ORIGINAL

INVESTMENT

1986

1986

1/8/86.

TAXATION

FIN MAIL

Unheralded carrot

A new regulation adds to the activities qualifying under the enhanced marketing allowance, one of the Income Tax Act's most enticing tax breaks. Arriving unheralded and unannounced in Government Gazette 10340, a schedule creates two new service industries qualifying for double tax deduction of costs.

The two new categories are for agents who "recruit" foreign investors, and businesses providing transport for such foreigners. The concessions are extremely broad (see table). The clauses need only be gazetted, not passed through Parliament. Observers feel there was no overt lobbying for the new break, arguing that its initiation is grounded in current political straits.

Use of the word "recruitment" regarding foreign investors connotes that policymakers are now desperate The clauses could spur taxpayers to the ranks of unofficial government agents.

The operative words in the clause on recruitment of foreign investors are "assessing and obtaining" foreign investment opportunities. In the opinion of Fisher Hoffman Stride's Solly Gerber, a taxpayer need only prove that an opportunity has been assessed, not that business has been written as a result, to obtain the double deduction.

In the transport clause, read in conjunction with general provisions pertaining to the marketing allowance, all costs incurred in marketing the transport service would qualify. The transport clause applies to expenditure on both domestic and international services.

Sats and SAA do not pay tax, so fail to qualify for the tax break. In effect, 200% of qualifying costs under both clauses may be deducted against income. In practice, at the 50% tax rate, expenditure becomes costless, provided the agent has sufficient profits to absorb the allowance.

Gerber argues that in contrast to transport costs, all costs incurred under the recruitment clause qualify for double deduction — including entertainment, accommodation, telecommunications, office overheads, salaries and wages.

A businessman who travels to London and New York expressly to recruit foreign investors obviously qualifies. However, if he meets an investor in SA at his behest, the costs incurred would also qualify. The clauses offer potent tax planning opportunities.

A parallel or secondary business — especially for an import-export business — to take advantage of the new clause is easy to create. A businessman who regularly travels abroad or meets foreigners on business or holiday in SA will have a new (and potentially costless) insertion in his conversations.

One point worth noting in the broader context of tax principles is the apportionment of costs. Generally, if a cost is not incurred wholly under a qualifying section, it may be disallowed, or at best apportioned in a manner deemed fair by the authorities. The new clauses, however, provide ample room for apportionment of costs. ■

Additional schedule under Section 11 *bis* (4B) of the Income Tax Act

Trade recognised as an export service industry	Nature of income	Whether person carrying on the trade will, in the appropriate circumstances, qualify for the enhanced marketing allowance
Persons acting as agents in recruiting foreign investors to the Republic	Income derived in the form of commission and fees from foreign investors for assessing and obtaining investment opportunities for such investors in the Republic	Yes
Persons providing transport facilities	Income derived from the provision of transport facilities to foreign users, in an export country or between the Republic and an export country, provided such income is subject to tax in the Republic	Yes

Lesotho offers investors route into export markets

1/10/86 SMR (74)

By Gerald L'Ange
Argus Africa News Service

MASERU — The Lesotho Government says it will not help South Africa circumvent economic sanctions.

But it says South African firms are welcome to set up plants in Lesotho to take advantage of the preferential and duty-free access the country's exports have to overseas markets.

Lesotho wants to attract investors "from anywhere in the world, including South Africa," the managing director of the Lesotho National Development Corporation, Mr Moletsane Monyake said recently.

"Lesotho offers a highly favourable investment environment and an attractive incentive package," he said.

A major element in the package was that "the LNDC will facilitate international marketing for the new industrialist through preferential and duty-free access of Lesotho-manufactured goods to lucrative world markets".

Lesotho, he said, had duty-free access for most manufactured goods to the European Community and preferential and quota-free access to North American and Scandinavian markets.

The corporation would facilitate the marketing of Lesotho-made goods in these markets.

Another element in the package was the six-year tax "holiday" for new industries. The LNDC was negotiating with the government to have this extended to 10 years.

The package also included facilities for bank guarantees and sub-commercial loans; training grants covering 75 percent of the total wage bill for new industries; erection of factories at fully-serviced industrial estates managed by the LNDC; project appraisals and feasibility studies for potential investors; and a revolving export funding facility.

Mr Monyake said Lesotho had a work force that was stable, disciplined and readily trainable (the country has possibly the highest literacy rate in Africa) and wage rates were highly competitive.

"The LNDC plans increased participation in international fairs to display and promote the country's industrial products to potential export markets," he said.

Mr Monyake's remarks were not made in the context of sanctions against South Africa but the Lesotho government has made it clear it cannot implement any such sanctions.

Lesotho has a foot in two camps.

It is a member with South Africa of of the Rand Monetary Area and the Southern African Customs Union.

At the same time it is a member of the Southern African Development Co-ordination Conference, which seeks to promote developmental co-operation among the Southern African states while reducing their dependence on South Africa.

It also has membership in the fledgling Preferential Trade Area which embraces Southern and East African states, and which is now holding its first international fair in Nairobi.

FOREIGN

INVESTMENT

1989

SA DOES NOT DO WELL ON DEVELOPING COUNTRIES' SCALE

SIMON BARBER

WASHINGTON — SA ranks far below Botswana and Swaziland as a good foreign investment bet and on a par with Gabon and Panama, an Agency for International Development (AID) study says.

Authored by Frost and Sullivan, a respected political risk consultancy, the study places SA's investment climate 28th in a list of 95 developing nations.

Countries were rated on a scale of one to five, five being the most favourable, using 14 criteria. SA scored an average of 3,5, compared with 4,1 for Botswana and Swaziland, 3,6 for Lesotho, and 4,7 for Singapore, which led the rankings.

SA received top marks for liberal controls on ownership, ease of obtaining bureaucratic approvals and the reliability of courts and administrative agencies in resolving disputes.

And while the stability of its government was viewed as average — in the same league as Zaire, Mexico and Libya — it rated a poor two with Uganda in terms of threats from political turmoil, labour strife and crime.

It also scored two on its tax, exchange control, and profit and capital repatriation policies, putting it in the same category as Iraq and Mozambique.

In the relative performance of GDP growth, inflation, unemployment, domestic investment and budget balance, it rated a better than par three, with Brazil, Burma and Swaziland.

SA labour conditions, including availability and wage levels, scored three, below the 3,4 average but about the same as those in Burkina Faso, Ethiopia and Haiti.

COMPANIES 3/DY 21/2/89

LARGE OUTFLOW FROM FOREIGN DEALS ON JSE 74

LIZ ROUSE

FOREIGN investors have been speculating on the JSE in recent weeks, latest statistics on foreign transactions show.

The total outflow through foreign transactions (including arbitrage) shot up to R107,2m in the week ended February 10 with sales at R211,1m and purchases at R103,9m.

In the week ended February 3, there was an unusual net inflow of R13,6m with purchases at R120,2m and sales at R106,6m. The Minorco-ConsGold ding-dong battle might account for this move against the swing from an inflow to a large outflow of finrands through SA sharedealings.

The gilt market was reasonably active, recording purchases of R22,87m and sales of R15,38, resulting in a net inflow of R7,4m. In the previous week purchases amounted to R8,1m and sales to R1,5m, leaving a net inflow of R6,6m.

The total outflow in the week ended February 10 was R99,7m against an inflow of R20,2m in the previous week.

Germans splash out on SA gilts market

74 B/Day 17/4/87

LESLEY LAMBERT

EUROPEAN investors, particularly Germans, have been on a buying spree in the SA gilts market, with foreign interest greater than it has been in at least a year.

The value of gilts purchases on the JSE by foreign investors escalated from R30m to an estimated R60m in just two days last week as brokers reported growing demand from UK brokers on behalf of their European clients.

By the end of the week, some brokers were estimating that the value of the foreign interest for the week could have been as high as £80m (about R500m worth of stock).

They said much of the interest was coming from wealthy private clients and was expected to continue while returns for non-residents remained good.

Initially, the demand was for the longer dated high coupon government stocks which provided the maximum return for non-residents, who bought the stock with financial rands but received interest payments in commercial rands.

With the financial rand trading at a discount to the commercial rand of up to 40%, the foreign investor is able to realise a far higher return than the resident SA investor.

Currently, on a long dated Eskom stock, for example, non-residents can earn a running yield of almost 30%, compared with 17% for locals.

More recent activity by the European investors has been in medium dated stocks, motivated apparently by recommendations in a German financial publication for high yielding SA stock.

A JSE gilts analyst said: "They see value in the SA currency and gilts as a means of entry."

Familiar

She said up to 90% of at least one stockbroker's orders had been for medium dated stocks like Eskom's E158 and the RSA 11% 1998. This was in spite of the more favourable running yields offered by comparable stocks.

"The reason may be simply that the European market is buying the stocks they are familiar with — the ones they traded when they were in the market in the early 1980s."

Other brokers attributed the interest in medium dated stock to an apparent demand by the German investors for long dated stock which, in their market, ranged between five and seven years.

To Page 2

Germans splash out on SA gilts market

B/Day 17/4/87 74

From Page 1

They said interest in the less marketable stocks could be attributed to a relative lack of liquidity in other medium dated government stocks as many local investors were holding on to their investments in anticipation of moves to consolidate certain government issues and make them more marketable.

According to brokers, the sellers were Eskom and other local institutions, many of which were switching from lower yielding medium dated to the higher yielding longer dated stocks.

While the strong foreign demand for SA gilts has not affected the rates structure in the capital market, it has boosted the financial rand, which closed at R3,94/R4,02 on Friday.

'PLANS TO MOVE PLANTS COULD ATTRACT R935m'

BRENT MELVILLE 74

SA could net about R935m in foreign investment by 1991 if plans to relocate some 35 factories to the country are successful.

Alkhan Industrial Consultant (AIC) MD Schalk Coetzee says the preliminary groundwork has been laid to relocate factories from Europe, Israel, Turkey and the Far East. BDay 17/4/89

In addition to providing foreign investment, the establishment of these foreign factories will create up to 11 000 jobs, he says.

Alkhan, which has offices in Taiwan, Italy, Britain, Hong Kong and Israel, has relocated more than 100 manufacturing plants to decentralised industrial development points in SA since its inception in 1983, says Coetzee.

Apart from the incentives of abundant labour and raw materials, SA offers a number of "powerful investment mediums", says Coetzee, including the lure of the financial rand combined with a "moratorium of debt" scheme whereby companies can save 40% of the total cost before start up.

AIC sifts through the tax laws, incentives and allowances in various parts of the sub-continent so it can advise investors on the best locations for their businesses.

Areas that have benefited include Lebowa, KwaZulu, Bophuthatswana, Bloemfontein, Botshabelo, Newcastle and East London.

Foreign ownership of mining shares declines

Star 26/4/89

(74)

By Sven Lünsche

Foreign investors are continuing to divest their holdings in South Africa's mining shares in the wake of the weaker gold price and continuing political pressure.

A report by stockbrokers Davis Borkum Hare shows that total foreign ownership of mining shares has fallen from 23 percent at the end of December 1987 to 21 percent at the end of last year.

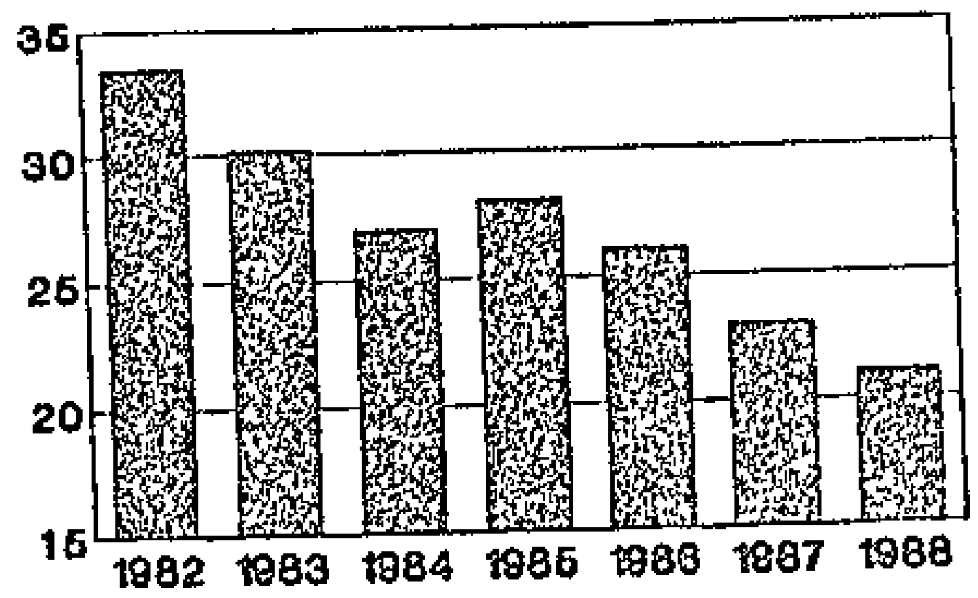
The total number of mining shares held in non-resident accounts fell by 37 million, or 5,75 percent, during the course of 1988.

The foreign percentage of mining shares was mostly diluted as a result of the new issue of 40 million gold mining shares and 73 million platinum shares on the JSE during 1988 and the relatively small take-up of this additional share capital by foreigners.

"The major declines in percentage foreign ownership have, concomitant with the increase in issued share capital, occured in gold and platinum counters.

"Foreign holdings of gold shares fell from 25,2 percent to 23,6 percent of issued share capital, a percentage drop of 6,4 percent, while the number of gold mining shares in non-resident hands fell by 5,5 percent to 23,5 million, illustrating the dilution effect of new shares issued.

"Similarly, the number of South African platinum shares owned by foreign investors actually increased marginaly during 1988, but as a percentage of total issued capital fell from 9,1 percent to 7,6 percent over the course of the year," the stockbrokers write.



Foreign ownership of SA mining shares (percentage of shares in issue).

US ownership in mining stocks showed the largest decline during 1988 falling from 11,5 to 10,4 percent but the report points out that US citizens are ostensibly still the dominant non-resident shareholders in the mining industry, despite sanctions and disinvestment pressures placed on them by Congress and other parties.

UK ownership fell from 7,7 to seven percent, but against the trend, other European holdings improved slightly from two to 2,2 percent.

Other factors influencing the decline in holdings included:

- The disappointing performance of South African gold shares.
- The revival of the gold mining industry in North America and Australia,
- The deterioration in the value of the rand has imparted a currency risk to South African equity investments.

STRONG FOREIGN DEMAND FOR GILTS

B/Day 27/4/84 LIZ ROUSE (7K)

STRONG foreign demand for SA gilts, which pushed up the financial rand in the week ended April 14, was reflected in latest foreign transaction figures released by the JSE.

Purchases were unusually high at R104m, up from R32,3m in the week ended April 7.

Sales amounted to R15,1m against R6,8m, while the week's net inflow through the gilt and semi-gilt market jumped to nearly R89m from R25,4m in the previous week.

The increasing activity in SA gilts has been ascribed to high yields, especially Eskom Loan 168, which make gilts especially attractive investments as foreign investors' interest payments are made in commercial rands, while purchases are made in cheap finrands.

Currently on a long-dated Eskom stock non-residents are earning a running yield of 30% compared with a 17% yield for locals.

European investors, particularly Germans, are said to have been the main buyers of SA gilts, going for medium-dated stocks. These are the stocks with which they are familiar. In contrast, SA institutions have been switching from medium-dated to the higher-yielding long-dated stocks, and have been willing sellers to non-residents.

The activity in SA gilts and semi-gilts has been building up steadily during the past month and is a welcome change from the weekly net flows through equity transactions.

However, foreign dealing in the gilt market is minimal compared with a R2,5bn value of securities purchased on the JSE's gilt market during a week.

The net outflow through equity dealings was slightly higher at R57,2m in the week ended April 14, compared with just over R55m in the previous week.

Equity sales amounted to R131,87m (R137,9m) with purchases at R74,7m (R82,8m).

Barlow Rand may invest in Mozambique

Mo

The Star's Africa News Service

MAPUTO — The South African Barlow Rand group may soon invest in Mozambique, the Mozambique news agency, AIM, has reported. Star 8/8/84

Mr Con Schabort, Barlow Rand's executive director made a brief visit to Mozambique last week during which he held talks with Co-operation Minister Mr Jacinto Veloso.

A statement issued here said Mr Schabort had shown interest in the development of relations between his company and Mozambique, in particular in the rehabiliation and running of the Ressano Garcia railway line which links Maputo to South Africa.

AIM said Mr Schabort and Mr Veloso had flown over the Bazaruto archipelago, off the coast of Inhambane. Barlow Rand was interested in this area.

Foreign investment in gilts, semi-gilts down

74 LIZ ROUSE

FOREIGN investors continued to operate in the SA gilt and semi-gilt market in the week ended April 21, but volume declined.

Purchases amounted to R54,8m compared with the previous week's high of R104m, while sales came to R6,5m (R15,1m), leaving a net inflow of R48,4m (R88,9m in the week ended April 14).

The net outflow through equity transactions increased to R69,5m (R57,2m), with sales at R123,3m (R131,9m) and purchases at R53,8m (R74,7m).

The JSE emphasises these figures are not comprehensive as they represent only that portion of the financial rand market where non-resident transactions are executed through the JSE.

SA's gilts market is still attracting foreign funds

BiDay 19/5/89

74

LIZ ROUSE

FOREIGN operators are still playing the SA gilt market because of its attractive yields.

The weak finrand and high returns have been luring overseas investors over the past two months. Inflows through JSE gilt market transactions have been offsetting outflows through equity transactions.

Gilt purchases were R67,1m in the week ended May 12, while sales came to only R3,7m, resulting in a net inflow of just under R63,4m. The inflow in the previous week was R23,2m with purchases at R25,3m and sales at just over R2m.

However, if the finrand strengthens and interest rates go up, this type of dealing will become unprofitable for foreigners.

On the other hand, equity sales of R114,5m and purchases of R78,7m resulted in a net outlow of R35,8m in the week ended May 12. The previous week's outflow was only R419 000 with equity sales at R52,6m and purchases at R52,2m.

The enthusiasm for gilts increased the total net inflow to R26,6m (R22,8m).

The JSE notes these figures are by no means comprehensive as they represent only that portion of the finrand market where non-resident transactions are executed through the JSE.

Total turnover on the JSE improved in the week ended May 12 to 48,4-million shares worth R373,2m from the previous week's 34,7-million worth R203,4m.

RMB makes inroads in London market

3/Dec/1/1/89 LESLEY LAMBERT (74)

RAND Merchant Bank (RMB) has secured a strategic position in the London market by taking over recently restructured National Discount House's (NDH) estimated 45% stake in a British stockbroking firm.

The firm, RND, buys and sells equities, specialising in South African equities listed on London's International Stock Exchange.

RMB CE G T Ferreira said yesterday the operation would be recapitalised and would provide a service to offshore clients, including SA emigrants, who wanted to trade in SA equities.

The investment was a direct result of the recent NDH restructuring in which RMB and a consortium of shareholders gained an effective 35,4% controlling stake in the JSE-listed discount house.

RND's major shareholder is British stockbroker Peter Rawson. Ex-RMB director Geoffrey de Jager, who left the merchant bank about three years ago to move to London, has been appointed a director of RND.

The development has caused a ripple in RMB's Johannesburg head-office. Theo Henning, who heads the bank's capital market division and recently assumed responsibility for the financial derivatives division, will be joining RND in London in a couple of months' time.

And capital markets specialist, Russel Loubser, who recently joined NDH from SDH as part of the restructuring plan, will

☐ To Page 2

RMB in takeover

B/Day 1/1/89 (74) ☐ From Page 1

be returning to fill the gap at RMB.

He left the merchant bank to join SDH about 18 months ago after playing a part in establishing the futures market in 1987.

RND will provide an opportunity for RMB's offshore clients to trade SA equities at less expense on the London market.

"The association with RND will also make it easier to put together a package of shares that tracks the JSE share index, for example, and provides hedging opportunities that may not have been available before," Ferreira said.

Henning's move suggests RMB plans to use the international link to arbitrage the price differentials which occur between the local futures and international cash markets when there is a stock shortage.

Pick 'n Pay in black Africa

Ackerman looks to the north

(74) Star 3/6/89.

CAPE TOWN — Mr Raymond Ackerman, head of South Africa's most successful retail chain, would like to do the unthinkable: expand north into independent black Africa.

ANDREW STEELE

He hopes that, as apartheid is eroded, economic sanctions against South Africa will be washed away, allowing his stores to set up food outlets in the region.

"The most natural expansion for us is to go up Africa because they need food at our prices, they need modern marketing techniques. But we can't because of politics," Ackerman said.

"I'm busy making movements that way, but it's a little bit in the future because of the political situation."

Pretoria's apartheid policies prevent any large-scale advance on the vast, untapped markets of such nearby black states as Zimbabwe and Zambia.

Ackerman, a fierce critic of apartheid, said he pinned his hopes for breaking the political deadlock on the man who will succeed President P W Botha after a general election in September — National Party leader F W De Klerk.

'Very impressed'

"I'm very impressed with De Klerk. I think we have the ingredients of a man who is going to be a statesman, not just a politician."

Mr Ackerman wants Mr de Klerk to "do a deal" with advocates of sanctions and disinvestment — setting a date for the end of apartheid in exchange for a return to normal trade.

He practises what he preaches — his company, Pick 'n Pay, is one of South Africa's most racially integrated. Blacks, Coloureds and Indians make up 40 percent of its management, and the firm sponsors schemes with racial harmony and equality as their aims.

"Foreign suppliers and organisations need to see there's another side to the coin. We're not all white racists trying to hang on to white privilege," he said.

Hundreds of foreign companies pulled out of South Africa during the early and mid-1980s and banking and loan facilities were cut off, forcing the white government to maintain a balance of payments surplus to pay off foreign debt.

Pretoria responded by declaring a partial moratorium on foreign debt repayments and has recently announced a stringent austerity package and credit squeeze aimed at curbing consumer spending — another headache for Ackerman's retail empire.

"The Government is tightening up this economy much too tightly. As a retailer we feel it, money is being sucked out of the economy."

He also criticises the push for tougher sanctions.

"I spend an enormous amount of my time going to see my suppliers overseas telling them not to listen to various church leaders and others. The black man does not want him to disinvest, as sure as I'm sitting here."

Ackerman is unwilling to rest on his laurels, having taken Pick 'n Pay from four small stores in 1967 to a chain of more than 100 supermarkets with 26 000 employees.

Pick 'n Pay had a 1988 profit of R68 million on turnover of almost R4 billion.

To Raymond Ackerman, expansion into black Africa is a dream which must be realised if the giant group is to prosper.

"We have to grow even to survive. If we don't grow because we cannot expand in the right area, we will just die," he said. — Reuter.

Foreign money shuns high-cost gold mines

Star 9/6/89

14

By Sven Lünsche

High-cost mines are becoming less attractive to foreign investors, who are shifting their money to the greener pastures of Australia and North America.

The point is graphically illustrated in the annual report of a leading Swiss mining fund run by Credit Suisse. The fund has assets exceeding $300 million.

In a telling comment, the portfolio managers of the Credit Suisse Gold Valor fund write: "The bulk of our assets will continue to be invested outside South Africa, reflecting the fact that the greatest growth opportunities are to be found in other gold-producing countries, namely Canada, the US and Australia."

At the end of March this year South African mines comprised 15,6 percent of the portfolio, compared with 17,3 percent at the 1987/88 financial year-end.

On the other hand, the share of Australian gold mines rose dramatically from 14,5 percent to 22,6 percent.

US mines took up 16,1 percent of the portfolio (11,5 percent).

The decline in the South African holding was mainly due to the sale of 1,5 million Driefontein shares, although the fund raised its investment in Kloof, the lowest-cost producer, by 290 000 shares.

"South African mining shares are coming under particularly intense pressure.

Political factors

"Apart from the decline in the gold price and an increase in production costs, this is due to the fall in the rand and to political factors, in particular to fears that the US Congress might stiffen sanctions against South Africa," the fund managers say.

"Australian and North American mining shares are faring comparatively better.

"The outlook for production growth outside South Africa continues to be highly encouraging and production costs are also developing more favourably," they say.

This week's rise in the gold price to $375 has only briefly alleviated the dilemna faced by South African mines in general and by marginal mines, in particular.

The firmer dollar gold price over the last few days caused a R26 jump (1,5 percent) in the rand price to R1 030.

Gold mines are now getting R60 (6,2 percent) more for their output than at the beginning of May, which represents a life raft to many struggling operations.

Apart from doubts that the mines can control their costs in the wake of the rising inflation rate and wage demands by the NUM, analysts also question whether the gold price will maintain its current higher levels.

The Star Bureau in London reports that traders are wondering whether this week's sudden surge by $10,25 means that the gradual fall since November is over at last.

Most analysts are suggest it was merely a delayed reaction to the turmoil in China.

Tom Butler, gold bullion manager at Samuel Montagu, says that while many people expect the price to move upwards, "there is no way of knowing what will happen until the situation in China becomes clearer".

Robert Weinberg, gold analyst at James Capel, who predicted two weeks ago that the gold price would rally temporarily, says: "We haven't seen the bottom yet. We're headed for $300 by the end of the year."

Immediate future

While the rally was more rapid than he had expected, he is sticking to his prediction that in the immediate future the gold price is likely to reach $380, "bumble around for a while" and then step down to $340.

He says Wednesday's sudden spurt had nothing to do with events in China, but had been caused entirely by buying in New York and "those funny fellows in the Comex pit desperately seeking a reason to convince people to buy or sell for no other reason that they have to make a living".

SA Jews hit out at curbs on investment in Israel

Star 14/6/87

(74)

The Star's Foreign News Service

TEL AVIV — South African investors have sent telegrams to Israeli Prime Minister Mr Yitzhak Shamir and Finance Minister Mr Shimon Peres terming "unacceptable" the changes introduced by the Israeli government concerning investments from South Africa.

The Cape Town company of Mallnick, Ress, Reichman and Closeberg, representing a number of Jewish investors, requested the personal intervention of Mr Shamir and Mr Peres to prevent substantial losses to South African investors, which would have the effect of deterring future investment in Israel, according to reliable sources here.

This follows a decision earlier this year by the Israeli government to permit investment only in industrial projects. South African Jews had, under the bilateral agreement, been investing in industrial-allied projects such as real estate and industrial parks.

Another representative of the investors, Mr Elliot Ostrin, a lawyer and managing director of the Itro Trust Group of Cape Town, told reporters here the move hurts "Jewry and Jews in South Africa and is an insult to the supporters of Israel".

Mr Ostrin, a leading South African Jew, came to Israel recently to try to persuade the government to cancel limitations imposed on South African investment, limitations which he says will "make it impossible for (many South African Jews) to continue programmes in which they have already heavily invested".

Mr Osrin wants to know what Israeli authority decided to allow funds to pass to institutions other than those stipulated by investors.

The inference here is that political decisions were made and funds earmarked for real estate were diverted to kibbutz settlements, some of which are facing liquidity problems.

The South African embassy has said the affair is outside its scope.

Row over SA cash in Israel

Star 14/6/89

JERUSALEM — South African investors in Israel are torn between coming clean about their investments or keeping quiet about what they feel is an attempt to defraud them. 74

At issue is a decision by Israeli Finance Minister and Labour Party leader Mr Shimon Peres not to allow South Africans to put their money into real estate, as they have been. Mr Peres wants it in industry.

One group of South Africans has petitioned the Israeli Supreme Court for an order to make the Israelis give the legal basis for their decision. — The Star's Foreign News Service.

Firm threatens court action against Peres

74

Row over allocation of SA investments in Israel

B/Day 14/6/89

ZILLA EFRAT

A COMPANY representing SA investors in Israel intends to fight what it calls a sudden change in government policy that would lead to losses for investors and discourage future SA investment.

However, a source in the Israeli embassy in SA believes the company's move is a ploy to obtain more funds from SA.

The investment company, Corex, says it will take Finance Minister Shimon Peres and the ministry to the Israeli High Court over changes in the criteria used in the allocation of money from SA investors.

In terms of an agreement between SA and Israel, South Africans can invest up to R50m a year in selected projects approved by an Israeli investment committee.

Corex spokesman Zvi Rimon says a few months ago, without warning, the committee announced SA funds would be channelled only into industrial investments.

This announcement ignored property projects in their final stages, preventing them from completion.

Construction of a hotel in Tel Aviv came to a halt four weeks ago because of the change in allocation.

Corex invested \$12m in the hotel and was supposed to get another \$5m in 1989 and more in 1990. Investors will lose the \$12m already invested, says Rimon.

He says: "The sudden change will drastically reduce SA investment in Israel.

'The money belongs to private people and the Israeli government is trying to impose changes on how it may be used. This is not the right way to encourage overseas investment in Israel."

● PERES

However, the embassy source says Corex is trying to pressure the committee to get more of the allocation.

He says the committee ensures SA money is fairly allocated and looks for the best investment for the investor and for Israel, which is trying to promote its industry.

The committee is under great pressure to allocate the limited R50m over the many projects handled by 10 investment companies who all want a a greater share.

This year, the committee could approve only 35 projects after receiving R500m worth of applications. Applications for both industry and real estate projects which were not economically viable have been turned down.

Both industrial and property investments have been approved, although this year there are more industrial projects.

Some projects, categorised as continuous projects, will obtain funds over a few years. But there is pressure from investors to obtain ongoing allocations without having continuous projects.

Corex's hotel, one of its two continuous projects, received its allocation two weeks ago and will receive more next year, says the source.

The committee does not prevent investors from obtaining funds from other sources in Israel and elsewhere. Companies like Corex are not limited only to SA funds, he adds.

posed by Democratic Senator

Companies' SA links under fire

Star 23/6/89

74

The Star's Foreign News Service

GENEVA — South African transnational corporations are controlling a growing number of foreign companies and thus "exporting apartheid", the International Confederation of Free Trade Unions (ICFTU) has charged.

The Brussels-based ICFTU said trade unions everywhere should "organise campaigns to prevent and expose attempts by South African multinationals to take over enterprises outside South Africa".

The confederation claimed that 88 South African transnationals controlled 437 companies spread over 44 countries.

These companies, it charged, play a large role in sanctions-busting with "fake companies established to avoid payment of taxes and to sidestep sanctions".

The ICFTU said the growth of South African-owned companies and subsidiaries abroad was also designed to give the Republic a foothold in the Europe of 1992.

Star 26/6/84 (74)

Funds from SA investors held up

Israeli govt 'putting a spoke in the wheel'

By Peter Allen-Frost,
The Star's Foreign
News Service

TEL AVIV — An Israeli corporation representing between 300 and 400 South African investors alleges that Israeli government officials operated under a cloud of secrecy when making decisions about South African funding for Israeli projects.

Corex Limited is taking the Israeli government to the High Court in a case which is scheduled to open here today.

It charges that until a few years ago, investments were made with difficulty, but the investors organisers managed to overcome the bureaucracy.

However, last year things changed for the worse and now Corex wants a full investigation into the procedures used by the Israeli government.

Several Corex projects are being held up because the Israelis have not approved the transfer of funds from South Africa. Other projects are unable to continue.

Corex, which has been operating since 1973, has a good reputation among both Israelis and South Africans. Its head, Mr Isaac Bloch, is described as a "gentleman" even by his business competitors.

Corex has invested about R135 million in a wide variety of projects — industrial buildings, rental apartments, houses and other projects — in Tel Aviv, Jerusalem, Raanana, Kfar Saba and other places.

Corex claims the Israeli offices responsible for the investment never gave public notice of a scale of preferences for investors.

Top South African Jewish businessmen have sent delegations here to investigate and lobby for changes in the system.

One was Mr Mendel Kaplan, chairman of the board of directors of the Jewish Agency.

Some people here connected with South African investments allege that Mr Kaplan's motivation for his actions might be other than altruistic.

The company of Carni Strauss represents South African investors putting their money in kibbutz settlements.

Mr Oden Carni said about the Kaplan intervention: "I don't know what his interests were in getting involved, but whoever has family ties must reveal them ... and Mr Kaplan has a personal and family interest in this.'

Mr Carni said Mr Kaplan is Mr Isaac Bloch's first cousin, and members of his family are among the Corex investors.

There is a growing fear that because of the fuss being made the whole affair will be scrutinised by the South African Reserve Bank and other official bodies and the treaty possibly abrogated

Foreign purchases of SA equities go up to R274m

(74)

LIZ ROUSE

B/Day 12/7/89

FOREIGN dealing in SA equities on the JSE accelerated in the week ended June 30, while dealing in gilts remained active.

Sales of equities increased to R274,56m from R205,6m in the week ended June 23, with purchases up at R116,6m (R61,6m), resulting in a net deficit of R157,9m (R143,97m).

Gilt purchases rose to R74,9m (R43,9m) with sales at R10,1m (R4,2m). The result was that the net deficit in foreign dealings narrowed slightly to R93,1m (R104,3m).

Lift-off for SA Eagle and Utico

S/Times 16/7/89 74

By Julie Walker

SA EAGLE and Utico shares flew to new heights this week on the back of a £13-billion bid for British American Tobacco (BAT) by Hoylake.

BAT listed interests in SA are 59% of SA Eagle and 63% of Utico. Should the bid succeed, analysts expect the SA parts to be sold off as part of the unbundling (asset stripping).

The combined market value of the two stakes is R250-million.

Coupled with the threatened sale of 38% of Gold Fields of SA, there does not look to be much upside for the financial rand.

Slowly

A JSE dealer says the finrand has been behaving mysteriously. "The view is that it should be lower," he says. "But it could have received some support since its range of use was broadened."

But if the sales are done slowly, as was the case when Barclays plc sold out, the downward pressure on the finrand would not be as acute as feared.

Speculators rushed to buy shares in the listed concerns both on the JSE and foreign bourses. But British analysts do not believe the bid for BAT will succeed.

They say British financial institutions would require some cash before they sold. Only paper has been offered, and the offer document has not yet been lodged. The bid could also run into political barriers as well as the British Monopolies and Mergers Commission.

In America trouble could come from BAT's Farmers Group, the California insurance concern. Its sale would require the approval of nine state insurance companies.

BAT has had to withdraw its $400-million five-year Eurobond issue, due for completion tomorrow, to protect investors' interests. The bonds had technically been bought by an underwriting syndicate, but not paid for.

Cadbury Schweppes in the UK is also the subject of takeover talk, the favourite contender being Swiss confectioner Jacobs Suchard. The British chocolate leader owns 54% of Cadswep SA, whose shares rose to a high of R17 on speculation that it would be sold. The stake is worth more than R300-million.

Cadswep is near the top of Anglovaal Industries' shopping list. Anglovaal owns 16% and has board representation.

Short-term insurer SA Eagle's biggest SA shareholder is Anglo American, which also has a large stake in Southern Life.

Rembrandt shares moved up. It has tobacco interests, which might make Utico attractive. However, it has the first right of refusal on Gold Fields of SA, which could cost a cool R2,7-billion at current market value.

Big weekly deficit in JSE foreign deals

LIZ ROUSE

FOREIGN purchases of SA equities on the JSE declined markedly in the week ended July 14, while sales increased, resulting in one of the biggest weekly deficits through equity transactions.

B/Day 27/7/84 (74)

However, gilts continued to attract foreign investors and the net balance through these foreign transactions increased. Foreign interest in SA gilts may have accounted for the temporary strength of the finrand during the week.

Sales of equities increased to R283,4m from R279,7m in the week ended July 7, while purchases fell to R94,5m from R152,3m, resulting in a net deficit of R188,9m against R127,3m in the previous week.

Gilt purchases rose to nearly R108m from R94,1m with sales amounting to R17,1m (R14,9m), making a net favourable balance of R90,8m (R79,2m).

said Thermann, "such as staggering

The National Productivity Institute will report on a study of the industry.

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17 239

Govt puts end to finrand property concession

Star 11/8/89

(74)

By Derek Tommey

The Government has stopped foreigners from buying farms and residential properties with financial rands.

The ruling was not completely unexpected. The Conservative Party in the Western Cape has been criticising the Government for allegedly allowing foreigners with cheap financial rands to outbid South Africans and snap up Boland wine farms and luxury apartments and houses on Cape Town's Atlantic coast.

In his announcement last night Finance Minister Barend du Plessis said that since August 1986 non-residents had been able to use financial rands to buy farms and residential properties, paying half the price in commercial rands and the balance in financial rands.

This had been stopped with immediate effect. Foreigners wishing to buy such properties would have to finance them through the normal banking channels at the commercial rand exchange rate.

However, applications received by the Exchange Control Department of the Reserve Bank up to yesterday would be still considered on the old basis.

Creating dissatisfaction

He said the situation existing until yesterday had created dissatisfaction in some quarters because of its effect on certain property prices, while the amount of new capital brought in had been insignificant.

Ronald Ennik of Pam Golding Properties, Johannesburg, the leader in the sale of residential property to foreigners, was not unduly worried about the move.

He said it was unlikely to have any effect on Johannesburg property prices. Although foreigners had used financial rands to buy houses on the Reef, the majority of buyers were South African.

He thought it could lead to the prices of Cape farms and Bantry Bay apartments stabilising, but he did not expect much downturn in prices.

The major reason for foreign purchases was that South African property was cheap by overseas standards.

"In South Africa your car costs a quarter of the price of your house. This does not happen anywhere else in the world."

He hoped the move would not discourage foreigners from buying property as South Africa needed them to speak up for it abroad.

Mr Ennik said foreigners could not remove it from South Africa, so that the property purchases resulted in an one-way flow of cash to South Africa.

The move means that foreigners will have to pay some 20 percent more for property.

When the financial rand discount is 35 percent (as it is at present), foreigners could buy a R1 million property for R825 000.

Now they will have to pay the full amount for the property.

It has been estimated that foreigners have spent R1,3 billion in financial rands on property since 1985, with R52 million going into agricultural land, R916 million into commercial property and R30 million into residential property.

However, the residential property figure is regarded by some as a gross underestimate.

Thursday deadline on finrand deals

Star 12/8/89

(74)

TOM HOOD

ESTATE agents who have not physically lodged residential purchase agreements at the Reserve Bank seeking to make use of the financial rand by end of business on Thursday this week will have to restructure the deals through the commercial rand.

A spokesman for the Reserve Bank's foreign exchange department said non-residents in future would have to invest via the commercial rand, but immigrants would still be allowed to buy property using the financial rand.

Immigrants are allowed to bring in all their money via the financial rand.

However, the financial rand market is relatively small and an investor or immigrant to South Africa has to buy the financial rands in the market place.

Ideally, a person who wanted to bring £1 million into the country from the UK should identify an investor locked into this country who wanted to get his money out.

The present rate of exchange on the financial rand would mean that this would buy the equivalent of about R7 million.

Mr Lawrence Seeff of Seeff Property Organisation said they opened a London office to meet the strong demand for residential property in the Cape and expected this demand to continue unabated, in spite of the financial rand window closing.

He said the company had concluded a deal for the sale of an R800 000 house in Bishop's Court on Thursday, but under the new scenario the purchaser would have to find an extra £30 000 or so to meet the purchase price.

Property cheap despite new curb

74

S Times 13/8/84

Business Times Reporter

FOREIGNERS will continue to buy houses or farms in South Africa despite the Government's decision to scrap the financial rand concession — because the commercial rand is so low.

Cape Town estate agent Cecil Golding made a snap survey of four foreign buyers planning to spend R4,2-million after Finance Minister Barend du Plessis announced that they could not pay half of the price of houses or farms in finrands.

"They all said, 'Go ahead,' even if they could not pay half of the cost in finrands," says Mr Golding.

Biggest

Only 2,7% of Pam Golding Estates transactions in the past three years involved the finrand — "and we are the biggest in this field".

The finrand's 35% discount means that a R1-million property would cost a foreign buyer R825 000.

SA Property Owners Association executive director Peter Erasmus says: "Foreign buyers will find bargains as long as the commercial rand remains cheap in terms of foreign currencies."

About R1,3-billion has come into SA through the finrand since the scheme was introduced three years ago.

Busines

SDAY, SEPTEMBER 26 1989

TAL and CAPE 80c (71c + 9c tax)

Foreign investors to pump in R200m

GRETA STEYN

WASHINGTON — Sponsoring brokers for Iscor expect almost R200m from foreign investors and expect further foreign interest in Iscor shares once the company is listed in November.

Brokers sounding out European and US institutions, stockbrokers and banks say the favourable response can be ascribed to the attractive price of R2,00. Foreign investors have to buy with the financial rand and the effective dividend yield through the currency is an impressive 11-0/0.

The Iscor listing has also sparked interest from some of SA's foreign creditors who are keen to convert their debt to equity. A broker said the enquiries had come from creditors with debt outside the standstill net. There is currently no arrangement for debt-equity swaps for debt outside the net, and the SA authorities are being sounded out about introducing these swaps.

The exchange of debt for equity is one of the ways in which the Third World debt problem is being addressed with Mexico allowing foreigners to buy shares in privatised industries.

However, conversion of debt inside the standstill net into equity has not proved a particularly popular method of exiting from the net. But privatisation could trigger new interest in the option.

B/Day 26/9/89

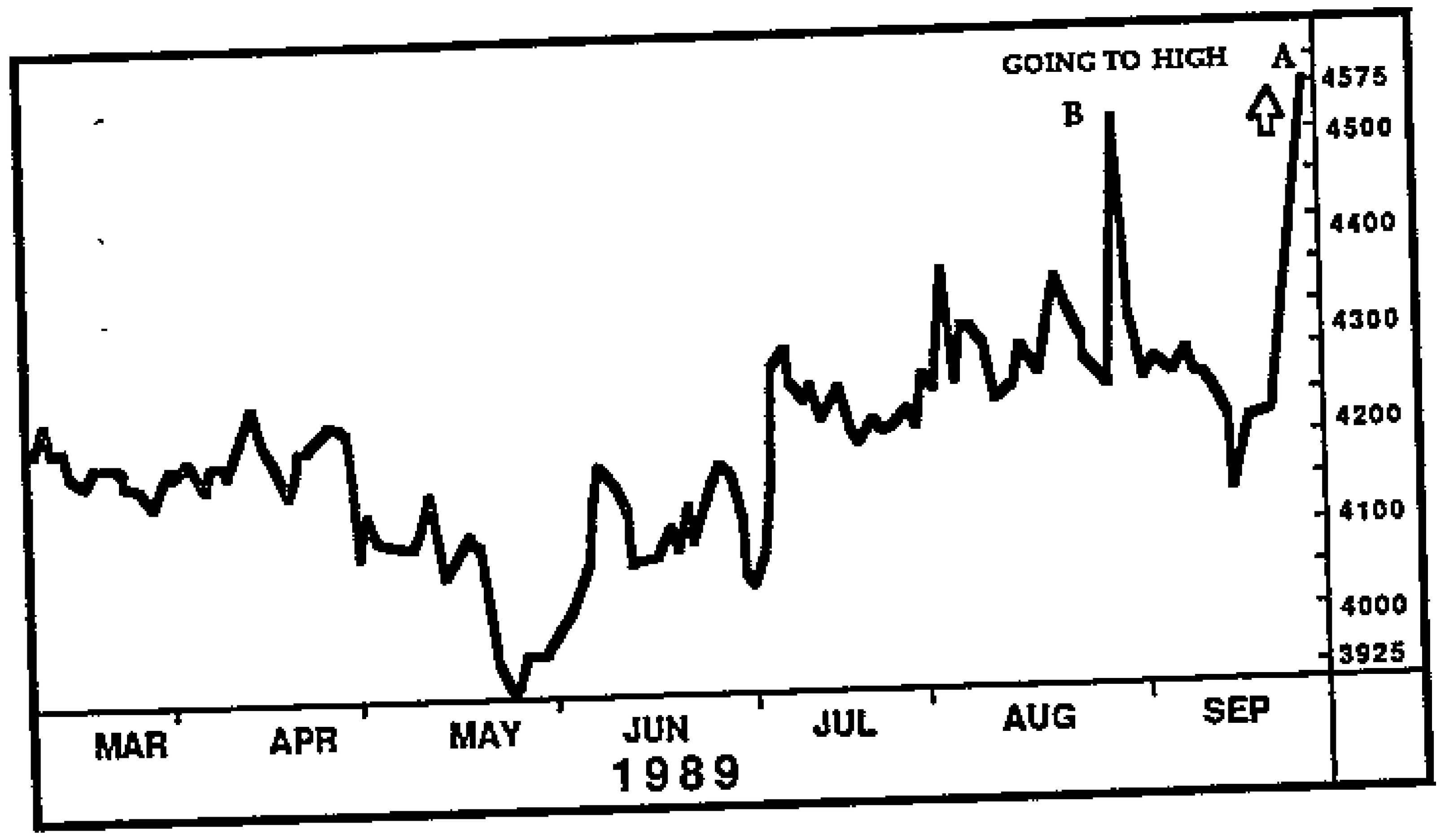
(74)

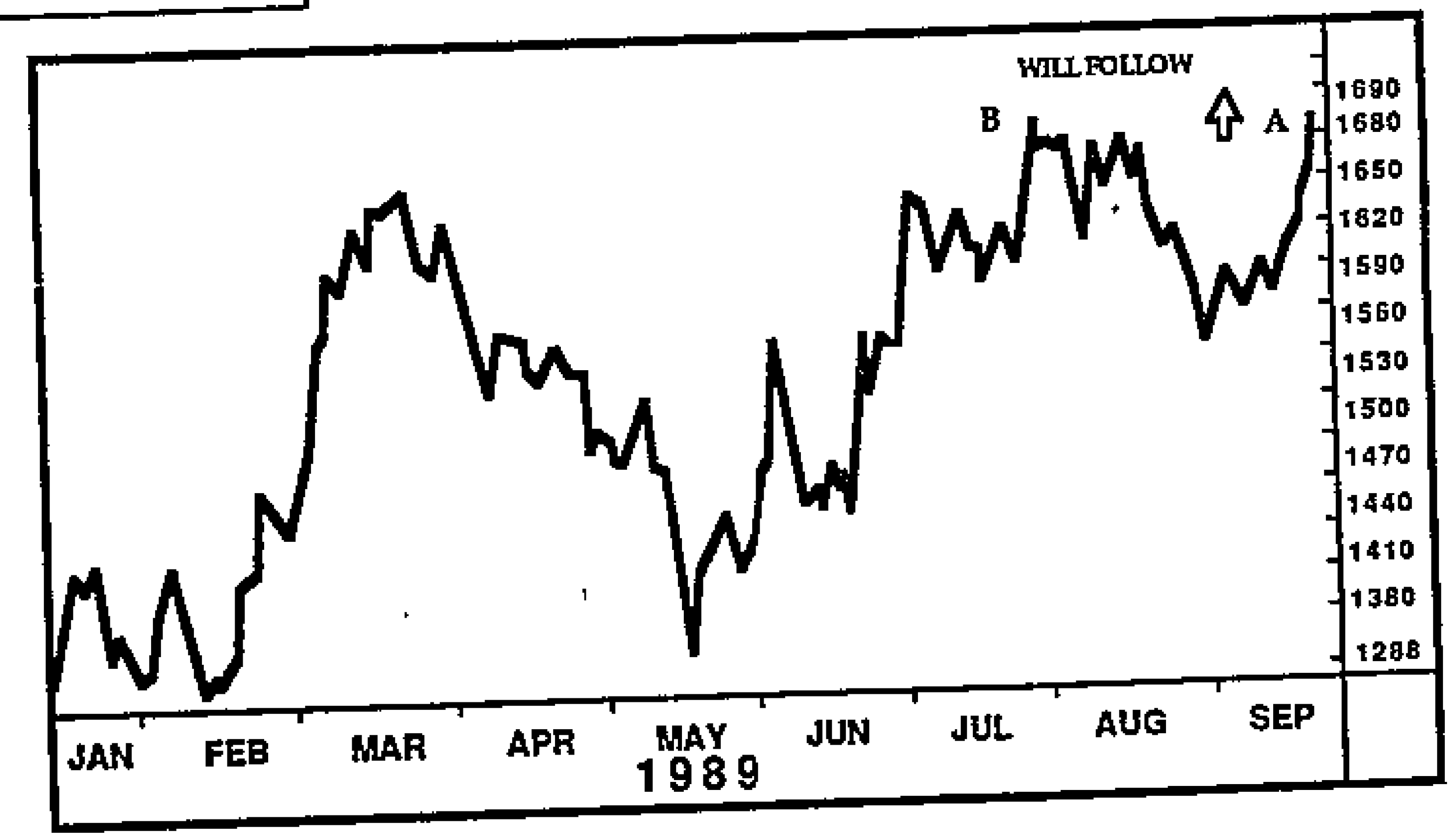
Proceeds to retire existing debt

Star 27/9/89

The Star Finance

74





Foreign buying should lift SA gold shares to new highs

By Issy Bacher

ASA is the only stock quoted on the New York Stock Exchange that holds SA gold shares.

Essentially a gold holding company similar to Amgold, 98 percent of its portfolio consists of a mixture of Dries, Kloof, Harties, South Vaal, Vaal Reefs, Western Deeps, Anglos, Gencor, GFSA, De Beers, Rusplats and Implats.

Three North American gold mines make up the remaining two percent.

Its rise on Monday to a 20-month high of $45,25 is not only bullish for SA gold shares and the gold price, assuming that gold stocks will lead the gold price as before, but it also implies a political change in the hearts of Americans to South Africa.

The sanctions threat and the Dellums Bill are still a cloud hanging over South African mining shares and a hearing on the subject is scheduled in Washington for late October.

The current strength of ASA implies that the issue will be soft-pedaled.

An improved political climate in South Africa will see Americans rushing for our mining shares again.

Already brokers report that there has been strong buying this week, but the interest is mainly professional.

A higher gold price will bring in the American public.

It is especially encouraging for holders of gold shares that ASA is leading the JSE gold index, almost suggesting that overseas buyers have a more positive view on JSE mining shares than our own institutions.

The two graphs illustrate the point.

One graph is that of ASA. Its rise to a new high of $46,25 is seen clearly at "A", rising above its previous top of "B". It is also well above it.

The other graph is of the JSE gold index. It shows that Monday's rise to 1 674 is still below the previous top of 1 685 at "B".

