY TUCK

Durban — Imported scanning technology, worth millions of rands, would be installed in the container terminal at Durban harbour to help stem drug trafficking, illegal imports and fake goods flooding the South African market, Christo Henning, a spokesman for the South African Revenue Service (SARS), said yesterday.

He said a scanner, which would be installed by Portnet, the state ports authority, would be used to automatically X-ray containers arriving on vessels.

Henning said the scanner would allow port authorities to examine at least 3.5 percent of containerised goods entering Durban. Acceptable international standards were 5 percent.

The scanner would assist in decreasing the workload and together with improved manpower would eventually allow the parties involved to reach international standards.

He said joint efforts being made by the South African Police Services (the border control units and the South African Narcotics Bureau), SARS, and the department of home affairs to crack international syndicates and stamp out fake imports would be "made easier" with the new technology.

"The scanner would be put to immediate use and assist in our efforts at protecting the South African market. We have already seen a noticeable decrease in the volumes of fake goods entering the international airports in Durban and Johannesburg," he said.

Henning's comments follow the seizure this week of 21 tons of compressed dagga with a street value of about R25 million.

Perd Coetzer, the investigating officer at Organised Crime, said a 40-foot container concealing the dagga, which documentation indicated had been sent from South America, arrived in Durban several weeks ago, en route to Holland.

He said the vessel had travelled through several ports, including Singapore, before arriving in Durban. The container was being examined for fingerprints.

Coetzer said this was the second haul that had been made at the Durban harbour this year. In April police seized 18 tons of dagga destined for Europe.

Shane Strauss, the assistant director of special investigations (part of SARS), said at least 200 containers, containing textiles, shoes, garments and electronics, with a market value of about R60 million, had already been seized at the Durban harbour this year.

"We're all making efforts to reduce crime. Technology would assist us greatly," he said.

Cheap motor imports threaten jobs in industry

BD 8/10/97 (74F)

GRAHAMSTOWN — The lifting of tariff barriers on motor industry imports is threatening jobs in the Eastern Cape as car manufacturers, among the province's largest employers, cut back staff to remain competitive.

It was announced on Monday that Port Elizabeth-based Delta Motor Corp plans to offer voluntary severance packages for up to 400 staff from the end of this month.

Delta is not alone in the effort to drive down costs as the lifting of tariff barriers allows the entry of cheap imports into SA. Component manufacturers are also feeling the pinch.

The staff reduction will begin at the end of this month and Delta hopes to complete the exercise by the end of the year. However, the packages are being fiercely contested by the powerful National Union of Metalworkers of SA (Numsa).

Delta's human resources director George Stegmann said yesterday: "The SA automotive industry is grappling with enormous challenges and pressures — including increased foreign competition and deteriorating market conditions. It is against this background that ... Delta Motor Corporation has had to deal with the reality of reducing its production schedules.

"A direct result is the company finds itself in a position where it has surplus manning levels. This surplus has been carried for some time in the hope the market would improve and that combined with normal job attrition, any specific employment reduction action could be avoided.

"However, it has now become essential for the company to review its position in this regard.

"In an effort to address this surplus without resorting to enforced retrenchment, the company has initiated a voluntary severance package to all permanent employees."

Stegmann confirmed that a number of employees had requested the packages, particularly those close to retirement age and those who wished to pursue other opportunities.

He said there was a significant need to reduce manning levels at the Kempton Road assembly plant and to a lesser extent the Struandale factory.

Uitenhage-based Volkswagen, however, has no immediate plans to cut back staff. Spokesman Raymond Hartle said: "At the moment there are no plans to retrench any staff or offer voluntary severance packages.

"We had a look at our operations at the beginning of the year with Numsa and looked at ways on how we could cut down on expenditure. These measures have been effective."

Mercedes-Benz SA corporate communications manager Annelise van der Laan said from Pretoria yesterday the company would not retrench workers in the foreseeable future.

"We do not foresee any retrenchments between now and the end of the year and will continue with our four-day working week which is reviewed on a monthly basis" until the end of the year. —ECN.