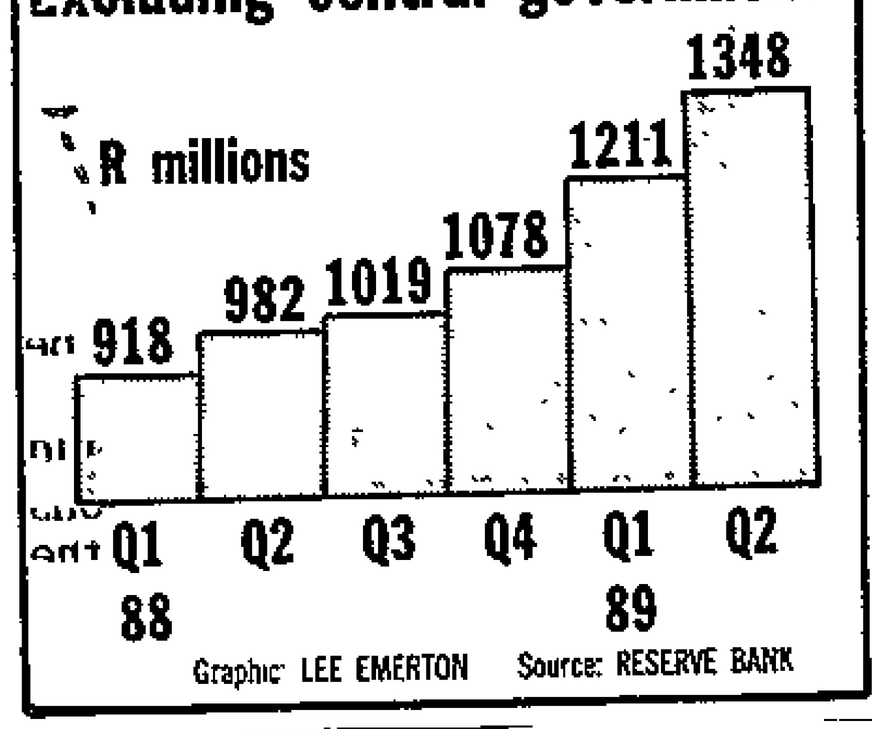
CONCLUSION: The JSE gold index is highly likely to follow the lead given by ASA and rise decisively to new highs in the near term.

This is supported by the fact that Amgold has already risen to a new high of R332.

The next assumption is that the shares should lead the gold price back to the $400 level sooner or later.

BDay 15/11/89. (74)

SA gilts rocket on foreign investor confidence



GRETA STEYN

FOREIGN holding of SA gilts surged by 37,4% in the year to June as foreign investors became more confident about capitalising on the differential between the financial and the commercial rand.

According to Reserve Bank figures, non-resident holding of the marketable stock debt of public enterprises such as Sats and Eskom rose to R1,34bn in the second quarter of this year from R982m in 1988.

This represents almost 6% of the total stock debt of these enterprises — sharply up from 1,4% when the finrand was re-introduced in 1985. In 1986, when the discount between SA's two currencies was more than 50%, foreign holding of SA gilts was just over 2% of the total stock in circulation.

Figures for foreign holding of central government's marketable stock debt are not available, but "identified other owners" of the debt rose to R4,5bn in June from R3,9bn the previous year.

Gilts traders report a slight tapering-off of foreign demand in the third quarter, but there is talk of demand shifting to London from the continent. They said Eskom and Sats long-dated stocks were still being sold at about R100m a month.

Sats chief dealer Herculas Bloem said the upsurge in foreign demand was an advantage to the corporation as it alleviated the pressure on the domestic market to provide finance. He said there had also been foreign interest in the futures-type instruments, the Equity-Linked Fixed Investment (ELFI) and the Goldfin.

Stockbroker George Huysamer said yesterday: "Although demand has cooled a bit, it is significant that foreign investors are holding on to their stock. It makes sense, because Reserve Bank Governor Chris Stals's anti-inflation policies could see the opportunity for capital gains as yields could drop significantly in the future."

At the same time, investors saw a greater stability in SA than in the past and believed the rand would remain relatively stable.

Disgruntled major is named as assassin

● ABDALLAH

TANIA LEVY

(74)

A GROUP believed responsible for the assassination of Comorian President Ahmed Abdallah had been arrested, a Comorian Trade Mission spokesman said in Pretoria yesterday.

Abdallah was shot dead at the Comores capital Moroni by a disgruntled army officer Maj Ahmed Mohamed, according to a senior French government source quoted by Sapa.

He said the officer appeared motivated by personal revenge, as he was either about to be, or had just been, stripped of his post as Chief of Staff of the Comores armed forces.

Supreme Court president Haribou Chebani is to act as president.

President F W de Klerk and Foreign Minister Pik Botha have expressed their condolences to the family of the slain president, the government and the people of Comores.

A Foreign Affairs spokesman said government believed there was no need for concern about SA investment on the islands. The department had been in contact throughout the day with SA trade representative Marco Boni, who had assured them everything was under control.

Since 1983 SA has loaned the Comorian government a total of R3,3m to buy petroleum products. The three loans have been repaid. Other SA aid includes a R20,7m export credit loan, a R1,9m long-term loan for housing projects and R1,8m for the Kandani/Bahani road.

Since 1984 SA has assisted with an ex-

☐ To Page 2

B/Day 28/11/89

Assassin named

(74)

☐ From Page 1

perimental farm, spending R1,3m last year and R90 000 this year.

The SA government guaranteed R60m loans for the establishment of two hotels built by Sun International this year

THe Foreign Affairs spokesman said the situation would be closely monitored.

Yesterday Sun International PR Melanie Millin-Moore said an unidentified armed group had allegedly arrived on the beach of main island Grande Comore during Sunday night. There was no martial law.

Guests at the Galawa Sun — a half-hour's drive from Moroni — were unaware of the assassination and Sun International was confident order had been restored, Millin-Moore said.

Foreign Affairs denied that SA aid was channelled through the presidential guard, which Sapa reports has helped establish increasingly overt links between the Comores and SA.

Sapa says political tension in the three independent Comores islands has been growing since a referendum on November 5 to approve constitutional amendments enabling Abdallah to stay on for a third, six-year term after 1990.

The opposition accused Abdallah of rigging the vote.

● See Page 4

Foreign investors are back in force on JSE

(74) Star 4/12/89

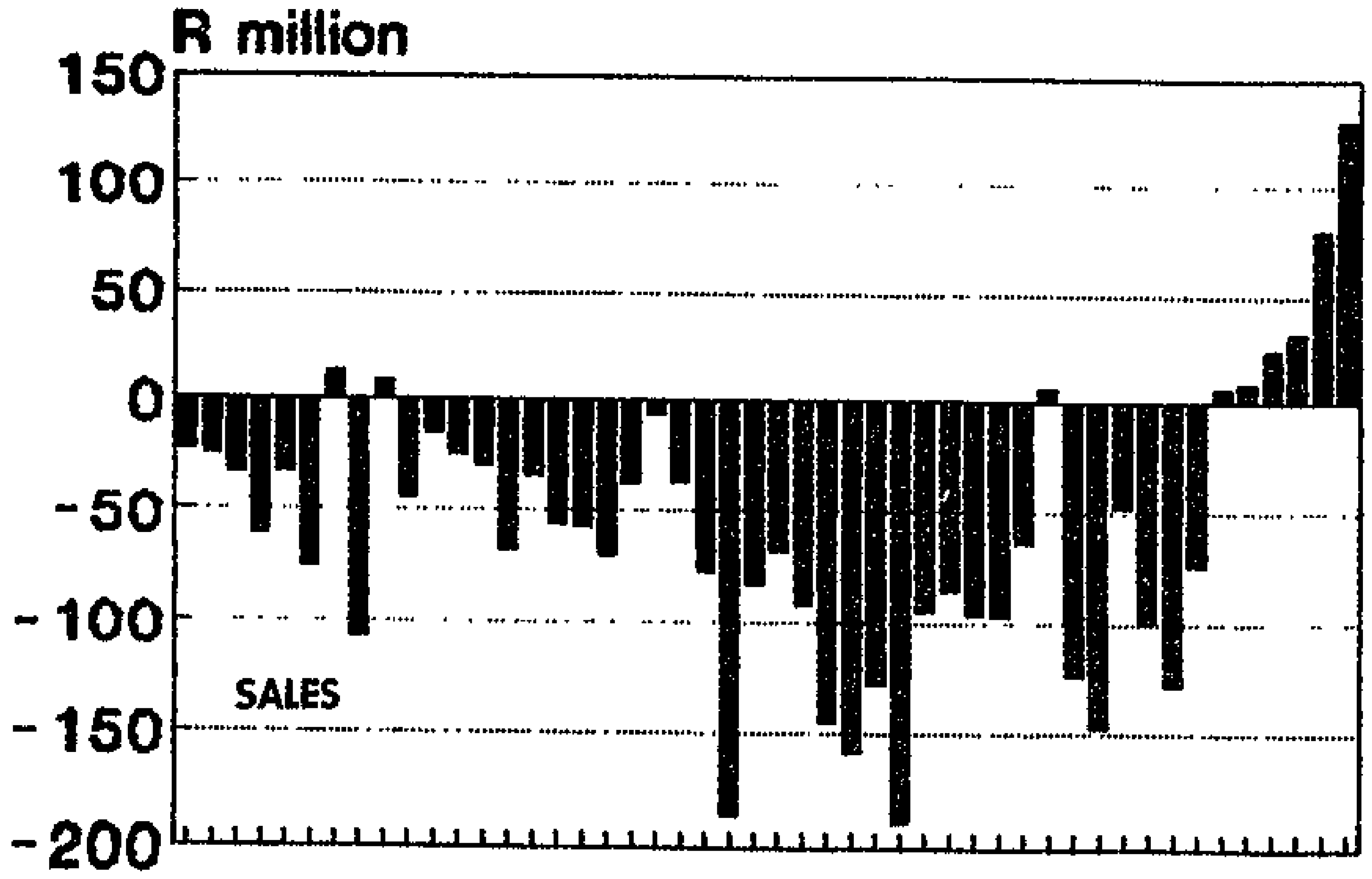
By Sven Lünsche

For the first time in many years foreign investors have emerged as net buyers of shares on the Johannesburg Stock Exchange during November.

In the process they have become one of the main players on the JSE and pushed gold share prices to new highs, although some analysts now feel mining stocks are vastly overvalued.

The extent of renewed foreign confidence in the local market is clearly evident from JSE weekly trading statistics, which show that soon after the rise in the gold price in mid-October non-residents emerged as net buyers of equities through the financial rand.

The value of purchases has soared rapidly since then and in the week from November 20-24 foreigners bought R329 million worth of shares and sold R199 million, leaving net purchases of R130 million — the highest in over five years (see chart).



Week-by-week purchases and sales (net) on the JSE by non-residents.

Non-resident transactions accounted for about two-thirds of the total value of shares traded on the JSE during that week and it is estimated that during the whole of November transactions by foreigners amounted to R2 billion.

And the JSE points out that their weekly statistics are by no means comprehensive as the figures only represent that portion of the financial rand market where non-resident transactions are executed through the stock exchange.

In contrast to the share market, foreign involvement on South Africa's capital market has remained fairly consistent and non-residents were net purchasers of gilts every single week this year. The average weekly net purchase was between R70 million and R80 million.

Before the recovery of gold in mid-October overseas net sales of shares were around R2,8 billion — following on sales of R2,5 billion last year and R3,4 billion in 1987 — but since then this trend has been radically reversed.

While figures for last week are not yet available, analysts said that foreigners were once again the dominant players on the market.

The surge in the bullion price from a low of $355 in mid-October to around $415 on Friday has pulled up the JSE all-gold index by over 700 points. On Friday alone the index gained a further 86 points to close at 2 115.

Keith Bright, gold analyst at stockbrokers Frankel Kruger Vinderine, says that most gold mines have benefited from the buying wave, but adds that the better rated stock in particular has been doing well.

He lists Driefontein, Western Areas, Kloof, Vaal Reefs and in particular ERPM, in which foreigners have a shareholding of about 40 percent.

Marginal gold mines have also been buoyed by the gold rush, as their recovery is directly linked to a healthier bullion price.

Despite the boom Mr Bright says that none of the fundamentals have really changed and that the JSE gold index was discounting a gold price in the region of $470.

Other analysts point out that the rise in foreign buying is not only caused by the rising gold price.

"Since the elections and the subsequent reforms introduced by State President FW de Klerk, the perceptions of foreigners has dramatically changed for the better," one analyst comments.

"While the gold price has accentuated the trend, I think foreigners will continue investing in local stocks and gilts unless the political scenario changes for the worst," he adds.

Local trademark misuse closes door, says lawyer

B Day 5/12/89 (74)

SUSAN RUSSELL

BY ALLOWING local entrepreneurs to imitate and misappropriate foreign trademarks, SA is closing the door on foreign businessmen whose capital investments the country can ill afford to forgo, says a local expert on copyright law.

Attorney Owen Dean, writing in a recent issue of Businessman's Law, said it was time local law registered its disapproval of local imitation and misappropriation of well-known foreign trade marks.

Dean examined a local copyright case where the issue in question was whether an SA businessman might, without authorisation, use a well-known foreign trade mark not used locally by its originator.

In a copyright wrangle brought before Mr Justice Kriegler in the Pretoria Supreme Court this year, British company Tie Rack applied for an order restraining local company Tie Rack Stores (Pty) Ltd from using its name and logo.

The UK company claimed that because of the international reputation enjoyed by its name, logo and trading activities, a substantial number of South Africans would be deceived into thinking the foreign and local company were one and the same.

Mr Justice Kriegler found that Tie Rack Stores had intentionally copied the name, logo and trading image of the foreign company, but that there could be no question of confusion as the foreign company had not established any goodwill in this country.

Dean said the judge's attitude was consistent with that of local, UK and Commonwealth courts.

But the legal principles relied upon by the judge evolved from the mid-19th to mid-20th century, when international trade was very different

Since then the world had shrunk from a commercial point of view with multinational corporations and trade across international boundaries no longer the exception.

"The law must keep pace with these devlopments, take into account these changed circumstances and give recognition to the existence in practice of a world market and to the manner in which it operates," he said.

Dean added there were enough obtacles confronting foreign traders without SA permitting imitators of their ideas to stand in their way.

(74)

Cool response to debt-equity scheme

SYLVIA DU PLESSIS

SA's debt-equity conversion scheme has been met with a cool response from foreign creditors, according to SA Reserve Bank economic advisor Roger Gidlow.

Writing in the latest edition of The South African Banker, Gidlow says the amounts involved since the inception of the scheme in January 1988 up until August this year totalled about $500m.

The scheme allows foreign creditors with loans subject to the debt standstill orders to convert these financial claims into equity or property investments through the financial rand.

According to Gidlow, the conversion of debt into equity or property would be regarded as an "unattractive" proposition to many banks.

"This is partly because the discount on the financial rand rate, which amounted to about 40% during the third quarter of 1989, is not much different to the discount on SA loans prevailing in the secondary debt market."

Gidlow said international banks were being paid generous interest and receiving repayments of capital "on an orderly basis".

While the discounts on SA loans in the secondary market remained fairly stable lately, the discounts on Latin American debt had risen.

"It is also possible that bank regulators in certain countries may insist that any remaining South African loans held by a bank are written down to market prices if any such loans have been converted into financial rands."

According to Gidlow, it was also doubtful whether the SA authorities anticipated any major conversions.

He said this could precipitate renewed weakness in the financial rand rate which may exacerbate the difficulties in controlling this market.

"Even larger discounts on the financial rand rate vis-a-vis the commercial rand rate run the risk of stimulating illegal arbitrage operations between the two markets," he said.

74

Foreign investors in rush to buy SA gilts

Star 7/12/89

By Magnus Heystek, Finance Editor

A flood of overseas buying — rumoured to be by Japanese and Arab investors — has driven capital market rates to their lowest level in nearly two years, with the rate on the Eskom E168 closing 32 points lower at 15,91 percent last night.

Traders described the dealings as frantic, with more than R100 million worth of stock traded in one hour, according to Payl Eysenk of Holcom Commodities.

Capital market rates have dropped by more than 80 points in three trading days.

Rates are expected to drop further, with analysts expecting the Eskom rate to drop below 15 percent before month-end.

Overseas investors have been persistent buyers of SA gilts this year.

Official statistics show that at end-July more than R2 billion worth of gilts had been bought by overseas investors.

Analysts forecast total sales of R5 billion for the year.

Local gilts are particularly attractive to foreign buyers, who are able to pay for them with financial rands. Dividends are remitted through the commercial rand, which increases yields significantly.

Rumours, later denied by the Reserve Bank, that the financial rand mechanism was to be disbanded, prompted overseas buyers vastly to increase their gilt purchases, thereby sending rates tumbling down further.

Another factor which has emerged in recent weeks is the dearth of government gilts on international financial markets because of conservative budgetary policies pursued in Western countries.

In a recent report by stockbroking firm Merril Lynch it was forecast that the UK gilt market would disappear entirely by the year 2003 if the British government kept budget surpluses and public sector debt repayments at one percent of gross domestic product.

Other forecasts have suggested this position could be reached as early as 1997.

The yield on US Treasury bonds are currently around 7,8 percent, while yields on British stock are around nine percent.

The average real return on bonds in the major industrial countries in October this year was below three percent (6,5 percent in 1984 and 1985).

By comparison, overseas investors are earning up to 25 percent on SA gilts.

Local investment advise Paul Rigden says local capital rates have fallen as a result of improved perceptions about inflation. "The sharp drop in the rate is an indication of lower inflation in the months and years ahead," he said yesterday.

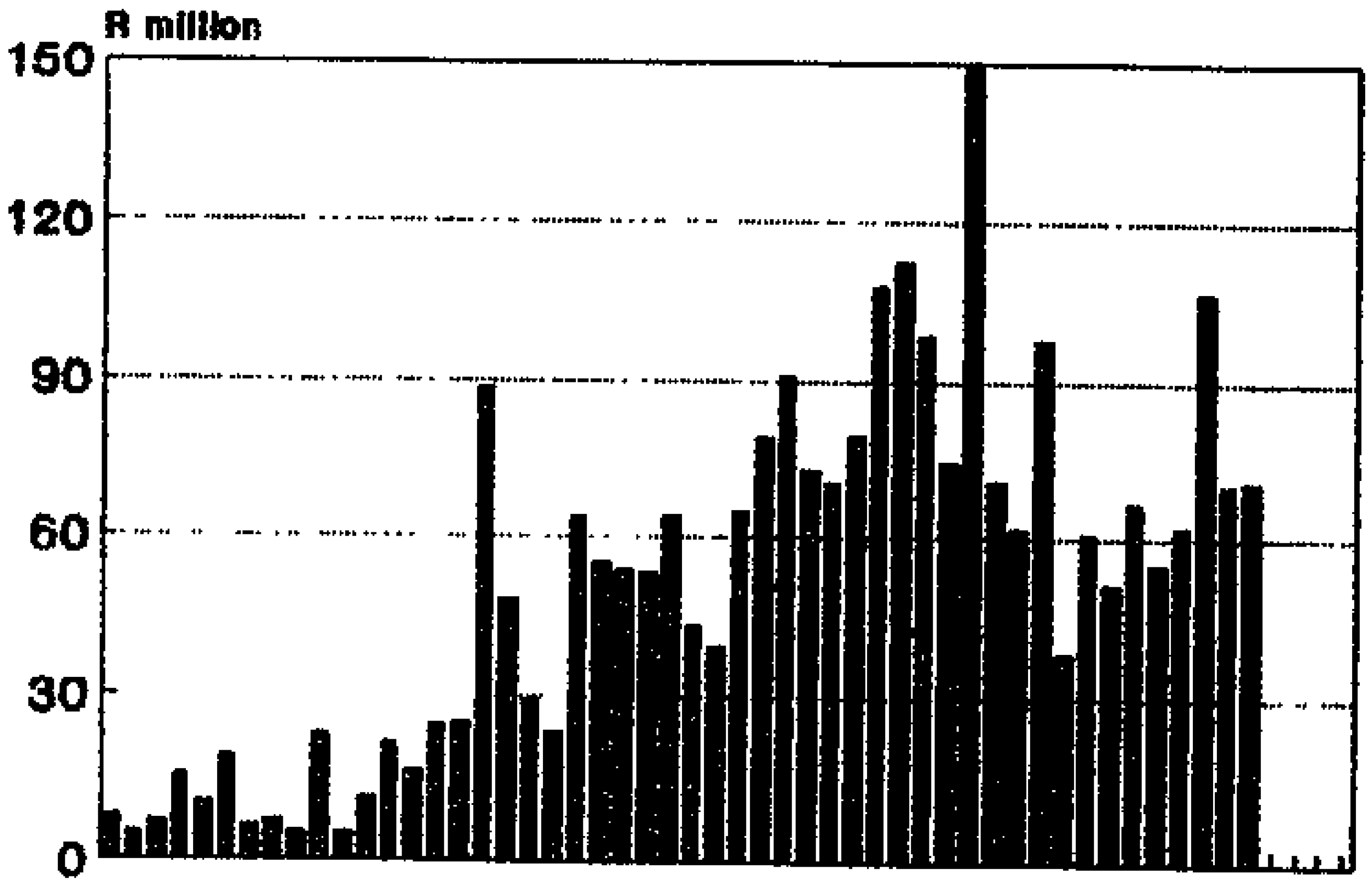
Mr Rigden's bullish sentiments on local capital market rates — for which he had to endure negative press comment — have been vindicated by the sharp drop in rates.

"Their exists a very strong correlation — albeit at a lag of 26 months — between growth in the US money supply figures and US inflation.

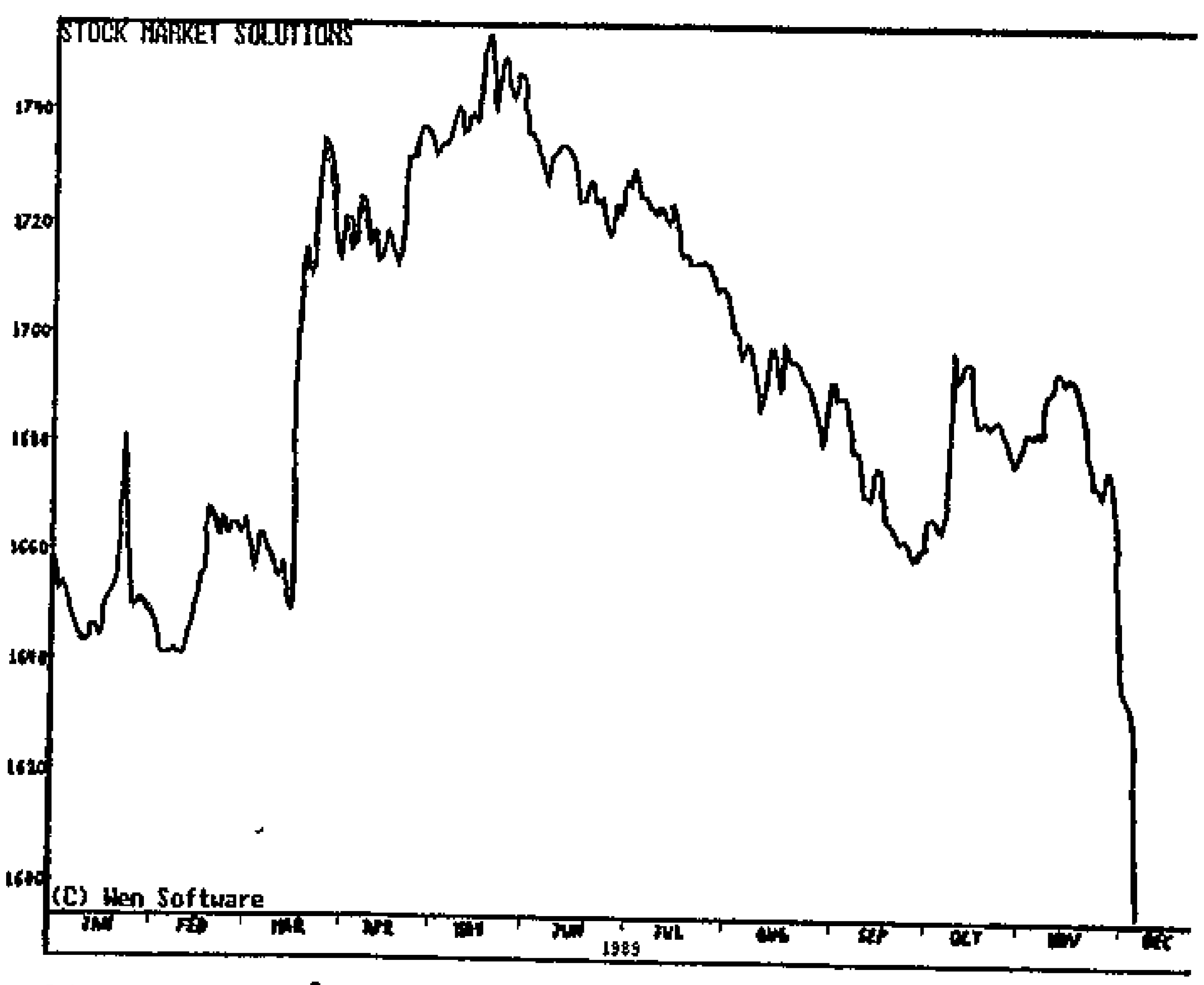
"US money supply growth peaked 23 months ago which — if the model is correct — indicates that US inflation should start rising quite soon."

The sharp drop in capital market rates could also be the harbinger of lower interest rates for hard-pressed businessmen

Although most economists and bankers expect the prime overdraft rate to remain at current levels until at least the second quarter of next year, a drop in the inflation rate would clear the way for the Reserve Bank to start reducing Bank and other rates.



These graphs show the correlation between foreign buying of South African gilts and the yield on the long-term capital market stocks. The yield on the Eskom E168 has declined since May this year (lower graph), when foreign buying of gilts started picking up. The upper graph, which indicates the weekly overseas purchases of gilts on the JSE this year, does not take into account the vast stock acquired directly by non-residents with issues such as the Treasury and Eskom or through financial institutions.



Firming finrand squeezes the JSE

BIDay 21/12/89

(74)

HEAVY foreign demand for financial rands to buy SA gilts, which reward foreigners with yields of up to 25%, put the squeeze on Diagonal Street yesterday.

The finrand firmed 12c to R3,64 yesterday, bringing the gain in the investment currency to 26,50c since December 15.

As finrands are created by overseas operators, selling short into Johannesburg SA golds and other equity leaders, and buying the shares in dollars in New York at hopefully profitable levels, the JSE was at the mercy of these operators.

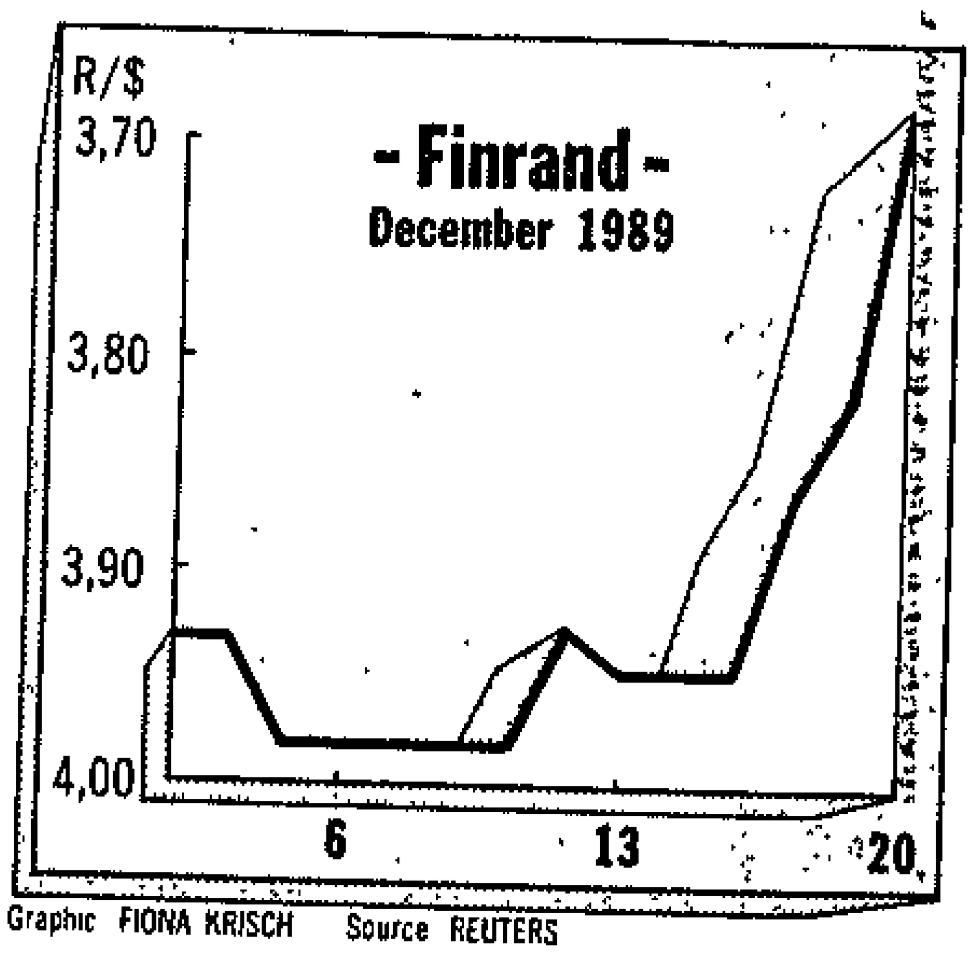
The problem for Diagonal Street is that European finrand dealers have moved into a market where there are fewer and fewer players as the holiday season nears, hence the sharp fall in stock prices.

Momentum in the finrand market has been building up strongly since Monday and an inactive Johannesburg is incapable of warding off the adverse effects.

In a becalmed market as far as players are concerned, frustrated stockbrokers spent their time calling forex dealers to find some direction for shares, but hopes that finrand demand pressure would ease were in vain. The result was that gold heavyweights were up to 3,5% easier while marginals recorded losses of up to 9% in their wake, and mining financials were about 3,5% lower.

The JSE all-gold index shed 52 points to 2 122, the diamond index retreated 333 points to 11 056 while the mining house index lost 128 points to 4 325.

The malaise spread to the industrial sector, where prices eased on receding interest. The index came off 41 points to 2 759. The overall market index lost 62 points to 3 000, its heaviest fall since October.



Graphic FIONA KRISCH Source REUTERS

The finrand pressure completely negated the firming gold price. The metal got a little push from fears that strong Soviet Union objection to US military action against Panama's government headquarters could interrupt the process of peace detente between the superpowers.

The JSE operated on a gold price above \$413 — up from the New York close of \$412,05 on Tuesday — and against signs that the price would go higher as the metal is in a technical uptrend. The New York gold price was \$413,25 in late trading yesterday.

● See Page 5

FOREIGN

INVESTMENT

1990

Overseas investment expected to continue

Gold and politics stimulate the JSE

Star 2\11\90

Patti Waldmeir of the Financial Times on the foreign influence behind the surge on the JSE which turned in the world's third best performance in 1989.

Politically and economically 1990 is expected to be a tough year for South Africa. But one would never know it from the equity market, which turned in the world's third best performance last year in dollar terms with further gains expected this year.

Gold and politics were the driving forces behind the rise in the Johannesburg Stock Exchange in 1989. In the last two months of the year, the coincidence of a rising gold price and improving political prospects boosted the FT-Actuaries Index for South Africa by 25,8 percent in dollar terms.

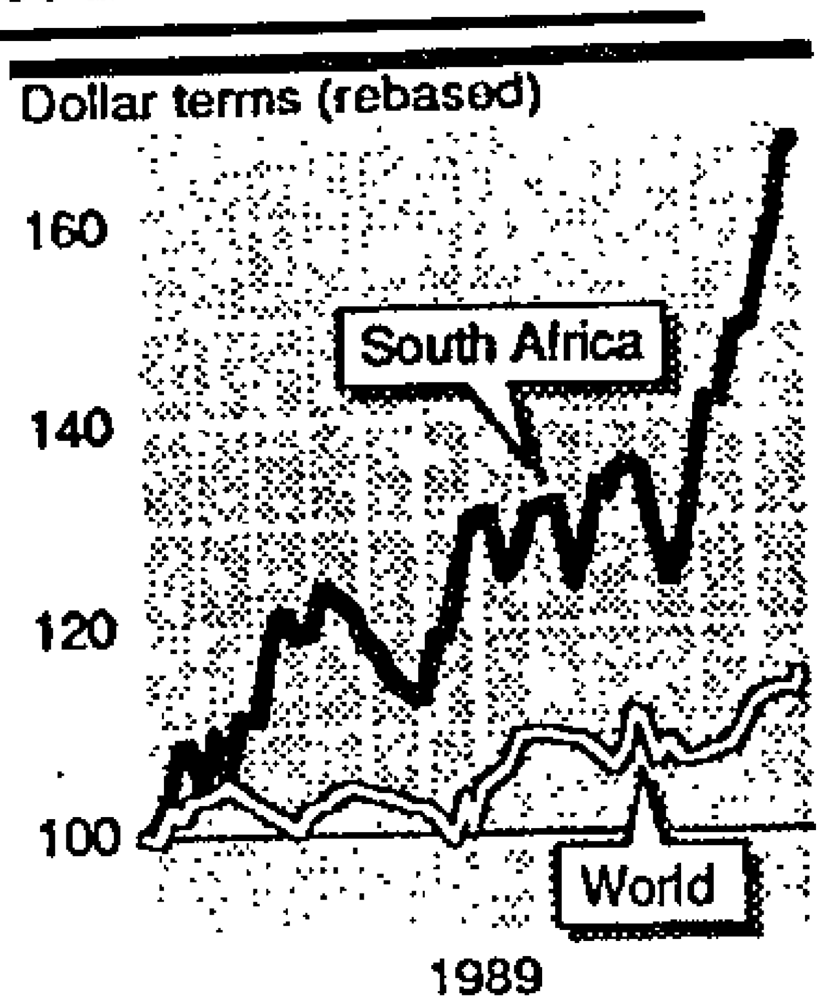
For the year as a whole, the market has risen by 68 percent in dollar terms, behind Mexico, which has nearly doubled over the period and Austria, which has gained 78 percent.

Johannesburg stockbrokers are predicting still more for 1990. "Despite this strong rise in share prices, I feel optimistic about prospects for next year, mainly because the gold price has changed from a long-term bear trend to a bull trend," says Mr Max Borkum of leading brokers Davis, Borkum, Hare & Co.

Foreign buyers

But the reversal in gold's fortunes — the gold price has risen by 14 percent since its 1989 low of $356 an ounce on September 15 — was not the only factor behind the JSE's latest surge.

For the first time in years, foreign buyers were a major factor in the market, reversing yet another trend. For the year to the end of October, foreigners made net sales of equities estimated at R3 billion ($1,2 billion). But they have now become net



purchasers of equity in significant amounts for the first time since before the currency crisis of mid-1985.

Brokers estimate that foreigners purchased more than R200 million in equities in November alone, with signs that interest continued strongly in December.

"We've been doing a substantial amount of business with overseas customers for the first time in years," says Mr Borkum.

Most brokers agree that this reflects a shift in political perceptions of South Africa, prompted by the removal last August, with a poor international image, of Mr P W Botha and his replacement by Mr F W de Klerk, who has already carried out some political reforms and promised many more to come.

The influence of foreigners in the gilts market was, if anything, even more pronounced. Foreigners have been tempted by yields of as much as 25 percent on long-dated stock — the effective yield to foreigners who purchase bonds with financial rands but repatriate interest at the commercial rand rate, enjoying an advantageous exchange rate on both transactions.

Demand for financial rands to purchase gilts has led to a sharp appreciation in the currency, which has risen more than 10 percent in the past week.

Equities

Although this rise makes equities more expensive for foreigners, brokers believe that their interest will persist if momentum can be maintained behind both the gold price and the process of political reform.

They expect foreign buying, largely confined to gold shares so far, to be extended to industrials, which have risen much less sharply in recent weeks. Since the end of October, the JSE Industrials index has risen by 7,2 percent, while the gold index has gained 17 percent.

However, because of a surge in industrials to mid-year, prompted by good corporate results early on, the industrials index is ending 1989 40 percent higher, with the gold index up nearly 60 percent. Brokers are reporting foreign inquiries about industrial shares, as well as small purchases, for the first time in years.

They note that, in South Africa's extremely illiquid market, a large inflow of foreign funds could create severe price distortions. And with local investors already considering the JSE somewhat dear, any foreign selling prompted by disappointments on the gold or political fronts could prompt sharp falls in the market.

If, however, the gold price firms for the first half of 1990, and if the expected release of Mr Nelson Mandela, leader of the African National Congress, eases political pressures, most brokers expect the indices to beat the inflation rate of under 15 percent in 1990.

Institutional demand will remain strong, they say, in spite of further privatisations; they point out that offers of new equity totalling R9,5 billion to the end of October 1989 (including the privatisation of state steelmaker Iscor) did little to slow the market's rise.

The Government's apparent determination to tackle inflation and state spending are seen as positive for the market. Economic growth is expected to slow sharply next year, possibly to less than one percent, suggesting lower growth in corporate profits and dividends, but the interest rate reductions which should follow (prime rate is currently 21 percent) would also be welcomed.

Next year could start slowly for both gold shares and industrials. Brokers believe the JSE gold index could ease back to perhaps 1 800 or 1 900 in January or February, from Friday's close of 2 046.

But they expect foreigners to continue to find attractive an effective price earnings ratio of 15 or 16 times for gold shares (adjusted for the effect of the financial rand), noting that, with the industry's profits at 20-year lows, further gold price increases should make a big impact on earnings.

Lower interest rates, meanwhile, are expected to contribute to a strong second-half performance by industrials.

New Syfrets fund launched

74 LINDA ENSOR

SYFRETS has launched a new investment fund with a gilt and semi-gilt portfolio solely for foreign clients.

As the Disa Income Fund is registered in the Cayman Islands, the fund is not subject to any income, withholding or capital taxes. BDay...

A Disa director, Ian Hamilton of Syfrets, says investors will also benefit from above-average returns made possible by the two-tiered currency structure of the rand as the policy is to invest through the financial rand in a spread of quoted and traded SA gilt and semi-gilt fixed interest bonds. 11/1/90

Hamilton says the return at the start of the fund in November was 22%. This has since dropped to about 20% because the finrand has moved upwards and because of the negative impact of interest rates on the gilt market.

Investment in call and put options will also be made in order to reduce the capital risk associated with fixed interest bonds and fluctuating interest rates.

Hamilton, who recently visited Europe to market the product, says the concept was well received there by both investors and leading bankers.

The preferred minimum investment in the fund is $25 000 or £15 000. Investment to date has been "substantial", according to Hamilton.

Foreign gilt deal rules may change

BDay 11/1/90. (74)

ROBERT GENTLE

THE Reserve Bank said yesterday it was looking into the controversial ruling which forced non-residents engaging in gilt transactions to deal through JSE-registered brokers.

Merchant banks, commercial banks and discount houses, which control an estimated 65% of all gilt transactions, have been waging a campaign through their representative bodies to have the ruling overturned.

They questioned the need to pay brokerage to a party they maintained was doing no work in the transaction.

The issue has been given added impetus in recent months by the continued huge demand for SA gilts by foreign buyers cashing in on financial-rand induced yields of up to 25%.

In the week ended January 5th, they made purchases of R59,8m and sales of R18,3m.

Reserve Bank foreign exchange GM John Postmus said for now the ruling "still stands".

The Reserve Bank's remarks came in response to suggestions in banking circles that the ruling, which one gilt trader described as a "major bone of contention", was about to be ditched.

Treasury GM at Standard Merchant Bank Chris Kenny said: "We expect it to go within weeks."

He said the BMA (Bond Market Association), the representative body for the gilts industry, had taken up the cudgels on behalf of banks to lobby the Reserve Bank for change.

Negotiations had now reached "a crucial stage" and a decision could be expected soon.

Spokesmen from Finansbank and UAL Merchant Bank welcomed the prospect of an end to the ruling.

Reaction was mixed among the JSE brokers. Some were plainly sceptical. Others said it would make little difference as a lot of banks had simply stopped dealing through brokers anyway.

"It would merely be legalising what to us is already a de facto situation," a gilt trader from a JSE broking firm said.

The argument in favour of dealing through a registered broker is that it ensures ensures the deal is made known to the market and is done at a fair price.

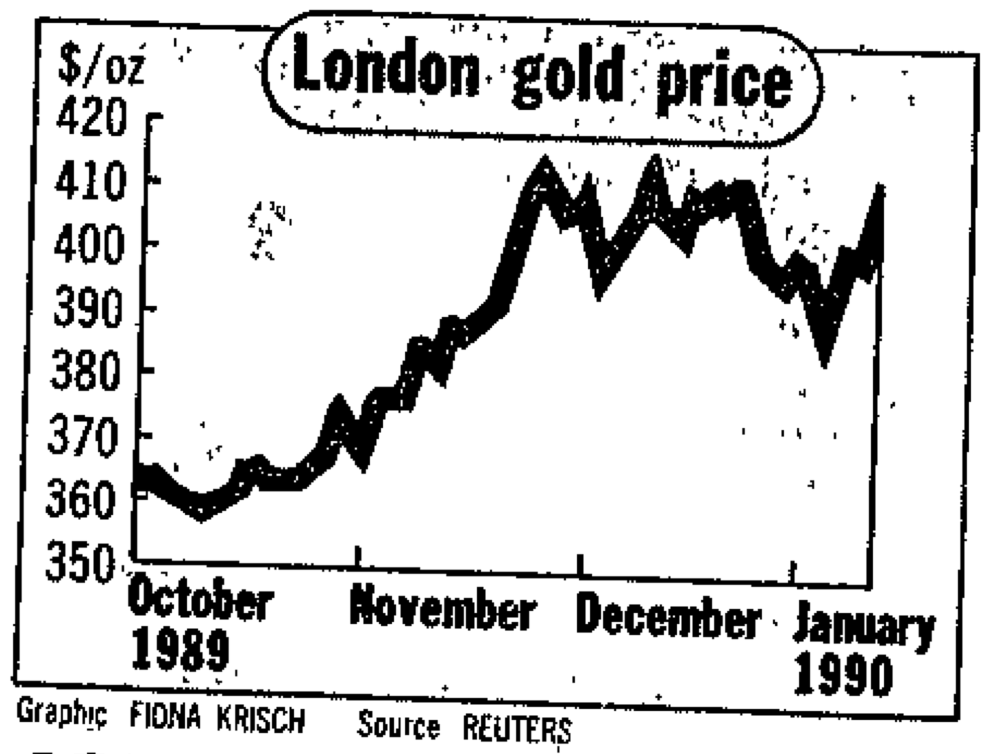
Opponents dismiss this, saying it is essentially a matter for buyer and seller.

Some even accuse certain unscrupulous brokers of making use of the knowledge of a huge order to deal in the same gilts themselves just before the market moves — a form of insider dealing known as "frontrunning".

"It is a fact of life in the industry. It happens all the time," one gilt trader said, and invited sceptics to examine December's chart movements.

That broad view was echoed by four other traders, all equally reluctant to be quoted.

No comment could be obtained from JSE officials yesterday.



Graphic FIONA KRISCH Source REUTERS

JSE records tumble as gold rebounds

Moday 12/1/90 74

MERVYN HARRIS

RECORDS tumbled on the JSE yesterday as gold rose to a three-week high of $414 in Europe before retreating on profit-taking. It closed in London at $412,50.

Shares of more than R215m traded and the overall, mining financial, platinum, financial and industrial indices chalked up fresh peaks in hectic two-way trading. But prices were held back in rand terms by the continued strength of the finrand which has gained almost 5% in the past two days.

The finrand's rise — to R3,4750 ($0,2877) from Wednesday's R3,5450 ($0,2820) — resulted in substantial profits for foreign investors in gilts. "Foreign investors have made 35% capital profit on an investment in long Eskom stock through the finrand within three months," says Ian Cruickshanks of Andrew Forbes.

This is based on a 25% profit on the finrand's rise and a 15% profit on the decline in long-term rates from 17,5% to 15%.

BOND MARKET FM 12/1/90

China bulls? (74)

Are we in a true bull market or could tenuous political confidence break and dissolve the downward trend of gilt rates?

Dealers say the slide from 16,935% in mid-November to 15,025% on January 8 was precipitated by foreign buying in November which created a shortage of paper.

The rapid fall took many by surprise. As investors tried to cover options books, they contributed to the paper shortage through panic buying. "The fact that people believe the shortage will remain helped push rates down further," a dealer says.

Last year, foreign buyers bought an estimated net R3bn gilts through the JSE and a further R2bn through the banking sector.

But will the bulls stay? Though one investment manager sees gilt rates rising to 15,5%-16,5% this year, many dealers feel they will decline further, but more slowly. Cape Investment Bank capital market GM Pieter Hartzer says: "The bull market is intact. We think rates will be lower by year-end owing to the changed political climate."

FINANCIAL MAIL JANUARY 12 1990

Eskom treasury manager Willem Kok says long-term rates may decline as long as foreigners keep buying. "For them there is still a good return even after the massive drop. However, it is a fragile market. If positive political perceptions change, confidence could turn and we could see massive dumping of stock."

Volatile market

He adds that the market is nervous and volatile. "Rate movements of 20-25 points a day, not seen during most of 1989, are now the order of the day."

A dealer says a lot of institutional buying reflects a perception that borrowing requirements will be substantially smaller this year, leading to a lack of quality stock — especially because public-sector offtake will not be as high as expected. For example, a significant portion of Eskom's R2,3bn capital market requirement for this year has already been funded. But an observer reckons that most institutions got in a bit late.

The main institutional buying must have been for quick profits or to cover a position because the big interest has been in liquid stocks, says another observer. "I doubt any institution would buy gilts at current rates: 15,5% is simply not attractive with call at 20%-21% and 12-month at 19%.

"I cannot be persuaded that long gilts offer value. Long-term rates have already led short-term rates, and are lower in SA investment terms. To go back to a positive yield curve we need a drop of 5% in short-term rates. Not many expect that to happen this year unless they are very bullish about inflation, say, around 10%."

A portfolio manager says there is still a small foreign interest because yields over 20% through the finrand compare well with the 7%-9% in European markets. ■

Syfrets launches new fund to attract the overseas investor

Star 15/11/90

Finance Staff

As part of its drive into the overseas market in the 1990s, Syfrets has launched a new investment fund for overseas and foreign clients, the Disa Income Fund.

The Disa Income Fund, which is only available to non-South African residents and trusts, is registered in the Cayman Islands and is therefore not subject to any income, withholding or capital taxes.

The fund's policy is to invest in a spread of traded and quoted South African gilt and semi-gilt fixed-interest bonds.

The two-tiered currency structure of the rand enables these investments to yield above-average returns. The fund may also invest in call and put options to reduce the capital risk associated with fixed-interest bonds and fluctuating interest rates.

Syfrets' Ian Hamilton, a director of the Disa Income Fund, recently returned from an extensive marketing trip to Europe.

"The Disa Income Fund concept was enthusiastically welcomed by both investors and leading European bankers," he says.

"The political and financial changes occurring in SA are attracting considerable positive attention abroad, and Syfrets' Disa Income Fund seems to be the right product being launched at the right time."

The advantages of this unique fund are:

- High return — the SA gilt and semi-gilt bond markets offer high returns because of the two-tiered currency system.
- Lower risk — the capital risk due to fluctuating interest rates is minimised by balancing the portfolio with call and put options. The portfolio also has a spread of bonds, thereby reducing specific risk.
- Low minimum investment — the preferred minimum investment is $25 000.
- Advantage of size — gilt and semi-gilt bonds usually trade in denominations of R1 million.

Foreign flight to gilts could benefit SA

ROBERT GENTLE

FOREIGN buying of SA gilts and semi-gilts could persist in the wake of a dwindling of new bond issues worldwide as Western governments cut spending and pursue more conservative budgetary policies.

This could provide the SA government and parastatals with an unsolicited source of funds, strengthen the finrand, narrow the discount with the commercial rand and slow the rate of decline of the country's foreign debt.

Such was the view expressed in the November 1989 edition of Economic Focus, a newsletter published by Bank of Lisbon International.

Japan expected to balance its budget this year, while West Germany's budget deficit was shrinking to the extent that surpluses could be generated by 1992, said Economic Focus.

In Britain, which has been running sizeable surpluses since 1987, the gilt-edged market would disappear completely by the year 2003 if the present trend continued, according to a report by Merrill Lynch.

Economic Focus said: "After years of amassing government bonds virtually guaranteed against default, pension funds, insurance companies and other worldwide investors are finding out that there are limited alternatives."

The flight to bonds induced by the latest global collapse in share markets in October 1989 could well spill over into foreign demand for SA issues.

Indeed, said Economic Focus, the case arose for Eskom to consider listing issues on foreign share markets such as London and Luxembourg. BDay 15/11/90

74

Profile

On the negative side, however, there was the danger that foreign creditor banks would argue that debt repayments to them were being hindered by the high returns — as much as 25% — paid to foreign purchases of SA gilts.

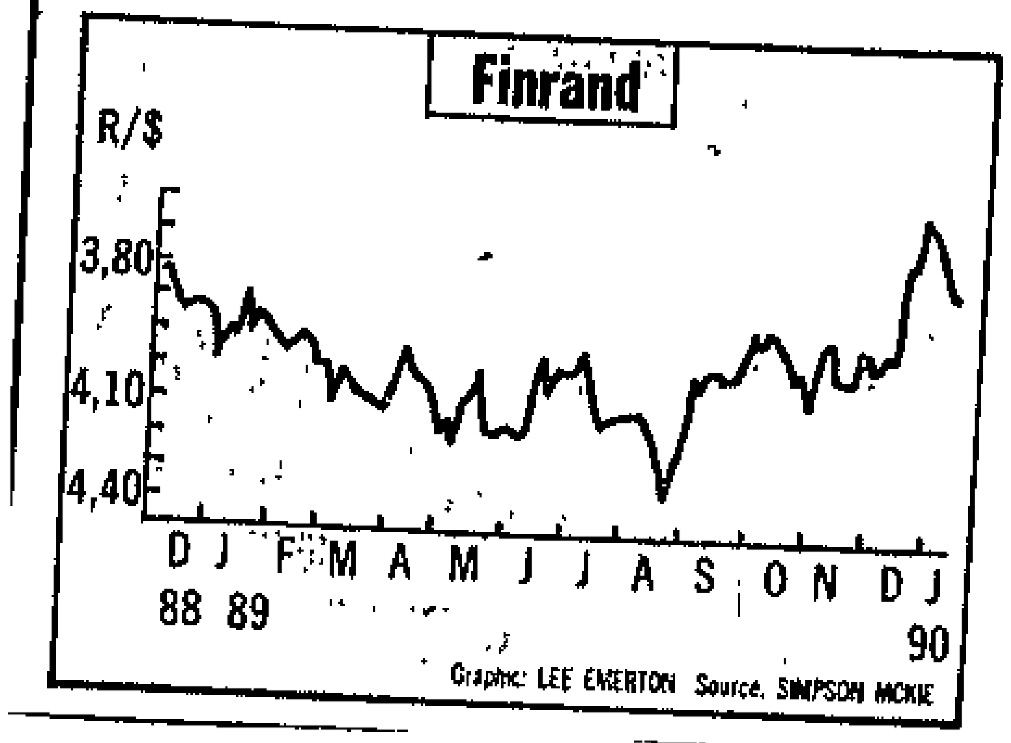
Also, because such capital had a higher political profile as it was invested in the public sector, there was the danger of sudden sales in the case of adverse political developments.

This was enhanced by the fact that once a few interest payments had been received, a substantial part of the purchase price could have been covered.

'Illegal' trade in bonds estimated at R3,5bn

B/Day 15/1/90

(74)



ROBERT GENTLE

AS MUCH as R3,5bn of the estimated R5bn of gilts purchased by non-residents in 1989 may not have gone through JSE-registered brokers, in apparent contravention of Reserve Bank rules.

This estimate, gleaned from interviews with gilt traders, banking sources and JSE brokers, supports reports in the Press last week that certain banks have been dealing directly with overseas clients.

The Reserve Bank requires securities transactions with non-residents to be routed through a JSE broker to bring the deal into the open, avoid over-invoicing and allow some measure of control.

Merchant banks, commercial banks and discount houses control an estimated two-thirds of all gilt transactions. Their objections to having to use brokers as "middlemen" are on record.

In a further twist, some of the banks are understood to have informed the Reserve Bank in writing early in the year of their intention to bypass the brokers.

Silence from Pretoria was taken as tacit

☐ To Page 2

'Illegal trade'

B/Day 15/1/90

(74)

☐ From Page 1

approval. In December, however, the Reserve Bank sent a circular to all banks reminding them to heed the present ruling.

A gilt trader played down the whole affair, saying everyone knew the Reserve Bank was re-examining the issue anyway, and that once the Bond Market Association's formalised gilt trading structure was up and running later this year, it would become a non-issue.

The latest disclosures go some way towards explaining how the finrand managed to stay on a relatively even keel during most of the year despite a wave of disinvestments.

Some analysts have contended that given the likely net withdrawal of foreign equity capital from SA for 1989, the finrand should technically have weakened.

Standard Merchant Bank (SMB), a big player in the gilts markets, handled the Hanson pullout. It believes gilt purchases by non-residents had a stabilising effect on the finrand.

● See Page 7

Analyst fears tax on gilts

74

Diagonal Street

DEREK TOMMEY

Did you know that in the past 18 months you could get a reasonably accurate dollar-rand exchange rate figure simply by dividing the dollar gold price by 1 000? Try it. Star 17/1/90

And did you know that if the financial rand discount fell below 15 percent, foreigners buying SA shares would get smaller dividends than SA investors?

These are some of the insights contained in a survey of recent heavy investment in SA gilts by foreigners.

The survey is by Tim Williams, head of mining research at London-based brokers, Corporate Broking Services.

But he believes that because of uncertainty about whether a withholding tax will be imposed on payments of Eskom interest overseas, foreign investors should keep away from these stocks until the Budget.

Foreigners have made a handsome profit in the past year by investing in SA stock and Eskom 168, in particular. At the beginning of last year this stock, if bought through the finrand, was giving a yield to redemption of around 26,7 percent. By the beginning of October it had dropped to 23,9 percent and to 21,7 percent last weekend — giving an overall capital appreciation of around 23 percent.

He says factors behind the increased interest in Eskom stock overseas include the improvement in the gold price, together with the general sentiment that a new bull market is under way; the perceived improvement in the political outlook and the renegotiation of the overseas debt within the standstill net.

This has led to foreign demand for financial rands and to its discount dropping sharply from 38 percent at the beginning of last year to 27,3 percent at the end of December and to 24 percent at present.

But its strength has been all the more remarkable in the light of the recent huge movements of cash out of SA since the sale by Hanson of the rump of GFSA and its gold mining holdings, the sale by RTZ of big chunks of BP Minerals and the sale by BP of its coal interests.

Much of the recent buying is believed to have come from hard-nosed centres in Germany, Austria and Switzerland where bankers feel that a yield to maturity on medium-dated stock of more than 20 percent represents a good reward.

The general view is that the risk of default on payment of SA debt of this kind is low. But a fall in the gold price would lead to a drop in the exchange rates of the commercial rand and finrand.

He says there is growing feeling in Europe that the new leadership is serious about sorting out the economy and that inflation is about to fall as government spending is curtailed.

All this sounds like a strong buy recommendation, says Mr Williams. But there is a worry that a withholding tax might be levied on interest payments overseas.

A 15 percent tax is levied on dividend payments and it has been argued that dividends and interest should receive the same treatment.

On the other hand, if SA wanted to encourage foreign equity investment and eventually get rid of the financial rand, the tax on dividend payments overseas would have to go, he says.

Because of uncertainty about what will happen to the non-resident shareholders' tax, Mr Williams recommends that purchases of SA gilts should be deferred until after the Budget. In the meantime, investors should investigate the gold share market.

Futures door may open wider

ROBERT GENTLE

THE Reserve Bank may soon allow non-residents to hedge and speculate on the local futures market via the finrand.

This would provide the ultimate kick-start to the still informal industry, greatly increasing the liquidity of both the futures and finrand markets.

Safex (SA Futures Exchange) executive committee chairman and executive chairman of Rand Merchant Bank G T Ferreira said a formal sub-group was talking to the Reserve Bank about the matter.

"I am fairly confident it will be allowed," he said.

Reserve Bank officials were not available for comment.

Ferreira said the Reserve Bank would probably give the green light once the formal market in the form of Safex was up and running later this year — the latest timetable suggests June or July.

However, other senior figures in the futures market said it might be sooner rather than later. They said futures contracts would soon be classified as listed securities, which non-residents are allowed to trade in anyway. BDay 24/1/90

One trader said he had already started to sound out London-based market makers in SA stock in anticipation of just such a move, and said he believed his competitors were doing so too.

He said while JSE stockbrokers would probably be able use their well-established international links to profit from such a ruling, but many futures broking houses would have to make the contacts themselves.

Traders said the most likely scenario

☐ To Page 2

Futures

B Day 24/1/90

(74)

☐ From Page 1

was an all-finrand one in which non-residents would place both initial and variation margins in finrand, gain interest on those margins in finrand, and take out eventual profits in finrand.

They doubted whether interest would be permitted to accrue in commercial rand — this is presently the case with gilts — as this would result in capital outflows.

Non-residents would then, they say, simply take out equal and opposite positions on the same contract — for example, go long and short on the gold index. Virtually risk-free interest would then accrue, which would leave the country via the commercial rand

Another trader also warned of the possibility of abusing the arrangement to make risk-free profit.

Among the overseas institutions thought to be able to profit from this eventual arrangement are market makers in SA stock like Smith New Court, Deutsche Bank and Credit Suisse/First Boston.

procedure paid for by the state.

Need to formalise futures market

Bday 25/1/90

KIN BENTLEY

LONDON — The formalisation of the SA futures market for foreign investors and a good reform package from President F W de Klerk next month could boost overseas investor confidence.

(74)

An SA specialist with London share brokers James Capel, John Taylor, believes that should these occur, the market will go from strenth to strength — following up on the past three good months.

Taylor said the informal nature of the futures market meant foreign investors were a bit reluctant to go into it because they lacked assurance that they would be able to sell again at a fair price.

Asked if futures were seen as a possible hedge for SA share deals, he said they could become this if the market was formalised and "President De Klerk delivers good things next month".

Expected of De Klerk, he said, was the unbanning of the ANC, the removal of troops from the townships, the lifting of the state of emergency and the release of Nelson Mandela.

Under the present informal situation, futures were not a listed investment, which meant contracts could not be in finrands.

He was also unsure whether, once the market became formalised, futures would be classified as a listed investment, a requirement for finrand transactions. However, it hardly mattered because the same potential gain could be had whether purchases were in finrands or commercial rands.

Albert Loveless of Smith New Court said his company was not involved in the SA futures market, which he expected to receive mainly domestic support initially. But should it prove successful, there could be more overseas interest.

One major drawback for foreign investors was the fluctuating value of the finrand.

A solution could be a separate market for futures, which he did not foresee the Reserve Bank "taking too much liking to" because it would be open to manipulation.

B/Day 30/1/90

74

SA will become acceptable to investors

SA will again become an acceptable place to invest in, says PETER KRAFFT in the Daily Telegraph.

AFTER a while, nations become weary of war, poverty and ideology, and turn with relish to making money. The thought of this happening in Eastern Europe has brought foreign investors piling into German shares, but they should not forget SA.

The country has been a Berlin amid hostile neighbours for years. The political changes now taking place and the imminent release of Nelson Mandela mean SA will again become an acceptable place to invest in, but the implications run much deeper.

The country is undergoing an economic overhaul equivalent to those of Thatcher and Gorbachev rolled into one.

President F W de Klerk has handed monetary power back to the Finance Ministry and the Central Bank.

No longer can the profligacy of an overblown police state determine money supply. Interest rates have risen to 20% to squeeze out 15% inflation.

A major privatisation programme is taking place: even the State garages are up for sale. Tax rates will fall from their very high levels.

Refugees

These supply side improvements come as the dismantling of apartheid brings promise of a trade upsurge with SA's black neighbours.

Behind the rhetoric, they have been expanding trade steadily and improvements in the political climate could turn SA into their Hong Kong: a technological and trading shopfront for the world.

As the Berlin Wall fell, the shares to buy were those of construction companies standing to benefit from building homes for refugees as well as reconstructing the East.

There will be no quick jump in profitability for SA companies. The new economic discipline implies a tough immediate future, followed by soundly based expansion.

What shares can be bought to benefit from the long-term improvement in the economy?

In many ways, the country resembles Australia, with its labyrinthine cross-holdings. But the balance sheets are very different, often being stashed full of cash. Shares are also cheap.

A company like OK Bazaars, quoted in London and one of the country's biggest retailers, yields almost 10%, but offers little direct exposure to the improved industrial prospects.

Two companies which stand out are Barlow Rand and Malbak.

Barlow Rand, quoted in London, has a rock-solid balance sheet, with no net borrowings.

It is a well-managed conglomerate with interests ranging from cement to telecoms manufacture, and trades on a historic earnings multiple of under seven.

Smaller, and not quoted in London, is Malbak, although with a £250m market capitalisation it is no flyweight. Its earnings per share have risen at a compound rate of 35% annually for the last few years.

Squeeze

Making industrial products it will be a direct beneficiary of improved trading links.

Although the economic squeeze will slow Malbak's growth this year, it will still manage about 15%, bringing the earnings multiple down to six.

Such value cannot easily be had in London.

Over-

seas investors quick to climb in

STAR 3/3/90 (74)

MAGNUS HEYSTEK and DEREK TOMMEY

FOREIGN investors have reacted positively and strongly to the speech by the State President, Mr FW de Klerk, at the opening of Parliament yesterday.

The first signs of this was a sharp rise in South African gold and industrial shares in British and European share markets. This helped to pull up share prices on the Johannesburg Stock Exchange.

In London gold share prices rose 7,2 percent. But a 3,9 percent rise in the financial rand restricted gains in gold shares in Johannesburg to 3,2 percent.

The strength in the financial rand also helped to limited the rise in industrial share prices on the JSE to 3,3 percent.

However, some foreign favourites scored sharp gains. Barlows rose 500c (11,1 percent) to 5000c, Johnnies rose 525c (10,6 percent) to 5400c, and SA Breweries rose 300c (9,2 percent) to 3550c.

Financial rand

The financial rand, following strong foreign buying, firmed yesterday from R3,45 to the US dollar to R3,32 to the US dollar - its highest rate since May, 1988. The financial rand discount dropped to 23,1 percent — the smallest discount (with one brief exception) since the financial rand was re-introduced in 1985. The commercial rand showed little movement on the day and closed at R2,5515 to the dollar.

An immediate and favourable reaction to Mr de Klerk's speech came from one of Germany's top businessmen, Dr Carl Hahn, the international chairman of the motor giant Volkswagen, who is on a visit to Johannesburg.

He was greatly impressed with the State President's announcement and said it vindicated Volkswagen's decision to remain in South Africa.

"The announcement will contribute greatly towards bringing South Africa back into the mainstream of the international business community," he said.

While not prepared to make any specific statement regarding further capital investments in South Africa, he indicated that this would seriously be considered should the reform processes continue.

Mr Peter Searle, chief executive of Volkswagen SA, said that South Africa urgently needed to maintain its technological links with the industrialised world. President de Klerk's dramatic announcements would make this difficult task easier.

Many stockbrokers were enthusiastic. Mr Dixie Strong, of Simpson McKie, said Mr de Klerk's speech had been as bullish as anyone could have hoped for. He saw the overseas reaction as a sign of renewed foreign confidence in South Africa.

Although it would not happen overnight, he expected to see foreign capital flowing back to this country.

An investment analyst, Mr John Clemmow, said Mr de Klerk's speech had raised expectations in the London markets that the United States might move to ease sanctions on South Africa.

Should this happen foreign capital could pour into the country.

Mr Glenn Walfer of Davis Borkhum and Hare said Mr de Klerk's speech had been encouraging for the JSE which should continue to benefit in the longer term.

"Although the market always tends to overdo things and is likely to go over the top in the short term, I nevertheless believe that foreign and local interest will be sustained, which should result in a better market in the longer term."

Dr CARL HAHN: "The announcement will contribute greatly towards bringing South Africa back into the mainstream of the international business community."

Mr Mike Brown of Frankel, Kruger Vinderine agreed that the State President's speech had a positive effect on the market and pointed out that the interest in the financial rand was indicative of foreign involvement in the JSE.

"Quite a number of investors have jumped into the pool now, while others will probably wait and see before committing themselves."

Mr Brown said that the full effect of the speech on the market would not be known immediately as it would take some time for the news to be digested.

Mr Deryck Spence, managing director of Castrol of SA said the Presidentwill change South Africa as we have known it entirely. "His statement is the mo[st] positive and courageo[us] that has ever come out [of] this country".

Wee

US demand may boost SA share prices

(74)

MERVYN HARRIS

SHARE prices are expected to open higher when the JSE opens today after demand for SA stocks in New York on Friday night in what could herald an upward re-rating of SA shares overseas in response to President F W de Klerk's speech.

JSE executive president Tony Norton, who returned to SA yesterday from London where he was looking at latest market developments, said: "British financiers and businessmen were extremely impressed, not only by the contents of the speech but the manner in which he managed it.

"Hopes were lowered on Thursday so that his reform initiatives more than met expectations when he announced them on the Friday. It was a wonderful day to be in London.

BDay 5/2/90

"An appreciation of the finrand and improving economic prospects in the long term are two good reasons for foreigners to invest in SA. The firm gold price is also an encouraging aspect at the moment, and I expect continuing overseas interest in our market," Norton said.

Dealers in New York reported US gold stocks coming under some pressure as traders sought to liquidate positions to take advantage of the rally in SA gold shares, which still appeared undervalued relative to US companies.

On the JSE, expectations that the President's moves would result in an easing of sanctions against SA and thus improve trading prospects for SA companies sparked a scramble among institutional investors for blue chip industrial shares.

The industrial index surged 3,3% to a fresh peak of 3 031 to help lift the overall index 2,7% to a record 3 280.

Profit taking and the firmer finrand stymied attempts by the all-gold index to move to higher ground and the index ended four points below its mid-December high at 2 250.

SA gold shares closing in on American counterparts

BDay 5/2/90 . 74

CRAIG SMITH

NEW YORK — The gap between the value of SA gold stocks and those of North American gold companies may close in the wake of conciliatory actions by President F W de Klerk's government, American analysts say.

The American depositary receipts of SA gold companies followed their underlying share prices higher on Friday after those stocks surged in Johannesburg in the morning.

An increase in the value of the financial rand has added to the gains by the American depositary receipts.

Restricted

Louis Nicoud & Associates analyst F Barry Nelson says: "Since the early 1970s, SA stocks have traded at a discount because of the political risks in the country, aside from the problem that American investors won't own SA stocks."

Many American pension funds and other institutional investors are restricted from owning SA shares.

SA gold stocks, for example, trade at about 15 to 20 times estimated 1990 earnings, according to Vahid Fahti, an analyst who follows the stocks for Prescott Ball & Turben in Cleveland. North American gold stocks, by contrast, are trading at a p:e of 35 and higher, Fahti notes.

"We expect that gap to close," Fahti says.

He feels political reforms will open up the stocks to broader ownership, which in itself will raise the value of the shares. Beyond that, he expects economic reforms to eventually put SA stocks on a par with gold stocks in the US.

"I suspect that SA's next step would be overhauling its current currency system from a two-tier exchange rate," Fahti says, noting that the financial rand is valued at a deep discount to the commercial rand because of perceived political instability.

"If they would get rid of the financial rand, one would expect a mark-up in share prices automatically," he adds.

President Bush said he would review the economic sanctions in place against the country.

Analysts say any easing of political tensions should increase the value of SA gold stocks, as well as those of other SA companies.

But Louis Nicoud's Barry Nelson counsels caution.

Surged

"I'd be cautious in the near-term," he says, noting that such sweeping developments are normally followed by a period of disappointment. "But there is tremendous long term potential."

On the New York Stock Exchange, the American depositary receipts of Asa Ltd surged $2,25 to $68,25. Gold Fields, Buffelsfontein, Driefontein and De Beers also gained in over-the-counter trading. — AP-DJ

Foreigners take new look at Krugerrand

B/Day 6/2/90 (74)

LIZ ROUSE

PRESIDENT F W de Klerk's reform initiatives yesterday revived international investor interest in the Krugerrand.

Reuters reports that gold closed at a 14-month high of $423 in London in fairly active trade, but most attention was focused on the coin market with the Krugerrand trading at a $3-$4 premium over spot at one point.

Recently the coin was at a discount of as much as $1,00 because many countries banned the sale of newly minted coins.

Krugerrands were quoted at $425 at the close: a $2,00 premium over spot gold. On Friday a 50c discount prevailed.

The London spot close of $423 was above opening and previous closing levels of $418,40 and $417,25 respectively.

Bullion dealers said New York demand provided the fillip needed to break above the $420 chart level, although the market faltered at further resistance around $425.

Technical analysts see gold's next target at around $432, with a further upward move projected towards $445.

Although spot gold surged above $423 during the last trading hour on the JSE, a sharply firmer financial rand of R3,19 — up from R3,28 on Friday — influenced the rand price trend on the mining board.

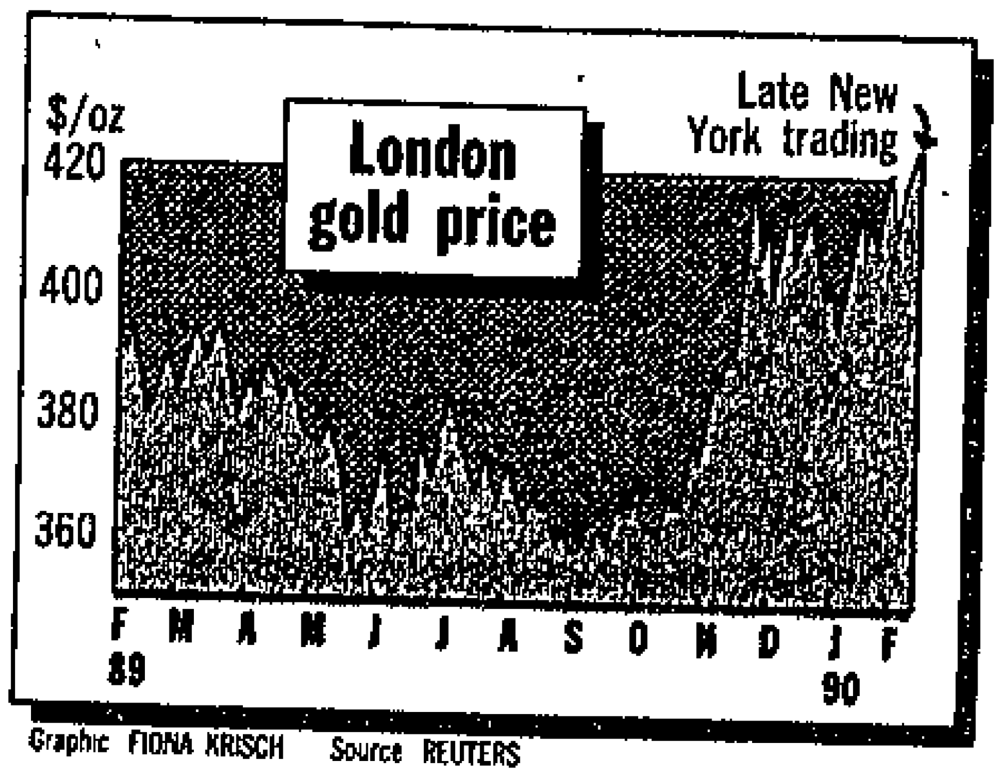
SA mining shares were higher in dollar terms, but the JSE all gold index closed a marginal 11 points down at 2 239, although the afternoon gold price jump caused gold shares to improve towards the close. The index was down 37 points in earlier trade.

The industrial index, on the other hand, soared 126 points to a new peak of 3 157 as leading shares such as heavily weighted Iscor, Barlows, SA Brews and OK took off.

Brokers said the slight lag in the all gold index was also partly attributable to a pause after Friday's surge and the fact that Gencor mines, included in the index, went ex-dividend.

A broker said local investor interest in industrials would spread beyond the blue chips. He said small investor knowledge of the market was low at the moment, but interest in other good class stock would grow.

The gold price climbed to $424/$424,50 after the close of the market, auguring well for today's opening of the JSE gold board.



Graphic FIONA KRISCH Source REUTERS

SA equities might draw UK pension funds

By Neil Behrmann

LONDON — A huge amount of funds could flow from UK pensions in a post-apartheid South Africa.

If and when restrictions on investment are lifted, the potential will be enormous.

A survey, conducted ahead of President FW de Klerk's address, shows apartheid prevented UK fund managers controlling £135 billion from investing money in SA equities.

The survey by Pension Investment Research Consultants (PIRC) covered 29 of the UK's top funds managing £130 billion of pension money.

More than 50 percent of the funds surveyed, equivalent to £68 billion, were not allowed to buy SA equities.

Moreover, 38 percent of the UK's 883 pension funds were restricted from making any type of investment in SA.

Stuart Bell, a senior researcher of PIRC, says the survey was conducted when hopes of negotiations in SA were already high.

The results illustrate the cautious attitude of pension fund managers, he says.

Nevertheless, there is considerable confusion amongst British fund managers and indeed foreign investors. Conditioned by anti-South African feeling for years, they still cannot come to terms with the possibility of a democratic South Africa.

"While some fund managers avoid SA because of excessive risk, other baulk at investment restrictions," says the report.

The comment illustrates that foreign investment moods swing between hypocrisy and greed.

The FT Actuaries SA index in dollar terms has doubled in the past twelve months and since December rand bonds on foreign markets have risen by 30 percent.

Although average gold share dividend yields are low, industrial shares pricey and Eskom yields have fallen below the inflation rate, foreigners don't appear to be perturbed by historically poor values.

For the first time in ages, the JSE is getting a glimpse of the vagaries of hot money.

US and Japan looking for yet more progress

In this, the first in a two-part series, the Financial Times examines prospects for relaxing sanctions and a return of foreign investment in the wake of President FW De Klerk's speech at the opening of Parliament last week.

US capital will keep flowing out of South Africa until the last vestiges of apartheid are eradicated, US business leaders and lobbyists say.

Measures announced by President FW de Klerk last week are seen as only a first step.

His government needs to do much more before laws severely restricting new US investment are lifted.

Many US companies which withdrew from South Africa in the 1980s say it is far too soon to return, even if US law allowed it.

Many of these corporations are likely to continue under attack from lobby groups which claim they have retained strong ties with South Africa.

About half the departing companies license South African companies to sell or make their products.

Strong argument

Moves such as last week's lifting of the ban on the ANC provide a strong argument for increasing sanctions and pressure for disinvestment, says Ms Donna Katzin of the Interfaith Centre for Corporate Responsibility.

The centre plans to keep up its shareholder pressure on corporations until there is basic and fundamental change in SA.

For example, at more than 100 company annual meetings in the months to come it will propose shareholder resolutions to stop dealings with SA.

"I'm still urging disinvestment until I see an actualisation of the promises that seem to have been made," says the Rev Leon Sullivan, a black Baptist minister whose 13-year-old Sullivan Principles on US investment in South Africa helped trigger the wholesale withdrawal of US capital in the 1980s.

The exodus swelled from seven companies in 1984 to a peak of 56 in 1987 before falling back to 18 last year. In total, 176 US companies have left over the past five years.

More than 120 still remain fully active in SA, according to the Investor Responsibility Research Centre in Washington.

Caltex is the largest, with 2 056 employees, followed by International Paper, with 1 966, and Johnson & Johnson, the drug group, with 1,451.

Other big names include United Technologies, Caterpillar and Minnesota Mining & Manufacturing.

"We believe our position there is a positive one for social justice," says Bill Lane, an international government affairs specialist at Caterpillar.

It has a parts warehouse serving Southern Africa and its exports to South Africa create 650 jobs in the US. At its last annual meeting 12 percent of its shareholders voted for withdrawal.

There is little chance legal restraints on US companies will be lifted as long as key friends in Congress maintain their strong position, says Richard Knight, a research associate of the American Committee on Africa, the oldest anti-apartheid lobby group in the US.

"People understand you have to look beyond the changes announced so far. The bottom line is universal suffrage in a unitary state."

The Japanese government, embarrassed in the past by highly publicised commercial ties with South Africa, has told Japanese companies that Pretoria's announcement of reforms should not herald direct investment or an increase in trade.

Although individual Japanese companies are reluctant to comment on possible changes in strategy, a senior Japanese Foreign Ministry official says the government and corporate position on South Africa should not change until after the release of Nelson Mandela and some other improvements on segregation policy occur.

Japanese exports to South Africa, which, on a monthly average, fell by 16 percent last year on a customs-clearance basis, rose 17,9 percent in December, compared to the same month in 1988, according to Ministry of Finance figures.

Japan became South Africa's largest trading partner in 1987, with bilateral volume, totalling $4,27 billion, prompting Tokyo to urge restraint and encouraging some companies to find third-country routes for products.

Trade with South Africa fell by four percent in 1988, putting Japan behind West Germany, in bilateral volume.

In early 1988, the Keidanren, the Federation of Economic Organisations, urged member companies to restrain trade with South Africa after the increasing volume had been condemned in the US.

Direct flights

The Keidanren has also emphasised that Japanese companies have honoured a ban on direct investment, while bans remain on direct flights to Japan by South African Airways and the use of the airline by Japanese government employees. Moreover, South African tourists are refused entry visas to Japan.

Jerry Matsila, the ANC representative in Japan, says companies will be tempted to upgrade commercial ties because controls were imposed only after international criticism.

The ANC estimates that Japanese brands comprise 62 percent of the car market in South Africa and take 64 percent of of the car-component market.

Mr Matsila says Japan's direct imports of needed raw materials from South Africa have fallen, but that imports via third countries have risen by a similar percentage.

Mr Matsila wants Japan to impose even tougher commercial sanctions, an action he says would ensure Tokyo a leading role in the construction of a new South Africa. — Financial Times.

JSE ecstacy, but the world's not rushing over

WM 9/2 - 15/2/90

(74)

South African business has hailed the FW speech as the path back to recovery. But Washington showed a great deal more caution

A RISING gold price has made for a general air of optimism on the Johannesburg Stock Exchange of late but the atmosphere last Friday afternoon following State President FW de Klerk's speech was euphoric.

Brokers were receiving interested phone calls from their foreign counterparts, not just about South African mining shares, but about industrial shares.

Within three days the JSE industrial index rose by 9,4 percent, with blue chip shares, particularly those listed on the London Stock Exchange, increasing by much more than this. Barlows, for example, gained 21 percent and Remgro 16 percent.

The stockbrokers' euphoria seemed based not only on increased overseas interest but also on a perception that South Africa's economic prospects, particularly its balance of payments outlook, should improve following the De Klerk speech.

Indeed the balance of payments situation already looked better before the speech, as a result of changing foreign perceptions of South Africa's political and economic situation.

With very high foreign debt repayments of around $2,1-billion due this year, economists had been predicting capital outflows of up to R7-billion.

But Reserve Bank governor Chris Stals said last week it was possible this figure could turn out as low as R2-billion thanks to rollovers and extensions on the debt payments.

He also told *Weekly Mail* there was a small increase in the amount of foreign capital, especially short-term finance, available to South Africa.

And following the speech there were suggestions that sanctions pressure could be lifted — with Britain in the lead and the US possibly to follow.

But despite De Klerk's speech and the general euphoria, it is far from certain that foreign capital will now come flowing back into the country.

For one thing, there is a worldwide shortage of capital, especially long-term investment capital, available for developing countries.

And for another, the response from South Africa's major trading partners has so far been cautious.

From New York, **MARK GEVISSER** reports that despite the fact that both the United States Congress and the Administration have called for a further moratorium on sanctions, there is currently a bill in the House of Representatives that proposes to tighten the 1986 law.

Drafted in response to the debt rescheduling agreement between South Africa and its American creditors, it would, over a staggered period of three years, institute legislation to make the rescheduling of debts more difficult — by preventing American banks from converting short-term debts into 10-year exit loans.

It would also prohibit the US government from using any bank that did business with South Africa.

Although this bill, still in its early stages, seems out of line with the broader "no more sanctions" policy, legislators are preparing it so that it will be ready in June if there is a need to apply more pressure.

"We hope," says a congressional source, "that it will serve as a constant reminder to (State President FW) de Klerk that we are not relaxing our vigilance."

The tone of suspicion and caution that lawmakers use even when praising De Klerk is echoed in the business world where, according to the *New York Times*, recent events have not and will not stimulate new foreign investments in South Africa.

The banks are unlikely to make further loans to an economy that is not only politically stigmatised but also shows no signs of stabilisation. Divested businesses have lost so much by leaving that it would simply not be viable to return.

Sal Marzullo, chairman of the Sullivan Signatory Companies, believes however that much of the credit for De Klerk's initiative must be claimed by the companies that have stayed in South Africa and have spent millions on education, housing and other services.

"These companies have been within the movement for peaceful change, and now that the goals of this movement are beginning to be realised, fewer of them will feel compelled to withdraw."

He believes that if and when negotiations do take place, many of the major corporations who have left will revise their positions.

But a representative of Honeywell Incorporated said that her company would only consider re-entry after "a complete elimination of the laws supporting apartheid, and the establishment of political freedom and equal opportunity for all". A similar statement was made by Barclays Bank.

Turn of the tide

Foreign investors will watch economic as well as political performance

After years of snubbing SA, foreign investors are showing signs of renewed interest. Indications are that foreign capital flight has slowed — and some capital inflows are evident on the capital account of the balance of payments.

On top of this comes F W de Klerk's giant leap forward on February 2. That it will give impetus to foreign interest is already evident — making it the opposite of the Rubicon blunder of 1985, which caused an exodus of people and capital. Between 1985 and 1988, R24,5bn left the country as perceptions of the economy and the political situation deteriorated. Reserves have come close to empty with virtually no capital inflows, compounded by massive foreign debt repayments.

Is SA set to return to the real world? Maybe. "But," cautions Reserve Bank Governor Chris Stals, "one must remember it isn't the same world of the Sixties and Seven." He points out that: "Industrialised countries are more reluctant to invest in Third-World countries because of bad debts they have accumulated over the last few years." Loans have steadily declined. The total flow of loan funds from industrialised countries to the Third World fell from US$86bn in 1981 to $60bn in 1983 to $7bn in 1988.

Nonetheless, though large capital inflows are unlikely, Stals is optimistic outflows will continue to decrease in 1990 — provided political reforms continue and the economy shows further signs of improving. This means a healthier capital account: the measure of change in composition of SA's assets and liabilities with regard to non-residents.

Since second-quarter 1989, available figures in the Reserve Bank *Quarterly Bulletin* show capital outflows have slowed. Figures show a decline in outflows from R1,8bn in first-quarter 1989 to R1,1bn in the second quarter and R244m in the third. However, it is believed fourth-quarter figures are not as promising and show the volatility of the inflow situation. Greater outflows in the fourth quarter were probably a result of large debt repayments over December.

But available figures are encouraging. They mean an increase in the amount of trade credits taken with offshore banks — mostly European — causing a delay in payments for imports (and speeding up payment for exports) as opposed to onshore trade financing which would lead to immediate payment for imports on shipment. There has been a possible granting of new loans or rolling over of existing ones for government or semi-government organisations. And leads and lags on the forex market, caused mainly by a stronger rand, have shifted to place forward cover contracts in a less precarious position.

Foreign banks say it's premature to indicate precise policy changes after February 2. But European banks, mostly Swiss and West German, have indicated renewed optimism — bolstered mainly by improved political perceptions and government's better grip on the economy. Stals says European banks are more willing to extend credit to SA.

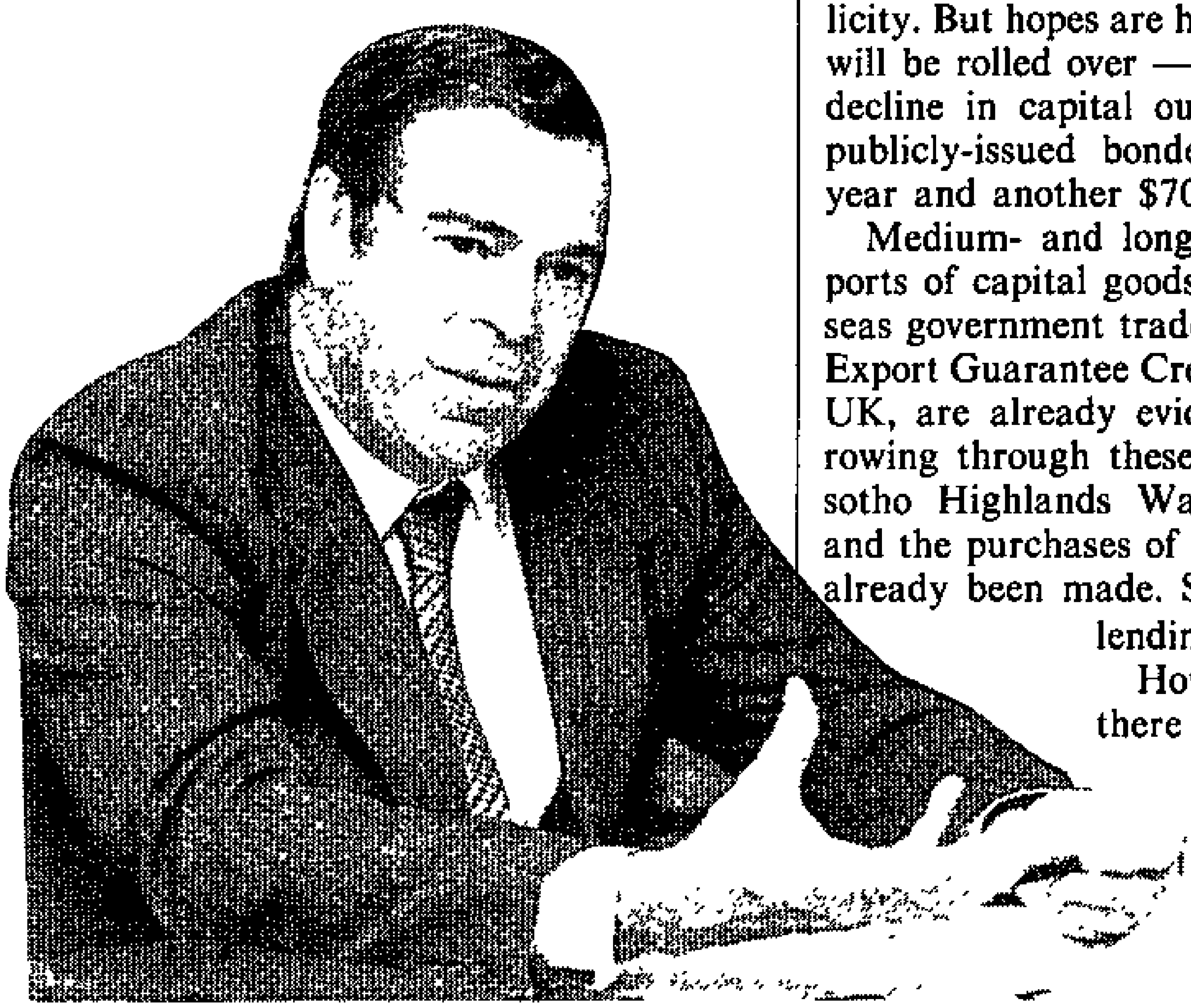
"But, even if the political risk is eliminated, they will also be looking for a sound economy before investing in the country." However, American banks are still keeping their distance and even major political reforms probably won't spur them to deal with SA — mainly because unwieldy legislation prohibiting business with this country will have to be unravelled.

Institutions such as public corporations, who will be negotiating the refinancing of foreign loans and bearer bonds outside the net in the next few weeks, are reluctant to have these negotiations pre-empted by publicity. But hopes are high that many of these will be rolled over — resulting in a further decline in capital outflows. About $800m publicly-issued bonded debt matures this year and another $700m next.

Medium- and longer-term loans for imports of capital goods, guaranteed by overseas government trade agencies such as the Export Guarantee Credit Department in the UK, are already evident. Substantial borrowing through these agencies for the Lesotho Highlands Water Project, Mossgas and the purchases of Boeings by SAA have already been made. Stals sees this type of lending increasing.

However, he warns that there is still a long way to go before we can supplement domestic savings by capital inflows.

The most talked-about inflows in recent months —



Stals . . . expect realistic reappraisal

vast quantities of foreign gilt purchases thought to be in the region of R5bn — have no real effect on reserves. Investments are made via the finrand, introduced because of the past flood of capital outflows and the detrimental effect these had on the commercial rand exchange rate and the reserves.

This pool of investment currency, traded in by foreign investors, was reintroduced in September 1985 after having been abolished for just over two years. It can only increase by capital appreciation of finrand investments; debt/equity swaps; emigration; or by authority from the Reserve Bank to designate commercial rand as finrand. The pool shrinks only on capital depreciation of the underlying finrand investments.

Because of this artificial mechanism (and its effect of isolating inflows from the reserves), figures in the *Quarterly Bulletin* can be misunderstood. Figures show long-term capital movements by the non-bank private sector moved from an outflow of R865m in the second quarter to an inflow of R434m in the third — this change was probably offset by outflows by other categories in the capital account.

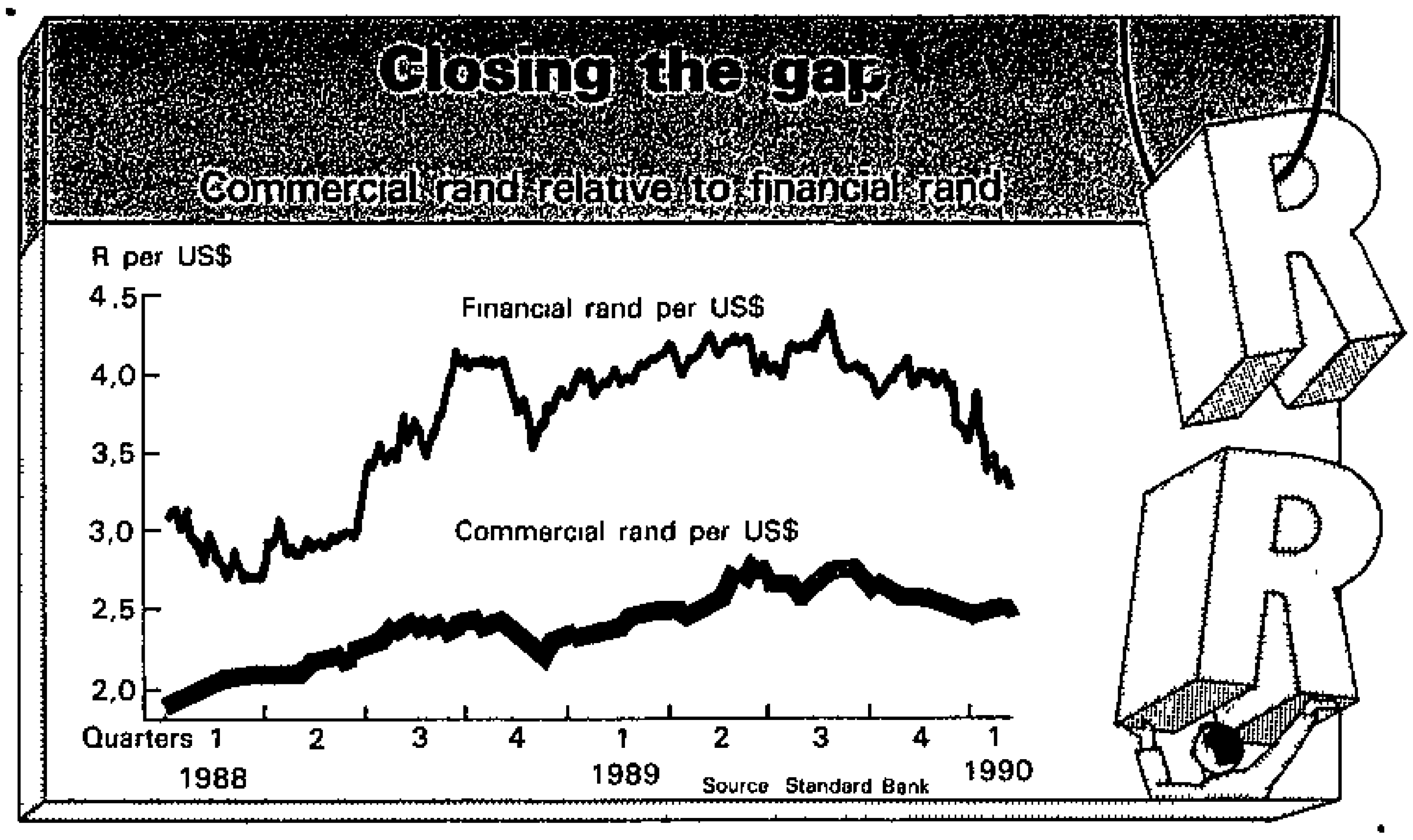
As well as having no direct effect on reserves, these large gilt purchases could in fact result in an outflow of foreign exchange reserves. Interest and dividends are paid in commercial rand; and foreigner investors have switched from equities, which pay less in dividends, to gilts which pay yields of up to 28%. Latest figures from the Johannesburg Stock Exchange for 1989 show net sales of equities amounting to R3,4bn while net purchases of gilts amounted to R2,9bn. (Not all gilts transactions are done through the JSE so total net purchases are thought to be about double the JSE figure.) Investment in gilts causes more funds to flow out via the commercial rand than investment in equities.

These finrand purchases do show a change of heart on the part of foreign investors. But little else positive can be said for their effect on the SA economy as a whole — except that the discount between the commercial rand and finrand has reduced significantly. Consequently yields earned by foreigners are reduced and outflows decrease.

Issuers such as Eskom, Sats, the Post Office and government are able to fund and pre-fund their capital requirements at very cheap rates. Also on the positive side, foreign purchases of gilts could mean a switch from debt in the standstill net. Lured by the much-publicised returns achieved from gilts, SA's creditors might be tempted to transfer debt owed to them to purchases of gilts. This would mean debt would be held in finrands, immunising the reserves from outflows which would have taken place had the debt been repaid in the normal way.

But the negative implications of these purchases are twofold. Creditors might be reluctant to roll over existing bearer bonds and loans. Instead, they might prefer to call in the loan and transfer part of the funds into the more attractive gilts market, causing a capital outflow and no direct inflows. This is not often done because foreign banks would rather hold their claims in foreign currency than the finrand.

Also, payments of interest in the commercial rand are building up to a large extent and have a direct effect on the current account of the balance of payments — indicated as part of net service and transfer payments. Seasonally adjusted annualised net service and transfer payments increased from R8,7bn in the first quarter of last year to R10,9bn and declined slightly in the third to R10,5bn. Vast purchases since will see further increases. In 1988, interest alone amounted to around R4bn and figures for 1989 are bound to show a vast increase.



However, Stals has said, though the gap between the finrand and commercial rand looks likely to close further as foreign interest increases (it fell to only 23% after the F W speech), it is unlikely the two-tier system will be abolished unless the authorities think the political situation is stable enough to prevent a repeat of 1983 when it was temporarily abolished. So while the finrand remains intact, no inflows to bolster the reserves can be expected from foreign investment via this currency.

The transfer of trade credits from local banks to offshore banks does, however, show an increase in foreign reserves — for a short period of time. Offshore trade financing gives SA the short-term use of foreign funds to finance its economic activities and has been freely available from foreign banks for some time.

In the *Quarterly Bulletin*, figures show short-term capital outflows by the non-bank private sector declined to R349m in the third quarter from R530m and R1,5bn in the second and first.

Good future expectations for the rand in the face of a higher gold price and a lower US dollar have made foreign trade credits a more popular source of finance, stopping capital outflows which occur when local banks provide the finance. The depreciating rand in 1989 made offshore trade financing a costly and risky business.

The rise in local interest rates which has allowed real interest rates to move in line with those of our major trading partners has also caused borrowing abroad rather than locally.

However, once again these so-called inflows have been encouraged by artificial means. In December 1988, fears of domestic trade financing — and pressure on the capital account — caused the Reserve Bank to introduce forward cover on short-term foreign trade credits at preferential rates (presently about 3% per annum for trade credit of between 30 days and one year) and long-term forward cover at a "market-related" interest rate determined by the Bank, protecting importers against currency and interest rate fluctuations.

Mostly as a result of depreciation in the rand, the Bank incurred large forward cover losses. In 1985 and 1988, currency depreciation caused forward cover losses to double from 1984 and 1987. Each time the trade loan was rolled over, its value increased in rand terms.

However, these losses could show an improvement with the better performance of the rand against the dollar and higher interest rates in SA. The leads and lags in foreign repayments and receipts, which relate to expectations regarding exchange rate fluctuations, are more favourable for the forward cover book and a smaller figure for outflows can be expected on this account. Forward cover contracts renewed at lower rates with overseas banks will free surplus dollars to bolster foreign exchange reserves locally.

So things do look better. Foreign interest always causes a wave of excitement among ostracised South Africans — but the country is still battling to keep its balance with a high rate of inflation and soaring money supply figures. The pace of political reform and continued economic stability will determine the extent of foreign interest — whether it will increase or taper off. And then, in the case of gilts, foreigners could offload their purchases back on to the SA market. As Stals says: "If all goes well, SA can at best look forward to a further reduction in capital outflows and modest capital inflows."

Well, that's still better than it looked a year ago. ■

RICHARD ROLFE in LONDON

De Klerk sparks a gold rush

74

THE London stock market gave an enthusiastic response to President De Klerk's speech, some blue-chip shares scoring their biggest increases ever.

The London prices of SA Breweries and Barlows jumped by 25% in a day in the rush to buy SA assets.

Shares in Lonrho were also strong — on the view that a high proportion of its assets are in SA. The excitement even spread to Charter, which is regarded as an SA stock, even though it now has no SA interests.

SPECTACULAR

The re-rating was spectacular. However, it looks more like a one-off adjustment than the start of sustained new foreign buying.

The financial rand system means that yields here are roughly 20% higher than in Johannesburg and PE ratios 20% lower. The results is that SA Breweries now yields 2,8% in London and its PE ratio is 17,6.

Compared with Bass, the leader in the UK beer sector, SA Brews is overvalued. Bass yields 3,7% on a PE ratio of 11.

It is true that SA Brews has the potential for explosive growth on the back of its monopoly and rising black incomes. But Bass is no slouch either. It is well managed and has a portfolio of attractive assets — like the Holiday Inn chain — over and above a strong position in brewing, liquor and real estate.

The comparatives indicate that there is no reason for foreign buyers to chase SA industrials higher. Further advances in the JSE will need to be led by the SA institutions.

One positive spin-off that has been overlooked so far is the potential impact on SA-controlled companies abroad.

If the political climate towards SA continues to improve — and it looks as if the UK Government plans to take the lead soon in lifting some sanctions — there will be a better environment for SA companies to expand internationally.

Minorco is one obvious beneficiary. In the current climate, the defence which Consolidated Gold Fields mounted, based on attacking Minorco's SA parentage, would be much harder to sustain. In fact, it is probably a non-starter.

This should facilitate Minorco's expansion, at least in Europe, but probably not yet in the US or Australia. I would also expect Gencor-Genmin to make some interesting moves.

Another possible beneficiary is the underperforming J Bibby, Barlows Rand's offshore arm. Its growth has been held back by the low rating of its shares — a yield of 7,7% and PE of 9 times — and its perceived vulnerability to its SA connection.

Provided Bibby can convince investors that it now has a strong management team, it should be able to perform much more aggressively.

COMRADES

Rothmans, controlled by Richemont, has been under no such inhibitions. This week, its Swiss subsidiary Sullana announced a joint venture with the Urizki cigarette manufacturing company in Leningrad. Its new brand, Flodor, will shortly be on sale in the Soviet Union (R5 for a packet of 20).

Perhaps it can also be marketed in SA for the benefit of returning ANC comrades.

THE rerating of SA gold shares has happened over a longer time-frame than industrials, but it has been no less remarkable. SA golds have far outperformed their US and Australian competitors in the six months since the gold price started to move ahead.

The improving political climate is a major part of the story.

Another, says stockbroker James Capel, is the increased marginality of all but a handful of SA gold shares. They are more highly geared to a rising gold price than in the past when break-even points were lower.

Capel's John Taylor calculates the average yield on SA golds' next two dividends at 4,1%. By contrast, the historical yield figures for Canadian and Australian gold shares are 1% and 1,8% respectively.

The anomaly now is that SA golds are expensive in terms of their yield history. But they are still a lot cheaper than the Australians and North Americans.

It is a lot different from the time when the aroma of Havana cigars drifted across the Angolan border. In those days, Capel's former mining partner Julian Baring used to advocate purchase of SA golds only when yields approached 20%, on the basis that a five-year payback was the minimum acceptable for holding the shares.

SUCH is the current confusion in markets that gold has been going up this week because of fears about production difficulties in the Soviet Union and SA. But if anything, President De Klerk's speech makes disruption less likely in SA.

The USSR is another story. However, the ethnic unrest that has broken out in much of what commentators here are calling The Soviet Disunion is far away from the gold-producing areas.

This in turn is populated by ethnic Russians who have no major differences with the men in the Kremlin.

It is, however, still likely that some combination of lower output and increased domestic consumption will reduce the amount of Soviet gold reaching the West.

Foreign investors offload SA shares

B/Day 14/2/90 (74)

MERVYN HARRIS

DIAGONAL Street continued to be weighed down yesterday by the nervous reaction of overseas investors to Nelson Mandela's tough policy stance on nationalisation and negotiations.

After overnight selling of SA shares in New York had pushed the market to a sharply lower opening, a morning rally petered out by the afternoon as local buyers withdrew and sellers reappeared on fears of renewed offloading by US investors when Wall Street opened.