US STEEL IMPORTS

Washington puts SA producers through the mill

(74F)

Case for Iscor and Highveld seems lost as commerce department digs in heels

Two SA steel companies are losing hope of doing good business in the US, for what they regard as a bad reason. They've fallen foul of Washington's ironclad antidumping regime, which singles out imports from market economies for its toughest action.

As a result, import volumes of SA steel have crashed to around 10% of last year's volumes. Last year's combined volumes from both companies amounted to just under 1 Mt of flat product.

Teams from Iscor and Highveld Steel & Vanadium are locked in negotiations with the Department of Commerce in Washington, after strict antidumping duties were imposed on them in June. The penalties followed complaints from two US producers that SA was one of four countries (along with China, Ukraine and Russia) "dumping" plate in the US and undercutting domestic prices.

Unluckily for the SA companies, trade law allows nonmarket economies (a designation applying to the other countries in this case) to export cheap steel to the US under a quota system; market economies, a category that SA falls into, are subject to price floors.

Last week, the commerce department issued a final determination assessing dumping duties of 18% and 33% on Iscor and Highveld respectively. The companies have managed to have these tariffs suspended while the haggling over the price floor for their steel exports continues in Washington, where teams will remain until December 1. Then, an International Trade Commission tribunal is scheduled to rule whether the SA imports have threatened, or will threaten, US producers.

The fracas began when two domestic steel producers, Geneva Steel and Gulf States Steel, filed an antidumping suit against four countries.

Marcela Stras, the lawyer representing Iscor, argues that SA has become a victim of poorly framed international trade law that penalises market economies and makes their exports subject to price rather than quota.

"It sounds fine and rational but this has worked grossly against us," says Stras. "We are being penalised for being a market economy and a member of the World Trade Organisation."

The three other countries have reached agreements with the commerce department, under which they can sell fixed quantities of plate to the US at or above an agreed floor price in lieu of paying dumping duties. Russia has agreed a quota of 100 000 tons a year at US$300/t.

This is the deal that Iscor and Highveld — with the backing of the SA government — have unsuccessfully sought for their exports.

Negotiators are now losing hope of fixing a price floor of $350/t, the deal China has struck with the commerce department.

The SA government has attempted to sway matters, but Washington has so far refused to make an exception for Iscor and Highveld, even after they received a high-level *démarche* from the South Africans, who argue that SA is an economy in transition, rather than a fully fledged market economy.

"The law is the law. We are very sympathetic to SA's situation but as far as we can see it is still impossible to compare the pricing structure of goods from market and nonmarket economies, and so we must treat the countries differently," says a spokesman from the department's policy office. Cold comfort for Iscor and Highveld steel.

Rachel Johnson, Washington

VOLKSWAGEN SA

FM 7/11/97

MD's contract up for review

Holtmann may take rap for falling market share and labour problems

German car manufacturer Volkswagen will say this weekend whether Heinrich Holtmann, MD of the company's SA subsidiary, will stay on.

His three-year contract at VWSA expires next month and is unlikely to be extended. Two other senior executives, financial director Wilhelm Kirchberger and technical director Burkhard Welkener, are also expected to be recalled to Germany after two years in SA. Both were still working this week at VWSA's headquarters in Uitenhage. Holtmann was in Germany.

VWSA denies management changes are the result of a crisis within the company. It says any changes are "scheduled." According to spokesman Matt Gennrich: "Holtmann's contract is up for review."

Reports this week claimed the expected recalls are the result of financial losses, falling market share and labour troubles. Gennrich won't comment on claims that VWSA has lost R250m in 1997. The German parent says VWSA recorded a "positive balance" in 1996 but sources say the situation has deteriorated this year.

Despite strong Audi and Polo sales, last year's log leader is second behind Toyota.

The German parent may feel VWSA needs a firmer hand. By drawing VWSA into its global sourcing network, and helping with its export programme, VW in Germany may reasonably have expected its subsidiary to perform better.

David Furlonger

'Govt will not save on parallel imports'

(74F)

Josey Ballenger BD 12/11/97

HEALTH department adviser Dr Wilbert Bannenberg and Pharmaceutical Manufacturing Association executive director Mirryena Deeb agreed at a debate at Wits business school yesterday that government was unlikely to see significant savings from parallel importation of drugs.