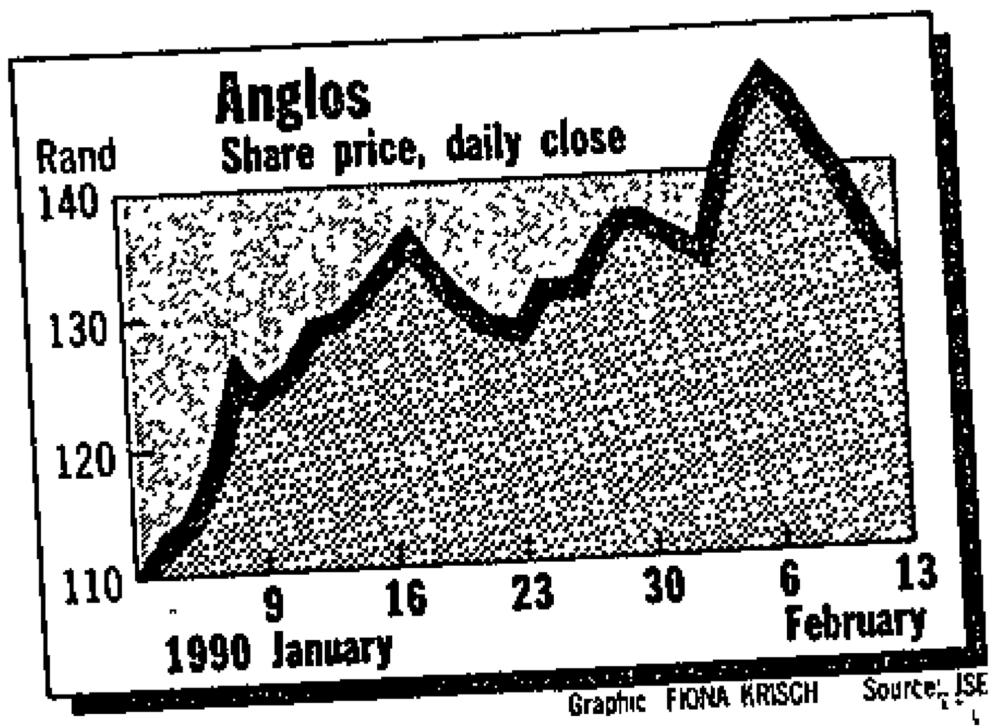
The JSE overall index fell 1,8% or 59 points to 3 214 on a 2,9% or 61 point decline in the all gold index to 2 029, with jitters moving to industrials as the index shed a 14-point gain to end 15 points down at 3 135.

However, selling in the finrand market subsided after Monday's 6,9% plunge to R3,58 and the currency partially recovered to close at R3,44 to the dollar.

Dealers said the unsettled reaction to Mandela's remarks was overdone.

"People feel that once things have settled down he will moderate his stance. It will then come back to the gold price and, in retrospect, the last two days will be seen as a buying opportunity," said one.

The softening of overseas sentiment on SA shares was reflected in the downturn of



Graphic FIONA KRISCH Source: JSE

Anglos which has fallen from its peak of R149 a week ago to R132 yesterday.

The morning rally was helped by a firmer gold price in Europe although profit taking pared gains as the metal again ran into resistance at the $420 level.

The metal ended little changed in London at $418,50 as news that US junk bond specialist Drexel Burnahm Lambert had defaulted on debt stemmed gold's downward drift.

But a weekly report from Union Bank of Switzerland said frustration was mounting after failure of week-long efforts to shatter resistance levels.

74

Afex writes down African assets

LIZ ROUSE

AFEX Corporation, the Luxembourg-incorporated investment company listed on the JSE, is cautious about its prospects in southern Africa and is consequently revaluing the book value of its assets in SA and Zimbabwe.

Chairman David Marshall says in his annual review that until now, in line with normal accounting practice, Afex has carried the book value of its assets in Zimbabwe and SA at commercial exchange rates.

The board now believes it is more realistic to evaluate the book value of Zimbabwe assets only where remittance is unrestricted.

Similarly, the Luxembourg-incorporated company is now using the financial rand exchange rate to assess assets held in SA.

The change has the effect of reducing the book value of certain assets in the group balance sheet.

This change also gives rise to a write-down of the corporation's investment in Zimbabwe, reducing undistributed profits by $1,87m and other reserves by $2,1m.

An analysis of 1989 book value of tangible assets is: US $7,9m, SA $3,1m, Zimbabwe $692 000, Botswana $149 000 and UK $29 000, amounting to a total of $11,67m.

Financial fixed assets were book valued at $6,8m.

Afex's taxed profit rose to $2,4m ($1,57m) in the year to September 1989 and the corporation realised extraordinaty profits of $3,06m ($1,71m).

Diversified

The dividend was kept at 9c, costing a total of $332 200.

The corporation was left with undistributed profits of only $47 000, having made a substantial provision against its investments in Zimbabwe.

The corporation's wholly-owned SA subsidiary Sussex Securities acts as an investment holding company and holds a diversified portfolio of JSE listed shares.

Certain subsidiaries own multi-tenanted rent producing properties. Others are involved in the importing and distribution of tools and machinery and engineering supplies.

Afex maintains a holding in African Exploration Company.

The general portfolio of SA listed investments, which excludes the investment in an associated company, had a market value of R27,3m compared with a cost of R14,1m.

Gross income from the general portfolio was R1,03m compared with R708 400 in 1988.

In addition, Afex received a further sum of R3,6m in compensation for the cancellation of the right to manage certain mining properties.

These receipts are included under extraordinary items.

Its multi-tenanted properties, valued at R10,61m, produced R958 930.

The distribution division produced a pre-tax profit of R1,6m compared with R1,95m in 1988.

The SA freehold farming operation was sold at a surplus of R955 050.

Sales of its crops amounted to R693 900 compared with R174 800 in 1988.

Afex's Zimbabwean interests include holdings through subsidiary Zimcor in Falcon Mines, Olympus Gold Mines and Willsgrove Brick & Potteries.

Dividend

The company's US interests include a portfolio of leading shares and property in San Diego.

Afex is offering shareholders shares in lieu of the cash dividend.

The pyramid company Consolidated Afex Corporation (Conafex) has declared a 3c dividend and shares are also being offered as an alternative to cash dividends.

Afex is presently still in the process of negotiating for a listing on the Luxembourg stock exchange.

Professionals climb in as foreigners sell

BDay 21/2/90

LIZ ROUSE

FOREIGN sales of SA shares soared in the week to February 9 but the professionals continued to climb into SA gilts.

Equity sales amounted to R608,3m while purchases totalled R235,7m, compared with sales of R376,8m and purchases of R195,9m in the week to February 2. The result was that the net deficit in non-resident transactions widened to R373,7m from R180,9m.

On the other hand, gilt purchases rose to R231,4m, with sales totalling R54,5m, resulting in a net surplus of R54,5m. The previous week's purchases came to R142,8m with sales at nearly R69,4m, making a net surplus of R73,4m.

These figures represent that portion of the financial rand market where non-resident transactions are executed through the JSE.

In general, the week before the Mandela release was a buoyant one for the JSE, which recorded a turnover of R894,9m against R635,97m in the week to February 2.

STAR 26/4/90 (14)

Minorco's buy looks to be a risky venture

By Neil Behrmann

LONDON — Minorco is buying US gold mine Freeport McMoran at a time when directors, executives, and other company insiders are selling shares in North American gold counters.

According to the US Securities and Exchange Commission, 26 gold-industry insiders have sold shares in their own companies.

Only three industry insiders were reported as buying shares.

Hadley Case, a director of Homestake Mining, sold 400 000 shares of the company, says the *Wall Street Journal*.

At Alta Gold Co, a Salt Lake City-based gold and base-metals producer, two insiders sold 205 000 shares.

The action of executives in the US industry does not necessarily imply that Minorco has made a poor investment.

The company says there are special factors to make the Freeport deal attractive — notably its potential reserves.

Nevertheless, insider sales do indicate that management within the US gold mining community believes that industry shares are over-valued.

"This indicates that Minorco paid a very high price for future gold development," says a London analyst.

"Alternatively, gold prices must rise a lot further."

Minorco agreed to acquire Freeport for $705 million. The historic P/E ratio is 55, but gold production is estimated to rise to 300 000 ounces in 1990 from 244 000 ounces in 1989.

Based on average gold price of $425 to $430, UK analysts estimate that earnings per share will rise to around 50 to 60 US cents.

On the purchase price, the prospective P/E of Freeport is 31. The present dividend yield is only 0,3 percent!

These returns compare with historic average P/E ratios of 37 for North American gold shares, 19 in Australia and 17 for South African gold stocks.

Freeport's reserves are equivalent to 2,2 million ounces of gold, but Minorco intends publishing more details of potential reserves next week.

One London analyst says Minorco paid "the top dollar" for Freeport and it must find four to five times the amount of gold reserves to justify the price.

Huw Williams, mining analyst at Kleinwort Benson Securities, says the criticism is unfair.

Minorco is buying a solid mine, which is well managed. It is not often that a US gold mine is up for sale, he says.

Minorco has spent its entire profit plus interest earned from the sale of Consolidated Gold Fields to buy Freeport.

It sold its stake of just under 30 percent in the huge mining house for $1,6 billion to Hanson for a profit of $645 million.

Ironically, if Minorco had not made a bid for Consgold in 1988 it would still hold a significant interest in massive gold mines, base metals and construction companies in the UK, North America, South Africa and Australia.

It has now effectively replaced 15 percent of its onetime interest in Consgold with a single US mine, which is only producing 300 000 ounces of gold.

Minorco's shares traded at around $17 in a lacklustre market on Friday.

The company still has $1,8 billion in cash, but minority holders of the shares have no control over the way management eventually utilises the spare funds.

The jury is still out on the deal. If the gold price rises sharply, Minorco's purchase will have paid off.

If gold fails to perform, there could be some disenchanted shareholders.

Foreign ownership down six percent

74

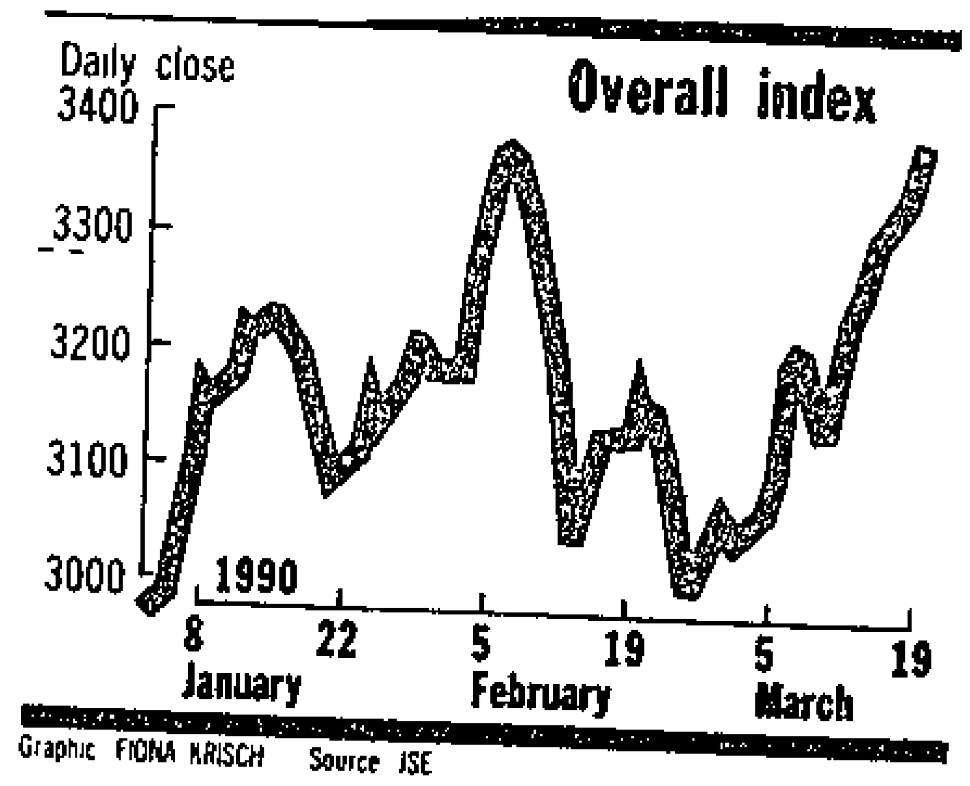
FOREIGNERS owned at least 15 percent of all South African mining shares by the end of last year, but this was down from 21 percent at the beginning of the year, according to a report by stockbrokers Davis Borkum Hare. W|M 91|31 — 15|3|90

DBH's Manny Pohl notes that total foreign interest fell substantially from 1982 to 1988 and more recently United States holdings, through American Depositary Receipts (ADRs), have been falling. The US interest in local mining shares fell from 12,7 percent to 4,7 percent during last year.

Although there has been renewed foreign interest in the last few weeks, there are not enough shares (free scrip) available to sell.

According to Pohl's report, foreign shareholdings in South Africa's gold mines by December 31 stood at 24,2 percent while over one quarter of De Beers' shares were held by foreign investors — down from 32,5 percent during the year. Only 5,4 percent of platinum and 5 percent of mining house shares were in foreign hands.

Alternative avenues of gold share investment have been provided in recent years by Canadian, US and Australian gold mines. Pohl cites this as one reason for declining interest in South African shares. The other is political: "Foreign investor perceptions have historically imparted a 'political risk' to holding South African equities which reduced their relative attractions *vis-à-vis* gold mines elsewhere in the world," says Pohl.



Graphic FIONA KRISCH Source JSE

JSE overall index hits new record

MERVYN HARRIS (74)

A REPORT that US Secretary of State James Baker will have strong words for Nelson Mandela on the ANC leader's views on nationalisation boosted London demand for SA mining shares on the JSE yesterday.

Baker is due to meet Mandela and President F W de Klerk in Cape Town later this week. A report in the Financial Times quoted State Department officials as saying Baker would also stress to Mandela the need to negotiate and to end violence.

The report was among several factors which fuelled bullish sentiment on the JSE yesterday to lift the overall index 51 points or 1,5% to close at a record 3 392 and surpass the previous peak of 3 386 set on February 7. BDay 20/3/90

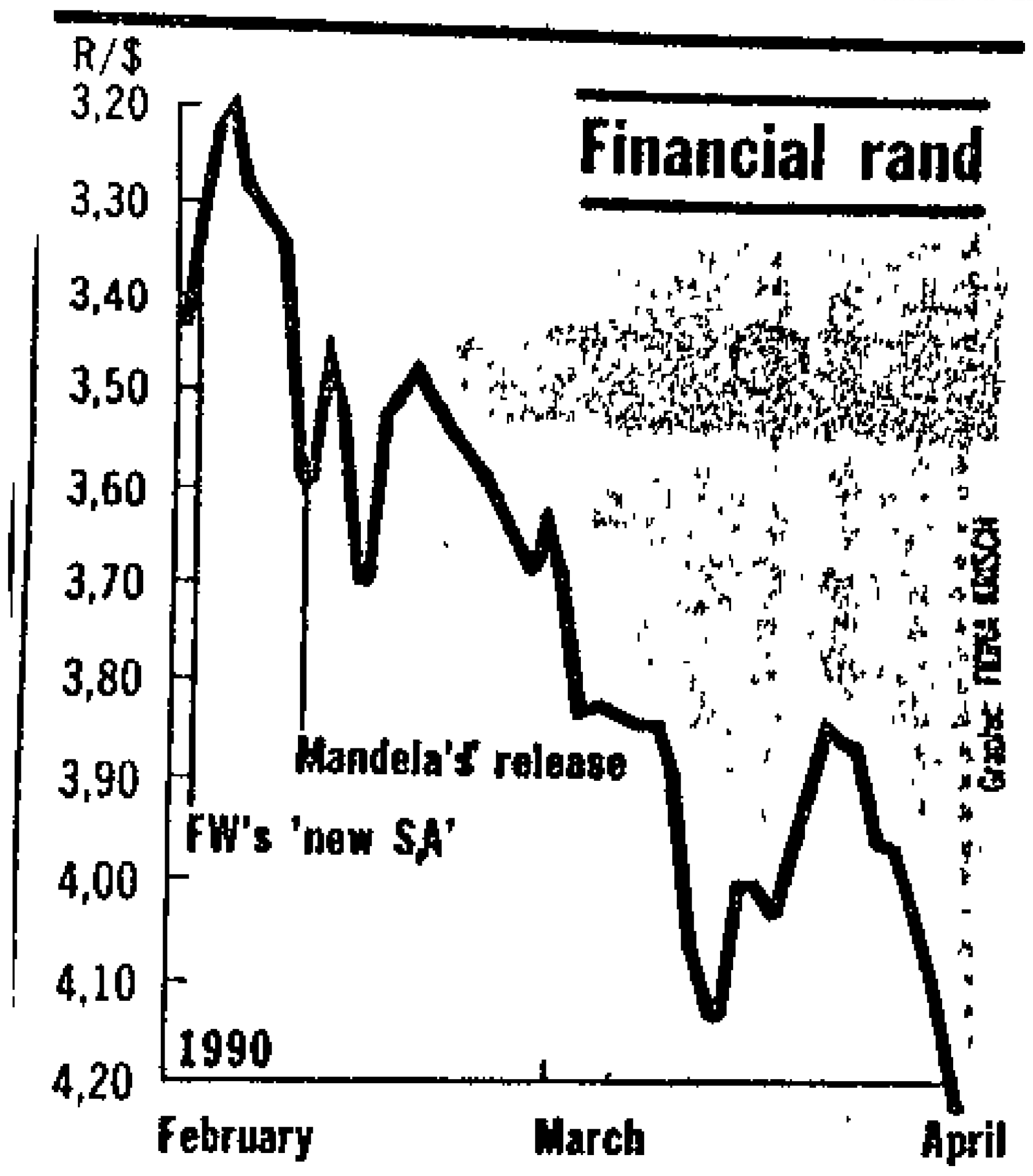
Dealers said demand for mining shares was also encouraged by a positive reassessment of the Budget proposals on mining and the gold price going back above the $400 level.

Gold closed $1,60 firmer in London yesterday at $402,25 on the back of a weaker dollar against the mark and a soft opening on Wall Street in the wake of a 4,15% plunge on the Tokyo stock market, its third biggest one-day fall ever.

The dollar closed 1,5 pfennigs weaker against the mark at DM1,6785 as uncertainty over the East German elections was wiped away by Sunday's conservative victory.

But the US currency closed at a three-year high of 153,30 yen in the wake of the Tokyo stock market plunge.

Nervousness about inflation in Germany as politicians race towards unity was supportive of gold. While the Japanese had not sold gold to cover margin calls, as happened during the last market plunge in February, dealers were cautious about what would happen if Tokyo continued to fall sharply.



Finrand slumps as foreigners lose faith

(74)

GRETA STEYN

FOREIGN investor confidence in SA has collapsed since ANC deputy president Nelson Mandela's release from prison — signalled by the financial rand's slump of 26% from its peak just before Mandela's release.

The investment unit topped at $0,32 amid euphoria after President F W de Klerk's watershed opening of Parliament speech, but a sharp about-turn began after Mandela's release nine days later. The ANC's nationalisation policies and continued commitment to the armed struggle triggered the financial rand's tumble.

Political violence and the ANC's decision to pull out of talks with government battered the financial rand yesterday, pushing the currency 3,4% lower from Friday to end the day at R4,23 to the dollar.

A foreign investor now pays about $0,2364 to buy one financial rand — a discount of about 37% to the commercial rand. The discount, a measure of foreign investor confidence in SA, has widened by leaps and bounds from about 20% before Mandela's release.

The investment currency opened at about $0,2435 (R4,10 to the dollar) yesterday and was "an immediate sell". Small volumes are being sold, but buying demand from Europe has dried up in the wake of political uncertainty and the thin market is

☐ To Page 2

Finrand

3/4/90

(74)

From Page 1

causing exaggerated price movements.

However, one dealer said the investment unit was "a buy" at a discount of 38% and predicted that its downside from here was limited — provided there was no major foreign sell-off of SA gilts. The gilts market reacted moderately to negative political sentiment and a low gold price yesterday, with yields on the bellwether Eskom Loan E168 closing eight points higher at 15,69%.

Gold's weakness combined with a strong dollar to depress the commercial rand. The Reserve Bank has been offering dollars to the market to moderate the rand's descent. The currency closed at a mid-rate of R2,6548 yesterday from Friday's R2,6513.

Foreign capital vital for new SA

(74)

S Times 15/4/90.

By Robyn Chalmers

THE real hope for economic growth and upliftment in the new SA is foreign capital, says economist Brian Kantor.

Professor Kantor told the Institute of Civil Engineers in Cape Town this week that most people would prosper only if SA achieved both political stability and adopted the proper economic policies.

"These are policies that, above all, will encourage foreigners to trade with and invest in SA. It is only via openness to foreign trade and investment that South Africans can hope to enjoy more consumption today and tomorrow.

"If our economic policies or a lack of political stability make SA unattractive to foreign traders or investors our people will be condemned to greater poverty in the years to come."

Government moves towards reform had opened up opportunities for SA to break down what had been the great barrier to faster economic development, said Professor Kantor.

A marked lack of confidence in the capacity of South Africans to avoid a prolonged violent transition to majority rule had held the economy back.

"The belief has long been that the transition to representative government required a confrontation between blacks and whites that would severely, perhaps fatally, have disrupted the economy.

Outdated

"There is surely now a much better chance of avoiding disaster. If so, we now require the wit and good sense to prevent economic decline by avoiding the wrong set of economic policies."

The Reserve Bank's Quarterly Bulletin showed that foreign sentiment had already become more bullish towards SA. In the first two months of 1989, net inflow of foreign money reached almost R3-billion.

Professor Kantor said competition for resources in SA was bound to intensify. More intensive use of the existing capital stock was one likely outcome.

Greater reliance on user charges to finance infrastructure would help greatly to meet the competition from the demands for Government spending on education and welfare.

The idea of capital versus labour was as outdated as Marxism itself, said Professor Kantor.

"Much thought needs to be focused on the shortage of capital in SA and on how this may be relieved. More intensive use of the existing capital stock will be part of the solution.

"Investment from abroad, especially direct investment, will be indispensable for more rapid growth."

BDay 18/4/90 (74)

Foreign investor returns play role in knocking GNP

GRETA STEYN

HIGH interest and dividend payments to foreign holders of SA gilts and shares combined with deteriorating terms of trade to knock SA's gross national product (GNP) last year.

Reserve Bank figures show GNP dropped by 0,5% between 1988 and 1989. GNP is used as a measure of a country's welfare rather than gross domestic product (GDP), which shows the total amount of goods and services produced over the year. GNP, before adjustment for inflation, equals GDP less net factor payments to the rest of the world.

Net factor payments to the rest of the world jumped by 23% to R9,5bn — reflecting higher interest and dividend payments to the rest of the world.

According to the Quarterly Bulletin, purchases of SA gilts on the JSE alone — excluding the banks — amounted to R2,9bn last year.

The total foreign holding of SA gilts is estimated at more than R6bn. These transactions take place through the financial rand, so that there is no capital inflow or outflow, but interest is paid in commercial rands and represents an outflow on the current account of the balance of payments (BoP).

Dividend payments to foreigners were higher partly because of good results of companies in the first half of last year.

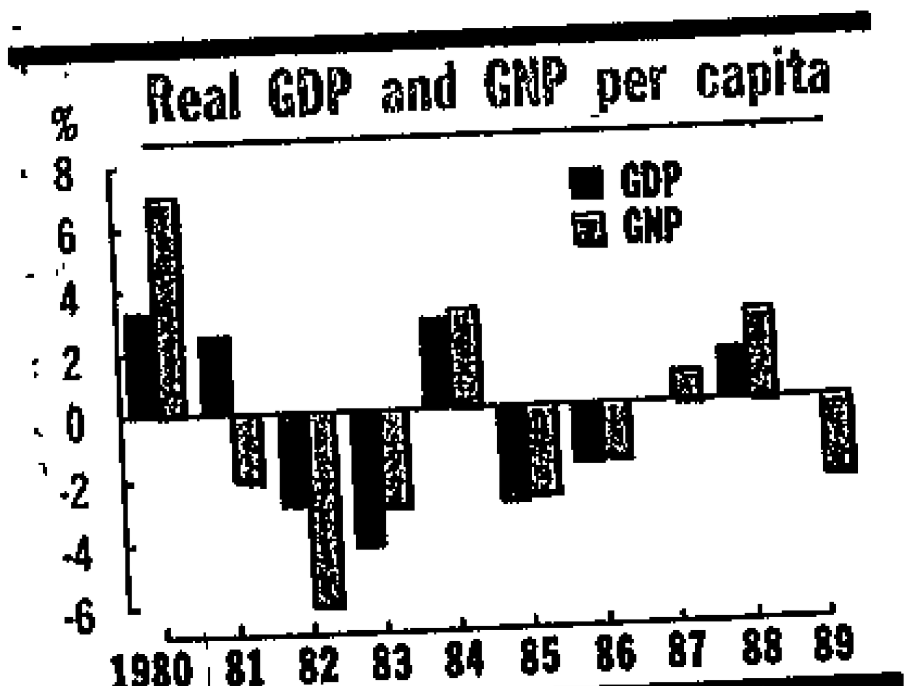
The other reason why GNP declined last year while GDP grew (by 2%) was a worsening in SA's terms of trade — the ratio of export prices to import prices. A deterioration occurs when export prices rise more slowly than import prices.

The terms of trade affects GNP once nominal figures are adjusted for inflation.

TrustBank economist Nick Barnardt, explaining how import and export prices affect GNP, said: "To arrive at a real value for GNP, the rate of increase in import prices is used to deflate nominal GNP. At the same time, higher export prices imply an increase in national income."

The importance of the terms of trade for SA's GNP illustrated SA's vulnerability to international prices, he said.

Per capita, real GNP dropped by 2,5% last year — almost wiping out the 2,7% increase of the year before. In three of the past five years, GNP per capita has declined.



Graphic: FIONA KRISCH Source: DEPT OF FINANCE

Dealers lose out over ADR delays

ROBERT GENTLE 74

SOME JSE stockbrokers who trade in American Depositary Receipts (ADRs) with the US have locked horns with US settlement banks over costly settlement delays.

This was reported from New York in the latest issue of The International Digest, a financial newsletter.

US citizens normally trade foreign shares in the form of these receipts, which are securities issued by a US bank against a number of foreign shares held in its depot.

When the receipt is ultimately cashed in — or cancelled — the issuing bank has to deliver the scrip.

First National Bank, the largest SA bank handling these receipt transactions with US settlement banks on behalf of JSE brokers, has confirmed there have been problems with lengthy settlement periods.

According to the report, these delays have left brokers waiting for up to four weeks for delivery of stock.

The process normally takes a week at most.

Some brokers have found themselves "thousands of dollars out of pocket" as a result of high interest costs on the money borrowed to buy-in the stock. Net losses have been registered on certain trades.

Luigi Wright, chief manager of FNB's JSE branch which handles ADR trades for a number of JSE brokers, said on Friday the loss estimates cited in the newsletter were not wide of the mark. Requests for compensation were normally turned down.

BDay 23/4/90

A spokesman from stockbroking firm Ed Hern said if the normal settlement period was exceeded, it was easy to go into the red because of the fine margins on such trades.

"We have lost a bit of money on late settlements, but the sums were not significant," he said.

Wright said the key issue behind the settlement delays was a shortage of scrip as a result of the pattern of net sales of SA shares by US citizens over the past 18 months.

Analysts see De Beers moving control offshore

Star 1/5/90 (74)

By Magnus Heystek, Finance Editor

Speculation surrounding De Beers and its pending international restructuring attracted all the attention on a generally lacklustre stock market yesterday as more than 146 000 shares, worth nearly R13 million traded hands with the share price moving up to close at R88,60,after trading higher than R89 at one stage.

De Beers chairman Mr Julian Ogilvie Thompson is due to make an important announcement tomorrow and will address local financial journalists via a closed television broadcast from London.

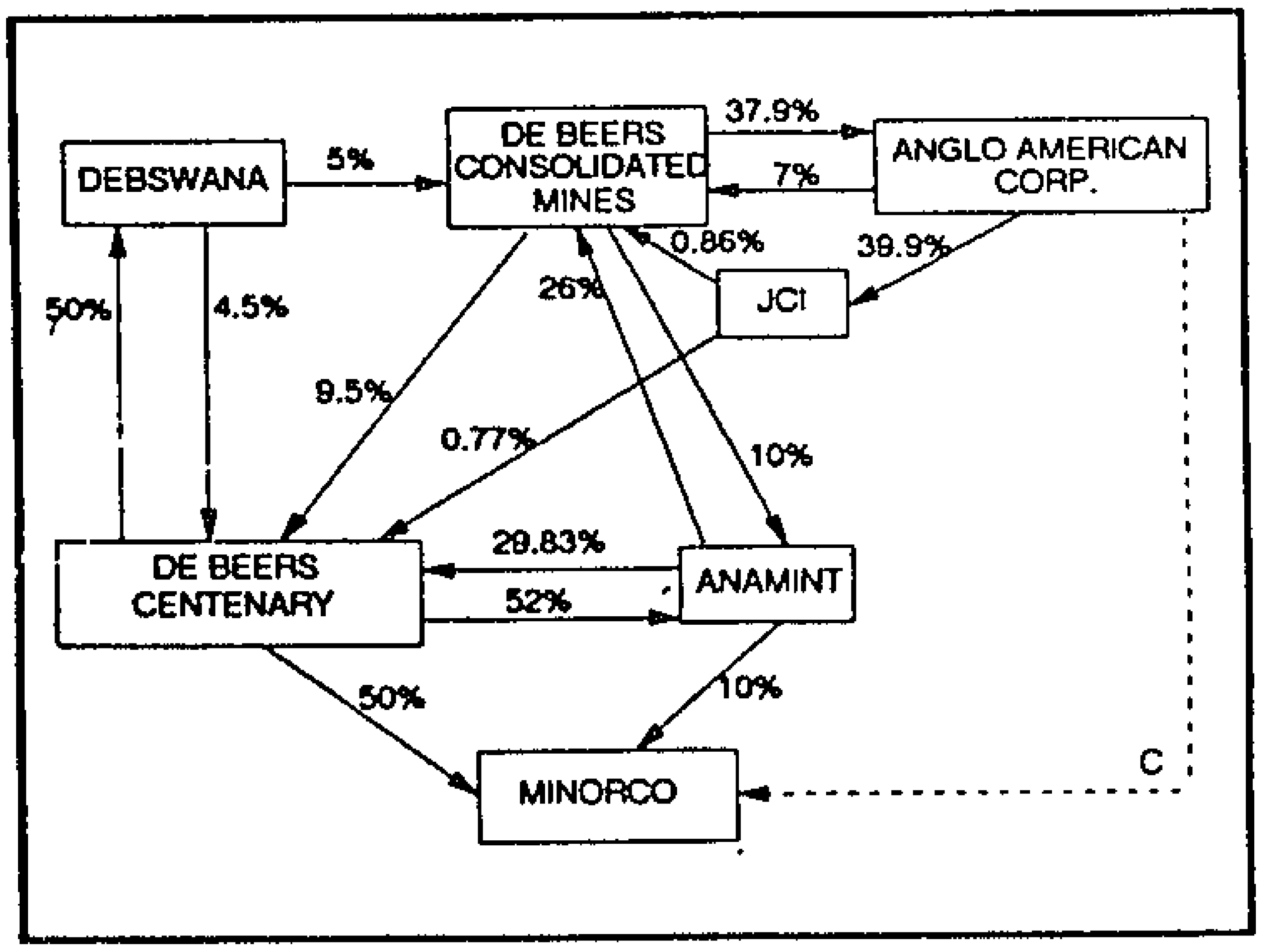
In addition to a major announcement concerning the restructuring of the worldwide interests of De Beers, analysts in some circles are expecting the De Beers shares to be split ten for one.

Other analysts, who did not wish to be named, indicated that De Beers could be making an announcement of major importance, possibly concerning large-scale capital investments, both here and abroad.

This could be the first in a series of steps that will unlock the true wealth of the companies in the Oppenheimer empire, which is currently trading at a vast discount to net asset value on international stock markets.

Since De Beers announced the setting up of De Beers Centenary as an offshore company to house all of its international assets in February this year, the share price moved up strongly as international investors rerated the company on the basis of the new developments.

However, some speculation is focused on De Beers uncoupling the link between De Beers and De Beers Centenary, as this will free American investors to take a stake in the Swiss company.



Hypothetical restructuring of De Beers

Under the current terms of arrangement the two companies are traded as a stapled unit, which disqualifies American investors from investing in De Beers.

Swiss-based

By unstapling the two companies, much along the same way as Rembrandt has listed Richemont in Luxembourg, De Beers Centenary will become a Swiss-based company, controlling the international assets of De Beers.

In an in-depth analysis of De Beers Centenary by London-based stockbroking firm James Capel, it is speculated that the complex interlocking affairs of the Oppenheimer-empire are about to be restructured, which will mean a change of control from South Africa to Switzerland.

In terms of the arrangement announced in February this year control of De Beers Centenary rests effectively with De Beers (9,5 percent direct holding), Anglo American (7 percent direct holding) and indirectly 26 percent through Anamint, which controls 23,5 percent.

Other companies also involved in this maze include JCI, Minorco and Debswana. But the ultimate control of the whole empire rests with De Beers and Anglo.

At presentloss of control over either company, due to possible nationalisation, would bring about loss of control of the whole group or over at an unacceptably large portion of it.

One way around this would be to move Anglo's foreign assets offshore, but this would still mean that control remained in South Africa.

The key holding appears to be Anamint, effectively nothing more than a holding trust, but it does contain 26 percent of De Beers, 23,5 percent of De Beers Centenary, 18,5 percent of the Diamond Trading Company and 18,47 percent of the Diamond Purchasing and Trading Company.

What would take De Beers Centenary and Minorco into permanently "safe" hands would, according to James Capel, be the following two-phase plan.

Firstly, AAC would move Anamint to Switzerland. Anamint would purchase Anglo's 6,3 percent holding in De Beers Centenary. De Beers Centenary would then purchase AAC's 52 percent holding in Anamint, which would leave Anamint with 29,8 percent of De Beers Centenary.

$2 billion bill

Secondly, Anamint and De Beers Centenary would purchase the 39 percent of Minorco (held by AAC) which would put De Beers Centenary in control of Minorco, Anamint and Debswana.

This scheme of arrangement would pump some $2 billion into South Africa, to pay for the assets acquired; control of the Anglo empire will remain in the same hands but De Beers Centenary and Minorco would have the added benefit of being totally independent as far as future political developments in SA were concerned.

Should, however, control or an unacceptable amount of control be lost over the South African assets, control of De Beers Centenary and Minorco would still remain with the existing management and those companies could develop independently of South Africa.

The cost to finance this suggested deal, would be in the vicinity of $3 billion, which, even to De Beers with its cash pile of $1,6 billion would be too large to finance without recourse to international capital markets — one of the reasons mentioned by De Beers why it intended splitting its South African and international assets.

Minorco in US move

9/3/90 74

LUXEMBOURG — Anglo American's overseas investment arm, Luxembourg-based Minorco, reported on Tuesday the formation of Minorco (USA), to consolidate its North American interests.

Based in Denver it is intended that Minorco (USA) will ultimately hold all of Minorco's North American investments.

Minorco said in a statement yesterday: "The creation of Minorco (USA) establishes the base for the development and expansion of the corporation's asset in North America.

Minorco earlier this year acquired Freeport-McMoran Gold, based in Reno, Nevada, which recently changed it name to Independence Mining Company.

ReubenRichards, the chief executive of Inspiration Resources, will be chairman of the group.

The board of directors include James Glanville, a partner at Lazard Freres, Thomas Barry, president of Rockefeller Company, William Brown, former CE of Gold Fields Mining Corp, and Minorco's Hank Slack, Tony Lea and Roger Phillimore. — Sapa

Outlook for foreign funding improving

Star 1/6/90 714

By Derek Tommey

South Africa has done much to regain the confidence of foreign investors, says the Governor of the Reserve Bank, Dr Chris Stals.

But he warns that it still had more to do — including reducing the inflation rate to well below the present 14,5 percent — before it could expect an inflow of foreign funds.

Dr Stals said: "Re-access to the capital markets of the world will depend not only on the course of political nego tiations but also on the state of the economy.

"In the end, the bottom line is all that counts, and there is a new urgency for an economic policy based on the sound principles of financial discipline."

Addressing the Sandton Chamber of Commerce and Industry last week he outlined South Africa's successes in overcoming its foreign debt crisis, which he blamed partly on political factors.

He said that relative to most other countries with a foreign debt problem South Africa in 1985 had only a small amount of foreign debt outstanding. It also had the potential, given time and understanding of the normal business cycle developments, to meet all its international commitments.

The initial withdrawal of loan funds from South Africa and the disinvestment campaign and trade boycott actions were triggered by political motivations.

The situation had been exacerbated by the economic uncertainties surrounding the internation political developments.

Most of the other countries with foreign debt problems were able to approach the World Bank and IMF for financial and technical assistance.

But their doors were closed to South Africa and this country had no alternative but to tackle its problem the hard way.

South Africa had to negotiate with with its creditors for time to pay. It also had to make extremely painful internal economic adjustments which affected the country's economic growth potential. But throughout these difficult times, the South African approach was to retain good relations with its foreign creditors.

Dr Stals said that between 1985 and 1989 South Africa reduced the outstanding amount of its repayable foreign debt from $25,2 billion to $18,2 billion. In the same period more than $5 billion of short-term debt was converted into loans with maturities of up to 10 years and more than $600 million of debt was converted into equity invstments through the financial rand.

"The management of the foreign debt, and especially the relatively large redemptions made over the past five years, demanded sacrifices from South Africa, especially in the form of economic growth foregone and lost for ever."

But the country became less vulnerable to foreign pressures and now had a foreign debt profile which places South African borrowers in a favourable position for a return to the international capital markets."

But it would still be advisable for South Africans to remain modest in their expectations of new capital inflows.

Though political negotiations in South Africa may open the way to foreign investors, their decision would be based on a basic analysis of financial and economic fundamentals. Political attitudes towards South Africa may be easing, but private investors are interested only in the bottom line.

"They want to know how safe their money will be and what yield they will get on their investments.

Dr Stals said that South Africa was still faced with several basic problems which could deter foreign investors. These included:

- Foreign exchange reserves which were not sufficient to cover six weeks' imports?
- An inflation rate three to four times the average of its major trading partners?;
- The fact that the major soure of finance for development is the creation of new money instead of real savings out of real earned income?
- White collar crime which was approaching unmanageable proportions
- Increasing labour unrest, declining productivity and excessive wage demands which threaten to erode the country's international competitiveness; and
- Ever-increasing pressure for urgently needed social upliftment programmes that affects the ability of the government to control its expenditure.

UAL Merchant Bank in £4-m offshore deal

(74)

Star 6/6/90

UAL Merchant Bank has acquired 100 percent of Associated Trust Company Limited (Tatco) in the Isle of Man for £3,6 million.

Tatco provides an extensive range of services for the formation, administration and management of off-shore trusts and companies in low-tax jurisdictions for clients resident throughout the world.

UAL chairman Geoff Richardson says the acquisition provides UAL with an international investment in a high-growth business area that, inter alia, offers opportunities for the further development of certain aspects of banking which will be useful to UAL's client base.

He says limitations on growth in the Channel Islands have added impetus to the development of the Isle of Man, particularly its financial services sector, which currently accounts for a quarter of the island's economy and is expected to rise to 50 percent within the next five years. — Sapa.

Offer to Castrol staff

Star 7/6/90 · **Finance Staff** (74)

Castrol South Africa employees have been given a unique opportunity to invest on the London Stock Exchange.

More than 60 percent of Castrol's staff have taken up the option which allows them to buy shares in Castrol's parent company, Burmah Oil Plc of the UK.

The shares are currently trading at 600p on the London Stock Exchange.

Based on the current market price, a return of 20 percent has been achieved since the share option began in South Africa in 1989.

"The share option runs for five years, at the end of which employees must buy and sell their shares and remit the profits to South Africa," says Martin Dando, financial director of Castrol.

He says that based on the past performance of the share price, South African employees should achieve a substantial return on their investment in the parent company.

FIM 15/6/90 (74)

FOREIGN INVESTMENT. (74)

Finrand folly

FIM 15/6/90

Even the most profitable financial rand property investments can backfire when non-residents don't familiarise themselves with foreign exchange regulations.

Frank Cringly moved to the Isle of Man in 1974 and last year bought an upmarket apartment off the drawing board in Durban's Musgrave Road. The deal was done in May when foreign investors were scoring off the 50-50 commercial rand-financial rand facility for buying residential property (the Reserve Bank has rescinded the facility).

Instead of making a healthy profit on the financial rand conversion, however, Cringly lost about 32% of the money he made when he sold his apartment three months later.

When he bought the R385 000 property, he had to put down half the purchase price and pay the balance on occupation in October. He paid the commercial rand half of the price first, sending £46 500 from the UK. He intended paying the balance in financial rands.

But, before he moved in, he decided to sell the apartment. It was sold by J H Isaacs for R450 000 and the proceeds deposited with Nedbank. Then Cringly discovered that he could only repatriate the funds to the Isle of Man as financial rands.

"I feel conned. I should have had the position explained either by the developer, Grovewalk Holdings, or its agents, J H Isaacs." He believes they should have warned him of the consequences of selling and that he stood to lose 32% in converting from commercial rands to financial rands.

JHI MD Roy Alderice says, as the selling agent, his organisation was not aware of any financial rand implications until afterwards. Grovewalk's Avril Steytler denies blame. She says Cringly's money was deposited with Nedbank, which knows "all the implications of foreign exchange controls." Nedbank points out that it, in turn, is governed by Reserve Bank policy.

According to the Reserve Bank, Cringly may still apply to repatriate part of his proceeds in commercial rands. A decision would be based on the merits of the case but it seems that, in this case, the chances of success are slim. ■

Huge foreign investments planned – Durr

Star 19/6/90 By Peter Fabricius, Political Correspondent

74

European and Japanese trade and industrial sanctions were for all practical purposes over, Trade and Industry Minister Kent Durr said today.

He also disclosed that large-scale foreign investments were being planned or had been approved.

He was elaborating on his statement to the President's Council yesterday that "for the first time in decades we are seeing a roll-back in the current sanctions".

"Sometimes these are only gestures," he said, "but, then, the sanctions were often only signals. We are making contact now with old friends we have not seen for a while."

In an interview today, Mr Durr said he did not wish to give the impression there was a "new dawn", but there had definitely been a significant change in the attitude of foriegn investors. America was still a problem because of the "sanctification" there of ANC vice-president Nelson Mandela.

Mr Durr said investments of up to R4,5 billion were being planned by the motor industry in the form of expansions at Merecedes Benz, Toyota and Volkswagen.

Further good news on the economic front is that South Africa is over the worst of its foreign debt crisis.

Reserve Bank governor Dr Chris Stals said today that the last instalment of the second interim arrangement for repaying foreign debt had been paid on June 15.

The most difficult period of the debt repayment crisis was over. From now on, the annual repayments would be much lower.

- South Africa's monthly trade surplus jumped 9,4 percent to R1 080 million in May, according to new figures released by the Department of Customs and Excise.

Star 20/6/90 (74)

New foreign investment on the cards

By Frank Jeans

South Africa, now heading the right way on the back of the Government's reform initiatives, could well be seeing a return of foreign investment.

This was the message Mr Tony Norton, president of the Johannesburg Stock Exchange gave to the South African-German Chamber of Commerce and Industry in Johannesburg yesterday.

Mr Norton, however, warned: "There are qualified opportunities for investment but at the same time there are no guarantees at this stage.

"Nevertheless, if you look at the facts, the situation in this country is vastly better and I sense that the world is wanting us to win."

Mr Norton referred to his speech to European bankers 18 months ago when he took a bullish view of the country's prospects. The audience had "listened politely" but probably thought he was "too patriotic".

"The judgment we took then, has been vindicated and the optimism today is well-founded," said Mr Norton.

The JSE president is confident, too, of the leadership's role in the present climate and following years of sanctions talk, declining investment and a "throttled economy", economics is now very much a matter of political policy.

"The direction of that policy is extremely good," said Mr Norton.

Billions in SA gilts subject to tax

B/Day 20/6/90

LIZ ROUSE

BILLIONS of rands invested by emigrants in SA gilts will be subject to normal tax at maximum marginal rates of 44% on a date to be fixed by the Finance Minister in the Government Gazette later this year.

Under Sub-section 10(1)(B) of the Income Tax Bill tabled in Parliament, the Act "shall apply in respect of all interest received or accrued on or after that date".

Only investors who paid for the stock in foreign currency will now be exempt from tax on their interest, the exemption being aimed at encouraging foreign investment.

This means that present and future emigrants, who have large rand funds, will have to reconsider the structure of their investment portfolios in SA. Whatever they do, they will be losers as tax-free gilts have yielded a 15,5% running rate. (74)

Non-resident investors will have to switch to other investment media.

Emigrants can switch to preferred shares, but these will attract a 15% withholding tax or acquire investments

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SA gilts

BDay 20/6/90

(34) ☐ From Page 1

through countries where mutual tax arrangements are favourable

Gilts such as Eskom, RSA and Sats used to provide safe and rewarding havens for emigrants' rands

An anomaly of the Bill is that dividends received by emigrants are exempt from tax but subject to a withholding tax of 15%.

There was no reason to panic about getting out of SA gilts immediately, said tax experts. When the date was announced, investors would have the time to get out of their stocks before the last day of registration when no interest had accrued

The value of stock involved must be large as a minimum investment of R100 000 is required for gilts.

Eskom, which has R14bn paper in issue, has said while statistics of the proportion of its stock held by emigrants were not available, it would be minimal. However, other sources say that the amount of gilts held by SA emigrants is substantial

The 44% tax rate is the maximum and would apply only to richer emigrants. For instance, a 22% tax rate would apply on interest earned on a R100 000 investment.

Anglo offshore arm on acquisition trail

(74) Star 29/6/90

By Sven Lünsche

The Anglo American Corporation (Anglo) has consolidated its European interests under a new offshore subsidiary AEH Limited, which has embarked on a major acquisition trail to prepare for Europe 1992.

In its 1989-90 annual report Anglo says AEH's recent investments included a 22 percent interest in Deutsche Steinindustrie AG (Destag), an international dimension stone operation, and a 19,7 percent stake in the Belgium health-care company Medgenix.

Including associates Anglo's holdings in the two groups are now 35 and 31 percent respectively.

The acquisition programme boosted total spending on investments to R1,123 billion from a "paltry" R480 million in the previous year.

In its wake the value of Anglo's investments grew by 35 percent to a staggering R41,876 billion.

AEH, which will operate alongside Anglo's major overseas investment arm, Minorco, also controls gold exploration activities in the Iberian peninsula, Turkey and Italy and holds 6,3 percent in Liberty Life's UK holding company TransAtlantic.

AEH's contribution to Anglo's equity accounted earnings of R3,13 billion last year (1988-89: R2,645 billion) was less than R30 million, but the acquisitions should boost profits substantially.

Destag, which is involved mainly in granites, is expected to expand its operations worldwide through sales organisations in Western Europe the US and Japan. The granite is provided mainly through its wholly-owned South African subsidiary Impala Granite.

Medgenix has continued to develop through acquisition and internally generated growth and is set to grow further in the current year, Anglo says.

AEH has also acquired the remaining portion of Cleveland Potash, which boosted potash production to a record and doubled earnings to £4,1 million.

Rights issue

Of the domestic acquisitions by Anglo, the largest was an increase in the investment in Gold Fields of South Africa, both through market purchases and through that company's rights issue.

Anglo and its associates now have a 25 percent interest in GFSA, which is valued at R850 million and exceeds the 20 percent stake held by both Rembrandt and GFSA management. In the previous financial year Anglo's investment in GFSA was R520 million.

The corporation also followed its rights in respect of issues by Gencor, Samancor and the Premier Group, which boosted its holding in Premier and Bevcon to 12 percent.

Anglo is putting its faith in the recovery of the gold price although its gold divison suffered a 13 percent loss in earnings from the fall in bullion last year.

"Gold at current prices is undervalued and our belief remains that the metal can play an important role as a store of value during a cycle of correction in other investment markets," the report says.

The market should establish a floor at which reliable buying interest and physical demand will support the price.

Anglo is also optimistic on the long-term prospects for the South African economy, commenting that lower inflation and higher foreign exchange reserves should kick-off an upturn in the economy some time in 1991.

"In spite of the constraining effect of large-scale foreign debt repayments it remains a reasonable prospect that the present economic downturn will not be as severe as that experienced during the mid-1980s."

Economic policies, however, will have to remain relatively restrictive in the short term.

DIRECT FOREIGN INVESTMENT

The key to prosperity

■ But prosperity needs free capital and trade flows as well as stable prices

Ever since World War 1 policy-makers have wrestled with how best to balance reasonably free trade and capital flows across national borders. The two freedoms make uneasy bedfellows at the best of times.

More recently, priority for international liberalisation went to trade and current account transactions. Not until January 1974 did freedom for capital flows move back into style.

The upshot was an explosion in the Eighties — which is now leading to pressures for restraint. Through their dominance of exchange markets, private capital flows frequently hamper economic and trade adjustment; they may even work against adjustment by creating and sustaining currency misalignment. Morever, most private capital flows, other than direct investment, can be fickle.

What can be done to alleviate the risks posed by free-ranging private capital? Some would step back towards a system akin to the pre-1914 gold standard. Others would settle for the Bretton Woods system. To protect free trade, and provide some policy autonomy, they would actively manage the currency markets and control "undesirable" capital flows.

For the future, price stability is the *sine qua non* of financial and exchange rate stability. Stabilising prices should become the cardinal mission of monetary policy, with proper accountability of the central bank but maximum independence of political control.

The focus needs to shift from stale complacency, whenever exchange rates can be pronounced consistent with fundamentals, or from market jawboning and monetary tinkering to a coherent effort to redress failings in the fundamentals themselves.

Rimmer de Vries, an MD of Morgan Guaranty Trust in New York, delivered this address in Edinburgh this month to The Wealth of Nations 1990 World Business Forum. He is a frequent visitor to SA.

Exchange rates should be left to find their own way. The real need is that longer-term fiscal and structural matters, nationally sensitive though they be, now should take over.

The urgency of re-ordering priorities is reinforced by the emerging competititon for limited global saving engendered by the investment demands of German unification and eastern Europe's liberation; the upgrading of US industry; the unmet needs of Latin America, Asia and Africa — plus the eventual restructuring of the Soviet Union.

The form of the financing will be as important as the scale. Ten years ago, bank lending provided a disproportionately high share of the financing to Latin America, with little going in by way of private direct investment. This make-up proved unsound.