They also agreed that the World Trade Organisation (WTO) would be unlikely to take on cases of perceived violations of the WTO's trade-related aspects of intellectual property (Trips) agreement, which covers patent rights.

"Parallel (identical patented drug) imports are a matter of interpretation and debate," said Bannenberg, who spoke as World Health Organisation co-ordinator of the SA Drug Action Programme. "The Trips agreement says they are not allowed, but (also that) there is no remedy in terms of a dispute settlement."

Deeb said while a breach of Trips might not be settled by the WTO, the "broader picture" was dangerous for SA trade and investment. "It doesn't preclude countries from imposing sanctions … (and) it does not create a good image for SA," she said.

NEWS

Ports urged to vie for trade

(74F)

ET(BR) 14/11/97

AUDREY D'ANGELO

Cape Town — South Africa's ports were "efficient in comparison with the rest of Africa and not bad by world standards", German transport economist Klaus Mewes said yesterday.

But he thought it essential that the functions of port operation and administration, which were both handled by Portnet, should be separated and that the ports should compete for business.

Mewes was speaking at a 10-day seminar on integrated transport and logistic concepts in the southern African region. Delegates attending until next Wednesday are government representatives and transport executives from countries belonging to the SADC.

Mewes said that efficient, fast ports well served by roads and railways would result in more industry and the creation of jobs. Failure to develop an integrated transport system in southern Africa would mean the region would lose out on opportunities to take part in growing world trade.

NEWS

Stainless steel dumpers face state scrutiny

(74f) (...)

JONATHAN ROSENTHAL
CT (MR) 2/12/97
INDUSTRIAL EDITOR

Johannesburg — The Board on Tariffs and Trade (BoTT) had launched an investigation into the alleged dumping of stainless steel pots and pans imported from China, Taiwan and South Korea, the board confirmed yesterday.

David Slater, the executive director of the Stainless Steel Development Association (Sasda), which lodged a complaint with the BoTT, said stainless steel hollow-ware was coming into South Africa at less than the local costs of the raw materials.

David Slater, the executive director of Sasda

"The total value of imports during 1996 was R60 million, of which dumping amounts to over 50 percent. The cost to the country is probably double that figure if one takes into account lost jobs and missed opportunities both within the industry and among suppliers," he said.

Slater said stainless steel cookware sets were being brought into the country at a cost of R40.

"To produce an identical set in this country would cost at least R84, of which the raw material cost amounts to a minimum of R30," Sasda said in a written statement.

In its petition to the BoTT, Sasda said imports were suppressing the domestic selling price and were gaining market share at the expense of domestic manufacturers.

The BoTT said it had already notified the trade representatives of the exporting countries and would conduct the investigation in line with World Trade Organisation rules.

For the petition to succeed, it has to prove that the exporters' export prices are lower than their domestic selling prices. It could result in the government slapping additional import duties on stainless steel imports from the three countries.

Imported pans put pressure on SA pots

(74F) BD 8/12/97

Ingrid Salgado

SA's cookware manufacturers are facing "tough" choices in the face of rising pressure from imports, according to a report released by the Industrial Development Corporation this weekend.

The report, part of the trade and industry department's stainless steel macrocluster study, said the cookware industry would have to explore options that involved severe cost cuts and strategic rationalisation or refocusing.

The cookware industry produces a range of products such as pots and pans for domestic and commercial food preparation.

"An obvious scenario is to become more export-focused," the study proposes. This will entail targeting higher-quality market segments as manufacturers offer a package of services to defined geographic areas. More than 60% of production will be exported under this "high-risk" option.

A second possibility is to focus on Southern African Development Community (SADC) markets and to support the local industry's position in the region through government intervention. The latter route will enable manufacturers to build on existing strengths such as direct selling distribution techniques, and is less risky.

Alternatively, the industry could redefine its target market to focus on products such as catering equipment, sophisticated kitchenware or cutlery.

Cheap imported cookware has been a major factor in the local industry's market growth during this decade as stainless steel cookware became more affordable.

SA's stainless steel cookware market grew 26% a year from 1992 to 1995 — double the rate of global markets.

Last year local cookware manufacturers contributed only 24% to SA's total tonnage consumption of stainless steel cookware, although the figure rose to 47% when measured in terms of value.

"This can be explained by the fact that the average retail price of imported products is estimated to be less than half of that of products manufactured in SA," the report said.

Pressure from imports, especially from China, had either restricted local manufacturers to the direct-marketing segment and other high-value areas or had left them facing "severe" competition. The report said the local cookware industry, comprising AMC Classic, Hendler & Hart, Nutristahl, Southern Cross, Cityware and Noorsaheb, tended to use exports as a cash source to finance the burdens associated with local sales.

Cookware exports this decade had fluctuated with changes in the exchange rate and government export incentives, with manufacturers remaining focused on local market niches. Last year exports represented more than 25% of local production.

Namibia investigates customs fraud

SA retailers tainted by import scam

(74F)
(~~[illegible]~~)

CT (POR) 9/12/97

SHIRLEY JONES
KWAZULU NATAL EDITOR

Durban — Major irregularities within Namibian customs could have repercussions for top South African clothing retailers, according to a report issued last week by a five-member investigation committee appointed by the Namibian government.

The report from the committee had requested a full-scale investigation by the Namibian ministries of finance and trade and industry into Duty Credit Certificates (DCCs) issued to clothing manufacturers in Walvis Bay and Swakopmund, the Independent Foreign Service reported last week. DCCs allow manufacturers rebates on imports equivalent to 30 percent of the value of their exports outside the Southern African Customs Union (Sacu).

The committee revealed that the DCCs had been used to import clothing for South African retail groups. In addition, it alleged that Walvis Bay Apparil's valuation of the exports to South Africa was questionable and may have cost the Sacu at least R50 million in lost revenue.

Earlier this year South African investigators linked Walvis Bay Apparil, a small Namibian clothing manufacturer, with sales of clothing brought in on DCCs to at least four South African retail groups, including Woolworths and Meltz Success, part of the Edgars group.

South African customs officials said late last week that the Namibian committee had confirmed what they had suspected for more than a year.

A highly placed textile industry source said a document on investigations into Namibian import irregularities had been prepared for Alec Erwin, the South African trade and industry minister, who would meet with Namibian government officials to discuss bilateral trade between the two countries this week.

The Namibian inquiry revealed that Walvis Bay Apparil, headed by a cousin of Samuel Kaulinge, the chairman of the Namibian inter-ministerial committee set up to vet DCC applications and issue certificates, had been issued with two certificates worth R24 million, despite the fact that the company had not exported anything outside the Sacu.

South African investigators also confirmed that Walvis Bay Apparil was a single-room operation incapable of producing the volumes which would have qualified it for the R24 million worth of DCC permits.

The Namibian committee recommended that Kaulinge be charged with misconduct and that a disciplinary committee be appointed to further investigate his role in the DCC deals.

South African retailers denied involvement in any customs scam. A spokesman for Edgars denied that the company was party to any alleged customs irregularities. He said all imports had taken place under a legal and valid permit and that all the invoicing was at proper valuations.

He said that in October 1996, Edgars had obtained confirmation from three senior Namibian government officials in Windhoek that the permit was valid and authentic. He said Edgars was willing to assist the DTI with any inquiries.

CUSTOMS *Industry watchdog demands radical revision of tender process*

Destruction of seized goods disputed

(74F) CT (BR) 11/12/97

NOT ROUND-TRIPPED *Goods confiscated from warehouses by the police, including counterfeit Nike jeans and Caterpillar shoes, are destroyed in Pretoria* PHOTO LINDSAY YOUNG

SHIRLEY JONES
KWAZULU NATAL EDITOR

Durban — Industry was demanding the radical revision of Customs' methods of disposing of confiscated goods, members of the Customs and VAT Enforcement Caucus, the industry watchdog body, said yesterday.

They said dissatisfaction stemmed from the sale of seized textiles and clothing from Durban, Cape Town and Johannesburg through government tender in July this year.

Speculation that the goods had never left the country despite stringent tender procedures, and allegations that they had been round-tripped through neighbouring countries and again sold on the local market, prompted the Textile Federation to ask Customs more than a month ago for proof that the goods had been exported.