Making all these changes will be difficult and take political courage. But failing could be a prescription for an outbreak of regional-bloc mentality and protectionism. That would set the stage for financial instability and global economic enfeeblement.

In the early Eighties, the financial community construed the prospect of higher

FINRAND FUND FM 24/8/90

A new way into SA

Foreigners willing to assume financial rand risk now have the option of investing in a managed portfolio of high-yielding SA fixed income stocks. (74)

Standard Bank has launched Finrand High Yield Fund, an open-ended mutual

FM 24/8/90 (74)

fund registered in Luxembourg, open to investors outside SA and the US. It invests in SA bonds to take advantage of yields provided by the dual currency system. The fund is a first for SA fund managers but joins about 1 000 other unit trusts listed on the Luxembourg Stock Exchange.

Until now foreign investors have had to establish their own portfolios — largely trading in Eskom 168s. SA bonds are bought in financial rands but interest payments are made in commercial rands and, on conversion, provide a yield enhancement equal to the commercial rand/financial rand premium. Since 1986 the yield available to foreign investors has been in excess of 20%, far greater than returns on West European bonds.

Finrand Fund offers investors the opportunity of holding a selection of high-yielding, fixed-interest stocks, mostly guaranteed by government. These include RSA, Eskom, Transnet, Post Office, Iscor, provincial and municipal and public authority stocks. Flexibility does exist to invest in European bonds but Standard Merchant Bank assistant GM John Bestbier says the focus will remain on SA.

The entry cost into the fund is low — FR5 000 or ECU1 000 per unit for the initial subsciption period up to the August 17 listing, after which the issue price will correspond to the fund's net asset value. Essentially, the units will trade four different ways: distribution shares will pay out income received as a dividend while capitalisation shares will accumulate income attributable to them and each class will be quoted in both financial rand and ECUs. Payment for repurchases and dividends will be made in the chosen currency.

The risks of investing in SA bonds — interest rate and exchange rate risks relating to political and economic developments in the country — remain the same but Finrand Fund offers professional management which has the expertise to react quickly to changing conditions and make appropriate portfolio adjustments.

Bestbier acknowledges Finrand Fund has come to the market at the same time as a number of East European country funds but, he adds, "they are high risk, new money equity funds — Finrand Fund uses financial rands to buy high-income fixed interest securities already in issue and mostly with SA government guarantees."

Pam Baskind


Prof David Stephenson of Wits University.

More foreign interest in Cape — Wesgro

B [illegible] 12/9/90

FOREIGN interest in investing in the Cape had risen noticeably in the last six months, Wesgro executive director David Bridgman said earlier this week.

Wesgro is a Section 21 company formed with the objective of promoting growth in the Western Cape. It is supported by local municipalities and businesses.

Bridgman said comprehensive figures on the amount of investment coming into the Cape were not available. The only way Wesgro picked up foreign interest in the Cape was through inquiries.

Moreover, Johannesburg investors had their own advisers and only some would come to Wesgro.

In June, Wesgro received 22 inquiries from inside SA and four from abroad. In July, 15 local inquiries and eight from foreign countries were received.

"We have found a tremendous increase in the number of foreign investors considering the Cape over the last six months. The Cape has four main growth areas: export-related products, technology or skills-based products, tourism and its own population growth," he said.

New hotel

74

A primary area of demand was in buying retirement and holiday homes in the Cape, making it a strong property market. Because of this Wesgro had an active building programme.

Cape Town is to see a second new hotel opening towards the end of the year in the V & A Waterfront development, a 10-year building project which is to include restaurants, boutiques and exhibition facilities.

The Cape Town city planner announced that commercial buildings totalling R1,6bn had been completed in the last two years and a further R540m was under construction.

Central Statistical Service figures show that out of R5,3bn invested in completed buildings in 1989 countrywide, the Cape province accounted for R1,3bn compared to R2,9bn in the Transvaal, R819m in Natal and R260m in the Free State

Non-residential buildings completed in the Cape accounted for R207m of the R1,3bn and residential buildings completed amounted to R786m of a total of R2,7bn.

PROPERTY

Land deals by foreigners 'less than 10% of market'

B Day 12/9/90 (74)

Reports by CHARLOTTE MATHEWS

INTEREST in land purchases by foreigners is out of proportion to the volume of transactions, say estate agents.

Recently, Finance Minister Barend du Plessis clarified policy on the purchase of property from abroad via the financial rand, but bank sources say no changes have been made to legislation.

Standard Bank divisional GM international Rocco Rossouw said that under legislation passed in August 1989, immigrants and contract workers were restricted in the property they could buy. Contract workers must live on the property and may not rent it out.

Previously, legislation allowed non-residents to invest in farming property but that has since been ruled out.

"Non-residents can buy commercial or industrial property through a company," Rossouw said, "but they cannot form a company to buy residential property."

A Reserve Bank spokesman said a company wanting to build a factory or business premises could apply to the Bank for approval to bring in funding through the financial rand.

A Volkskas Bank spokesman said the concession to immigrants had a R200 000 ceiling and was intended to assist them to settle their families in SA.

"Should they need more funds to settle themselves and perhaps set up a business, they can submit an application to the Reserve Bank which will consider each case on merit," he said.

The flow of immigrants had increased in recent months.

Pam Golding Properties executive director Mike Bisset agreed with him.

Bisset said purchases of property through the finrand had never been as high as even 10% of the property market.

"We have always found it has attracted attention and been more newsworthy than the volume of transactions warranted."

Bisset said about 90% of finrand property transactions before the legislation were purchases of expensive homes as wealthy people abroad bought holiday homes in SA.

Now finrand sales were more modest — some to returning South Africans and some to British people retiring in SA, to make the most of their savings in sterling.

Basil Elk Estates head Basil Elk said there had been no increase in the number of finrand property purchases — which never had been very high.

Aida Real Estate chairman Aida Geffen said a certain amount of finrand business was from Taiwanese and Hong Kong immigrants

These immigrants were establishing businesses in SA, generally in the homelands, and living in major metropolitan areas

Future bleak without foreign cash – Knobbs

Without substantial foreign investment, South Africa will be subject to increasing deprivation and a widening chasm between the haves and have-nots, says Chamber of Mines president Clive Knobbs.

He said yesterday at a seminar in Johannesburg on investment in the mining industry it was imperative that the right conditions for a consistent flow of overseas capital be created.

Although capital flight had diminished foreign holdings in local industries, almost a quarter of gold mining shares were retained by overseas investors.

"Whether additional investors can be found and existing individuals and corporations can be persuaded to increase their stake sizeably, will almost certainly have an important bearing on decisions to open new deep-level mines to extract the considerable deposits of gold still embedded in South African soil."

Clive Knobbs

According to current estimates, 40 000 tons of gold were still contained in the Witwatersrand Basin, even though more than 42 000 tons had been extracted since gold was first discovered in 1886, he said.

The Witwatersrand Basin remained the world's biggest known potential source of new gold.

Sanctions had inhibited the growth of the coal mining industry, but it had undergone a remarkable recovery.

Last year, with a total production of 178 million tons, SA became the world's fifth-biggest producer.

"Its exports of 47 million tons, valued at R3,6 billion, represented more than 12 percent of the total international export tonnage and, after the US and Australia, South Africa is now the third-largest exporter of coal."

The outlook for the platinim group of metals was bullish, with annual demand expected to rise to about five million ounces by the year 2000. This was an increase of 1,5 million ounces on current demand.

"The low gold price has subjected the gold mining industry to severe financial pressure and a growing number of mines have found themselves in loss-making situations.

"Hundreds of thousands of jobs will be endangered and, if mines are forced to suspend operations, considerable tonnages of gold will be lost to South Africa.

"Labour costs now account for more than 50 percent of total working costs. The time has arrived for union leaders to comprehend that their objectives of job creation, higher wages and improved benefits are mutually exclusive," he said.

The most taxing problem facing the mining industry at the moment was the need to travel deeper and deeper to exploit remaining gold deposits.

"To warrant the massive capital expenditure of operating at such great depth, mining methods will have to be improved to increase rates of production."

It was now estimated that the development of each new deep-level mine would cost more than R2 billion, he said.

"With operational lead times of at least 10 years, it is logical to expect that investors will be looking for quite exceptional conditions before committing their funds to projects offering such long-term return prospects," he said. — Sapa.

Violence fails to scare off capital market investors

SLPA 4/10/90

GRETA STEYN

VIOLENCE and political uncertainty have not scared off overseas investors in SA's capital market, but buying has dwindled to the lowest levels since political reform began.

But, while foreign buying of gilts consistently exceeds selling, net sales of equities continue unabated. Analysts say this trend reflects lack of confidence in gold and uncertainty on world equity markets in general, rather than political uncertainty.

The stream of gilts purchases seen towards the end of last year and in the beginning of 1990, as euphoria over President F W de Klerk's reform initiatives dominated the markets, has slowed down to a trickle.

The first lull set in during the second quarter of 1990, JSE figures show, when net buying fell to R296m from R705m in the first quarter and R883m in the last quarter of 1989.

A sudden spurt of buying in July — purchases hit R190m from the monthly average of R97m of the previous three months — was not sustained as violence flared in the townships and net buying dwindled to R76m in August and R49,4m in September.

However, foreign investor sentiment is still more positive than it was in 1986-1988. The discount between the financial and commercial rands — an indicator of foreign investor sentiment — was much wider then than now (an average of 52,9% in 1986, 38,1% in 1987 and 37,9% in 1988, Reserve Bank figures show).

Debate

74

At 32% yesterday, the discount between the two currencies indicated foreign investor sentiment had become more positive since August, when the figure averaged 34,2%.

Confidence was at its worst this year in March as the debate on nationalisation raged, pushing the discount to an average of 34,9%.

The sustained net buying, albeit it low, has been a factor in underpinning the financial rand.

Foreigners buy gilts via the finrand and earn interest in the commercial rand, and are drawn to the SA market by the discount between the two currencies which brings the effective yield to about 25%.

Foreign activity has proved an important spur to increasing volumes on the capital market.

Against a background of failing foreign interest, the value of capital market stock traded fell to a meagre R14,3bn in September — well down from the heightened activity in July which saw R19,3bn in stock changing hands. The average monthly turnover in the second quarter was R16,7bn.

Dealers confirmed that buying interest from foreigners had died down, but said it was encouraging that foreigners, who owned some R6bn of SA gilts, were not selling.

SA bond market offers big gains to foreigners

6 Bd 74 7/10/90

OVERSEAS investors stand to make marked gains by investing in the SA bond market, local analysts say.

They point out that the market's attractiveness has been enhanced by the gloomier outlook for leading world economies resulting from the Middle East crisis.

In contrast to world stock and bond markets, local bonds offer excellent returns in excess of 20% to foreign investors, almost matching those available to them a year ago, when optimism over SA's political prospects brought in a flood of foreign money.

In addition to high yields combined with the substantial discount available through the financial rand, bullish local economic and political fundamentals are seen as key factors making the outlook favourable for overseas investors.

Analysts say the returns continue to be very satisfactory by world standards.

Optimism

For example, the long-dated Eskom 168 11% 2008 offers the foreign investor a yield of about 23%.

During the period between May 1989 and February 1990, when optimism about SA's future peaked, the local bond market attracted about R4bn in new foreign funds.

Much of this money has remained in the country but very little new foreign money has been attracted since February, amid continued political instability.

The Eskom 168 currently offers a yield to redemption of 15,95%, compared with around 17% a year ago. The UK's 2 008 treasury bond offers a yield of 11,2%, Japan's 10-year 119 offers 8,6% and the 10-year bond in the US offers a 9% yield.

In addition, investors in SA bonds stand to make worthwhile capital gains in future assuming the political situation improves and the financial rand firms.

In view of the monetary authorities' strong anti-inflationary stance and commitment to maintaining positive real interest rates, consumer inflation, currently at an annual 13,6%, is likely to get down to single digits within the next two years, resulting in the Eskom 168 bond declining to 13% to 14% during that period.

These factors could see capital gains of about 10% to foreign investors, bringing their total return on investment for the 12 months to around 33%.

Consultant Robbie Gerhardt of stockbrokers Irish & Co said the phenomenally attractive returns compensated for a lot of political risk.

Piet van Schaik, director in charge of foreign institutional marketing for stockbrokers J D Anderson & Co, pointed to a further positive economic factor, namely that SA's belt-tightening efforts were already well under way.

"By the time the oil crisis hit the world and central bankers were forced to take a new look at their monetary policies, SA had already been in a structural correction phase for 19 months. Adjusting to higher oil prices from here on falls more into the realm of fine tuning than major economic policy adjustments." — AP-DJ.

Leading SA companies buy into Europe

STAR 25/10/90

A group of major South African companies is to buy a 49 percent stake in one of Europe's largest paper manufacturers.

The purchase price has not been disclosed but annual turnover of the company is believed to exceed $350 million.

The consortium, which consists of Mondi Paper, Anglo American, De Beers Centenary and Minorco, is to acquire a 49 percent shareholding in the Austrian paper manufacturer Neusiedler AG from Frantschach AG.

Mondi executive chairman Tony Trahar said Frantschach is a privately owned Austrian forest products group with interests in bleached and unbleached pulp and paper production, packaging and distribution.

Neusiedler is Europe's third largest manufacturer of woodfree papers for the fast growing A4 photocopy paper and business forms markets and has well established brand names and sales networks in Europe.

Being located in Austria, Mr Trahar said, Neusiedler is well placed to expand in both the EC and eastern Europe. It will open up new markets for the export of pulp from Mondi's Richards Bay mill.

Annual paper production currently exceeds 220 000 tons at its Theriesental and Kematen mills in Austria.— Sapa.

FOREIGN

INVESTMENT

1968

PID, 8/4/88

Call for halt to alleged industry bid by SA

LONDON — The British Government has received calls from the opposition Labour Party to a halt a reported bid by South African businesses to buy into Britain's electricity industry when it is privatised next year.

The London Daily Mail said yesterday the South African move was being seen as "a blatant attempt by the apartheid regime to increase dramatically the amount of coal its sells to the UK.

"Power stations are the biggest single coal users in this country."

The newspaper said South Africa at present exported about half a million tons a year to Britain, a tiny proportion of the 103 million tons produced in the UK's own pits and the 10,75 million tons imported from other countries.

The Daily Mail said a top-level delegation from South Africa would visit Britain this month to convince ministers that such a development would mean cheaper electricity for homes and industry.

The delegation would include Mr Allen Cook, of Rand Mines, and Mr Bernard Holtshousen, of Gencor.

Labour MPs have called on the Energy Secretary, Mr Cecil Parkinson, to give categorical assurances that South Africa would be specifically excluded from any involvement in the privatised industry.

Labour MP, Mr Bob Cryer, said, "So far the government have failed to provide any effective guarantees in previous privatisations to prevent foreign take-overs." — Sapa

DD 27/4/88

SA coal industry denies UK investment plans

Daily Dispatch Correspondent

LONDON — The South African Coal Industry has strongly denied British Labour Party allegations that South African companies are planning to buy into Britain's electricity industry after privatisation, in a bid to boost coal exports.

The denial yesterday follows a visit to London last week by South African delegates who were here to "discuss the effects of sanctions on the industry", said the director of the South African Coal Industry Board in London, Mr Robert Swain.

The visit, including a lunch at a London hotel which was the centre of anti-apartheid protests on Thursday, was part of a drive to counter "misleading" information.

The delegation, headed by Mr Allen Cook from Rand Mines, Mr Bernard Holtshousen from Gencor and Mr David Rogans of Anglo America's Amcoal company, said South African coal could be landed in Britain at a third of the price being paid by the Central Electricity Generating Board (CEGB) for domestic supplies.

Mr Cook said South African companies knew it would be a political risk if they tried to replace British coal.

Labour Party MPs recently called on Energy Secretary Mr Cecil Parkinson to give categorical assurances that South Africa would be specifically excluded from any involvement in the privatised industry.

He said when the British Government announced there would be a free market for coal "it was the green light to South Africa."

He said he believed South Africa would move to increase its imports to Britain.

Mr Swain said in a statement, "Claims that the delegation were investigating the possibility of the industry investing in privatised CEGB are entirely without substance." Reasons for this were:

- The export rate of the rand was currently 34,5 per cent weaker than the commercial rand, making it impractical to invest money offshore.
- With so many foreign establishments having withdrawn from South Africa the country was in dire need of investment. South African companies, therefore, would not invest elsewhere.
- The coal industry did not have spare cash to invest; export tonnages were down by about 14 per cent over the past year and sanctions compounded by weak markets had already resulted in about 8 000 retrenchments with the prospect of another 2 000 within the next 12 months.
- The industry was in the business of mining coal and was not interested in investing further.
- Coal companies in South Africa dealt with their consumers independently, not jointly.

They were competitive, except for a small amount of business done through Transvaal Coal Owners Association (TCOA). If the industry was to invest in Britain it would do so through the TCOA.

The TCOA would have approached the CEGB privately and would not have sent a delegation to London.

Mr Cook said South African companies could ship supplies to Britain for between £17 and £20 a ton compared to £40 a ton for local supplies.

France and Denmark were the only European Economic Community countries to have banned South African coal imports so far. Europe accounts for half of South Africa's coal exports which have been running at over 40 million tons a year.

74

Anglo prospects in Turkey

REINIE BOOYSEN

ANGLO American Corporation of SA and six other companies have been allocated gold exploration permits to join the growing search for the precious metal in Turkey.

The latest issue of Mining Journal's International Gold Mining Newsletter (IGMN) says Anglo is to search for gold in the eastern Erzurum and Kars regions of Turkey, while six other companies will expand their current Turkish exploration interests in collaboration with the state-owned Etibank.

They are: Outokumpu; Phelps Dodge; Preussag; Metallgesellschaft and France's BRGM.

The move coincides with increased exploration activity in Europe — in countries such as Spain and Italy.

Turkish government reports state the country has about 62 tons of gold and 600

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Anglo to join search for gold in Turkey

● From Page 1

tons of silver in ore reserves and the potential for further discoveries is considered good.

The IGMN writes: "Like Spain and Italy, Turkey is blessed with widespread mercury mineralisation, a strong sign that hot springs-style epithermal gold mineralisation may not be too far away.

"Furthermore, the country is keen to forge closer links with the European Community and the investment climate in the country is very favourable."

This development in Turkey comes soon after a severe set-back for Anglo's interests in Brazil.

On April 28 both houses of Brazil's parliament decided that mining and mineral exploration in the country should be controlled and majority owned by Brazilians. Gathering as a single assembly, the houses voted by 343 votes to 126 in favour of adding a clause to the constitution to this effect.

Two of SA's big mining houses — Anglo and Gencor — are known to have substantial interests in Brazil.

Anglo American Corporation of South America — wholly owned by Anglo American Corporation of SA — has a large stake and management control of two major Brazilian gold mining ventures, namely the Crixas and Jacobina mines.

Mining Journal also reports that Anglo has been granted an option by TRV Mineracao to earn a 50% interest in its Anicuns gold project in the Brazilian state of Goias, 30km south of Crixas.

Anglo is examining recent exploration results and has already started its own drilling programme on the property.

Meanwhile Anglo American Corporation is continuing its search for gold in North America.

Mining Journal reports that Western Gold Exploration and Mining (WestGold) — in which Anglo's Luxembourg-based investment holding company Minorco has a controlling interest — aims to develop an annual gold production of 200 000 ounces and reserves of at least 2,5-million ounces by the early 1990s.

Finrand gives those overseas an advantage

Star 22/6/88

HOUSE OF ASSEMBLY — The financial rand was not created so that foreign property buyers would have an unfair advantage over South Africans, but to generate investment and job opportunities, **Mr Tian van der Merwe (PFP, Green Point)** said yesterday.

Speaking in the debate on Local Government, Housing and Works, he said investment in houses and flats by foreign buyers using the financial rand had burgeoned so much that estate agents had opened offices overseas.

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Foreign buyers were being given an unfair price advantage when competing with locals for a property. — Sapa.

Acsis Group expands

Star 26/5/88 The Star Bureau (74)

LONDON — Acsis Group, the former Acsis Jewellery now being built up by South African entrepreneur Darryl Phillips, is buying United Media, which sells advertising space on theatre tickets and hotel key cards, for an initial R400 000.

The acquisition will be integrated with the Ingleby Group, a marketing company which was bought by Acsis for R45 million in February.

United has a two-year contract with 140 theatre and hotels in Britain, and brings the total held by Ingleby to more than 550. It plans to expand into other forms of media advertising, including seat plan guides. A further consideration of up to R800 000 is payable, depending on profits.

Foreign markets shrug off effects of stayaway

(74) (ARP) Star 8/6/88

By Neil Behrmann

LONDON — The black protest stayaway, the biggest in several years, has not had any impact on South African shares trading abroad.

Average gold share prices continue to hold onto their 15 percent gains made during the past few weeks. Trading has been thin, but buyers have included Swiss , German and French investors and, to a lesser extent, Americans.

SA industrials have been ignored for several years.

But dealers say that the key to market sentiment will be the gold price.

If the price rises, markets will ignore political events. But if it declines, there could be a sharp fall in South African shares.

"The market is very nervous," a London dealer said yesterday. "We can only wait and see."

The recent surge in platinum and gold prices appear to have discounted potential political problems.

Both have failed to maintain their recent highs and have fallen, even though news of the strike hit front pages around the world. They have also failed to respond to the possibility of labour difficulties on the mines in coming weeks.

Few bullion dealers expect any sharp setback in bullion and platinum prices in the short term. But if they fail to perform and gold remains locked within the $440 to $480 trading band, foreign investors may well become concerned again about rising costs and the political risk factor.

The international outlook is confusing. After an unexpected surge last week, brokers are evenly divided on whether there will be a traditional summer rally on Wall Street.

The Tokyo Stock Exchange is hovering around an all-time peak of 28 000 and speculation is rampant. There are worries that any worldwide stockmarket surge could be followed by a swift collapse and the SA market will not be in splendid isolation.

With this in mind, London brokers are highly selective about gold shares. Williams de Broe rates as a "buy", Harties, Zandpan, Beatrix, Deelkraal and Driefontein. Vaal Reefs is a "hold" and Kloof can be bought on weakness.

But Buffels, Grootvlei, Stilfontein, Blyvoor, Durban Deep, ERPM, Libanon, Venterspost, Elsburg, South Roodepoort, Elandsrand and Southvaal should be sold, say the brokers.

Michael Spriggs of Warburg Securities says that on a gold price forecast of $430 to $480, Driefontein, Harties, Kloof and Vaal Reefs "represent excellent value and should be bought for secure yields".

"The March quarterly results confirm the continuing recovery in production and underline the efforts to contain working cost inflation," he says.

"The FT gold mines index is at the largest discount to the gold price for many years," says Mr Spriggs.

He warns, however, that average working costs are around $320 an ounce, against $305 in December. Mine working costs inflation is running at 19,6 percent.

If Mr Spriggs is correct, average working costs on the mines could reach present gold prices within only two years.

On this basis , only mines with low costs and rising production should be in portfolios.

Exchange rate aids Swimline profits rise

Cape Times 1/8/86

Financial Editor

EXCHANGE rate profits helped to boost Swimline Holdings' attributable income for the year to June by 150% to R2,6m although turnover rose by only 9,6%. Earnings rose to 12,8c (6,9c) a share and a maiden dividend of 4c was declared.

Swimline, a manufacturer and distributor of swimming pool chemicals and accessories which was listed on the Johannesburg Stock Exchange last year, is one of an increasing number of SA companies to invest in offshore operations both as a rand hedge and to help their penetration of overseas markets.

By arrangement with the registrar of companies they are not obliged to give details of their overseas subsidiaries or even name the countries in which they operate.

Before taking the exchange rate profits into account Swimline lifted after tax income by 89,8% to R1,98m for the year ended June 30.

This was achieved off a modest 9,6% increase in turnover to R20,4m (R18,6m) after floods affected a large part of the group's market in both halves of the financial year.

Attributable income was boosted by a further R598 000 to R2,6m following exchange rate gains on the group's foreign loan to finance a management buy-out of an overseas company.

"Swimline expanded into an offshore market during the year when we provided loan capital to facilitate the management buyout of a company in the swimming pool trade," said group chairman John Puttergill, group chairman.

"We believe the acquisition of an offshore company has been vindicated in that it has not only expanded our trading base, but it is already acting as a hedge against the diminishing value of the rand."

Puttergill disclosed that Swimline also diversified into the video market during the year.

It bought the assets and business rights of a company established to produce video cassettes in SA. Its brand, Eyline, will reach the market this month and Puttergill forecasts that it will make a substantial contribution to future earnings.

Puttergill said that the establishment of a trichloroisocyanuric acid plant in conjunction with AECI, which has a 26% stake in Swimline, was under review and he expected to make an announcement about this soon.

"Our budgets for the current year are already showing substantial growth in earnings and while these may not achieve the 150% achieved during the past year, they will certainly exceed the 30% growth projected in our prospectus by a comfortable margin."

UK airline refuses SA cash

LONDON — South African investors have been trying to finance the airline Scotair, which was intended to replace the ill-fated Highland Express, according to a report in *The Scotsman.* (74.)

The newspaper said the airline believed it had secured the £5 million (about R60 million) it needed to go ahead but, after realising the money was from South Africa, it refused the offer. Star 25/10/88

The Scotsman quoted Mrs Anne Struthers, a director of M F Financial Services of Glasgow, which was leading the fund-raising, as saying the South African offer, made through an English contact and then via the Isle of Man, had been the answer to everyone's prayers. — Sapa.

PG rumours wide of mark

Diagonal Street

SVEN FORSSMAN

Market rumours that Plate Glass (PG) is following in the footsteps of Rembrandt and Liberty Life in hiving off its overseas interests could be a little off the mark.

Plate Glass and holding company Placor reached new highs of R51,50 and R21 late in September amid speculation that the group intended listing its overseas interests separately.

The shares traded at lower levels yesterday — at R47,50 and R19 — but market rumours persisted.

The group operates on four continents, in 17 countries. In the past financial year it derived 50 percent of its earnings and 64 percent of its turnover from overseas operations.

The glass division, which accounted for 59 percent of group sales and 70 percent of earnings in the year to March, is sensitive in certain parts of its business to the threat of sanctions. Joint chairmen Ronnie and Bertie Lubner said in the annual report steps were being taken to insulate the group from these circumstances.

Mr Bertie Lubner yesterday denied the group planned to hive off its overseas interests, but said it was constantly exploring all avenues to improve offshore interests.

"We have been in the export game for more than 20 years and have for a long time been looking at ways and means of spreading our risk. We have obviously been looking at what other companies are doing," he said.

"It is the board's responsibility to look at every possible alternative to ensure long-term prospects are run with the minimum or risk.

"We have been looking at each individual unit of our business overseas in order to give it the best financial structure it needs.

"The financial structure of our operations may vary from country to country because of different practices, and we may consider partnerships, whether they be public, industrial or venture capitalists, but the businesses will all be managed by us."

The geographic spread of operations provides a buffer against cyclical movements in individual countries' economies.

Frankel Kruger analyst Heidi Vollmer says although sanctions are a very real threat, the greater growth opportunities for the group lie overseas.

"Most of Plate Glass' international glass partners are also their major suppliers. The group tends to go into partnership with its international suppliers. PGSI supplies the expertise, while the partner supplies the glass."

Ms Vollmer adds that although the group's share prices appear fundamentally overpriced, it is possible they could move higher if speculation mounts.

74 B/day 17/11/88

NEWS FOCUS

Why SA companies seek foreign footholds

LONDON — SA companies are expanding abroad as disinvestment, sanctions and the threat of future turmoil slows the country's economic growth.

But if Minorco's case is any example, SA companies which make publicly-disclosed offers are likely to face growing resistance from anti-apartheid campaigners.

Bidders who have been doing deals quietly or acquiring smaller companies have attracted less attention. But Minorco is making headlines because it represents an attempt by a company with ties to the world's biggest gold mining group, to buy the second biggest in what would be Britain's largest-ever takeover.

Minorco's £2,9bn bid for ConsGold not only raises monopoly questions, but has also sparked a row over the extension of SA control to gold production in the US and the Pacific region.

The offer has been temporarily blocked by the British government and by a US Federal Court judge in New York. It is also being reviewed by the SA government and the European Commission.

Papua New Guinea's PM Rabbie Namaliu has warned he would require Minorco to divest itself of ConsGold's Papua New Guinea interests, saying: "We cannot allow this apartheid regime to benefit from our rich resources."

ConsGold has mounted intense lobbying against the bid, saying, among other things, that Minorco's SA connections would hurt its operating companies.

But ConsGold holds SA interests of its own, and gets heavy flak about it from some of its own shareholders.

Harry Oppenheimer told the Sunday Telegraph: "I find it unbelievable to be attacked on the grounds of SA connections, particularly by a group which has been very active in SA and which certainly hasn't been in the forefront of opposition to apartheid policy."

Sanctions

Brian Bolton, a UK-based writer on SA topics, said SA companies were looking abroad because their economy was growing slowly as a result of apartheid, disinvestment and sanctions.

The US, Japan, France and Denmark had imposed sanctions ranging from trade embargoes to refusing to extend loans, and many foreign corporations had sold off their SA interests.

In addition, Bolton said, South Africans "can see day in and day out that the turmoil of what they describe as the worst kind comes closer and closer. At some stage they have to act to protect their own interests."

Britain would be a particularly attractive haven for SA companies because PM Margaret Thatcher steadfastly opposed sanctions, he said.

Another SA company, Rembrandt, recently spun off its Richemont group of non-SA interests.

Richemont has listed its shares on the Swiss stock exchange and it has no operational ties to SA, but is still effectively controlled by the Ruperts.

The Ruperts say they want to establish a presence in Europe before 1992 when the EC becomes a single, barrier-free trading bloc.

Jan du Plessis, Richemont's finance director in Zug, Switzerland, also cited SA government restrictions which made it difficult to raise funds publicly, as well as the impracticality of having headquarters far away in SA.

Other SA companies setting up footholds abroad include Liberty Life, FSI and Malbak's Altercorn group. — AP-DJ.

(74) 5/Time 4/12/88

Charge of the wildebeeste!

SA men make it big in Britain

By RICHARD ROLFE in London

IN the past two years nearly 20 individual South African entrepreneurs or established concerns have set up UK offshoots, enlivening the local scene and bringing their own particular brand of opportunism to the British business arena.

The arrival of South African entrepreneurs has generally been welcomed — the "charge of the wildebeeste", one commentator has called it — although it is also noted that South Africa can ill afford the loss of so many of its brightest business brains.


KEN MAUD


BRUCE McINNES


MILTON LEVINE


DARRYL PHILLIPS

The only sour note has been struck by the Anti-Apartheid Movement. It sees in the action of SA businessmen in setting up shop in London a sinister conspiracy to outflank sanctions — though it was forced to admit that no such motive lay behind Roy Bishko's colourful chain of Tie Rack boutiques

SA businesses in the UK fall essentially into three categories

First there are the long-established offshoots of SA big business — Anglo with Minorco Charter and their affiliates, Rembrandt and its Rothmans arm, Liberty with the Capital & Counties property group and Barlows with J Bibby

A second category, of more recent big business investors, includes the Gencor group, which moved into the UK only last month with the purchase of control of the £40-million MY Holdings.

Funds

It also includes Old Mutual, with its offshoot Providence Capitol, whose purchase price has never been disclosed, but which now has funds of £250-million under management.

Then there is Telemetrix, the £40-million group acquired by Altron earlier this year Finally, AAF International, the cash shell controlled by Jeff Leibesmann's FSI, has yet to make its first move.

The third category, that of individual entrepreneurs, is headed by Julian Askin and Hugo Biermann of Thomson T-Line

From capitalisation of under £1-million two-and-a-half years ago, they have built TTL up to a £100-million company and have negotiated an agreed bid worth £270-million for the conglomerate. Suter

Collapse

Peek, the £130-million electronics company where Ken Maud is managing director, is the next biggest creation of the individual entrepreneurs.

Since taking control in August 1986, Mr Maud has made a series of acquisitions, of which the biggest, the £100-million Dubilier International, is still being digested.

When mining engineer Chris Hotson took over at coal recovery company Ryan International, it was on the verge of collapse It has now built up to be the biggest private sector coal operator in the UK, and is capitalised at £60-million.

However, its development received a setback recently when ambitious plans to merge with oil producer Carless Capel into a broad-based energy group were abandoned because of shareholder opposition.

Also weighing in at £60-million is Goode Durrant, the motor-dealing, housebuilding and trade finance vehicle of Michael Waring. He has accumulated a cash pile of £30-million in the company, and his next move is keenly awaited

Ivor Schlosberg, who ran RPM Records in SA for several years, first found Pickwick, his UK vehicle, when heading Premier's international office.

Strength

Pickwick's proprietor, Monty Lewis, was unwilling to sell to an SA-controlled group, however, but Mr Schlosberg was able to seal the deal after subsequently leaving Premier

The company distributes records, CDs and videos, and has gone from strength to strength, having doubled in value to £52-million since its May 1987 listing.

Associated-Henriques, the trade finance group controlled by Reichmans' Milton Levine and his cousin, Dennis, continues to grow steadily and is now worth £24-million on the London stock market.

A disappointing performer so far has been Charles Baynes, the vehicle of the highly-regarded Bruce McInnes, best known in SA for his time at Hudaco.

Baynes's share price was up to 280p ahead of the worldwide stock market crash, but has since almost vanished to 30p; profits, however, are coming along well.

As is fitting for an advertising man, Darryl Phillips has adopted a high profile at Acsis and has persuaded several SA executives to join him, including ICS's Owen Dinsdale.

Acsis has done a number of deals, without so far benefiting its share price, which languishes around 58p.

This is a worthwhile advance on the 20p Mr Phillips paid for his stake, but spectacularly down on Acsis's pre-crash high of 331p

Philippe le Roux, of Norton Group, likewise enjoys a high profile because of the interest generated by the famous motorcycle interests.

He has just completed a US acquisition which promises to double Norton's capitalisation, currently £5,7-million.

Still to make major moves are Mining and Allied, and Brewmaker, the vehicles of Dan Slabbert and Tony Acton respectively

The success rate of SA businessmen in the UK has been high.

Influx

Only Ronnie Price, who acquired the DSC shell, had to withdraw when he found it impossible to divide his time between his SA and UK interests.

According to the corporate financiers most intimately involved, inquiries from SA entrepreneurs still contemplating a move to the UK continue to come in at a high rate.

There seems every reason to think that those currently operating in the UK will be joined by a fresh influx before long.

FOREIGN TRADE (G)

1991 – '92

Plastics lead export pack

74

S T Times 21/7/91 (Buss Times)

By DIRK TIEMANN

PLASTIC raw material exports are leading the pack with a 44% increase in the first six months this year compared with the same time in 1990.

Vehicle components are close behind with a 34% increase in the same time.

Sasol Polymers export manager George Brownlow says SA's plastic volumes may be small by international standards, but they are eating into foreign margins.

Incentive

Plastic exports totalled R227,8-million from January to June 1991. Sasol's polypropylene plant came on stream a year ago and is running at capacity of 120 000 tons a year. Almost 10% is for export.

Vehicle exports were worth R605,6-million for the six months to June 1991.

National Association of Automotive Component and Allied Manufacturers (Naacam) executive director Denzyl Vermooten expects the figure to top R1-billion by the yearend. In 1985 it wasR180-million. Most of the components go to Europe.

Complete vehicles are also being exported, says Mr Vermooten. Samcor and Nissan are active in this field.

An incentive for the motor industry is the 50c rebate in the rand exporters receive to set off against a 35% customs duty on the wholesale selling price. Under the phase six programme, exports and local content are the same.

In spite of these promising sector performances, total exports are still relatively depressed. The trade surplus for the six months was down to R7,6-billion from R8-billion last year.

International commodity prices are depressed, no relief is in sight from a higher gold price and maize exports have not materialised.

The figures from Customs and Excise include Botswana, Lesotho, Swaziland and Namibia.

Exports rose by only 6,3% in the six months ended June compared with last year. Imports rose by 11%.

Nedcor chief economist Ted Osborn calculates that if one takes the rand depreciation into account, imports rose by 4,6% and exports by 2%.

Exporters facing stiff competition

(74) CT 18/7/91

By AUDREY D'ANGELO
Business Editor

THE worldwide economic downturn means that SA manufacturers are facing stiffer competition from imports as well as fighting harder in export markets, says Ronnie Lubner, chairman and CE of Plate Glass and Shatterprufe Industries (PGSI).

"A world in economic decline will mean that SA exporters will suffer," he says in the PGSI annual report. "And as the country becomes a target for foreign manufacturers seeking to utilise surplus capacity local manufacturers will be threatened by imports.

"The government's decision to adopt free market principles is wholeheartedly endorsed.

"However the application of this policy across the board in the current economic environment may severely damage rather than assist certain sectors of local industry.

"The reduction in import duties and the removal of export incentives must place SA manufacturers under severe pressure. The group is not immune to this and the viability of our export markets, many of which have been carefully nurtured over the last two decades, is now uncertain."

Lubner continues: "In June the Government reduced import duties on flat and processed glass from 20% to 10% and, with the rand holding up against a weak US dollar for most of the year, imports of glass began to flow into the country.

"The source of glass is mainly Eastern Europe and the Republic of China, where massive excess float glass capacity exists."

However, Lubner says, Glass SA (one of PGSI's core businesses) "has adequate capacity both to satisfy the needs of the SA economy and to generate high value added export revenues."

He says export sales of R123m were achieved in the year to March 31.

PGSI lifted earnings by 15c a share to 408,9c (354,8c) in the year to March. The div was maintained at 222c a share.

Waltons Stationery prepares for UK exports

CT 23/7/91.

~~1945~~

74

Business Editor

WALTONS Stationery Co is preparing to export to the UK, following the lifting of a restraint of trade, chairman and MD Frank Robarts told shareholders at the annual general meeting yesterday.

It has continued to reduce gearing, which was brought down to 48% by the end of the financial year on February 28 from a high of 138% in 1989. Robarts said he thought it might now be below 42%.

But, he continued, although the group had seemed "recession-proof" in the past because there was always a need for its stationery and office equipment, it was being affected this time by falling demand as a result of retrenchments, business failures and strikes.

It was avoiding carrying high levels of stock in branches.

Discussing possible expansion overseas, Robarts said that the Croxley factory — the largest manufacturer of stationery in the country — which Waltons owned jointly with CNA had been subject to a restraint of trade when it was bought from DRG.

It had been forbidden to compete with DRG in any overseas market — and had run into trouble over this when it tried to supply the retail operation it started in Australia.

Now that DRG's operation in the UK had been bought by Sappi, which wanted the paper mills, the restraint there had been lifted. But it would take months of preparation before Waltons could enter the UK market and it would not be ready before 1992.

Robarts said there were no plans to enter the Continental European market. The UK market was a huge one, and Croxley would not be able to supply both it and Europe.

He said he would not consider starting an overseas operation until he was certain a company with SA connections would not encounter hostility. The operation Waltons had started in Australia — now doing well after a management buyout — had encountered troubles including bomb threats and the withdrawal of bank credit.

Record rise in exports of vehicle parts

GERALD REILLY

PRETORIA — SA's motor vehicle components manufacturers exported a record R483m worth of parts mostly to Europe and the US in the first five months of the year. B/Day 23/7/91.

National Association of Automotive Component Manufacturers executive director Denzyl Vermooten said this was a 32% increase over January-May last year.

It also indicated that exports for the whole of this year were likely to exceed R1bn for the first time.

Vermooten also disclosed that components had been exported to China for the first time.

"Our plans now are beamed at breaking into the potentially large Far East market, including Taiwan," he said.

Exports included wheels, body panels, batteries and radiators. (74)

Vermooten said the industry had identified and penetrated niche markets where limited demand was ignored by big international manufacturers.

However, he stressed local production costs inflated by high interest rates, inflation, a weak rand and escalating labour costs weakened SA's competitive base and inhibited export growth. With the 1992 European unificiation, greater emphasis was being placed on high standard products in preparation for what was likely to be a more discriminating market.

Meanwhile, Central Statistical Service figures show trading revenue in vehicles and accessories for the first six months of the year increased by 6,1% compared with the last six months of last year after seasonal adjustment.

By Derek Tommey Star 24/7/91

Exporters won't welcome rising rand (74)

Slowly the rand is regaining value in the world's markets.

This in time should have the happy result of lowering the cost of imports and reducing inflationary pressures.

But it could also mean that exporters of goods which are not priced in dollars could find the going more difficult.

Figures issued by the Reserve Bank show that its index of the "real" trade-weighted value of the rand (1979 equals 100) has risen more than 17 percent in the past two years to reach 86,8 at the end of April — its highest level since January 1988.

The "real" value is obtained by averaging the rand's exchange rate against the currency of the country's six biggest trading partners — the US, UK, Japan, Germany, France and Italy — and then adjusting the index for price changes in South Africa and in these six countries.

It seems likely that the index has probably risen even further since April as the factors boosting the rand have strengthened more since then.

Higher earnings

A Reserve Bank economist, Bernie de Jager, says the rise in the "real" exchange rate of the rand is the result of the higher rand earnings of many exporters owing to the increase in the rand-dollar exchange rate.

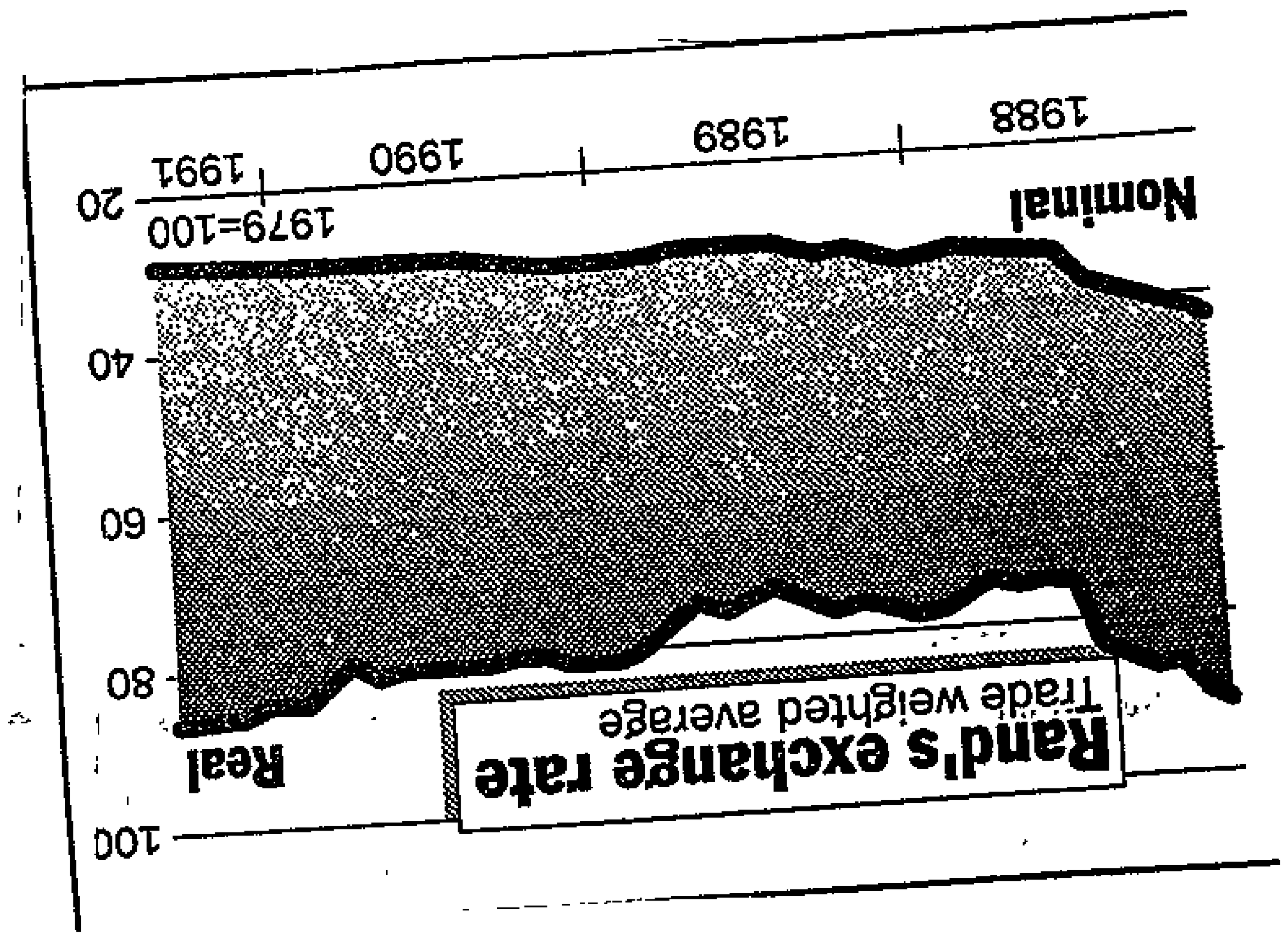
A large proportion of South Africa's exports are priced in dollars.

However, the rise in the "real" value is not good news for exporters whose goods are priced in rands as it means these goods are costing more in foreign currencies and are losing some of their competitive advantage.

Meanwhile, there is some concern among businessmen that the lifting of sanctions and the prospect of an increased inflow of short-term funds into South Africa could lead to a rise not only in the "real" exchange rate of the rand but in its "nominal" value as well.

This would be bad news for all exporters as this would reduce their price competitiveness and also their foreign earnings in rand terms.

It would also mean that imports would become cheaper providing increased competition for local manufacturers.



Cosatu congress to make vital choices

VERA VON LIEBES

COSATU's relationship with the ANC and SACP will be scrutinised by more than 2 500 delegates to the federation's fourth national congress which starts at the Nasrec showgrounds near Johannesburg today.

The conference will be attended by delegates from 14 affiliated unions.

The ANC, SA Communist Party, PAC, SA Council of Churches and the SA Catholic Bishops' Conference have been invited, as have guests from trade unions and labour federations around the world.

A key issue on the agenda will be the adoption of a workers' charter, to ensure that a future constitution will entrench workers' rights and guarantee trade union independence. Such a charter would include the right to strike, organise, belong to a union and the right to a democratic government.

Congress delegates would consider whether Cosatu should play a direct role in the negotiation process, Cosatu general secretary Jay Naidoo told a news briefing last week.

Cosatu's tripartite alliance with the ANC and SA Communist Party will also come under scrutiny. Naidoo said discussions would be aimed at strengthening the alliance.

Delegates will discuss how the issue of overlapping union and political leadership in the alliance can be regulated to ensure that it does not compromise the federation's independence. B Day 25/7/91

Delegates are likely to support a broader strategy for peace and will discuss self-defence. They will also focus on adopting an economic policy with the emphasis on a union role in economic and industrial planning to create jobs and meet basic social needs.

Sugar sector outlook 'strong in long term'

B Day 25/7/91

Own Correspondent

DURBAN — The long-term sugar market could be viewed optimistically, outgoing chairman of the SA Sugar Association, Glyn Taylor, said at the annual meeting yesterday.

Making a forecast for the short term he said a modest improvement was expected in domestic market sales following last year's exceptionally high growth. The sales estimate figure was 1,329-million tons of which 88% would be white sugar.

The proceeds would be boosted by the recent price rise but the increase had to be measured against sharply escalating production costs due to high inflation.

The export market had seen prices slumping from $357 a ton just over a year ago to $200 a ton for deliveries in December this year.

World production had surpassed consumption two years in a row while some countries had cut purchases due to recession and foreign exchange shortages. Export proceeds for farmers would not be "very remunerative".

But the premium on the export market for white sugar "has been remarkably strong at over $100 a ton and a good premium seems set to continue".

This appeared to present an opportunity for SA, which was examining the feasibility of further increasing refining and conditioning capacity. A back-end plant attached to a sugar mill would require investment of about R75m.

The past 40 years had seen a steady 2% growth in world consumption which by the year 2000 would reach 131-million tons — a rise of 21-million tons. That annual rise was equal to SA's total annual output.

Taylor said most production would be consumed where it was grown but a "significant quantity will be left for the world market".

"At the current depressed price levels nobody is going to invest capital for additional world market sugars and this should have the price trending upwards in the medium to longer term.

"I remain optimistic that the 1990s will be altogether better years for SA sugar and sugar cane producers than the 1980s," Taylor said.

Sanctions

Discussing the reasons for the differential between the domestic price of sugar and the world price Taylor said the world price represented a "dumped price".

SA sold all its sugar into this market and it had no preferential arrangements — SA enjoyed a US quota which represented a price premium on the 10 000 to 20 000 tons sold there, but this fell away under sanctions. Dropping of US embargoes could revive that market.

On escalating food prices Taylor said the industry sugar price was now, in real terms, lower than it was five years ago — the aggregate rise in sugar prices was below the rise in the food and consumer prices indices.

He said that keeping these price rises down was made very difficult by steeply rising costs of all agricultural and factory inputs.

Taiwan's development plans hold promise for SA

B Day 25/7/91

LINDA ENSOR

74

CAPE TOWN — The Taiwanese government's plans to spend about $2bn on capital projects to develop Taiwan's economic infrastructure during the next six years has huge potential for SA construction and engineering companies.

SA trade counsellor in Taipei Stephan Pretorius yesterday told the Cape Town Chamber of Commerce SA companies had successfully tendered for large capital projects in the past.

There were orders, for example, for trains, rails, asphalt plants and locomotives as Taiwan upgraded its transport system.

Pretorius said the fast-growing Taiwanese economy had outgrown its infrastructure.

The country was not self-sufficient in terms of expertise and skilled labour, and would have to look abroad for assistance.

Taiwanese figures show that trade between Taiwan and SA amounts to about $2bn annually. SA exports concentrate on coal, steel and iron ore. Steel exports total about $300m, and 25% to 30% of Taiwan's coal requirements come from SA.

Pretorius said Taiwanese exports to SA tended to be consumer products. Government and industry were working together to export more value-added goods, such as supermarket products.

SA fruit juices and beer had been very successful. Ceres exported 55% of its fruit juice production to Taiwan, while 300 000 cases of Castle beer had been sold there this year.

Pretorius said it was possible that Castle, now fifth in the beer ranks, could take the top slot next year. SA biscuits were also sold.

He said he had received many inquiries from SA motor manufacturers about export of components to Taiwan, which had restricted Japanese imports because of that country's large trade surplus with Taiwan.

Egypt set to become major SA export market — Safto

(74)

B | Day 25/7/91

JONATHON REES

EGYPT looks set to become one of SA's major African export markets.

SA Foreign Trade Organisation southern hemispere manager Martin Smith said yesterday that, with Nigeria and Angola, Egypt could be in the top three export markets on the continent within five years.

Safto will take a delegation of businessmen on an inaugural visit to Egypt in September, where they will meet members of the trade, housing and agriculture ministries.

Egypt imports five times more goods than Zaire, three times more than Kenya, seven times more than Zimbabwe and one and a half times more than Nigeria. Though exports might initially be indirect, the market was opening up to SA.

"Egypt will be the first mega-market to open up to us," he said, adding however that exports to Nigeria would probably eventually be greater as it took a "greater spread of products".

There was good scope for SA to break into the Egyptian market, which imported steel, paper and pulp products, chemicals, fertilisers, dye stuffs, maize, soya beans, sugar, edible oils, car spares and tyres.

With one of the best industrial bases in Africa, Egypt offered scope for the supply of industrial plants and machinery, Smith said.

It already planned a big steel factory and a paper mill which could be designed and equipped by SA companies.

Smith said that on a recent visit to Egypt a lot of trading companies and industrialists showea an interest in SA goods.

Once Angola had a lasting peace, it would be able to finance a lot of imports with the 1,1-million carats of diamonds mined annually.

Safto already arranges regular business trips to Angola, Zaire and Mozambique and will take businessmen to Ivory Coast, Kenya and Madagascar before the end of the year, he said.

IN BUSINESS

To get ahead you need some Pace

By JOSHUA RABOROKO

SOUTH AFRICAN companies exploring new trading opportunities in Europe are being offered a tailor-made research and planning service by United Kingdom-based consultants Pace. Sowetan 26/7/91

As the constraints of sanctions and political stigma evaporate, so the international potential opening up for South African organisations seems - if you believe some commentators - like another gold rush.

The smart prospectors, says Pace, will be the ones who use professional advisers from the outset to help them avoid falling for the fool's gold.

"There's no doubt that South Africa's persona non grata status is on the way out," says Pace consultant Mr Andrew Rice, who is currently in Johannesburg to discuss export plans with clients.

74

Market evaluation

"In Europe the signs are there, and increasingly so. But that does not mean that South African companies are about to be magically transformed, Cinderella-style, from pariah to instant belle of the ball.

"The needs to present a commercially convincing case is still paramount, and with our extensive business experience in both South Africa and Europe, and thus our understanding of the different cultures involved, we at Pace are well qualified to help.

Pace's service include market evaluation, business strategy and planning, acquisitions and joint ventures, and project management.

Rice is keen to stress the benefits of tailoring consultancy services to the particular needs of the client.

"In the end, with any study, whether it is straightforward market research project or a full-blown acquisition programme, it is confidence that counts - confidence in the results, and confidence in the proposals that flow from those results.

Extensive experience

"We maintain that a bespoke service, designed around no one's needs other than our client's, is going to generate more of that vital confidence."

Pace was founded by business strategist Ken Graham, who has had extensive experience as a director of companies in South Africa, the US, the UK, and elsewhere as a director of companies in the European community.

He has assembled a formidable team of management consultants at Pace, which has recently been given high-ranking recognition by the British government's Department of Trade and Industry for projects carried out under its Enterprise Initiative scheme.

Outlook for upturn brightening — Stals

Star 27/7/91

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DEREK TOMMEY

THE Governor of the Reserve Bank, Dr Chris Stals, has answered a question many businessmen are asking: When will the economy start picking up?

Dr Stals said yesterday he expected things to start looking better later this year when manufacturers and retailers began restocking, expanding and replacing production capacity.

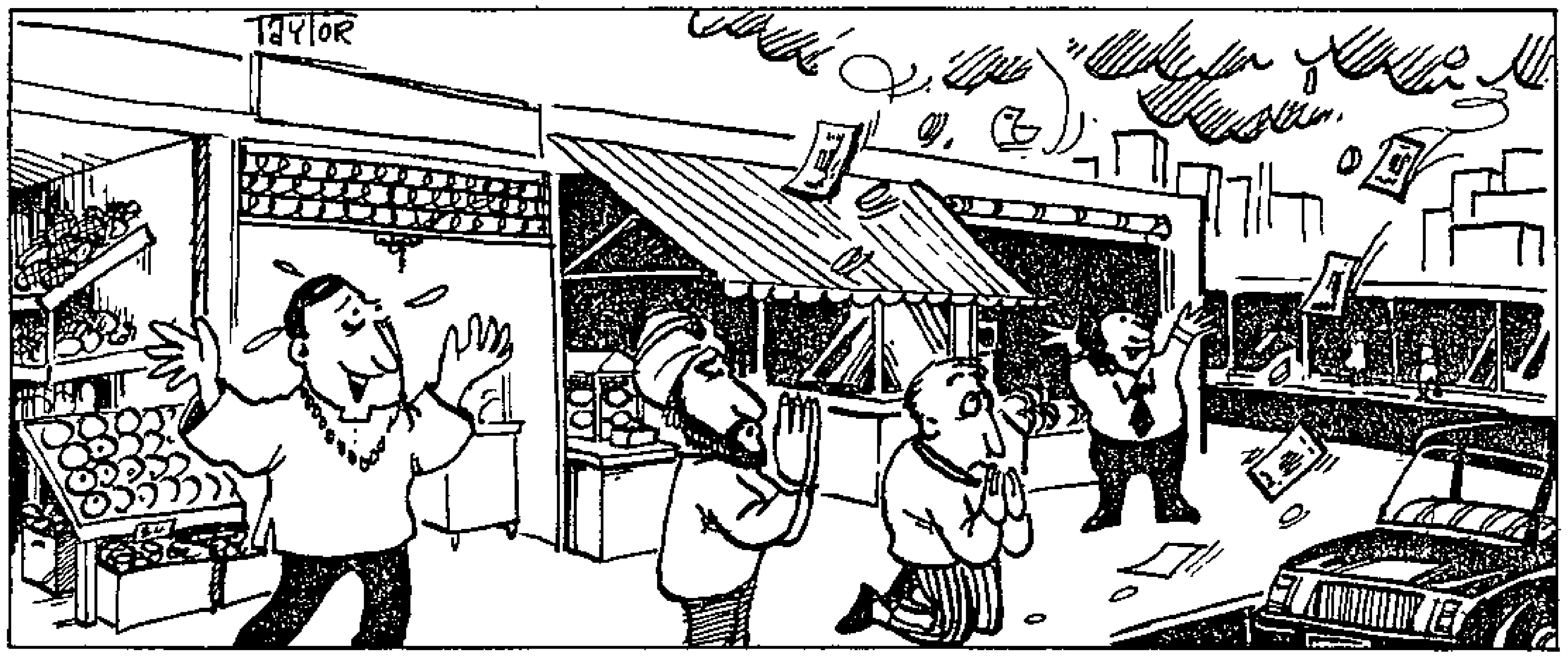
However, he ruled out reducing interest rates to stimulate the economy.

He said that in order to do this the Reserve Bank would have to create even more money. But with inflation and the growth in the money supply still high, this would only aggravate inflation.

Dr Stals said the local economy was different from stagnant economies elsewhere in Africa.

It had probably reached the bottom of the business cycle and was moving towards the recovery stage.

He said inventories had been declining for more than 20 months and the present level of stocks was relatively low.



Business would soon have to start rebuilding stocks, which should lead to some recovery towards the end of the year.

Another stimulatory factor was the continued high level of consumer spending, which had grown throughout the recession.

Some manufacturers were approaching the stage where they would have to increase capacity to meet demand, he said.

Another factor was that much equipment was wearing out or becoming obsolete and needed replacing.

But more than this was needed to get the economy moving strongly ahead. A difficult question to answer was where the necessary additional stimulus would come from.

The Reserve Bank would prefer it to come from an inprovement in the balance of payments, he said.

This could arise from growth in exports or an inflow of investment capital.

Its second choice for stimulus would be an increase in domestic investment arising from improved local confidence.

The third choice would be a scheme similar to that proposed by Bob Tucker, formerly with the Perm, to get things moving by building large numbers of houses for lower-income groups.

● His hopes that the main boost to the next upturn would come from an improvement in the balance of payments seem likely to be fulfilled.

Although accurate figures are not available, most large manufacturing companies are gearing up for export markets.

Developments at the FSI conglomerate seem typical of the manufacturing sector as a whole.

Jeff Liebesman, chairman and chief executive of FSI, said this week that all the company's subsidiaries, other than retailers, were gearing up for export.

Form-Scaff, which makes scaffolding, and National Bolts, were already well established overseas.

The group now intends exporting hosiery from its Burhose factory and tyres from its Gentyre investment.

Reinhard Kunstler, MD of BMW, said last night his group would export more than R100 million worth of cars and components this year, while the motor industry as a whole is forecasting exports worth R1 000 million this year and double this figure next year.

Further evidence that businessmen were looking for export markets came from Ben Smith, deputy general manager of the IDC's industrial finance division.

He said that in the past three months 37 companies had applied for the IDC's special nine percent export finance.

So far, eight applications for a total of R69 million had been approved. The money was expected to generate R392 million in exports and create 260 new jobs.

The balance of the applications for a total of R125 million was still being considered, he said.

Exporters expect major increase in dollar revenues

74

B Day 29/7/91

JONATHON REES

SA's top exporters were confident of a major increase in dollar revenues from export sales over the next year, Safto economist Bruce Donald said at the weekend.

A recent survey of the top 100 exporters showed optimism in anticipating a steep increase in export sales, he said. Exports totalled R65bn in the last financial year.

Safto CE Wim Holtes said that an export-lead economy was the only solution to real economic growth in SA.

However, a senior researcher warned that SA manufacturers planning major export drives would need to improve quality and boost productivity if they wanted to compete in newly-opened markets.

SA Institute for International Affairs senior research officer Gary van Staden said sanctions, besides restricting export markets, had deprived SA of critically needed technology.

He said SA could never compete, for example, with Pacific Rim countries which had minimal labour costs and unrestricted access to technology.

Donald said SA had a strategic advantage in certain commodities, but needed to decrease reliance on traditional exports and diversify in the manufacturing sector.

Van Staden said that although new markets were opening up to SA, sales would not follow if quality was not upgraded and productivity improved.

He said exporters should initially look to regional and African markets before expanding abroad, adding that recent huge percentage increases in African trade figures were deceptive.

A recent 500% increase in trade with Kenya, for example, was calculated from exports last year of only R10m, he said.

Holtes said consistent growth could only be attained through an export-lead economic policy.

The World Bank, IMF and Organisation for Economic Cooperation and Development had consistently concluded that countries that opted for export-lead economies were the most successful.

Japan seen as target for new export opportunities

Star 16/7/91

74

The removal of sanctions could provide a valuable opportunity for South African manufacturers to supply Japan with components or even finished products, says Toyota chief executive Bert Wessels.

He says the lifting of sanctions by Japan will come at a time when there is an acute shortage of manpower in Japan, which will provide valuable opportunities for the South African manufacturing industry.

SA manufacturers may even take care of the minor markets for Japan.

"This scenario would tie into the current trend towards globalisation of component sourcing."

He expects Japanese manufacturers and trading houses to be keen to invest in in this country as soon as possible However, direct capital investment would not necessarily be more advantageous than support for local enterprises in the expansion of international trading opportunities.

"Capital investment on its own will not solve our problems. Export opportunities for our manufactured goods have to be found and we have to ensure that we are competitive in these markets."

He discounts export opportunities to the rest of Africa.

"In some instances South Africa already accounts for as much as 80 percent or more of sales of manufactured goods in Africa so the export potential is not that good.

"The real opportunity for expansion lies in becoming an active member of the global manufacturing community."

Japanese investment in SA could be cautious but at the same time opportunistic.

"I believe that if any strategic advantage is perceived they will move very quickly." — Sapa.

Firms must aim at niche markets

74

BDay 16/7/91

LINDA ENSOR

CAPE TOWN — To be successful as world players, South African firms needed to concentrate on a specific niche market they were familiar with and good at, Prof Manfred Perlitz of West Germany said yesterday.

Perlitz holds the chair for the business unit of the University of Luneberg, is a noted authority on international business strategy and is a consultant to several German and international companies.

He was speaking at a Graduate School of Business Association function on what globalisation meant for SA companies.

He said there were two ways of being internationally competitive — being better or cheaper.

To be cheaper meant taking on the stiff competition of Far East countries and Perlitz suggested it was advisable to have better products and services as higher prices could be charged.

The world's population could be divided into the richer, fewer and older populations of the Western industrialised countries, the younger, poorer and numerically greater populations of the developing countries and the transitional newly industrialised countries such as Hong Kong, Singapore and South Korea which were a mixture of the two.

Perlitz said these profiles should be taken into account when targeting one's market.

He stressed the importance of research and information about the markets for the globalisation strategy and the need for this to be imparted to second and third level management who would be responsible for undertaking it.

Globalisation was a lengthy process and immediate gains should not be expected, Perlitz said, adding that success required the determination to win.

Competitive advantages which South African businessmen had were the ability to speak English, a natural understanding of the European markets and the skills to improvise born out of years of isolation under sanctions.

Star 16/7/91 (74)

CG Smith boosts yeast exports

Finance Staff

Fish farming in the Far East has led C G Smith Chemicals to invest more than R1 million on the upgrading of its food yeast plant in Merebank, Durban.

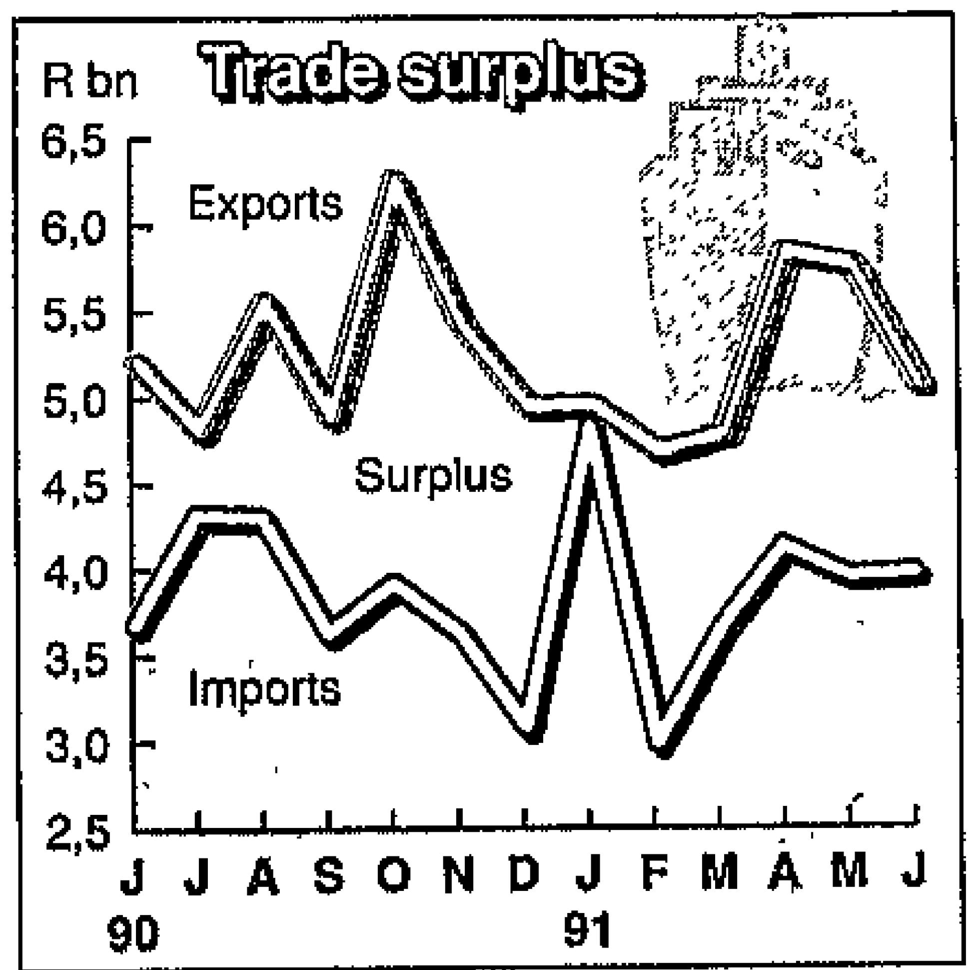
The upgrading has increased the plant's capacity to 2 000 tons a year, half of which has been allocated for burgeoning export markets.

General manager of the Merebank plant, Mike Buchanan, says: "At this stage we have tapped into the demand in Taiwan and Korea only. Upgrading the volume of the plant will make further products available for the exploitation of worldwide demand for Torula yeast.

"Taiwan and Korea continue to indicate strong demand and previously identified outlets in Europe, including Germany and Italy, remain to be revisited and re-tested.

"I also have hopes that the lifting of sanctions in the United States will once again create an opportunity in some sophis ticated applications."

Torula yeast is widely used as a specialised protein supplement in foods.



Graphic FIONA KRISCH Source: CUSTOMS & EXCISE

Falling exports clip trade surplus

(74)

BDay

SHARON WOOD 18/7/91

SLOWING world economic growth depressed exports in June and clipped the merchandise trade surplus to R1,1bn from R1,8bn in May.

Exports slid by 12,1%, from R5,78bn in May to R5,09bn in June as a result of falling exports of unclassified goods (mainly gold, uranium and platinum), base metals and mineral products, Customs and Excise figures released yesterday show.

Imports remained firm in June despite local recessionary conditions, rising by 0,6% month-on-month from R3,96bn in May to R3,98bn.

Rising unclassified imports (mainly oil and arms — up 7,8% month-on-month) and transport equipment imports (up 18,9%) buoyed total imports during the month.

Rand Merchant Bank economist Rudolf Gouws said the underlying weakness in non-gold exports, because of the overseas economic contraction, would continue for the rest of the year. Gouws expected imports to weaken for the rest of the year.

"This provides confirmation that the current account surplus will be substantially lower this year," he said.

Bankorp economist Jacques du Toit said: "Imports are still at high levels because of oil imports and the 747 aircraft which landed in SA during June."

Du Toit did not foresee any dramatic change in the pattern of exports in the short-term, but the abolition of sanctions and export promotion would benefit ex-

☐ To Page 2

Exports

BDay 18/7/91.

(74)

☐ From Page 1

ports in the longer run.

"Tougher international markets are slowing the momentum of export growth," said Safto economist Bruce Donald. But exports were still up a healthy 6% in the first half of the year.

Exports of vegetable products, mineral products and pulp and paper put in a particularly disappointing performance during the first six months, said Donald.

The 17% fall in vegetable product exports in the first half of the year was a result of poor harvests under recent drought conditions.

Imports grew by a relatively strong 11% from January to June, he said. "The buoyancy of imports in 1991 indicates that SA's recession is relatively mild, especially among established industries."

Exports set to help balance SA's books

Bloday 15/7/91. (74)

LINDA ENSOR

CAPE TOWN — The lifting of sanctions is expected to push SA's balance of payments into an appreciably better position as mineral exporters move away from catch-can markets into more lucrative traditional sectors.

Although volumes of iron ore, coal and steel are not expected to rise in the immediate term, export earnings from these products will rise appreciably as exporters shift to higher priced markets.

Trans-Natal Corporation MD Mike Salamon said export earnings from coal, which totalled R4bn in 1990, could increase dramatically because of the discount at which SA coal has had to trade in the distorted sanctions environment.

Salamon estimated this discount as roughly $3 a ton, although it varied from country to country.

With diversification into other markets, this discount would fall away.

Salamon said there was no international shortage of coal and were SA producers to sharply increase their exports, they would have to buy market share — and carry the inevitable price penalty for doing so.

Iscor spokesman Piet du Plessis said Iscor was running at full capacity and was exporting about 45% of production because of the depressed local economy.

At the end of June 1989, Iscor exported 37% of production. He said the lifting of sanctions would have a qualitative effect on prices, but he did not forsee volumes increasing.

Iscor did not intend to increase raw steel production, but planned to bring in additional downstream plant to produce more value-added products such as tin plate.

While volumes would not increase, the product mix of exports towards higher priced, value-added goods could change.

Salamon said there had been steady growth in the international steam coal market and the lifting of sanctions and normalisation of trade relations in the next few years would enable SA exporters to participate in this growth.

Another leader in the coal industry said the sourcing of coal tended to be "set in concrete" for up to 12 months ahead. However SA should be able to participate in the growth of Japanese steam coal demand as new power stations came on stream.

☐ To Page 2

Exports

Bloday 15/7/91 (74)

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SA ports and railways are also poised to take full advantage of the upturn.

Richard's Bay Coal Terminal is being expanded at a cost of R316m to handle 53-million tons, instead of the current 44-million tons. Salamon believed this extra capacity would be adequate to meet future needs. However, other industry sources believe the 53-million-ton capacity at Richards Bay could be exhausted by 1995, though railage facilities could easily cope with increased traffic if given sufficient lead times.

A Portnet spokesman said Port Elizabeth, East London, and Cape Town had excess capacity.

Port Elizabeth had 70% spare capacity for handling general cargo and containers, and 45% at its ore berth. East London had 50% spare capacity for general cargo and containers, 100% in its grain elevator and 35% spare capacity at its dry dock. Cape Town's utilisation of its infrastructure was in the region of 30% and could easily be expanded with additional labour.

At Durban, the Portnet spokesman said, utilisation of the container terminal and the dry dock was very high. To increase container utilisation in the short term, new straddle carriers had been ordered. Two new wharf cranes would come into operation at end-1992 and the improved utilisation of the stacking area was being looked at.

Planning for an additional container quay, scheduled for 1993/94, was at an advanced stage.

● See Page 5

Durban gets all sugar exports

S/Times (Bus. Times) 14/7/91 (74)

By IAN SMITH

DURBAN is set to capture all of Southern Africa's sugar export trade.

The sugar-handling terminal which loads SA exports of about 900 000 tons a year has displaced Maputo as the exit port for Swaziland's crop in the season which began on April 1.

All of Swaziland's 350 000-ton crop is being moved through Durban this season. Zimbabwe is also considering a switch.

Zimbabwe's sugar exports have been severely hit by water shortages, but foreign sales are expected to total 140 000 tons this year.

The loss of this trade would be a big blow to Maputo's sugar terminal which was designed to handle 700 000 tons a year. It was rehabilitated with foreign aid after Zimbabwe's independence to replace Swaziland's and Zimbabwe's reliance on SA ports.

The problem with the Maputo route is theft, says Zimbabwe's Beira Corridor Group, a private-sector organisation established to encourage the use of Mozambique ports.

Sabotage

It says Swaziland and Zimbabwe lost 6,4% of their sugar shipments through Maputo last year through theft and pilferage. More than 17 500 tons worth R10,2-million went missing.

Trainloads have been lost after sabotage on the Zimbabwe-Maputo rail link and truckloads have disappeared at Maputo.

SA Sugar Association international marketing director David Hardy confirms that Swaziland producers are moving all their exports through Durban.

The terminal, which is up to world standards, has three bulk silos capable of holding 520 000 tons of sugar. A new R13-million bagged-sugar warehouse is due to be opened this week.

"All export shipments are moving smoothly," says Mr Hardy.

In previous years Swaziland sent 400 000 tons of sugar to Maputo. Zimbabwe shipped up to 200 000 tons of sugar through it. Last season Swaziland cut shipments through Mozambique to 143 000 tons. Zimbabwe's exports were cut by lower harvests to 131 000 tons.

The switch to Durban has serious implications for Zimbabwe's direct rail link with Maputo. It passes through the sugar production area in Zimbabwe's south-eastern Lowveld.

Its viability will be threatened without sugar traffic. Costs at the Maputo terminal will also increase without the Swaziland crop.

The Beira Corridor Group says: "The line's fate, in essence, depends on how Zimbabwe assesses Maputo's ability to implement a strategy which ensures that its sugar crop is handled efficiently and without loss.

"If this cannot be achieved, South Africa's ports and railways can reasonably expect a bonus."

Cape exporters not rushing to US

CT 13/7/91

(74)

By AUDREY D'ANGELO
Business Editor

THE Oceana Fishing Group — the largest inshore fishing group in SA — has found lucrative alternative markets to the US and will continue to concentrate on them, executive chairman Walter Lewis said yesterday.

Simon Jocum

Walter Lewis

Mike Getz

Spokesmen for the clothing industry pointed out that the US market was in recession and said it would be a slow and difficult process to get back into it, even for firms who have kept up old contacts.

Meanwhile, exports to Europe are growing steadily, although from a low base.

The President of Cape Town Chamber of Commerce, Kenneth Marcus, who is also chairman of its Export Committee, said he had heard yesterday, by telephone, that the Mayor of New York, Charles Dimkins, had just tightened legislation preventing financial institutions from having dealings with SA.

However, Marcus said: "It is mooted that the US government will look at some form of legislation compelling states and counties to relax laws preventing dealings with SA."

He thought the main short-term benefit of the lifting of US federal sanctions was that it encouraged other countries to follow suit.

"We have been getting our goods into some countries through back doors and big brothers, but that is always expensive.

"It will be a saving to exporters not to have to send goods in this way."

Walter Lewis said Oceana still sold small amounts to the US by an indirect route.

"Before sanctions the only item we sold to the US in a big way was lobster tails.

"Now the bulk of our lobster exports go to the Far East and Europe and the whole structure of our market has changed. We export whole lobsters to our new markets — cooked, frozen or live — and get very good prices.

"We have no reason to change. We shall stay where we are now, although we shall continue to send a little to the US in case the situation changes."

Mike Getz, executive director of the huge Seardel Corporation, with companies making clothes ranging from lingerie to men's suits, said many people in the industry had kept in touch with certain customers in the US.

"But these people, in a depressed market, are not looking for new suppliers."

The US market was too large and important to ignore. But it was the most competitive in the world and there had been changes in the retail scene in the past five years.

SA clothing companies wanting to enter it or get back into it would have to visit past and potential customers, assess the market and look for a suitable niche.

Meanwhile SA clothing exports were rising, although from a low base, said Getz.

"The annualised increase is between 50% and 60%. In late 1988 only 2% of total output was being exported. Now it is about 6%."

Some SA clothing companies had long-standing connections with UK customers.

The downturn in the UK had caused them to enter new markets including Italy and France. "The business is there and the situation looks good. There is increasing interest in SA exports."

Simon Jocum, Chairman of the SA Clothing Manufacturers' Association, said competition from the Pacific Rim countries was well entrenched in the US. Western Cape exporters would not be able to move in overnight.

"It is tough for a newcomer to enter the market. Things will have to be planned a year ahead.

SA-built Mazdas exported to UK

(74) ARG 9/7/91

JOHANNESBURG. — South Africa is exporting cars to Britain.

The South African Motor Corporation (Samcor) began shipping Mazda 323 hatchbacks and sedans to the MCL group in Kent about three weeks ago.

Samcor managing director Mr Spencer Sterling said the lifting of sanctions and Phase 6 of the local-content programme had made the contract possible.

The Samcor product, initially to be marketed by 85 dealers, will be known as the Sao Penza in Britain.

About 1 200 Penzas are expected to be sold this year, rising to about 3 000 next year.

The Penza was specifically developed by Samcor engineers for the British market and the Mazda 323 was modified to meet British requirements. — Sapa.

SA exporters will have to fight to get back into world markets

(74)

MAGGIE ROWLEY

ARGUS 20/7/91 Business Staff

WITH trade sanctions and years of isolation rapidly falling away export opportunities for South Africa are greatly improving.

But it will not all be a picnic and growing pains are inevitable, warns Francine Beudeker, regional manager of the South African Foreign Trade Organisation (Safto).

After years of inward industrialisation and import protection, South African manufacturers wishing to take advantage of re-opening markets will have to face the harsh realities of international competitiveness.

"It's going to require smarter working to gain a competitive edge," she warns.

She warned that the rules and regulations and the differing market conditions of foreign countries needed to be understood before companies embarked on export strategies.

"Exporters and potential exporters are well advised to approach international trade in a professional manner in order to compete with other world players.

"Furthermore, establishing a stronghold in foreign markets requires a major investment both in time and expense and so any move towards exporting needs to be tackled on a long-term basis to be cost effective," she said.

She said while the South African manufacturing industry stood to reap benefits from the country's improved relations in the long term the re-opening of export markets posed great challenges.

To be competitive internationally would also require a move towards information based technology. The skills shortage in this area would also have to be addressed.

Those companies which already had the export infrastructure in place stood to benefit the most and it would take other companies a lot longer to pick up the threads or break into new markets.

"The most positive benefit of the lifting of US trade restrictions is the change in attitudes towards South Africa and it is only a matter of time before Japan and other major powers follow suite.

"While there are still pockets of resistance to South Africa, generally we no longer have to hide our identity. When sanctions were introduced many South African exporters had to find alternative markets which were often less lucrative. In addition many exporters had to go via other countries increasing the cost factor."

And it is in helping prepare and equip South African companies to best tackle international markets, that Safto's role comes to the fore.

"Since 1989 we have also offered a full training package covering all major aspects of exports as well as hosting other seminars covering specific and current topics."

Established in 1963, Safto is a private company and although fulfilling most of the functions of a national export organisation, it is managed and operates as a professional consultancy, marketing, publishing and training company.

Its activities include export marketing, export administration, foreign market intelligence, liaison with authorities and private sector in South Africa and abroad, training and education.

As regional manager of Safto since 1984, Francine has aided and motivated many would-be exporters easing their path into foreign markets during the dark days of sanctions and trade restrictions.

Born and educated in Holland, her ties with South Africa date back two generations. Her grandfather came to South Africa with his two brothers shortly before the Boer War but returned to Holland shortly after he was expelled from the Transvaal for helping the then British war correspondent Winston Churchill escape. His brothers stayed and in 1967 she came to the country to visit her relatives. Liking what she saw, she too stayed taking a job at the French Embassy before joining Safto in Durban in 1983.

Francine, who is fluent in five languages — English, Afrikaans, Dutch, French and German — and can also speak a little Spanish and Italian, said it would take time for South Africa to build up lost markets and to gear up to international competition.

"But the potential is there and we can now see the light at the end of the tunnel."

□ **FRANCINE BEUDEKER:** Fluent in foreign trade

Exports prove a big boost for Haggie

By Jabulani Sikhakhane 94.G

~~164~~

A 32 percent rise in export turnover helped cushion Haggie against the severe impact of a local economic downturn during the six months ended June. Star 8/8/91

Local trading conditions deteriorated sharply in the second quarter of the year, resulting in a seven percent drop in domestic turnover.

But a R11,4 million rise in export turnover to R81,69 million helped reduce the fall in group turnover to only three percent from R601,05 million to R583,54 million.

Exports now represent about 14 percent of total group turnover. Most of the growth in exports came from the Iron, Wire and Rod division which had the most surplus capacity due to destocking by mines.

The higher exports also resulted in the tax rate falling to 31 percent (34 percent).

	6 mth to 30/6/91	6 mth to 30/6/90	% Change
Turnover (Rm)	583,5	601,0	−3
Operating profit (Rm)	61,9	72,7	−15
Operating margin %	10,6	12,1	—
EPS (c)	162,1	184,1	−12
Dividend (c)	47	47	—
Share price	28,50	26,75	+7
PE ratio	17,6	14,5	—

Group managing director Chris Murray points out that as most exports went to Europe, the group did not benefit much from the exchange rates. The rand has strengthened against most European currencies.

Also the group's high-tech products are classified under category three of the General Export Incentive Scheme which means that Haggie gets a six percent subsidy compared with the after-tax subsidy of 18 percent they will get under category four.

Also Haggie is busy negotiating the acquisition or existing overseas operations or starting new operations. This change in strategy is due to the scrapping of marketing allowances which meant that the group recouped all commissions paid to agents.

He adds that group has identified new markets in Eastern Europe, while other opportunities should result from the lifting of sanctions, particularly in the US.

The group should be able to meet this expected new demand from exports and the picking up in local markets from its current surplus capacity without any major capital expenditure, Mr Murray says.

Haggie is also negotiating a technology tie-up for the copper-based products with one of the European companies.

Despite higher capital expenditure, gearing fell from 28 percent to 23 percent due to improved working capital management. Also R30 million was switched from short-term to medium-term financing at favourable interest rates.

Aussie fears of SA put to rest

S/Times

(B/Times) 11/8/91

By LOUIS BECKERLING

PERTH — The return of South African minerals to world markets is unlikely to undermine Australia's competitive position, anxious investors have been told.

More likely, says a broking analyst, is a firmer world price for coal as SA producers are relieved of the need to discount and so bust sanctions.

The reassurance comes from JB Were & Son mining analyst Ross King in a research note to clients of Australia's largest and oldest stockbroker.

But Mr King is not equally confident about the outcome of a tug of war which might break out between the two countries for investment capital.

MG

Falter

He also warns that exports of steel-related products by SA producers to Asian markets could present Australia with fierce competition.

The anxiety in Australia about the attraction presented by SA mineral producers to the world investment community stems from the relative sizes of the mining sectors in the two countries.

By Mr King's arithmetic the SA mining sector is valued at A$114-billion and makes up 66% of total market capitalisation on the JSE.

That makes it two-thirds the

Constraints

The issues, to take into account when comparing the competitiveness of Australia and SA for various export markets, include:

- It will take SA some time to increase production of various commodities to take advantage of new markets.
- There may be infrastructural constraints to increased exports that may take years overcome — Richards Bay coal terminal for one.
- SA has exported various commodities at a political discount to the market, for instance, coal.

This means there will not suddenly be a surplus of coal, but there may be greater export strength in price negotiations and therefore higher prices.

- SA is likely to direct more products to Europe than to South-East Asia, steel, iron ore and manganese being the exceptions.

Car exports increasing

1746 (TR)
Star 14.8.91

South African motor exports have risen from R50 million a year in 1985 to R700 million at present, Nissan South Africa director Andries du Toit said at the Afrikaanse Handelsinstituut motor congress in Johannesburg yesterday.

"Growth can be expected to accelerate further since manufacturers have been working for years on certain projects which will only come to fruition in the near future," he said.

Expectations in the motor industry were that in the long term more than just spare production capacity would be employed for the export markets.

"Purposeful investment for exports will become a prerequisite."

The introduction of an export effort had pressured short-term price structures and sudden price reductions should not be expected.

Instead, he said, price increases should slow down provided exchange rates, labour and productivity factors stayed stable.— Sapa.

'Made in SA' drive in full swing

Star 22/8/91. (74G)

SA is seeking to redevelop its export markets. But there is still resistance, reports The Star Bureau, London.

NEXT January will see the first generic advertising-campaign for "Wines from South Africa".

In the early 1970s, when the campaign to boycott goods from the apartheid state was at its height, South Africa's sherry exports were virtually wiped off the shelves.

Now an organisation is being set up to market the industry's products in Britain.

Advertisements in newspapers and magazines will urge drinkers to sample upmarket wines.

Willem Bestbier, managing director of importer Edward Cavendish and Sons, says: "We have a plan ready now to take this market. I think we have the potential to be in the same league as Australian wines in five years' time."

Now that the United States has lifted its sanctions, and with apartheid theoretically laid to rest, South African products are about to take on a more visible profile.

Next month, ads will be placed in British newspapers for the Saopenza, the South African-assembled budget car. The first shipment of 500 has already been imported by Automotive Holdings.

Managing director Jeff Davies says: "We feel the time is right. We did a lot of market research, and generally it was in favour of importing South African products."

After gold and diamonds, South Africa's most successful export is probably fresh fruit. Outspan, best known for its oranges, advertised throughout the pariah years.

But Ham Hetteling, general manager for Europe, concedes: "We probably adopted a somewhat lower profile. We didn't use outdoor or point-of-sale posters because they could be defaced."

But is the British consumer ready to buy South African goods? "Yes," says Peter Pullen, trade minister at the South African Embassy. "I think attitudes are definitely changing. I was at a supermarket the other day where they had a promotion for our apples, and people weren't walking past."

Alan Brooks, deputy executive-secretary of the Anti-Apartheid Movement, disagrees.

"Two or three days after the US lifted sanctions, a radio programme did a 'vox pop' in a supermarket. It couldn't find anybody who said they would buy South African goods," he says.

The Consumers Association has for some years had a policy of not mentioning South African products in any of its journals.

Last month it overturned that decision, resolving instead "to enter co-operative agreements that will help build a strong consumers' movement in South Africa".

In the advertising business, opinion on South Africa has been divided, with some agencies accepting lucrative assignments, others not.

Those at the forefront of the campaign against South African products know that if a democratic state is to survive, at some point they will have to perform a U-turn □

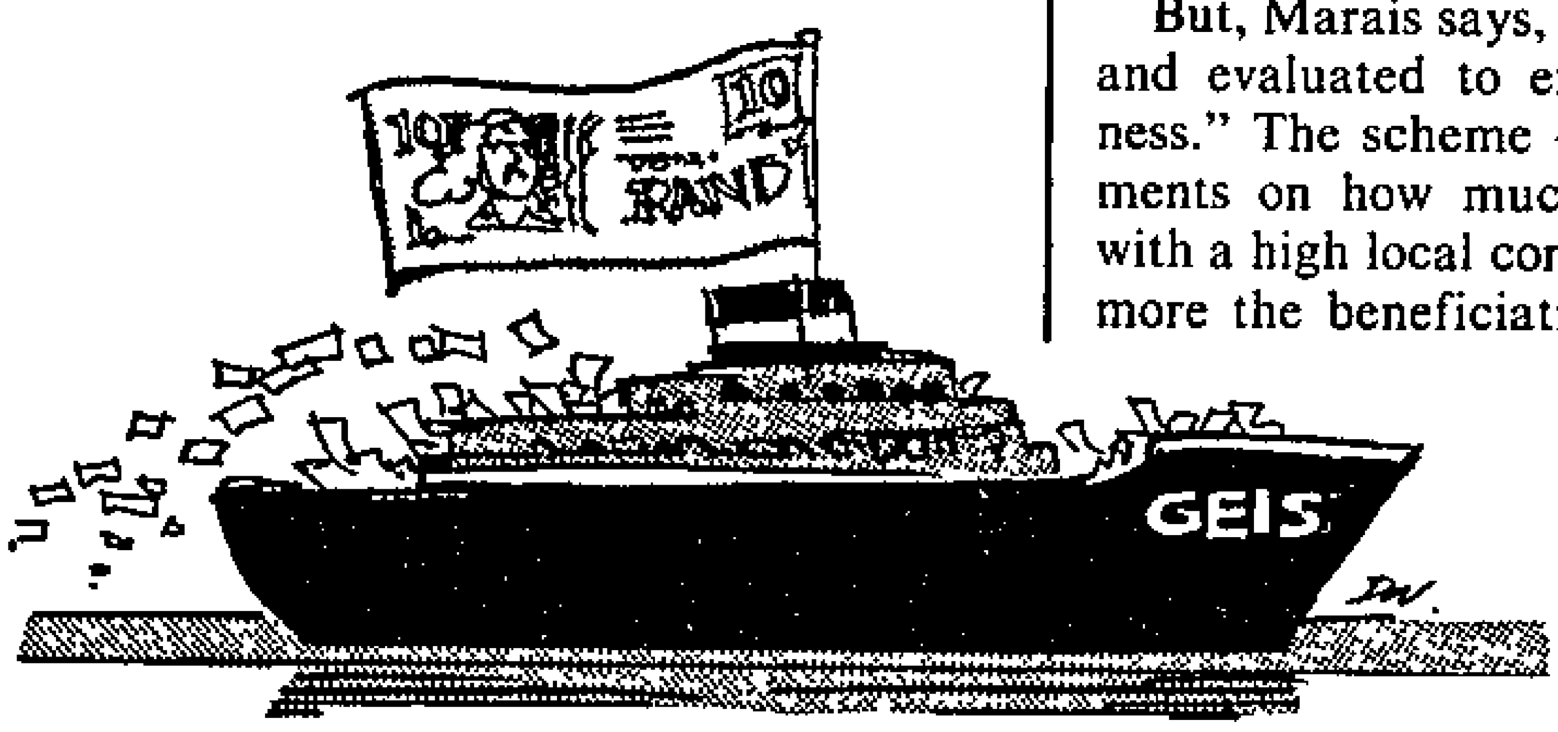
EXPORT PROMOTION 74G

Counting the high cost

FM 23/8/91

Over the next four years, government has committed itself to forking over a colossal R4,1bn to exporters under two discredited export incentive schemes. Taxpayers, of course, will foot the bill.

Government still owes exporters R1,7bn under the old A and B export scheme discontinued two years ago. And it has promised to pay out another R2,4bn under the General Export Incentive Scheme (Geis) before the five-year programme runs out in 1995.



Started in April 1990, Geis was worked out by Department of Trade & Industry officials to substitute for the structural adjustment programmes for individual industries put together by the Board of Trade & Industry. The board's programmes were criticised for being too complex and requiring too many bureaucrats to administer. But Geis was soon attacked for being too costly. The cash payouts proved so popular that government found it couldn't afford to make immediate payments as applications came in. So it began issuing promissory notes instead.

Now government is phasing out Geis, while keeping its promise to continue it for five years. The Budget calls for R1,1bn in Geis payments in 1992/1993, R967m in 1993/1994 and R311m in 1994/1995, says Trade & Industry Minister Org Marais.

Apart from these payments, government must still honour promissory notes issued under the old A and B export subsidy schemes — a total of R615m in this Budget year, R904m next year and R200m in 1993/1994. So taxpayers must brace themselves for export subsidy bills of R2bn next year and R1,2bn the following Budget year.

Subsidising exports is not kosher with world bodies such as the International Monetary Fund (IMF) and the General Agreement on Tariffs & Trade (Gatt). The IMF sharply criticised government this month for a plan to grant tax breaks to companies that export certain beneficiated products. Gatt, which prohibits subsidies for certain exports, has been after SA to end the practice. And locally, the Industrial Development Corp called for Geis to be phased out in its report released in April recommending a gradual reduction in tariffs.

But, says Stef Naudé, the director-general of Trade & Industry, Geis costs taxpayers less than the schemes it replaced. Therefore, he says, "Geis can be considered as a step in a long-term phasing out of export subsidies." He claims that because most countries still subsidise exports, "government could not pull the carpet out from under the feet of its exporters."

But, Marais says, Geis "will be monitored and evaluated to ensure its cost-effectiveness." The scheme — which bases its payments on how much an exported product with a high local content is beneficiated, the more the beneficiation the higher the payment — will not be cancelled for at least five years.."Exporters are ensured that Geis, in its current form, will remain in place at least up to March 31 1995," he says.

The co-author of Geis, Naudé, remains adamant in his defence of the costly programme. "Expenditure on Geis during its first five years should be compared with how much was saved by terminating other programmes. Total government assistance for exports under Geis is less than the total assistance under the now defunct A and B schemes and the tax write-offs formerly allowed for export marketing costs."

And, he adds, the Board of Trade's structural adjustment programmes included export incentives. But these schemes were scrapped in 1989 because they were difficult to implement, he says.

Naudé says the lion's share of budgeted export subsidies in 1988/1989 was earmarked for the structural adjustment programmes. Because the schemes could not be finalised in time and because roughly 80% of the budgeted R900m for export incentives under the schemes could not be paid out, they had to be scrapped, he says. Government then went with Geis. *Arnold van Huyssteen*

POST OFFICE FM 23/8/91

Calling all regulators

The soon-to-be-commercialised telecommunications and postal operations and their new logos (a push-button phone and a flying envelope) have now been officially launched. But with laws still prohibiting private-sector rivals, it would be nice to know who is going to get the job of regulating these monopolies and exposing them to competition. One guess is the good old Department of Posts & Telecommunications, from whence SA Post Office and Telkom SA was born.

The legislation enacted this year did not pass along to the two new companies the old Post Office's decades-long power to prevent anyone from competing with them. Instead, the power will reside with an independent regulatory authority.

This regulatory agency will play a crucial role in determining to what extent legislation governing telecommunications should be re-

continue →

ARMING CONSUMERS WITH CODES

A year after the effort to devise codes of conduct for business was announced, the Harmful Business Practices Committee is running into some obstacles.

The three-year-old committee, chaired by Louise Tager, is looking into creating codes for the after-sales motor industry, the property and building sectors, the advertising industry and the furniture trade. FM 23/8/91

In the process, Tager has become embroiled in a dispute with the Furniture Traders' Association of SA, which sees her investigation as "unjustified interference."

Says executive director Frans Jordaan: "During the Seventies, the association drew up its own code. But since then, the Credit Agreements Act imposed a number of new regulations on the industry. Together with the requirements of the Usury Act and the Stamp Duties Act, we feel that no further regulations are required. In fact, we find it strange that Tager, who is a leading lobbyist for deregulation in SA, now wants to impose new regulations."

Advertising Standards Authority chairman Jack Siebert says the authority is negotiating with the committee to have its existing code adopted for the committee's purpose. "We have effectively operated our code for 21 years and are not aware of what the committee has in mind as far as changes are concerned."

Tager says her focus is on harmful practices that hurt consumers; codes would help reduce these practices.

Exports boost Trencor's profit above R100-m level

Star 28/8/91. 74.G.

Finance Staff

Buoyed by a successful year in exports and overseas operations, Trencor has maintained its growth record with a 29 percent increase in earnings to 735c (572c) a share for the 12 months to June 30.

The advance in earnings was achieved on a six percent rise in turnover to R829 million (R784,6 million) by the group's interests in manufacturing trailers, tankers and containers, and in transport, trading, exporting and tyres.

Income after taxation was 25 percent better at R109,6 million (R87,7 million). Attributable income totalled R105,2 million (R81,8 million) after outside shareholders' interest of R4,5 million (R5,9 million).

This is the first time Trencor's attributable income has exceeded R100 million. The year's performance means compound growth in earnings since 1984 has been 40 percent.

A final dividend of 125c (100c) a share brought the total payout for the year to 160c (130c).

Executive chairman Neil Jowell says domestic operations performed satisfactorily in the recession, although in some cases they did not fare as well as in 1990.

"By contrast, our overseas operations and exports have had a successful year's trading and have again made a significant and increased contribution to group earnings."

Mr Jowell says turnover for the year is not comparable with 1990 because of the significant change in the mix of manufacturing and retail trading arising from the merger of Tycon (previously Goodyear) and Tredcor to form Contred.

He adds that, as forecast, conditions in the international container market are tightening.

Inflation dampens hopes of trade boom

(8823) (146.)

By Michael Chester Star 27/8/91

The export bonanza promised by the collapse of sanctions is being threatened by the sky-high price tags on many products aimed at overseas markets.

New studies by the South African Chamber of Business (Sacob) reveal that the prices of South African goods may be as much as 25 percent higher than those of rivals in key markets.

A report has cooled optimism that an automatic bonanza in foreign trade would follow removal of sanctions.

Sacob lays the blame on high inflation, high interest rates, high capital costs, high taxation — and low productivity.

The scale of price disadvantages has been worked out by a team headed by the chairman of the Sacob industrial policy committee, Paul Hatty, and Sacob economist Keith Lockwood.

They show that the average selling price of manufactured products are running 15 percent higher than the global average of industrial nations even as they leave the production lines.

Because of relative geographic isolation, selling prices are loaded with another 10 percent burden by high transport costs before they arrive at many key overseas markets.

"Businessmen and politicians have been inclined to take the view that South Africa would be able to shake off all its economic ailments by an automatic surge in export income once sanctions were withdrawn," said Mr Hatty.

"They may have grossly underestimated the fierceness of the competition that has developed on overseas markets."

● Tough battle for trade — Page 23

FM 30/8/91 74.G

FOREIGN TRADE FM 30/8/91 74 G.

Engine of growth

Analysis of merchandise exports shows a sharp rise in value of a wide range of goods, says the *Reserve Bank Annual Report.* "High average annual growth of 21,5% was recorded in the value of mining products exported from 1984-1990, owing to substantial increases in the exports of products such as platinum, diamonds and coal."

Manufactured exports — defined as the total of: chemical products, textiles, plastic materials, machinery and electrical equipment, vehicles and spare parts, paper and paper products and "other" manufactured products — grew an average 25%, rising as a percentage of total exports from 14% in 1984, to 16,5% last year.

More recently, a declining gold price and rising imports have eroded the benefits of this sturdy performance. "A considerable deterioration in terms of trade was responsible for decreases in gross national income per capita at rates of 3% in 1989, 4% in 1990 and 2,5% in the first half of 1991, compared with the corresponding period of 1990."

In the circumstances, the strength of the surplus of the balance of payments current account in the second quarter of 1991 is unexpected good news. It rose to a seasonally adjusted and annualised R6,2bn — above the 1990 quarterly average of R5,8bn.

Export growth in 1990-1991 has continued when some of the factors that favoured it are no longer in place This probably reflects the fact that exporters have remained competitive in international markets and the rand is still undervalued in relation to the currencies of our main competitors, says the report. ■

EXPORT PROMOTION (946)
FM 6/9/91.

Worth all the money?

There's long been a suspicion that the billions of rands SA spends on export promotion are largely a waste of money. For many people, a National Productivity Institute study strongly critical of government's export efforts, released last week, merely confirms what they already believed.

The study was scathing. It showed that the General Export Incentive Scheme (Geis) does not motivate 85% of the companies surveyed to export and 95% indicated that they rely on their own efforts to secure export orders rather than government export programmes or bodies such as the SA Foreign Trade Organisation (Safto), government's foreign trade representatives, trading houses or export agents.

For the Department of Trade & Industry, which has a lot of political capital — not to mention money — invested in export promotion, it was too much to take lying down. So last week, spurred by the publicity over the study, the department went on the attack.

"The majority of the institute's respondents do not make use of Geis and are, therefore, not fully qualified to comment on the merits of the scheme," chief director of trade Hardy Vos said at a three-hour press conference in Pretoria. "In fact, should one remove non-users from the institute's list,

FM 6/9/91. (946)

you sit with exporters representing only 0,8% of all SA exports."

Maybe that's the institute's point, because the 29 companies surveyed in the study certainly represent SA's largest exporters. The study included Iscor, Dorbyl, AECI, Samancor, Sappi, Highveld Steel, Fedfood, De Beers, Goodyear, Barlow Rand and Rand Mines, as well as organisations such as Mintek, the Industrial Development Corp, the SA Chamber of Business and Safto.

Vos charged that the people interviewed at several of the companies and organisations in the study are "not qualified" to comment on Geis and other export promotion issues. This includes the person contacted at the department, he said.

He dismissed criticism of the reduction in export marketing assistance. "These measures cost the fiscus between R1bn and R2bn each year. Together with the old A & B incentives that expired last year, these measures were too expensive. Geis is more cost-effective and also targeted to the export of manufactured goods."

But government figures show that Geis is also expensive; the programme will cost R2,4bn over the next three years (*Business & Technology* August 23). Gerrie Breyl, the department's deputy director-general, trade, said the total budget for export promotion this year is R1,4bn, which includes Geis, various other schemes and the cost of overseas trade offices.

"The study reflects total ignorance of the department's policies, its export promotion strategy, its broader role and the services offered," Breyl added. And director-general Stef Naudé said the study was compiled "without insight."

The immediate fallout from the row is that it is now uncertain whether the department will agree to have the institute train the department's overseas trade officials. The arrangement was discussed after the department received the study but before it was made public.