Brian Brink, the executive director of the Textile Federation, said no response had come from Customs to date. He said he was still not convinced the goods had left the country.

The original rules of the tender were that the goods' departures and arrivals at overseas ports were to have been documented by Customs officials.

Lee Dutton, the head of the Customs and VAT Enforcement Caucus, called last week for greater transparency in the disposal process. He said the tender process needed to be audited by official industry bodies such as the Textile Federation or the Footwear and Leather Industries' Association.

Christo Henning, the spokesman for Customs, said Customs had all the documentation to show the tender procedures had been strictly adhered to. However, he did not offer copies as proof.

"If the goods were returned to this country, it was not due to an error on our part," he said.

He confirmed that, despite demands from industry that confiscated clothing and textiles be destroyed, the next consignment of confiscated goods would again go the tender route. He said now that the revenue service was autonomous, with its own internal tender board, procedures would be quicker.

He said when considering destroying the goods, Customs would look at what was economically viable. "If the goods can generate income for government, then it would be unwise to simply destroy them. It doesn't make economic sense."

SA tackles dumping as it embraces China

BD 31/12/97 (74B)

John Dludlu

AS SA and China signed an agreement establishing full diplomatic ties yesterday, Pretoria proposed steps to counter dumping by China.

SA has opened talks with mainland China to manage the sometimes stormy trade relations between the two nations, with an accord being discussed to incorporate trade and measures to deal with dumping.

Bahle Sibisi, director in charge of foreign trade relations at the trade and industry department, said yesterday Pretoria hoped the trade accord would be concluded before March when Trade and Industry Minister Alec Erwin visited China. This would be the first ministerial trade mission to the country.

SA's trade with China, which reached $1,3bn last year off a low base of $14m in 1991, is taking place through the "most favoured nation" regime after a memorandum was signed last year. Chinese Vice-Premier Qian Qichen said last night SA-China trade was expected to be $1,6bn this year.

Sibisi said the trade pact would provide ways of dealing with dumping, which was expected to increase with improved trade. Perceptions that China is a non-market economy make it difficult for trade authorities to investigate allegations of dumping — selling goods internationally at a cheaper price than in the home market. Using a "third" country system, the practice normally employed to work out production costs in nonmarket economies, had been unsatisfactory to both parties, Sibisi said.

China has been the subject of dumping complaints from SA industries, notably the footwear sector. Earlier this year SA announced plans for import controls, affecting non-World Trade Organisation (WTO) members such as China, for one year to allow the local footwear sector time to reshape itself.

Negotiations were also under way to establish mutual recognition of technical standards and co-operation among trade authorities, Sibisi said.

He said SA's construction industry, especially its project management segment, was expected to benefit from building opportunities in China. Bilateral channels would be used to widen access for SA's exports in protected Chinese markets. China, with more than 1,2-billion people, is preparing to join the WTO.

SA, which enjoys a surplus in its trade with Beijing, was still selling mainly raw materials, which could benefit the latter's manufacturing industry, a Chinese source said.

As a larger market, China offered an opportunity for SA to diversify its exports, said Rashaad Cassim, the director of the Trade and Industry Policy Secretariat, a Braamfontein-based trade policy think-tank.

Bess Robertson, secretary of SA-Republic of China Economic Relations, an autonomous trade promotion agency, said it would be business as usual for the agency after the establishment of diplomatic recognition with mainland China. Lack of SA-Taiwan diplomatic ties would make the body's role more important, she said.

Trade department spokesman Themba Rubushe said although China's human rights track record might be a problem, SA would seek to address this through bilateral channels. "As long as there are people who are dissatisfied there (in China, because of the human rights situation) investments and trade will not be safe."

Edna Molewa, formerly chairman of the parliamentary trade and industry committee and now tourism MEC in North West, welcomed the switch of diplomatic ties. He said it would bolster trade, especially after the incorporation of Hong Kong.

Chinese Vice-Premier Qian Qichen and SA Foreign Minister Alfred Nzo sign a coalition agreement in Pretoria.

Pictures: TYRONE ARTHUR

See Page 3