While the institute saw its study as a discussion document for negotiations with the department, Naudé and Breyl say they have not entered into an arrangement with the institute.

The study's conclusions on export promotion are sharp but constructive. "SA lacks an integrated and co-ordinated export promotion strategy to act as a driving force to increase exports," the 34-page study says. "Elsewhere in the world, export promotion has become a significant factor in fostering companies' international orientation and export capabilities. In contrast, the perception of exporters is that SA's export promotion has not kept pace with world and local developments, with the requirements of exporters or with the need to foster an export culture."

SA's foreign trade representatives, who operate out of 36 offices in 28 countries, particularly came in for criticism:

- 90% of respondents said these representatives do not properly screen inquiries from potential overseas customers; many are from people who are not creditworthy, so they are of little value to most companies;
- 90% of respondents agreed that the representatives do not function "effectively or pro-actively abroad." The main complaints are that the representatives are not business people, they don't act as quasi-market researchers, they don't follow a clear marketing plan and, as a result, they contribute very little to exports; and
- 90% of respondents felt that the representatives must be guided and managed by clear objectives that spell out responsibilities and strategies. "This will enable government to measure representatives' performance in relation to the cost of maintaining them."

Despite the pointed comments of many of the respondents in the study, the institute believes that much of the criticism levelled at trade representatives is not justified. "Exporters should not see these representatives as an extension of their own export operations," says the institute's executive director, Jan Visser. "And they should not expect trade reps to do jobs that their own export staff should be doing." ■

STEEL EXPORTS FM 6/9/91

Getting back in the door

Steel exports to the US and EC, largely cut off by sanctions, may start flowing again by the end of the year. 74.G

But local steel makers are running at close to capacity and they're exporting any steel that can't be sold locally to lucrative markets in the Far East and elsewhere. So the possibility of a 720 000 t export market reopening soon is not creating the excitement that might be expected.

Another reason for the subdued reaction is that stumbling blocks remain in both markets. European sanctions on SA steel exports were voted out by the EC Ministers' Council early this year, but formal abolition has been held up by Denmark, which has not yet approved the move. However, Iscor deputy MD Nols Olivier believes Denmark will step aside in the next month or two. Before sanctions, SA sold 300 000 t a year to EC countries.

Meanwhile, though the US dropped sanctions in July, SA must still negotiate its re-entry into the market. SA's chief director of trade, Hardy Vos, left for Washington this week for talks with the US Trade Representative. While US cartel laws won't allow manufacturers to join Vos's team, steel company representatives "will be in the room next door" when discussions start, he says.

SA signed a Voluntary Restraint Agreement with the US in 1984 that allowed local steel makers to export up to 420 000 t a year to the US. The deal was cancelled when sanctions were imposed in 1986 and later, the US decided to terminate its restraint agreements with all countries at the end of next March, Vos says. So negotiations will determine SA's steel quota under a new, multilateral trade deal now being hammered out. The deal will include 20-odd steel exporting nations and should be in place by April.

In the interim, SA hopes to sign a tempo-

continue

 FM 6/9/91 (74.G)

rary agreement with the US to allow SA steel exports until the multilateral deal takes effect. This agreement could open the way for SA to export 80 000-100 000 t to the US until April, says Olivier, who is also a director of the Rolled Steel Producers Council. "While US steel prices are not attractive now — our most lucrative exports are to the Pacific Rim — it remains vital to obtain entry into this important market," he says. "At Iscor we are looking at expanding our added-value, hi-tech steel exports such as tinplate, tin-free steel, high-grade mainline rails, seamless pipes and wire products, while boilerplates such as the ones developed for Mossgas also should find buyers." But there are no plans to expand production, he adds, especially with the EC market also "very competitive and not very profitable now."

As for Highveld Steel, chairman Les Boyd says his mills are running at full capacity and he also takes a wait-and-see view towards the two big markets re-opening.

Arnold van Huyssteen

IDC extends low interest loans

Finance Staff (74 G)

The Industrial Development Corporation (IDC) is increasing the amount of low-interest money it will lend to potential exporters. Star 20/9/91

Since launching its low-interest scheme in April it has approved loans of R138 million and is considering applications for another R90 million.

But although the first year's budget of R100 million has been exceeded, the IDC is still prepared to consider applications from small and medium businesses with total assets of less than R100 million.

The IDC is lending money at nine percent for three years for investment in machinery and equipment, provided at least 30 percent of output of the additional capacity is exported.

It says the scheme has given rise to additional investment of R1 billion.

It will create 800 new jobs and should lead to additional exports ~~of~~ R970 million.

Europe '92 will not bar SA goods, says envoy

(14G)

SHARON WOOD

NEW barriers would not be erected against SA products when the European common market came on stream in 1992, British consul-general John Doble said yesterday.

Speaking in Johannesburg at an Institute of Directors' seminar on Europe 1992, Doble said free trade was absolutely vital for Europe because its exports were far larger than those of any of the other major industrialised countries.

"Europe would suffer most from protectionism ... so we have a greater interest than anyone else in preventing protectionism," he said.

SA companies should take full advantage of the opportunities available in the world's largest market by setting up an office, joint venture or new factory inside the EC. However, there would be no barriers to foreign products exported to Europe, he said.

The common market had not been completed because numerous barriers remained in place.

Exchange controls still existed, preventing the free movement of capital; company law and taxes varied; and standards, specifications and patent regulations differed between countries. B Day 13/9/91.

The removal of remaining barriers would add about 5% to the EC's GDP; create about 1,8-million new jobs, and reduce business expenses.

Europe 1992 was well on its way. Three-quarters of the 282 measures needed to achieve the single market in 1992 had been accepted by governments, which had agreed to allow decisions to be made by majority vote.

Some progress had been made on reforming common agricultural policy, but much more work needed to be done on farming subsidies.

Doble said he hoped central European countries would be able to sell surplus agricultural products to the EC.

Eastern European countries did not need aid: they needed trading opportunities, he said.

Low-rate scheme an IDC export winner

(3ETS) **Business Times Reporter** (74G)

THE Industrial Development Corporation's (IDC) low-interest rate scheme to boost exports has been a success.

It has resulted in additional investments of R1-billion and created 800 jobs. When new units are in full production, additional exports of about R970-million can be expected each year. S|Times (Bus) 22/9/91.

The scheme, announced in April, was for R100-million to be made available each year for five years at an interest rate of 9% for three years. The condition is that 30% of the additional capacity from the loans must be exported.

To date, R138-million has been approved and applications for R90-million are being considered. The budget for the year to June 1992 has been exceeded.

To maintain the scheme's momentum, the IDC will continue to consider applications for companies which have assets of less than R100-million. Larger companies may apply for loans after June next year.

The low-interest rate scheme to encourage multi-shift working is still available.

TTA deal opens door in Africa

B/Day 2/8/91 746

ROBERT GENTLE

WEST and central Africa have moved a step closer to SA exporters thanks to a key move by the French company Delmas, one of Europe's largest shipping and freight forwarding organisations.

Delmas, which generates 43% of its turnover in Africa, has signed an exclusive agency agreement with SA freight forwarding company TTA.

TTA MD Georges Kriemadis said in an interview on Friday that airfreight and seafreight forwarding was now possible to almost any country in west and central Africa.

TTA, which was now a full subsidiary of Delmas after a takeover of the parent company in France this year, could provide SA clients with a comprehensive service, Kriemadis said.

Safto GM Ann Moore said, "We welcome any move that strengthens transport links with Africa. This agreement complements our own work done in this area."

US market open to steel exports again

746

B Day 19/9/91.

BRENT VON MELVILLE

THE US and SA have negotiated a new steel contract which will see exports of locally produced steel on the American market once more — albeit at greatly reduced levels.

In terms of the deal, SA steel exports to the US will be regulated to below 20% of pre-sanctions levels.

The agreement, the first since the lifting of sanctions on July 10, was negotiated at bilateral talks involving Department of Trade and Industry director Hardi Vos.

Vos was unavailable for comment and industry sources were tight lipped on the agreement yesterday, but according to well placed sources the scheme was given the go-ahead by both parties last week.

They said the contract was intended to close the steel trade loophole left by the lifting of sanctions in July.

This week's Metal Bulletin reported that the deal would limit SA exports to the US to less than 100 000 tons a year. Pre-sanctions levels peaked at about 585 000 tons in the mid-1980s, worth about R1,7bn in 1986 rand terms.

It is understood that SA originally agreed to take part in the talks to end unfair trade, although the Metal Bulletin report said SA was also prompted by calls for a voluntary restrictions agreement to cover SA steel imports following the lifting of sanctions on steel and iron ore. The pre-sanctions voluntary restrictions agreement quota represented 0,42% of US consumption.

According to the bulletin's report, the negotiators decided against a new voluntary restrictions agreement because the US's programme was set to expire at the end of March 1992. "While there is no formal agreement, there are import limiting numbers," the report said.

The agreement also provides for the unilateral ending of all export subsidies for steel shipped to the US, and will require exporters to obtain export licences from the US, enabling the US government to monitor closely the amount of SA steel entering the domestic market.

The report quotes a US congressman as claiming that the export licensing agreement will prevent the loss of about 1 500 steel jobs.

Iscor deputy MD Nols Olivier and Rolled Steel Producers' Council secretary Johann van Zyl would not comment yesterday.

Steel industry sources have estimated that it would take about three or four years for SA producers to win back their pre-sanctions export levels.

SA cement to Zimbabwe

746

MICHAEL HARTNACK

HARARE — Zimbabwe's State Trading Corporation has decided to import SA cement because Zambia's Chilanga cement factory has failed to fulfil orders, the Financial Gazette says.

Zimbabwean cement factories say their machinery is too old and their capital base too eroded by state-controlled prices for them to keep up with demand.

Zimbabwe State Trading Corporation spokesman Emmanuel Gamanya reportedly said a contract was signed last October for Chilanga cement to supply Zimbabwe government construction projects with 40 000 tons a year at $48 a ton. Zambia was able to fill only between 10% and 25% of the order. BDay 23/4/91

Gamanya said it was found that the Zambian cement was unsuitable for road and bridge construction. The State Trading Corporation had decided to import from Mafikeng, where 1 500 tons a day could be supplied at R117,6 a ton.

Richards Bay gets steel export terminal

BRENT VON MELVILLE

ISCOR, in a move intended to capitalise on increasing export potential, has entered into an agreement with Rennies for the development of a dedicated terminal for the export of steel at Richards Bay.

Industry sources say the move will dovetail neatly with the joint Iscor-Safmarine venture for the construction of a new $50m bulk iron ore-steel carrier.

The deal will also see Rennies clearing and forwarding a much bigger volume of Iscor steel. B/Day 26/9/91

At a presentation to analysts in Johannesburg yesterday, Rennies CE Pete Steyn confirmed plans for the terminal, but did not divulge its size. 146

According to Iscor figures, current steel exports account for about 46% of sales, or 2,6-million tons.

Iron ore exports have increased over the past few years, with 1991 levels reaching 14,3-million tons, compared with 7,7-million tons four years ago.

The new bulk iron ore carrier, in which Iscor will have a 60% interest, will be built in Romania.

Hulett Aluminium in 'dumping' row

TAIPEI — The Taiwanese Finance Ministry has tentatively decided to impose anti-dumping duties on Hulett Aluminium in retaliation against "unfair trade practices" B|Day 16|9|91 (746)

Wang Deh-hwei, director of the ministry's customs administration, said last week the SA company was charged by China Steel Corporation with selling its aluminium products in Taiwan at prices far lower than those quoted in its home market.

As the practice might, in the long run, hurt domestic companies in the same line, the Finance Ministry decided to impose anti-dumping taxes on Hulett products.

The decision, however, is still awaiting cabinet approval. If approved, this will be the first time Taiwan has imposed anti-dumping duties on foreign imports since it formulated a "penalty" duty system against unfair foreign trade practices in 1967. Hulett could not be reached for comment yesterday. — Sapa-CNA.

Bartlett calls for new approach to minerals

(14G)

B/Day 3/9/91

GERALD REILLY

PRETORIA — SA had to adapt from being a major gold producer to a multi-products minerals producer, Mineral and Energy Affairs Minister George Bartlett said yesterday.

Speaking at an International Applied Mineralogy Conference at the CSIR, Bartlett said it had to be faced that the SA economy's main engine — the gold mining industry — was slowing down.

SA's minerals industry was heavily export-orientated — almost 80% of total sales were exports.

Since the mid-80's, however, the industry's position as an international competitor had declined substantially and was still falling.

Last year's index of competitiveness was 11% lower than that of 1985.

This could be ascribed mainly to a rapid escalation in mining costs, Bartlett said.

Competition in the world's commodity markets was intensifying and new mineral deposits were being exploited, mostly in developing countries.

Dumped

SA's coal exporters, for instance, had to compete with new suppliers in such countries as Colombia, Venezuela and Indonesia. Chrome ores and ferrochromes were being dumped on world markets and there was also an oversupply of manganese.

There were no indications that this situation would improve. Stronger competition was inevitable and exporters would have to remain competitive in the face of increased costs and lower prices on world markets.

Bartlett said it was government policy to promote benefication of minerals through a series of incentives aimed at encouraging added value to minerals destined for export.

SA, as a major mineral producer, had to maintain its leading position in minerals related research.

Because of scarcity and cost of capital, SA was compelled to improve its technology to remain internationally competitive, he said.

The industry was the backbone of the economy and difficulties experienced by the industry impinged on the whole country — "a situation we are facing right now".

On socio-economic and political change Bartlett said if this were not properly managed SA would be "plunged into the pits of poverty and despair".

Huge potential for new jobs

(946.)

Tax revamp paves way for export plans

B Day 6/9/91

LESLEY LAMBERT

THE R3,2bn Columbus stainless steel venture and other multibillion-rand projects are likely to get the go-ahead soon, following government's approval yesterday of short-term tax incentives for export ventures.

The long-awaited incentives, made up of accelerated tax write-offs for capital expenditure on facilities used in the beneficiation of local raw materials, will be allocated for a two-year period. They will become available once projects are approved by a government-appointed committee.


● MARAIS

The incentives will provide vital bridging assistance to many large projects which may not have been able to get off the ground under the existing tax regime. These, in turn, would create massive new job opportunities and foreign exchange, giving the economy the kick-start it needed for growth, Trade and Industry Minister Org Marais said yesterday.

Columbus, the joint stainless steel venture between Anglo American's Highveld Steel and Gencor's Samancor, is almost certain to qualify for the assistance. Another project likely to apply is Gencor's Alusaf aluminium smelting venture, while Anglo American subsidiary African Explosives is also understood to have a major chemical project in the pipeline which could qualify.

Anglo American executive director and Highveld Steel chairman Leslie Boyd and Samancor MD Hans Smith confirmed yesterday that they planned to apply for the incentives.

"Obviously we will have to see what we can negotiate with the committee, but the incentives will provide valuable bridging assistance," Smith said.

"They will reduce the amount of outside capital needed to start projects and will assist the projects over the risky first three years. But it must be remembered that they are merely a bridging measure — the concessions government makes now will be recouped at a later stage," he said.

The main incentive will enable beneficiaries to start writing off the capital costs of machinery, property and pre-production interest once the costs are incurred. Existing depreciation of 20% over five years will apply, but the beneficiaries will not have to wait for the plant to be commissioned before they start depreciating.

The Commissioner for Inland Revenue will issue negotiable tax credit certificates in cases where deductions cannot immediately be written off against income.

Additional assistance could be made

□ To Page 2

Tax revamp

B Day 6/9/91 (946)

□ From Page 1

available by he Industrial Development Corporation in the form of subsidised loans, a DT' spokesman said yesterday.

There are various conditions on which the committee, chaired by DTI director-general Stef Naude, will evaluate projects.

They must be internationally competitive, they must add at least 200% to the value of the base mineral or intermediate products processed and at least 60% of the intermediate or final product must be exported directly or indirectly.

The impact of the projects on the balance of payments must be minimised by the use of medium-term credit financing provided by the importing nation

The committee will also consider the period taken to commission the projects, the conditions on which the products will be made available to local processors, the extent to which they support downstream industries and their effect on small and medium-sized enterprises.

The projects' effects on Treasury and the amount of local products and expertise they use will also be taken into account.

Enabling legislation, approved by Parliament this year, will be amended retrospectively to limit the wide discretion granted to the committee. It seems unlikely the committee will be able, as proposed in legislation, to allow for depreciation of more than 100% of capital costs.

Beneficiaries will not qualify for existing assistance programmes, such as the regional industrial development programme and the general export incentive scheme.

Durr welcomes move to Europe

KIN BENTLEY

LONDON — Internationalisation of the activities of SA companies would play a crucial role in the years ahead as the convergence of global economic and political interests determined SA's future, SA ambassador to the UK Kent Durr said yesterday.

Opening the Edinburgh offices of Sasol Chemicals Europe, he said this expansion into Europe came at "a particularly opportune and momentous period in SA's political and economic relations with the outside world".

He was convinced Sasol's move, which follows Old Mutual's announcement that it was to list an SA investment company on the London stock exchange, would "encourage other firms in SA to move into this vital market and contribute to the strengthening of (the) economy".

BDay 6/9/91

Durr said SA was poised to become the "refined oil producing engine of southern Africa as oil refineries gear up for a massive export drive into Africa and beyond.

746

"In 1990 SA exports to Africa soared to R5,5bn, over the R3bn in exports the previous year."

He said a steady stream of applications had been received by the Reserve Bank from foreign banks wishing to locate in SA and 32 foreign banks had set up representative offices.

Nissan and Samcor linked to pact

SA seals car export deal with Taiwan

B Day 4/9/91

74G

MARC HASENFUSS

THE local vehicle manufacturing industry yesterday gave notice it was about to become a player in world markets with the news of a trade agreement with Taiwan which will see 2 000 locally made cars exported to Taipei.

The move follows hard on the heels of a recent announcement that Pretoria-based Samcor was to export 750 vehicles to the UK. The Taiwan pact could see Nissan, and again Samcor, come into the picture.

A Department of Trade and Industry (DTI) spokesman confirmed the deal and said the agreement entailed Taiwan importing 2 000 passenger cars and SA importing the equivalent value of components and parts.

Industry sources have estimated the export value of the vehicles to be R60m.

Nissan and Samcor had indicated their interest but no final decisions had been made yet, the DTI spokesman said.

Nissan CE John Newbury said although there had been much speculation regarding a possible deal with Taiwan, Nissan had not "formally" formulated an export agreement with that country.

However, Sapa reports that Taiwanese Industrial Development Bureau officials said Nissan cars produced in SA would be among the 2 000 to be sent to Taiwan. The officials said Samcor was not expected to export to Taiwan until mid-1992.

Samcor public affairs director Ruben Els said the group was "aware" of a reciprocal trade agreement with Taiwan but stressed that Samcor had still not committed itself to participation.

The DTI spokesman was hopeful that the agreement would be implemented early next year.

Taiwan officials said passenger cars made in SA would make their debut in Taiwan late this year.

An industry source welcomed the agreement and said it was exactly what the local motor industry needed to bolster its plans of becoming a global market player.

However, National Association of Automotive Component and Allied Manufacturers of SA executive director Denzyl Vermooten warned that the local component industry was not running at full capacity and increased component imports could affect the local industry. He said imports would be acceptable if the components were those parts not made locally.

An industry source said it was almost certain the imported components would be only parts not manufactured locally.

Meanwhile, three delegations will meet Finance Minister Barend du Plessis today to discuss motor manufacturers' problems regarding recent announcements on Phase VI of the local content programme.

BMW and Mercedes-Benz of SA, which believe the regulations discriminate against "high-tech" manufacturers, will meet Du Plessis independently.

The National Association of Automobile Manufacturers of SA is also expected to ask Du Plessis for a reversal on the decision to deny an input tax credit on the sale of passenger vehicles under VAT.

R30bn projects in pipeline

B/Day 9/9/91

LESLEY LAMBERT

SHORT-term tax incentives approved by government last week, coupled with Industrial Development Corporation (IDC) funding, could be the catalyst for new capital projects worth R30bn.

The IDC announced earlier this year that it had provided R10bn to fund new export projects in the next five years. It has since identified several projects which could qualify for direct financial support and the tax incentives, IDC senior GM Malcolm Macdonald said at the weekend.

"The IDC, which has been instrumental in getting existing projects off the ground, has been talking to the parties behind proposed new projects, such as Columbus. If their projects qualify, we will provide partial funding by way of subsidised loans or equity participation," Macdonald said.

"The IDC's R10bn could involve it in new ventures worth R30bn over the next five years," he said.

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The Columbus stainless steel project has developed a high profile but there are several other large ventures in the pipeline. Sasol had committed itself to about R5bn worth of new projects, at least 50% of which could qualify for assistance, a spokesman said on Friday.

Gencor's Alusaf aluminium smelting venture is another contender, as is AECI, which is understood to have one or two major chemical projects in the offing.

The incentives are a short-term measure pending longer-term policies aimed at improving SA manufacturers' competitiveness on international markets.

The long-term policies are being considered as part of comprehensive new eco-

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Projects

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nomic and industrial policies. They include ideals such as lower inflation, lower interest rates and higher productivity to enable local manufacturers to charge competitive prices for exports. Sacob estimates that manufacturers have to charge 15% more than their international competitors.

Policymakers are also considering incentive packages, such as tax holidays, to attract foreign investment.

A range of measures have already been introduced this year to cut the cost of capital investment and attract foreign investors.

In this year's Budget, Finance Minister Barend du Plessis reduced the import surcharge on capital goods from 10% to 5% and on intermediate goods from 7,5% to 5%. When VAT is introduced at the end of this month, purchasers of capital and intermediate goods will be entitled to a full credit for tax paid on these goods.

Together, these measures will result in an estimated R8bn saving for commerce and industry, while the new tax incentives will provide substantial bridging relief during the risky start-up periods of capital projects.

Calculations done by the Department of Trade and Industry indicate they could reduce peak cash requirements by between 25% and 30% and improve profitability by as much as 25%. This would boost a 6% internal rate of return to 7,5% and a 4,4% IRR rate of return to 5,5%, according to a department spokesman.

● Comment: Page 6

US frees imports of uranium

B/Day 11/9/91 (946)

MATTHEW CURTIN

THE US Nuclear Regulatory Commission (NRC) has freed imports of SA uranium from sanctions regulations which prohibited the import of SA uranium concentrate.

SA Nuclear Fuel Corporation spokesman Charles Scorer said yesterday that the move, effective from mid-August, would not boost SA uranium exports because of depressed market conditions.

However, the international playing field for SA uranium exports was now level and SA producers would be better placed to capitalise on any upturn in the market.

Scorer said the uranium market was in a slump thanks to high inventory stocks built up in the '80s on the basis of overoptimistic demand forecasts.

Nuclear power expansion programmes had proceeded more slowly than expected. Prices had also been knocked recently by the sale of international stockpiles.

He said demand was likely to pick up only in the mid-1990s when uranium inventories neared exhaustion.

The 1986 Comprehensive Anti-Apartheid Act prohibited US nuclear trade with SA. The NRC changed its regulations to conform with the CAAA, deleting its requirement that importers needed a specific licence for imports of nuclear material from SA.

The US Federal Register reported last month that the reinstatement of the general licence provision by the NRC would have "a minor but positive impact on the public".

Last month Nufcor, through a US importer, asked the NRC for a licence to import 1-million kilograms of natural uranium from SA for processing by US facilities as a temporary measure in the wake of the lifting of the CAAA, a move now made redundant by the new NRC regulation.

Spot uranium prices have drifted downwards in the past few days, after a month of activity which analysts said included much speculation about the market effects of the Soviet coup.

The coup saw a purge of the top officials in the Soviet nuclear establishment, but analysts said there was no immediate threat to nuclear fuel and services supply from the Soviet Union.

August uranium prices rose from near \$8,50/lb to reach \$9/lb, but then slipped to the \$8,80/lb level. That compares with levels of above the \$11,50 mark in mid-1990.

Sowetan

Locally made cars for Taiwan

4/9/91

TAIPEI - Passenger cars made in South Africa will make their debut in Taiwan late this year, Taiwanese officials announced yesterday.

Industrial Development Bureau officials said Nissan cars produced in South Africa will be among the 2 000 to be sent to Taiwan between 1991 and 1992.

During an economic co-operation meeting early last month, Taipei agreed to import 2 000 South African cars. 746

In addition to the Nissan cars, another South African car maker, Samcor, will share in the 2 000-unit quota. - *Sapa-CNA*

SA quota of sugar exports to US down 30% on pre-sanctions level

Bday 30/9/91 74G

WILLIAM GILFILLAN

THE US quota for SA sugar imports has been cut by 30% to about 35 000 tons from about 45 500 tons in line with the reduction in the quota of imports of total foreign sugar into the US.

The US quota for SA sugar exports has been reinstated from tomorrow, as have 2,3% of overall annual US imports applicable before the Comprehensive Anti-Apartheid Act was passed in 1986.

On Friday the US authorities announced they had cut the quota for sugar imports for the year beginning tomorrow by 30% to 1,53m tons from 2,15m tons.

But South African Sugar Association (Sasa) export director David Hardy said at the weekend this had not been unexpected as US domestic sugar growers had experienced a good year with large crops being realised.

He said the US import quota for the year to end-September 1991 had been recognised as being higher than the imports required by the US and as a result stock levels in the US were fairly high.

Sasa chairman Glyn Taylor said that although SA's sugar exports to the US market were relatively small in volume terms, the US market was the only market in which SA sold sugar at a premium to the world price.

SA received about $420 a ton for the sugar it exported to the US whereas the world price was about $200 a ton.

In the season to end-March this year, SA exported just over 700 000 tons of sugar worth R555m.

Total production this year was slightly above 2-million tons, and domestic sales just over 1,3-million tons.

US sugar growers said they feared the sugar quota could glut the market with foreign sugar and drive down their prices, while the Sweetener Users' Association said it supported the agricultural department's decision, reports Sapa-AP.

US sugar production is estimated at 7,37-million tons during the next 12 months, and consumption at 8,9-million tons.

The world sugar price closed at US9,59c/lb on Friday, down 2c.

Under the agriculture department quota system, a two-tiered level is used, allowing a fixed amount of sugar into the US at a relatively low duty rate of US0,625c/lb.

Star 3/10/91

Exporters to BLNS countries get breathing space

(14G)

Exporters to Botswana, Lesotho, Namibia and Swaziland can take advantage of the Export Incentive Scheme until November 30 without completing the necessary documentation.

In a statement yesterday, the Commissioner for Inland Revenue said participation in the scheme on this basis was an interim measure "since vendors have not had information available regarding their participation and the fact that the application form is not yet available".

The statement said vendors would be able to export to businesses in the BLNS countries and export registrable goods until November 30 using existing forms which should be completed by the purchaser and retained as part of the sellers records.

A tax invoice would also have to be completed and a copy invoice, which the purchaser must have stamped at the border and then returned to the seller.

The tax invoice and the required form "VB 52" would be acceptable proof that goods had been exported, the statement indicated.

Effectively the new scheme allows for goods exported to BLNS countries to be zero-rated for value added tax provided the vendors of such export goods have completed the necessary forms as stipulated in the incentive scheme.

It also allows for goods to be subject to the standard tax rate and then either tax refunds could be made or credits passed.— Sapa.

'Quality key for exports'

B/Day 24/9/91

SHARON WOOD

SA's product quality would be the key to opening doors to export markets, SA Quality Institute (Saqi) chief patron and Iscor and Transnet chairman Marius de Waal said yesterday.

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Speaking at a briefing to launch the first Saqi conference in November, De Waal said the management miracle that had taken place in the Far East was proof that organisations that treated the subject of quality seriously would advance the nation as a whole.

It was vital that SA began to introduce effective ways of managing change in a technologically driven environment because SA had the ability and potential to become an economic and industrial powerhouse.

Saqi conference organising committee chairman David Crawford said only world-class goods would be able to withstand the pressure of increased competition.

Targeted incentives are the real key to export-led growth

74G

B/Day 2/10/91

STEPHEN SMITH

THE great success stories of economic development in the past decade have been the newly industrialising countries of East Asia, especially the so-called Four Tigers — South Korea, Taiwan, Hong Kong, Singapore. These stories hold important lessons for development policy, but wrong inferences have been drawn about the source of their success.

The dominant conventional wisdom of the '80s argues that the free operation of the market accounts for the export growth responsible for these East Asian successes. However, there is nothing that inherently links export promotion with a completely free market environment. The governments of South Korea, Taiwan and most other newly industrialised countries have undertaken a host of interventionist measures which have created powerful incentives for export-orientated manufacturing firms, usually in particular targeted industries at particular stages of development.

At the same time, many less developed countries followed the incentives of current world market prices by specialising in primary commodities (agricultural and mineral exports), only to discover that the prices of those commodities subsequently fell. The World Bank and other agencies which encouraged these policies in individual countries failed to take into account the oversupply this would cause on international commodity markets.

These contrasting experiences suggest two vital distinctions. First, it seems to make a big difference whether a developing country promotes exports of primary commodities or manufactured goods. Second, it is critical to distinguish a country's static comparative advantage (what it can produce relatively more efficiently and export successfully in the short term) from its dynamic comparative advantage — long-term export potential. Laissez-faire trade policies will not necessarily encourage those exports which are most advantageous in the long run.

This is not to say that any kind of government intervention, however inefficient, can be justified by appeal to long-term development objectives. Government intervention can overpromote certain industries to the detriment of long-term efficiency, competitiveness and growth. This makes it all the more important to understand exactly what kinds of trade and industrial policies have worked and what kinds have not.

The scope and pervasiveness of the 19 major types of intervention used by South Korea listed here should dispel the myth that Korea succeeded by "allowing the free market to work":

- ☐ Periodic devaluations of the Korean currency have been combined with other policies to keep the effective exchange rate for exporters higher than that for importers;
- ☐ Preferential access to imports needed for producing exports has been provided to manufacturers with unrestricted, guaranteed, and tariff-free access to imported intermediate inputs used in goods later exported, while other imports are severely restricted;
- ☐ Tariff exemptions on inputs of capital goods needed in exporting activities;
- ☐ Tax breaks for domestic suppliers of inputs to exporting firms, which constitutes a domestic content incentive;
- ☐ Domestic indirect tax exemptions for successful exporters;
- ☐ Lower direct tax on income earned from exports;
- ☐ Accelerated depreciation allowances for exporters;
- ☐ Exemptions from import restrictions linked directly to export levels;
- ☐ Monopoly rights granted to the first firm to achieve exports in a targeted industry;
- ☐ Subsidised interest rates for exporters;
- ☐ Preferential credit access for exporters, including automatic access to bank loans for the working capital needed for all export activities;
- ☐ Reduced public utility taxes and rail rates for exporters;
- ☐ A system of export credit insurance and guarantees, as well as tax incentives for overseas marketing and post-shipment export loans;
- ☐ Free trade zones, industrial parks, and export-orientated infrastructure have all been created;
- ☐ Public enterprises have been created to lead the way in establishing new industries; public enterprises produced the first Korean output of ships and refined petroleum products and petrochemicals;
- ☐ Export sales promotion is carried on by the publicly supported Korean Traders Association and the Korea Trade Promotion Corporation;
- ☐ General orchestration of sector-wide efforts to upgrade the average technological level, through use of a new generation of machinery;
- ☐ Government co-ordination of foreign technology licensing agreements, using national bargaining power to secure the best possible terms for the private sector; and
- ☐ Export targets have been set by firms themselves since the early '60s, although they may be adjusted by the government.

On the import side, South Korea maintained an extensive system of import controls well into the '80s, including restrictive trader licensing for importers, widespread quantitative controls on imports, domestic content requirements, systematic foreign exchange allocation, required advance deposits (sometimes as high as 200% of the value of imports), and capricious customs practices. It also established minimum domestic content requirements for large plant facilities and for those built with foreign loans.

Many successful Korean export industries begin as infant industries requiring protection. For example, the electronics industry was the recipient of numerous special government benefits. As of 1984, 185 electrical and electronic goods imports were still restricted in Korea.

In the late '80s, South Korea substantially liberalised. The lesson one should draw, however, is that substantial liberalisation logically follows only after a country has virtually joined the ranks of the industrially developed countries. An active industrial policy continues to this day, encouraging Korean entry into high technology fields. The trade and industry ministry recently targeted new areas for production, such as computer-controlled machine tools, bioengineering, microelectronics, fine chemistry, optics and aircraft.

Much less has been written about Taiwan than Korea. But like South Korea, Taiwan has put in place active industrial policy systems. The Taiwanese government has licensed exports, controlled direct foreign investment both to and from Taiwan, established export cartels, provided fiscal incentives for investment in priority sectors and given concessional credit for favoured industries.

Like Korea and Taiwan, Singapore has also practised an active industrial policy, co-ordinated by its Economic Development Board.

Hong Kong is the only one of the Four Tigers in which government intervention in trade and industry has been minimal. However, the association of Hong Kong's success with free trade is not as simple as the likes of Milton Friedman have suggested. The effective cartel of large banks (which have assets considerably greater than Hong Kong's GNP) is said to perform an industrial policy function through the rationing of credit towards the industries that the cartel picks as the emerging "winners". Hong Kong is no textbook model of perfect competition. With its economy's relative trading advantages slipping in the past few years, the Hong Kong government has begun to introduce aspects of industrial policy. For example, the government has subsidised the Hong Kong Productivity Centre.

All this points to the conclusion that real, sustainable development will, as a rule, require not just any exports, but manufactured exports.

It is sensible for less developed countries to start with relatively simple, labour-intensive manufacturing activities, but the long-term goal should be to move progressively "up the technological ladder" to the higher value-added (total factor productivity) activities more likely to generate higher real wages and living standards.

☐ **These are edited excerpts from Industrial Policy in Developing Countries, produced by the Economic Policy Institute, Washington. Smith is associate professor of economics at George Washington University.**

Strong export effort heralds better times

Star 24/9/91

(74.6)

By Sven Lünsche

Amid all the economic gloom, exporters are slowly leading the country out of recession into a more stable growth phase.

With monthly exports in August surging to their highest level in almost a year, the constraints placed on the economy by the shortage of foreign exchange are slowly easing.

Figures released by Customs and Excise yesterday show that the trade surplus for the first eight months of the year at R10,6 billion is running four percent ahead of last year's R10,15 billion.

On an annualised basis this suggests a trade surplus of almost R16 billion and thus a current account surplus of at least R3 billion.

"Given a healthy current account, combined with the improved access to foreign funds, it appears that limited foreign reserves are no longer an obstacle to economic growth," says Safto economist Bruce Donald.

"This trend is encouraging, considering that an improvement in foreign reserves fulfils one of the pre-conditions for a more accommodative monetary policy.

"The other more formidable pre-condition is a lower inflation rate," he says.

The improved export performance — from R5,93 billion in July to R6,1 billion last month, and from R40 billion in the first eight months of 1990 to R43,2 billion so far this year — is particularly encouraging because most of the growth was recorded by exports of manufactured goods.

Chemicals

For the first eight months of the year, exports of chemicals rose 35 percent to R1,61 billion, plastics by 50 percent to R348 million and transport equipment by 36 percent to R921 million.

"If these trends are maintained, the economy could stand to benefit significantly from the improvement in world markets expected next year," Mr Donald says.

In contrast to manufactured goods, commodity exports either declined or showed minimal growth.

So far this year base metals exports have risen by five percent to R6,25 billion and unclassified goods (precious metals) by nine percent to R18,17 billion, while exports of mineral products have fallen by one percent to R4,75 billion.

This trend is not surprising, given that metal prices have plunged over the past year.

The Economist's dollar index of metals in the year to mid-September has plummeted by 35,4 percent.

The five percent fall in the rand against the dollar since the beginning of the year has done little to offset lower international metals prices.

SA's Commodity Export Price Index, which is compiled by the Mineral Bureau, reached its lowest level so far this year in August.

Monthly imports fell sharply to R4,2 billion last month from R4,9 billion in July as the slowdown in domestic spending finally hit demand for imported goods.

However, for the first eight months of this year, total imports at R32,65 billion are still running nine percent ahead of the R29,86 billion worth of goods imported in the comparative period last year.

Consumers

"The stronger rise in consumer imports suggests that the recession has been felt less among consumers than producers," Mr Donald says.

This is confirmed by trade statistics, which show that machinery imports have risen by only three percent so far this year, while imports of textiles and footwear have surged by 21 percent and 66 percent respectively.

East European contract for Coin

B Day 3/10/91

SEAN VAN ZYL

COIN Security Group, a major player in the SA security market, has signed a R230m export contract to supply an unidentified East European country with locally made fire protection equipment.

Coin Security — through its wholly owned subsidiary Security Fire Services — will supply products at component level to an associate company based offshore, to be assembled and marketed under the company's brand name in Eastern Europe.

Although Coin group chairman John Bishop would not disclose the identity of the Eastern European country, he said the contract would be completed over a five-year period.

(14 G)

Coin Security has an office in Britain and has been involved in exporting locally made fire equipment for fours years, MD Yvonne Lottering said.

She said the Eastern Europe deal came about after many years of breaking "sanctions ice" between the region and SA and was the start of of many new trade opportunities.

Lottering said interest had also been expressed in the group's security technology, which could strengthen Coin's trade relations with the region in the long term.

COMPANIES

Genrec gears up to export motor parts

B/Day 3/10/91

MARC HASENFUSS

GENREC's new R45m motor component manufacturer General Machining Technology (Gemtec) is set to export up to 40% of total production in the next three years.

Gemtec MD Arno van Wyk said the close ties between Gemtec and Murray & Roberts Foundries would lead to expanding export horizons for both companies.

A technology transfer agreement has been concluded between Gemtec and German-based Jung CNC which supplies Volkswagen AG. Volkswagen SA is committed to using the machining capability.

"Gemtec will concentrate on specific niche markets where low volumes provide a competitive edge to flexible, high quality manufacturers."

He said Gemtec could export to Europe through Jung and SA vehicle manufacturers exporting to their parent companies. A third export route through niche manufacturers was envisaged. (4272)

Gemtec foresaw strong export growth in view of the limited surplus machining capacity worldwide, he said. (746)

Gemtec's plant in Port Elizabeth will be opened today but commercial production will only begin next month. At full capacity it will produce 400 cylinder heads a day, Van Wyk said.

If Gemtec was successful, further precision machining facilities could be built. "These expansions, while dependent on overall product demand, are planned for completion over the next five years and could cost more than R70m," he said.

FM 4/10/91

TRADE SANCTIONS (946)

Fruit slow to ripen

US sanctions may be on the way out but it will be a while before more cash flows into the coffers of food exporters.

Unifruco CEO Louis Kriel says deciduous fruit exporters developed other markets during the sanctions years. "We will not neglect these and existing customers."

Nevertheless, since the first signs of improvement in the local political climate in 1989, and especially since the release of Nelson Mandela in February 1990, farmers began increasing plantings to meet expected greater demand for Unifruco's "Cape" fruit.

Apart from new plantings, new varieties also hold the possibility of doubling crop returns per hectare. This should boost industry turnover above 1990's R1,3bn.

"By 1995 our annual crop should be about 50% bigger. Meanwhile, we will re-establish our premium name and quality image in the US market with smaller volumes of export fruit. By the mid-Nineties we should have sufficient fruit to go all out for the US market again (it was worth about US$50m before sanctions)," says Kriel.

When sanctions were imposed in 1986, SA was the largest single apple supplier to the US, with annual sales worth about $35m.

South American countries filled the gap left by SA. The US and Canada have great potential for SA but "Chile and Argentina are closer to these markets, while we are closer to Europe," says Kriel.

It takes SA fruit about 14 days to reach Europe against 20 days from South America. The opposite applies to North America.

SA Sugar Association international market director David Hardy says new quota conditions for the lucrative US market are being looked at.

KWV marketing executive Piet Momberg says the US market, while holding out great possibilities, is complex, with each of the 51 states having different requirements and conditions. While SA was kept out, wines from California, Australia and South America established themselves.

"It will obviously not be easy to get back in but we are using known marketing channels to find opportunities. Like Unifruco, we developed other markets during the sanctions years and must service existing customers first," says Momberg.

The association is, however, eyeing Canada where it once had a firm foothold.

"We don't have enough surplus capacity to go for new markets, while marketing costs also have to warrant the effort. Our priorities would be Canada, Scandanavia and Japan, where we expect market conditions to favour our products, once all sanctions are lifted," Momberg adds. He expects exports of bottled, high-quality wines (such as Sauvignon blanc, Chardonnay and Cabernet) to quadruple within three to five years.

Citrus Exchange GM Arend Venter says the US was never a market for SA but he hopes the abolition of US sanctions will help also to open up Scandinavia and Ireland. Meanwhile, eastern Europe offers opportunities, especially with the crop expected to increase from 30m cartons last year to 32m in 1991.

SA Agricultural Union economist Koos du Toit says special farm crops like strawberries, asparagus and subtropical fruit should find new markets in North America. ■

Exporters recoup millions in VAT

746

B/Day 9/10/91

LESLEY LAMBERT

SA EXPORTERS are recouping millions of rands worth of VAT paid on marketing expenses incurred in certain European countries each year.

More than 400 local companies are already benefiting from VAT refunds offered by the UK, Germany, the Netherlands, France, Belgium and Denmark. Ireland and Sweden may soon introduce the concession, says Safto marketing executive Sharon Corken.

Corken says the countries offer the refunds as part of reciprocal trade agreements aimed at attracting foreign visitors to their countries.

SA does not yet offer reciprocal benefits but may decide to do so in the future.

The refunds are made on international accommodation, transport, conference, trade fair and training expenses. They result in significant savings, ranging from 14% — the VAT rate currently applied in West Germany — to 25%, one of the dual rates applied in Belgium. VAT is pegged at 17,5% in the UK, 18,6%, in France and 22% in Denmark.

This could mean the recovery of a significant proportion of the foreign exchange which leaves SA each year. Corken cites the case of a Safto client in the Midrand who recovers about R80 000 a year.

The concessions, which are made in terms of new EC regulations, are paid in the currency of the country in which the expenses are incurred and, in some cases, are paid for expenses incurred during the past five years.

SA companies in the computer, motor, mining and fashion industries use the concessions, says Corken.

They are assisted by Safto which determines whether they qualify and submits claims on their behalf.

Soaring exports boost Standard

Star 8/10/91. (746) (88)

By Jabulani Sikhakhane

Strong growth in exports helped buttress Standard Engineering against the weak local market. In the year to August, export turnover rose R65 million to R111 million — contributing 17,5 percent to group turnover.

On an enlarged share base earnings a share rose 27 percent from 95,2c to 120,9c and dividends were up 25 percent to 40c (32c).

Due to weak local market conditions group turnover fell 7,5 percent to R639,08 million. Because of lower export prices, operating income fell 8,1 percent to R73,59 million.

But this was off-set by a sharp drop in the tax charge which dropped R15,5 million to R5,78 million — thanks to export allowances. The effective rate dropped from 34,7 percent to 10,4 percent, boosting after-tax income by 23,7 percent to R49,69 million.

Earnings

Outside shareholders interest was reduced by 43 percent, lifting attributable earnings by 61,4 percent to R49,69 million. But with 27 percent more shares in issue, earnings a share rose only 27 percent.

Boosted by exports Union Carriage did well, increasing turnover by R78,45 percent to R119,41 million and its contribution to group attributable earnings from 11 percent to 25 percent.

Mr Brown says Union Carriage enters financial 1992 with an order book of R120 million which is spread until 1993. It should also benefit from the railway investments in Western Europe, North America and the Far East. In Western Europe Railway investment is forecast to grow by £14 billion or 9 percent into the year 2000.

Although turnover was down R16,7 million at R132,8 million, steel pipe manufacturer Hall and Longmore did well considering the five-month shutdown at all Longmore's mills.

The upgrading enabled Hall Longmore to export more steel pipes than the previous financial year. Mr Brown says the pipe manufacturer's facilities were fully booked with export orders until February 1992.

Longmore should also benefit from the R1,8 billion capital expansion programmes by the local oil refineries.

Automotive components manufacturer Astas continued to suffer, due to cancellation of orders by customers. At interim stage Astas's stock wasR20 million above normal and Mr Brown says at end August the situation was still pretty much the same.

Throughout the year Astas's operating volumes averaged 40 percent of last year's, although there were signs of improvement towards year-end.

Contribution down

Turnover dropped R149,84 million to R107,93 million and contribution to group attributable earnings fell 7 percent (32 percent).

After last year's rationalisation Fluid Holdings increased turnover by R28,596 million to R143,12 million. Profitability also improved with contribution to group attributable earnings improving from a negative two percent to a positive 14 percent.

Mr Brown says Standard is looking for acquisitions, to add a new leg to its existing business portfolio or complement the existing businesses. For financial 1992 he is looking for maintained earnings.

Trade talks 'successful'

BDay 9/10/91

GERALD REILLY

PRETORIA — Discussions with US trade officials on the entry of SA products had been successful, Trade, Industry and Tourism Minister Org Marais said last night in Port Elizabeth.

Speaking at the annual conference of the Afrikaanse Handelsinstituut (AHI), Marais said the first consignments of steel were expected to be shipped out before the end of the year.

The general export incentive scheme introduced more than a year ago was succeeding. In the past five years exports had increased at more than 10% a year.

In the first six months of this year, export of manufactured goods had increased by 11,8% compared with January-June last year.

On incentives, Marais said the marketing costs tax concession would be phased out in March next year. It had been estimated this had cost government more than R1bn and had not succeeded in improving exports.

Although the structural adjustment programme for clothing and textiles, and the motor industry's Phase 6 had not primarily been to promote exports, they had in fact helped. Exports in this category were increasing rapidly.

Marais said as tariff protection was phased out over the next few years, it should be possible for the department to reduce its export subsidies.

After the department had decided on a new tariff protection policy, the Board of Trade and Industry might look at the rationalisation of the tariff structure.

Marais said that a small and medium-sized business development unit would soon be established under Trade and Industry Deputy Minister David Graaff.

The unit would recommend incentives for enterprises such as tax concessions, interest rate and rent subsidies, and where possible exemption from trade union requirements and the Minimal Wage Act.

Marais said the manpower problem was the Achilles heel of industrial expansion.

□ Attie du Plessis, GM Investments at Sankorp, was elected president of the AHI yesterday.

Du Plessis, who was vice-chairman of the organisation during the past year, is chairman of Conshu Holdings, Mercedes Information Technology and director of, among others, Bankorp, Metropolitan Life and Siemens.

Sacob predicts more job losses

B /Day 11/10/91

LINDA ENSOR

CAPE TOWN — Uncertainty over the timing of the next upturn was permeating the economy and could result in further job losses, Sacob economist Keith Lockwood told a Cape Town Chamber of Commerce seminar earlier this week.

Businessmen were uncertain over the state of the economy, possible labour action and political developments.

Lockwood said that over the next few months businessmen would be unsure whether any increases in sales were the result of pent-up demand pending the introduction of VAT or signs of a genuine recovery.

It is widely accepted that the economic recovery will be export led. Lockwood said those businesses involved in the export market should see an increase in sales and profitability next year. However, domestic-orientated manufacturers would continue to experience problems.

Export volumes excluding gold had increased by about 100% over the last eight years, though had tapered off in the last six months because of the fall in the world economy. From a 3,25% world economic growth rate in 1989 and 2% in 1990, a rate of 1,25% was forecast for 1991.

However, there were signs that the world economy, and particularly the US economy, had turned the corner which boded well for SA exports of manufactured goods. A world economic growth rate of 2,8% has been forecast for 1992.

"There is no reason to expect a big turnaround in commodity prices this year so export-led growth will be problematic if reliant only on commodities," Lockwood said.

"SA has increasing exposure to world markets and is enjoying significant growth in exports into Africa. Exports of its manufactured goods will probably be more easily absorbed in developing countries."

The outlook for investment spending was not optimistic as gross fixed investment had tended downwards for the last six quarters, he said.

(M4G)

MOTOR INDUSTRY FM 11|10|91

Pushing exports (946)

Exports of vehicle components have boomed in the last few years. Now local motor manufacturers are beginning to move into the export market for fully assembled vehicles.

This year, Samcor has tied up firm orders for the export of 1 400 Mazda cars to the UK — the first time SA will export fully assembled cars to the UK — and CE Spencer Sterling hopes to increase sales to between 3 000 and 5 000 units next year. This would comprise about 8% of Samcor's total output of passenger cars.

Other manufacturers are studying the potential for following suit, but many are restricted by contractual, financial or logistical considerations. However, with the incentives under the Phase 6 local content programme offering a strong inducement to pursue exports and with the local market severely depressed, manufacturers seem intent on sidestepping these hurdles.

Sterling says one reason why "we have been able to enter the European Community market is because our cars qualify for the EC's requirement of 65% minimum local content by any national exporter." Had Samcor not been able to meet the requirement that 65% of the content comes from SA, its cars would have come under the EC's import quota for Japanese vehicles.

FM 11|10|91 (946)

But, he adds, for other SA manufacturers to tie up similar export deals, they will have to find the customers first. "While competitive quality and pricing are important, successful negotiations with dealers or agents underpin such deals."

UK importing agent FCL, an associate of Mazda Cars Ltd, saw a narrow but profitable niche for Mazdas from SA. "The cars we are exporting to the UK are one model generation behind the latest Japanese models and consequently are priced lower, creating their own niche in the (depressed) UK market," Sterling says

Should the UK recession continue next year, Sterling projects sales of 3 000 units because people are trading down. But, should the UK economy recover, he expects sales to increase to about 5 000.

"We also will sell about 1 000 vehicles in Africa and the neighbouring islands this year, with Mozambique taking up about 400 units," says Samcor spokesman Dirk de Vos.

Meanwhile, Delta has just secured the right to sell Opel cars and Isuzu commercial vehicles in several right-hand-drive African countries, but details on how many cars will be sold are not available yet.

"Fully assembled vehicles exported to niche markets could become meaningful in the future, provided the transport cost does not weigh up too heavily against the final selling price," says director of industrial and commercial holdings Andre van Rooyen. "Delta would like to see SA-built vehicles enjoying the major share of the market in a number of African countries." Delta also is looking at Europe and, to a limited extent, South America for exports.

Toyota export manager Ben Grobbelaar says a distribution agreement with the Japanese franchisor limits Toyota SA's sales to the SA Customs Union — Botswana, Namibia, Lesotho and Swaziland. "This re-

FM 11|10|91 (946)

duces our potential export benefits under Phase Six." Exports will be on the agenda when Toyota Marketing MD Brand Pretorius visits Japan next month.

Licensing agreements also hold back Nissan in exporting fully assembled Nissans and Fiats, says Charles Wiggill, MD of Nissan's international operation (Motoware). But negotiations with the Japanese and Italian licensors have allowed some cars to be sold in other African countries, he says.

BMW financial director Peter Barbe says there is a good future for BMW SA in niche production. He believes it would be economically viable for BMW SA to produce limited-volume cars for the rest of the BMW group. "What may be considered to be a low-volume, and possibly uneconomic, car in Germany could be a highly viable product if produced here. In Germany, anything less than 10 000 units is considered to be low volume. In SA, that is half the annual production of some car manufacturers. Even producing 70 highly specialised cars at R500 000 each, for example, would make good economic sense here."

But no such initiatives are now under consideration.

Mercedes-Benz SA management board member (commercial vehicles) Adolf Moosbauer says the changing political climate towards SA has opened the door for sizeable exports to Africa, mainly for the company's medium and heavy trucks.

"Unlike many other local manufacturers, we are not a franchise operation, but part of Mercedes-Benz AG in Germany. Where political stumbling blocks are removed and we can freely export to Africa, costs and our closeness to the market could determine that we will provide for this market, rather than our German or Brazilian divisions."

MBSA will export about 100 commercial vehicles to Africa this year, mainly to Zambia, Malawi and Mozambique, Moosbauer says. "As with bus exports, we have hardly scratched the surface, but the availability of finance is the major dampener on developing the huge potential of the African market." ■

Fruit export earnings went up 8,2%

Bday 11/10/91

(746)

LINDA ENSOR

CAPE TOWN — The deciduous fruit industry achieved an 8,2% increase in gross export earnings to R1,415bn in the year ended-September, Unifruco chairman Leo Fine announced in the annual report to producers released yesterday.

A total of 35-million cartons of fruit were exported, 4% more than in the 1990 year.

This modest increase was because big grape and apple crops — the biggest contributors to earnings — failed to materialise.

Grape volumes rose only 2% to 6,3-million cartons, while apples remained the same at 12-million cartons, although there was an 11% and 6% increase, respectively, in their gross earnings.

On the other hand, exports of apricots shot up by 58%, peaches and nectarines by 28% and plums by 14%. The volume of pears increased by 9%, but pear earnings lagged with a 5% growth.

Unifruco's venture into the export of non-traditional products such as subtropical fruits and vegetables was also successful. A 25% increase in export volumes was achieved.

Fine said the improved political climate opened up opportunities for Unifruco, which acts as the export marketing arm of the industry. The growth in consumer demand saw increased sales in both traditional and developing markets. The Dutch market grew 83%, Greek 57%, Portuguese 27%, Italian 15,5% and German 12%.

The export earnings growth was pedestrian compared with last year's 43% rise, but better than expected. Last year a 12% increase in the size of the crop, a favourable exchange rate, and better unit prices contributed to an exceptional performance.

Fine said last year's buoyant marketing conditions continued into the present season. The exchange rate had little effect on the net results.

The US, Iceland and Finland had lifted fruit sanctions and, Fine said, there were indications that other countries would do the same shortly.

Inflation

Markets could also be extended into Eastern Europe as a result of the changes there.

Payments to producers increased by 6% to R837m, with local and overseas logistical costs having a detrimental effect.

"This, with the negative effect of the local inflation rate on input costs, would probably result in lower net farm income for many producers, compared with the previous year," Fine said.

Unifruco's total administration costs came to R42,5m, or 3% of export turnover.

As regards the future, Unifruco MD Louis Kriel said emphasis would have to be given to the growth in production of those fruits preferred by consumers, to extending the season, and to eliminating certain cosmetic defects.

He said export volumes could increase by 50% to 50-million cartons by 1995. To cope with this growth, an extension of harbour facilities was being considered.

Also, Unifruco and other fruit exporters were investigating the sharing of services in order to achieve rationalisations.

Coal exports euphoria misplaced, says analyst

(14G)

B/Day 11/10/91

MATTHEW CURTIN

THE JSE's coal index has so far this year more than made up the ground lost after 1986, when sanctions were imposed on SA exports, but much of the current euphoria is misplaced or at least overdone, says Mathison and Hollidge analyst Tony Rogers.

Rogers, speaking this week, said that despite the fillip the industry gained this year from the lifting of EC and US sanctions, the prospects facing export and domestic markets were not exciting.

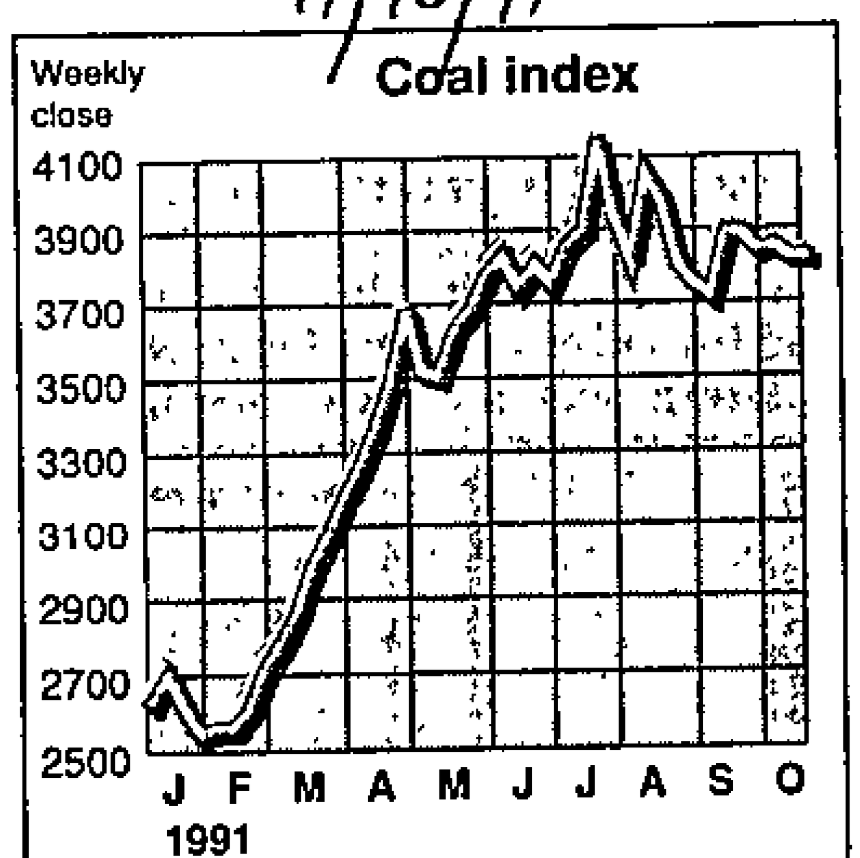
Long-term earnings growth, assuming static volumes after 1995, would be limited to dollar-price increases, depreciation of the rand, or the ability of local producers to reduce cost increases to internationally competitive levels, he said.

However, he noted the weakness in the international steam coal market prevalent in the second half of last year had continued in 1991, with a finely balanced demand-supply position swinging to one of marginal oversupply.

Mounting supplies overseas had knocked steam coal prices.

Australian producers increased export tonnages by 10% in 1990 over the year before, because of improved industrial relations and productivity drives.

Indonesia was expected to increase coal output by 30% this year and by another 21% in 1992, with about 60% of production set for export markets. Exports were increasing from Columbia and Venezuela, with the threat of China becoming a major coal exporter in the longer term.



Graphic: FIONA KRISCH Source: I-NET

Although the US National Coal Association estimated world coal trade would grow by 2,8% a year, Rogers said the immediate danger was that new supply would more than match those levels, and coal prices would remain sluggish for some time.

SA exporters had won 3% to 8% better prices in Europe — against Australian gains of less than 3% — and increased sales in the past year as sanctions were lifted. "Political" discounts on SA coal prices had disappeared, and the freeing of the market had reduced the competition between local exporters.

However, Rogers said that competition in Europe was fierce and volumes in the medium term were expected to be static. SA producers would increase sales only by winning business from competitors, raising the spectre of a price war.

SA exporters were not in a good position to capitalise on growing international demand. Despite the expansion in the Richards Bay coal terminal from its current capacity of 49-million tons a year to 53-million tons by next year, Spoornet would only have rolling stock — new "jumbo" wagons — to match the new capacity by 1994/1995.

Margins for the coal companies were not adequate at present to justify capex for the construction of new export facilities or for expansion of the existing terminal again. Furthermore, the development of new coal reserves, likely to be of lower quality, would be restricted also.

Within SA, the prospects for growth were poor as the increase in Eskom's electricity demand tapered off. Annual growth in 1984 was 8%, but last year fell to 1,4% from 3,7% in 1989. Power stations had been mothballed and planned expansions delayed, as electricity demand was hit by the recession.

Rogers said that, contrary to general perceptions, supplying coal to Eskom could be risky.

The phasing in or out of power stations had important effects on companies which contracted to supply their coal.

The mothballing of the Komati and Camden power stations knocked the profitability of Trans-Natal's Koornfontein mines — operating profit fell 30% this year — as the amount of coal the company supplied to Eskom fell from 13,4-million tons in 1990 to 11,2-million tons for this year.

Profitably into Africa

299A 74G

SHERWOOD EXPORT, registered as a close corporation, is the country's largest general trader in Africa with an annual turnover that would embarrass most of the listed companies on the Johannesburg Stock Exchange.

It was founded 20 years ago by ex-Northern Rhodesian, John Hood, to develop trade with black Africa.

Few people rated his chances of success. The noose of sanctions had started to tighten and South African companies were treated with suspicion in many countries.

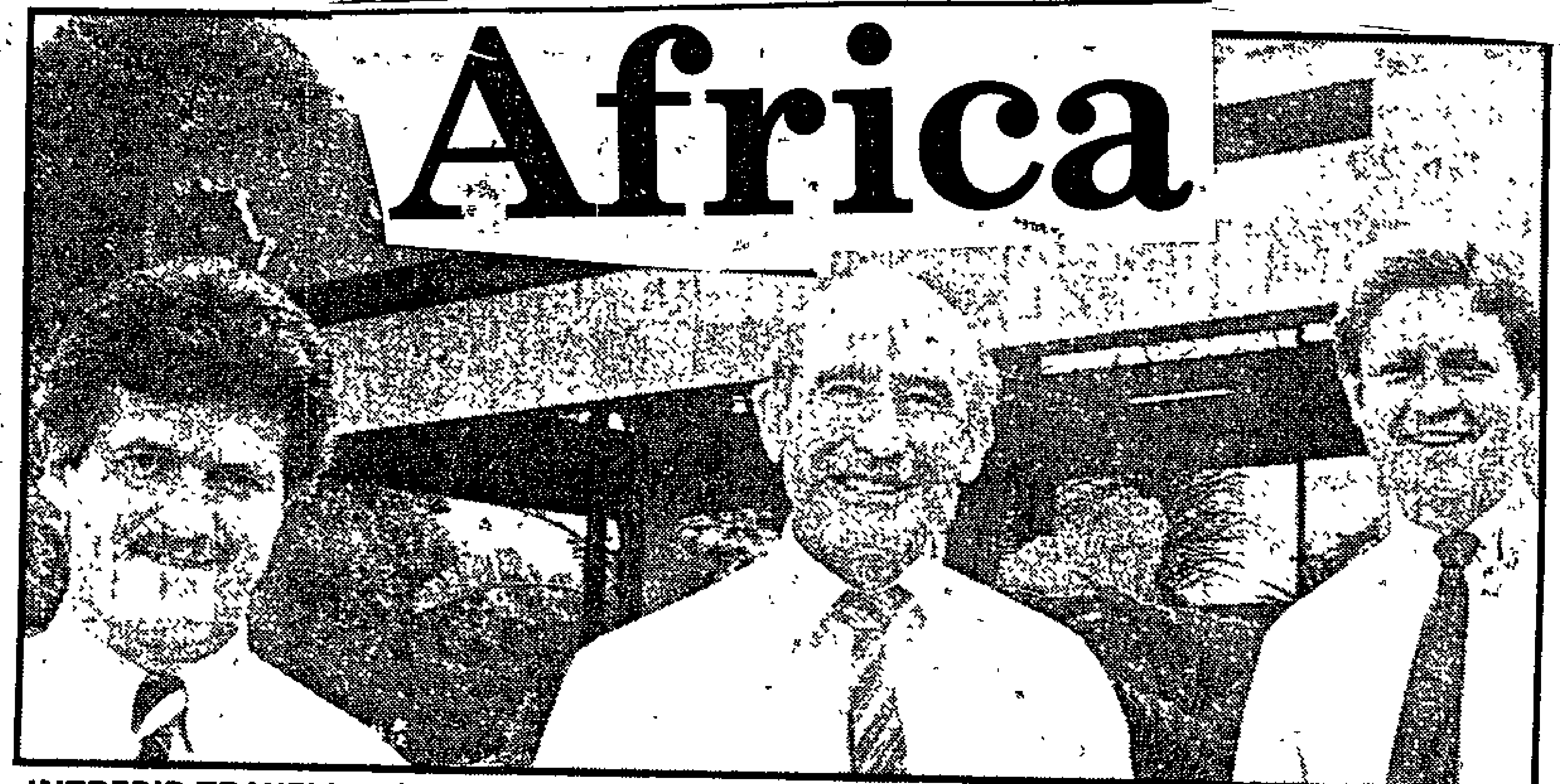
STimes (BUSS) 13/10/91

But mention this company's name in Malawi or Zambia and the response is likely to be one of warm familiarity. Yet few people in SA know of its existence.

Its sales have grown every year for the past 20. In 1989 it received the State President's Award for Export Achievement in the service sector and last year won a second one.

"We have always adopted a very low-key profile because of the nature of the business we are in," says Mr Hood.

Today the company comprises eight divisions, including an in-house freight forwarding arm, a shipping company, mining supplies, pharmaceuticals, educational materials and general trading.



INTREPID TRAVELLERS . . . John Hood flanked by Dunbar Crewe-Brown (left) and Rob Smith

By CIARAN RYAN

It employs 60 staff and operates out of impressive offices in Parktown, bristling with memorabilia from hundreds of trips into the interior.

At a time when South African companies are beginning to venture into Africa, Sherwood has built up an extensive lead in this fickle, but lucrative, market.

The company is run by Mr Hood and two chartered accountants turned traders — Robin Smith, the marketing director, and Dunbar Crewe-Brown, the executive director.

All are seasoned travellers in Africa, frequently visiting remote locations in search of business.

The key to Sherwood's success is building up contacts, says Mr Hood.

"You have to establish contacts at ministerial level because so much of business in Africa comes from government. But this is changing, as more parastatals are being privatised.

"Maintaining these contacts can be hard work. You have to travel a lot but, most importantly, you have to give good service. If you say you are going to deliver, you must deliver. At any one time we have eight or more staff scouting the continent for business."

Rampant

Sherwood pioneered general trading in Africa at a time when conditions were least favourable. Communications are still difficult in many parts of the continent, corruption is rampant and customs officials can delay shipment for days.

"Drivers hauling Sherwood shipments have been shot at in the Tete province of northern Mozambique and one truck was blown up.

There are frequent expectations of bribery (or "sharing," as it is more politely called in some countries). Mr Hood recalls telexes arriving from Nigeria specifying the size of the "commission" demanded for awarding a contract.

"We suspect corruption when we lose tenders to suppliers that are considerably more expensive than we are.

"We have a case at the moment in Uganda, where a contract was awarded to a supplier who was 25% more expensive than ourselves and the other tenderers.

"This involved World Bank money and we brought it to the attention of the bank, which stopped the contract. We generally bring this sort of thing to the attention of the authorities, but in most cases it falls on deaf ears."

Twenty years ago, trade was conducted by letters of credit on behalf of government and parastatal bodies. Economic conditions started to deteriorate, commodity prices fell and foreign exchange dried up.

Incentive

The only people with hard currency were foreign aid organisations. Today, these aid organisations are Sherwood's major source of business.

In the old days aid was intended to promote business for the donor country's private sector, but as aid budgets were tightened the lowest tender generally won the contract.

Sherwood specialises in supplying an entire shopping list of items and, more recently, turnkey projects — such as the supply, delivery and erection of several warehouses in rural Mozambique, where it was necessary to fly in a construction team.

It uses the new government export incentive scheme to compete on price, offering door-to-door delivery.

Sherwood's main markets are Zimbabwe, Zambia, Mozambique, Malawi and Botswana. Sudan has been a strong source of business in the past, and Mr Hood clocked up 16 visits to the country in two years at one point. East Africa is once again becoming an important source of business, he says

"Being a South African company we had to structure an off-shore base when dealing with many countries in Africa."

Political changes across the continent have had little effect on business, but as countries face increasing pressure to become "democratic" many companies are cultivating links across the political divide.

Mr Hood predicts: "I expect a marked change in Zambia, and I don't think President Kaunda will win the election this month. If the opposition gets in, trade will become freer with SA

"As far as Zimbabwe is concerned, there needs to be a profound change in the attitude of government towards the private sector and, fortunately, there are signs of this now happening"

Sherwood earned a measure of goodwill in both Malawi and Zambia by financing trade with importers in these countries at a time when other companies wouldn't touch them When conditions improved, Sherwood found itself in the pound seats

Last year it sold 500 vehicles to Malawi, Zambia and Zimbabwe.

Cheaper

"We could sell more vehicles, but I feel certain vehicle manufacturers are not passing on the benefits of the government export incentive scheme.

"They tend to pocket a large part of the incentives as extra profit. We often find it cheaper to bring vehicles in directly from Japan."

Sherwood's biggest competitors are manufacturing companies who previously supplied Sherwood but are now selling direct into Africa.

"With the new SA opening up, many manufacturers are travelling into our traditional markets. However, they become quickly disillusioned with the numerous problems inherent in exporting to Africa, and, consequently, they are happy to let us act as their agents."

Mr Hood says he is negotiating to buy a number of businesses in neighbouring countries.

Plessey in drive to boost exports

100

B/Day 15/10/91.

LINDA ENSOR

CAPE TOWN — Electronics and telecommunications giant Plessey SA, the newly acquired subsidiary of Sankorp, is engaged in an export drive, particularly into Africa, Europe and Britain.

Exports currently represent less than 1% of total turnover of about R250-R300m, and the aim is to increase this to 10%-20% in the medium term, Plessey financial director John van Zyl said yesterday.

746

He said telephone orders had come from Malawi where Plessey has a subsidiary.

"Doors are opening up in Africa and we are pushing hard to improve exports into the continent," Van Zyl said.

For the past 25 to 30 years Plessey has had a subsidiary in London through which it channelled its exports. Traditionally Plessey has exported microwave land survey equipment called tellurometers in which it possessed leading edge technology.

Expansion

Van Zyl said Plessey also had its own telecommunications technology, so it was not restrained in terms of exports as it would be if the technology was imported. Exciting opportunities for the export of telecommunications equipment were being considered.

Plessey was relatively undergeared, and was in a position to finance expansion from its own resources. However, Sankorp would provide investment funding where necessary.

Prior to the takeover Sankorp held 26% of Plessey, with the remainder jointly owned by GEC UK and Siemens AG of Germany. Sankorp's minority stake had formed the basis for establishing trading relationships between Plessey SA and subsidiaries within the Sankorp group.

Van Zyl felt the takeover could open up joint marketing opportunities between Plessey SA and Sankorp companies.

A Sankorp spokesman said yesterday there were no plans for a Plessey listing.

Opportunity in aid bodies

8 10 cu
17/10/94 MARCIA KLEIN 14G

INTERNATIONAL non-governmental aid organisations are providing excellent export opportunities in Africa for SA companies.

Safto executive Paresh Pandya said yesterday that non-governmental organisations' (NGOs') spending aid to Africa was about $500m a year, and SA companies were best placed to supply them with requirements such as food, pharmaceuticals, clothing, water purification chemicals, educational material and training programmes.

SA companies were best placed to develop these markets because of the low exchange value of the rand and geographic proximity.

Safto announced recently that SA companies could be eligible to take part in major EC-funded African development projects.

Safto has produced a guide to non-governmental organisations. It covers about 60 operating in Africa.

COMPANIES

SA 'must fight' to secure exports

LINDA ENSOR

CAPE TOWN — SA businessmen would have to grasp every opportunity to regain a foothold in international markets in order to put the economy right — and would have to fight every inch of the way to do so, Pepkor chairman Christo Wiese said yesterday. BDay 17/10/91

In a speech seconding the adoption of the annual report at the Stellenbosch Farmers' Winery (SFW) AGM, Wiese said that only through massive exports in high growth areas would SA be able to generate the kind of growth needed to counter the frightening level of unemployment and social disintegration in the country.

"No one is going to welcome us back with open arms ... we shall only succeed if we can deliver a better product on time and at the right price." 94G

Wiese stressed that exports were not a cure-all for struggling businesses and only those which had been effective and successful on the local market would make it overseas.

Sugar prospects look sweet

Star 20/10/91 Sugar M4G

JOHN SPIRA

UP AND DOWN DIAGONAL ST

SUGAR shares haven't made much running in recent months — a situation which is set to alter in the near term following the emergence of new factors that could produce a quantum boost in sugar company exports.

Investors should note that the international sugar market is facing a groundswell change as Cuba, the world's major exporter, gropes to adapt to the potential collapse of its traditional markets in Eastern Europe and the Soviet Union.

The long term impact is still not clear, but new opportunities for South African sugar exports are knocking at the door.

Cuba's long-standing market for its sugar exports to the Soviet Union is severely threatened.

In the past, 60 percent of its exportable sugar has been bought by Moscow — a market that could evaporate by the end of the year.

Talks on its renewal are now taking place but the chances of a new agreement are regarded as slim.

Cuba's sugar exports have already been disrupted by a sharp fall in sales to former communist countries in Eastern Europe and the country is desperately seeking to established markets for its sugar with the newly autonomous republics in the former Soviet Union.

Cuba's current sugar trade with the old Soviet Union involves swops of sugar at relatively high prices for Soviet oil.

The Soviets have already cut back on oil supplies to Cuba and analysts believe that American pressure on the Soviet Union will ensure that the trade ceases entirely.

Other countries may also stop buying Cuban sugar, since a new Bill before the US Congress proposes that countries which import sugar from Cuba will not be allowed to sell sugar to the US.

Havana will find it difficult to reach any replacement swop deals with individual Soviet republics, which are seeking food aid in addition to sugar. Cuba is unable to oblige.

There is therefore a serious risk that a large volume of Cuban sugar will be available for export elsewhere by the end of this year.

Competing with other producers, including SA, for

outlets in the free market promises to be far less attractive for Cuba than the present special deal with Moscow.

The market is oversupplied, with prices looking vulnerable following two seasons of surplus production and the prospect that 1991-92 will be the third in a row. Prices at around $9 a lb are still unprofitable for most producing countries.

The uncertainty surrounding the future of the guaranteed market for Cuban sugar in the Soviet Union has coincided with big falls in sales to other countries in Eastern Europe and the prospect of further falls following the collapse of Communist rule in Bulgaria last week.

Exports to the Soviet Union fell to 2,98 million tons in the first six months of this year compared with 3,31 million tons in the first half of last year. No shipments were made to Czechoslavakia and Romania compared with 64 935 tons and 196 849 tons respectively in the first half of 1990.

For the second year running, no sales were concluded with Hungary, while the unification of Germany has closed off the former East German market. The old East Germany bought 96 850 tons of sugar from Cuba in the first half of 1990.

Exports to Albania and Bulgaria were down materially in the first half of this year, while Cuba's imports of 615 000 tons were marginally down.

This has come at a time when the total Cuban harvest in 1990-91 fell by around 5 percent to 11,5 million tons as a result of bad weather and shortages of oil for transport.

Total Cuban exports in the first six months of 1991 were 4,93 million tons compared with 5,55 million tons in the first six months of 1990, according to the International Sugar Organisation.

What of the longer term impact of the loss of Cuban markets in the former communist states?

Some believe that Cuba will be forced to offer more of its sugar in the free markets and will be an aggressive seller, leading to lower prices.

In this event, SA would suffer consequences aggravated if the ending of the special Soviet/Cuban sugar relationship prompted the Soviets to expand their own sugar beet production.

Others argue that the longer term implications will be bullish for sugar prices on the basis that Soviet trade with Cuba in general will collapse, leading to intensified difficulties for the already severely weakened Cuban economy.

Iscor announces R1-billion deal as Japan lifts sanctions

Star 22/10/91.

746

While Commonwealth leaders in Harare last night said financial and trade sanctions should remain in place for the time being, South African steel giant Iscor announced a R1 billion iron-ore deal with six major Japanese steel manufacturers.

And the Japanese government announced today the ending of all economic sanctions, including those on investment, imports of steel and iron, and air links.

Johannesburg businessmen hailed the deal as "the best news we've had in a long time".

Iscor spokesman David Webbstock said that in terms of the deal, signed last week in Tokyo, Iscor would supply an annual 4 million tons of Sishen iron ore for the next five years.

He did not disclose the price, but in its 1990/91 financial year Iscor received an average FOB (free on board) price of R51 a ton for Sishen ore exported.

Exports in the year to end-June totalled 14,3 million tons. Export revenue from iron ore was R731 million.

Iron ore imports from South Africa were never banned officially by Japan, but steel firms were asked to show "voluntary restraint" in buying from South Africa.

As a result, Iscor's exports to Japan over the past 16 years were limited to 75 million tons.

It is understood that the Japanese steel manufacturers agreed to the deal in anticipation of the official lifting of sanctions.

Announcing the end of the embargo today, government spokesmen said the only ban to remain would be on exports of computers for military use.

The sanctions to be lifted include bans on investment and imports of steel and iron, and a suspension of air links. Japan will also scrap a "voluntary restraint" that prevents companies importing Krugerrands and other gold coins. A government spokesman said Tokyo would not establish full diplomatic relations with Pretoria for the time being.

The South African Foundation today welcomed Japan's decision to lift sanctions as "a most significant development". The decision, the foundation said, followed the positive recommendations of the delegation of the Keidanren, a Japanese association of economic organisations, which visited South Africa this year.

● Commonwealth summit — Page 2

Exports support Cape clothing industry

B/Day 24/6/91 (84) (746)

LINDA ENSOR

CAPE TOWN — The Cape Clothing Manufacturers' Association says exports have been the lifeline of the Cape-based clothing industry this year, offsetting the estimated 20% drop in domestic volumes.

Association chairman Simon Jocum said SA's clothing industry exported R91m in the first four months of 1991 against R40m in 1990.

Well over 50% of the exports have been generated in the Western Cape, home to about 45% of the country's industry including major manufacturers such as Seardel, Pepkor and Rex Trueform which, together, make up about 40% of the industry.

The industry is expected to produce R5bn worth of merchandise this year, up 25% on last year's R4bn.

Export success has enabled the Western Cape workforce to remain fairly stable at 54 000, about 1 000 down on last year.

Clothing manufacturers are concerned about the proposed Board of Trade and Industry changes to the Structural Adjustment Programme which Jocum says has been fundamental to the export success.

These changes involve an initial 40% rise in import duties on fabric which will affect the international competitiveness of SA clothing. The National Clothing Federation estimates the proposals could mean an additional R120m for fabric imports.

A change could mean a 10% reduction in jobs. Especially vulnerable are the small cut-make-and-trim manufacturers, the core of the industry in the Western Cape.

Europe's free trade plan will benefit SA

146 Star 25/10/91

By Neil Behrmann

LONDON — The agreement on a 19-nation European free trade zone is expected to benefit South Africa's own dealings with the region.

The pact between the European Community and European Free Trade Association (EFTA) countries paves the way for a super trading bloc which will create a market of 380 million consumers stretching from the Arctic to the Mediterranean.

The move can only help South African exporters, says Nick Mitchell, director of the UKSA Trade Association. He doubts whether the treaty which combines the 12 European Community countries with seven (Switzerland, Austria and Scandanavian) nations that make up EFTA will become a protectionist "fortress".

As a result of sanctions, South African trade with EFTA is miniscule. In the first six months of this year exports to these nations including, Switzerland (by far the largest in the group), Austria, Sweden and Norway totalled around $350 million (R1 billion). Imports from these nations were around $200 million (R5,6 billion).

Inclusive of the Common Market nations where Germany, the UK, Italy, France, Netherlands and Belgium are the largest traders with South Africa in that order, total first half exports to the region were $4,5 billion (R12,6 billion). Imports amounted to $3,4 billion (R9,5 billion).

Barriers will fall

If individual nations ratify the pact, it will progressively abolish many of the barriers, national standards and other protectionist measures. Once formed in 1993, the bloc will account for 40 percent of world trade.

In this vast new market, consumers will benefit from a freer flow of goods, people and services. Goods will be priced more competitively, there will be greater consumer choice and easier travel.

From 1993 individuals should be able to live, work and offer services throughout the 19 countries.

Products, capital and services will be able to move freely, and will avoid customs duties, discriminatory tax and quotas.

This has considerable implications for South African goods. Once passed by a single state, the product should be acceptable to other member states. Its packaging, for instance, can be identical in all 19 nations.

The platinum industry, for example, is already benefiting from European environmental legislation. The EC agreed with Austria to cut truck noxious emmissions by 60 percent.

South African coal, fruit and vegetable and wine producers will be able to market their products aggressively.

Companies can set up representative offices to market their products. Cullinan Holdings and Dorbyl are recent examples.

South African commercial attaches throughout Europe have been inundated with trade enquiries in the past few months. The new pact will only improve prospects.

American and Japanese executives, for example, say that their companies will "reap benefits". The pact will spur economic growth in the region and attract international investment.

On the other hand, European corporations will now find business far more competitive. So South African manufactured products must demonstrate excellence in terms of quality, after sales service and pricing.

ARG 26/10/91

Bold economic plans needed

The gradual collapse of the sanctions blockade is being celebrated with jubilation by South African exporters. The next item on the agenda is how well they fare when they meet the fierce competition on world markets, reports MICHAEL CHESTER.

CHAMPAGNE parties have become regular events in the boardrooms of export companies as more and more trade partners remove chunks of the sanctions blockade that was erected to force South Africa to abandon apartheid.

Salesmen are jubilant as they pack away the paraphernalia of disguises they have often had to use in recent years to find devious routes into many overseas markets that were officially closed to them.

But when the parties are over, hangovers are inevitable. The worst are often nursed by production managers who have to face the next problem now that more world markets have laid out a welcome mat: How well can South Africa meet the fierce competition that awaits them — especially on prices.

A decade ago, before the anti-apartheid sanctions and boycotts began in earnest, South Africa was ranked as a low-cost producer in global terms because of its access to cheap labour.

In the interim, however, there have been dramatic changes in the scenario as inflation has raged, black trade unions struggled to the surface and flexed muscles in wage negotiations and businesses engaged in their own internal reform programmes to give their labour forces a better deal.

It is only now, when South Africa is challenged to meet competition on world markets - often created by rivals who did not exist when the trade barriers were first imposed - that exporters have to check what sort of price labels they must fasten to their sales catalogues.

Also yet to be measured is whether South African producers have stayed abreast of the technological improvements.

Paul Hatty, chairman of the industrial policy committee of the SA Chamber of Business, also worries about South Africa's exclusion from massive new trade blocs formed or in embryo in key overseas markets:

The European Community, with a population of 324 million, which plans to launch into a new phase of economic union next year and which may grow even bigger if it begins to incorporate more neighbours in Eastern Europe as communism loses its hold.

The Pacific Basin, which Sacob feels may in time form a trade bloc of its own reaching from Japan and South Korea to Australia and New Zealand.

Across the Atlantic, the possibility of a trade club drawing members from Canada and the United States to deep down into Latin America.

"The trains of future economic growth are being assembled," says Mr Hatty. "South Africa does not have a ticket on any of them."

It all convinces Sacob deputy-director Ron Haywood that new economic policies and radical new industrial strategies become more and more urgent.

"It's essential that South Africa becomes a global player in international trade to earn the foreign exchange needed to press ahead with socio-economic reform in the post-apartheid era," he stresses.

He adds: "It is not only the penetration of overseas markets that needs to be on the agenda. We also need to remind ourselves that the removal of sanctions and boycotts is likely to mean far tougher competition here on our own home market as overseas competitors move in to try to take a slice of the action.

"That means we need a much larger and stronger industrial home-base. In turn, that means we must inspire more investment, in particular a lot more foreign investment."

And that is when concern deepens about the immediate outlook. A recent survey among boardroom directors by the Corporate Research Consultancy showed most of them were pessimistic about the prospects of foreign investment cash flowing into South Africa in the near future.

The worst immediate deterrents were seen as the waves of violence that regularly hit the headlines, the volatility of the political situation - and ANC statements on nationalisation and talk of special wealth taxes.

Also underlined, however, was South Africa's reputation for low productivity and high labour costs in combination with what were considered unrealistic trade union wage demands that were unrelated to production performance.

Potential investors, in short, were wary of South Africa's ability to compete on the world market on a price basis.

Sacob adds several more items in the list of investment deterrents: high inflation, high capital costs and high interest rates.

The loss of South Africa's once-upon-a-time price edge in global competition was graphically emphasised in a special video prepared by Sacob to prove the need for new overall strategies.

It shows a potential investor sitting in Hong Kong and weighing the international options of where to find the best deal.

He puts South Africa on the scales and registers immediate alarm when he calculates what impact the current 48 percent company tax rate would have on the selling prices of new products.

In a nut-shell, price labels of products made in South Africa would need to be perched as much as 23 percent higher than the identical product made in Hong Kong.

Next he estimates the impact of an inflation rate that remains at around 15 percent a year. That would mean setting prices at least 20 percent higher than he need charge if he started production somewhere in Western Europe, where inflation was down at around 5 percent.

South Africa loses still more ground as a proposition as he roams around a world map to make comparisons with alternatives.

Its rating sags lower when he checks on the high level of interest rates and the scale of tariffs and import duties.....

"Without bold new economic policies and unless our industrial base stands on much firmer foundations," says Ron Haywood, "South Africa's high ambitions are going to stay a pipe-dream.

"Yet with the right formula and level playing fields, we have the chance to join the miracle-makers."

Sasol to export coal

S/Times (BUSS) 27/10/91

746

By IAN ROBINSON

SASOL plans to become a coal exporter.

Production from its new R1,3 billion Syferfontein mine near Trichardt in the Eastern Transvaal will exceed Sasol's needs. Officials say high-quality coal from the No 5 seam will be available for export.

Exports could total a million tons a year, but the coal would have to be upgraded by a washing plant. This would require further capital expenditure as coal produced for Sasol's use does not need to be washed. It is merely crushed and screeneed.

Since 1982, demand for coal from Sasol 2 and 3 has exceeded supply from its Secunda Collieries as a result of greater operating efficiencies. Sasol has had to buy coal. In the last financial year it bought 2,7-million tons.

When Syferfontein reaches full production it will raise Sasol's output from its Sigma Colliery (for Sasol 1), Secunda Collieries and Syferfontein to an annual 43-million tons.

That would nearly equal output by Amcoal, South Africa's largest coal miner.

Sasol is believed to be involved in moves to establish a second coal export terminal at Richards Bay.

NISSAN SOUTH AFRICA

A Business Times Corporate Feature

Growing exports bring the up-market Maxima

S/Times (Buss) 27/10/91 (146)

A COMBINATION of local content achievements and a growing export market made possible the introduction of the Maxima.

By using credits on exports as well as localisation of certain components, Nissan has been able to finance the purchase of SKD models of the new luxury vehicle.

The exports have been achieved through Motoware, established five years ago as an independent operation in the group. Its aim is to represent Nissan's export activities in a "spirit of freedom", says Charles Wiggill, managing director of Automakers' export arm, Motoware.

Encouraged

It has spawned many developments, the latest being the possibility of developing a few left-hand drive vehicles with the co-operation of Nissan Japan for sale mainly to African countries.

Motoware operates in three areas — completely built-up units (CBU), original equipment components and after-market spares and accessories.

CHARLES WIGGILL: World player

But traders in the 40-man team are encouraged to act with as few restrictions as possible "as if it were there own companies they are working for", says Mr Wiggill.

In terms of its licence agreement, however, Nissan SA is partially restricted in the number of countries it may export to.

But it has established some niche markets in sub-Saharan Africa. Among its exports are heavy trucks and light commercials

Negotiations are under way for the export of vehicles to Taiwan. The Taiwanese and South African governments have reached agreement on an allocation of 2 000 units a year based on trade reciprocity on components.

"The CBU market will eventually become the most important part of our business," says Mr Wiggill.

Counter

Nissan, through Motoware, is also heavily involved in the export of original equipment (OE) components, including engine-related parts, radiators, alternators, alloy wheels, leather seats and machined and un-machined components to Taiwan and Japan.

In April next year, Nissan will begin bulk shipments of autocatalysts to Italy for use on the Fiat Uno and Tipo models.

"If there ~~were~~ no incentives through Phase Six, we would not have been able to compete internationally because we incur high freight costs and large warehouse expenses to meet just-in-time requirements," says Mr Wiggill.

Motoware has also established niche markets for parts and accesories, such as shock absorbers, fan belts, sheet metal components and radiators, in Europe, the Far East and America.

"We are trading globally. Our major accent will be to establish long-term component contracts with Nissan and Fiat. We could perhaps supply six products to these companies, ones which we are good at. I think we're getting there," says Mr Wiggill.

"We also believe in joint trade with the companies we deal with. In our trading with Taiwan, for instance, we buy back a reasonable percentage of the value of the components we sell them mainly in the form of original equipment parts.

"We are also prepared to undertake counter trade with countries in Africa."

Sishen on way to peak production

S Times (Buss) 746

24/10/91

By DON ROBERTSON

A NEW contract with Japanese steel mills and additional exports to Europe will take Iscor's Sishen iron-ore mine to peak capacity.

Iscor hopes to increase exports of iron ore by a million tons a year in the next 12 months.

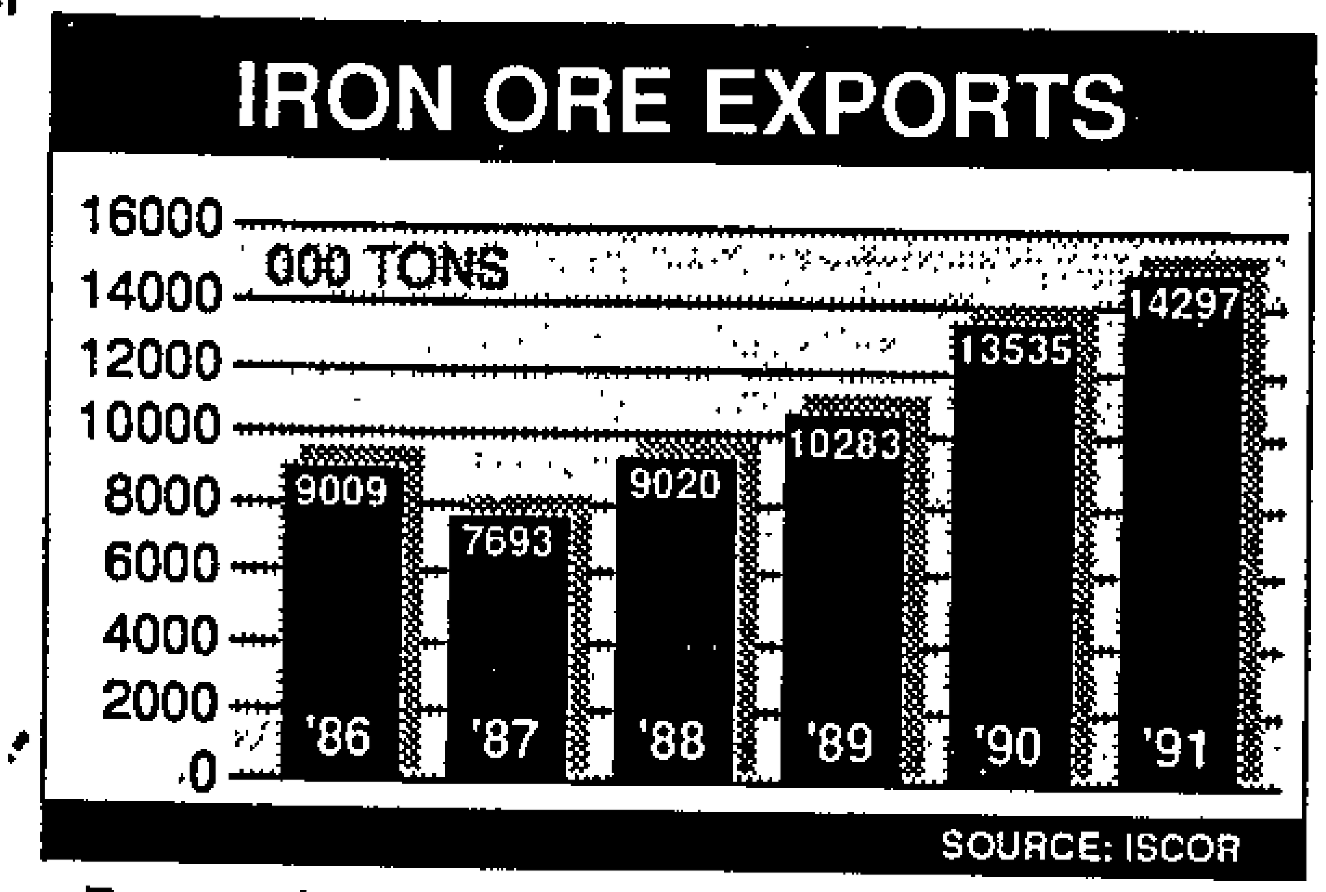
This should lift the mine's output to 22-million tons from 18-million.

Iscor managing director Willem van Wyk says, however, that the 20-million tons sold to six steel mills over the next five years will not represent a major increase in tonnages taken by Japan.

Similar

But it should increase exports to last year's target of 15,5-million tons compared with an achieved 14,2-million. The rest of the ore will be used by Iscor.

A similar contract with Japanese mills, negotiated in 1974 for the export of 7-million tons annually for 12 years was not completed. Since 1988, between 3,8-million and 4,5-million tons have been shipped each year to make up the balance.



Because of a decline in the steel industry, all 7-million tons were not taken each year.

Mr Van Wyk says: "The new contract really brings us back to where we were with the Japanese steel mills.

"Had the contract not been signed, we would have been in a spot of bother."

Although the contract was signed on September 23, shipments began in April.

Exports of this size will generate foreign currency of between R700-million and R800-million a year and should contribute handsomely to Iscor profits.

In the year to June, foreign earnings from steel and iron ore exports amounted to nearly R3-billion. Iscor is unable to give a breakdown of the iron-ore exports to profits.

The additional tonnages to be mined will not require a large increase in capital or staff, says Mr Van Wyk.

The mine has a staff complement of 3 500. Another 1 500 people are employed by Transnet to operate the trains and for loading facilities at Saldanha Bay.

Marginal

The rail line, built by Iscor between Sishen and Saldanha, was taken over by Transnet in 1987 because of a sharp fall in iron-ore exports. The amount owing was R840-million, but after an improvement in sales, the money has been repaid.

Mr Van Wyk believes demand for iron ore will remain at present levels for some time. Should demand increase, Iscor would be able to supply additional tonnages at minimal cost.

The Sishen deposit has proven reserves of between 800-million and a billion tons.

The marginal increase in tonnages destined for Japan will also help the shipping venture between Iscor (40%) and Safmarine (60%).

Safore operates a 170 000-ton vessel and will soon take delivery of a 171 800-ton ship being built in Romania.

These ships, plus other charters, will help move iron ore from SA to Japan.

Strategy indaba

BUSINESS and government representatives will examine environmental problems at the Southern African international conference at Somerset West tomorrow and on Tuesday.

The meeting will plan strategy for next year's UN earth summit in Brazil.

Speakers will include Sir Laurens van der Post, Eskom chairman John Maree and Anglo American chairman Gavin Relly.

Engineers seek export incentives

Bday 28/10/91.

(746)

LINDA ENSOR

CAPE TOWN — Talks between the Trade and Industry Department and the SA Association of Consulting Engineers (SAACE) on export incentives for the profession's services are under way.

The department, with the SAACE, is conducting a survey of the 1 200 SAACE members to determine the type and extent of technical expertise currently being exported.

"We hope the survey is a forerunner of tax incentives," association executive director Hennie Lemmer said in an interview, adding that most other governments provided incentives for consulting engineers.

"Invisible exports of human resources, knowledge and expertise are invariably the forerunner of the export of plant, equipment and materials," Lemmer said.

SA consulting engineers are currently involved in work in the Lesotho Highlands, Taipei, Namibia, Mozambique, Angola and Botswana.

Lemmer said Dutch, Finnish, German and Portuguese delegations of consulting engineers had recently visited the SAACE to investigate the possibility of establishing liaisons with SA firms.

SAACE president Ian Scott said the world market for consulting services was worth more than $1,6bn last year, of which Africa represented 40%.

"This is a significant market for which we have the expertise. The spin-offs for the manufacturing, industrial and contracting industries are enormous," Scott said.

Improved political relations with African countries have opened up the possibility of SA engineers taking part in infrastructural development.

Lagos-based International Federation of Consulting Engineers executive member Joseph Folayan who is visiting SA to speak at the SAACE AGM this week, said that last year 35% of the $835m World Bank-financed projects came to Africa, representing about $350m in consultancy fees. An additional $320m in fees came from UN agencies.

He said SA consulting engineers were well placed to participate in these markets as they had the understanding of, and the expertise to handle, Third World problems and needs and had been involved in the development of low cost and appropriate technology.

They would be cheaper than their US and European counterparts who were taking the bulk of the work.

Folayan stressed, however, that to be competitive on international markets, SA consulting engineers would need government support in terms of tax incentives and embassy promotion of their work.

Hike of 20% predicted for 1992

SA is set for export boom says Safto

174G

B/Day 28/10/91

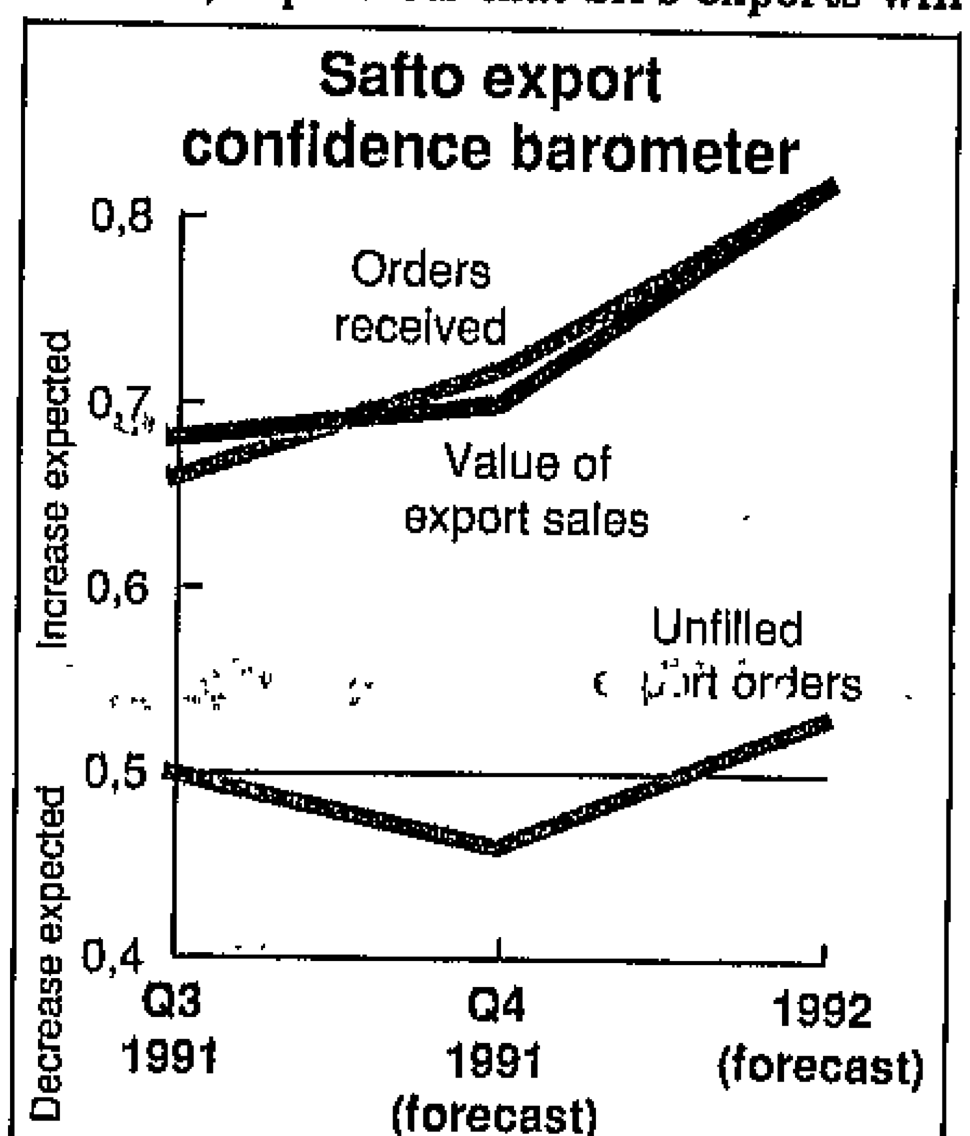
SIMON WILLSON

EXPORTS are set for their strongest growth in seven years next year, the SA Foreign Trade Organisation (Safto) predicts in a new survey of exporter confidence.

The first in a new series of quarterly surveys of expected export conditions by Safto shows great confidence among exporters that 1992 will be SA's best year for export growth since 1985, when the sanctions era began in earnest.

A combination of recovery in some of the world's major economies, the crumbling of sanctions and the benefits of domestic export incentives is poised to boost SA exports by nearly 20% next year, the survey says.

Called the Safto Export Confidence Barometer, it predicts that SA's exports will be worth about R69bn this year, and about R80bn in 1992. The rate of nominal export growth would, accordingly, rise from around 12% this year to 18% in 1992.



Graphic: FIONA KRISCH Source SAFTO

Drawing on responses from 90 exporters across a wide spectrum in the manufacturing and export services sectors, the survey forecasts a strong end to the current year through a steady rise in export orders during the fourth quarter. The survey shows high expectations among exporters that the improvement in the current quarter will gather pace next year.

By growing by 18% next year, exports would not only show their highest rate of nominal growth since the gold-assisted 44,9% of 1985; they would also be a positive basis for real export growth — that is, growth after inflation. Including this year, real exports will have declined for three consecutive years. If, as Safto predicts, real exports grow by 5% next year, this will also be the best inflation-adjusted export performance since 1985.

Safto economist Bruce Donald believes an export showing of the type forecast by the survey would be an indication that a radical change was taking place in SA's export sector.

"Unlike 1985, next year's improved export performance will probably take place without much of a contribution from gold. The real significance of strong export growth in 1992 is the likely rise in manufactured exports and the continued diversification of the SA economy away from primary exports."

Listing possible impediments to in-

☐ To Page 2

Exports

B/Day 28/10/91

174G

☐ From Page 1

creased volumes, exporters in the survey reflect the dismantling of sanctions by the US, the EC and Japan by giving a low ranking to the once troublesome category of political obstacles.

Worried that SA's high inflation rate is not being offset by a fall in the rand exchange rate, exporters cite price competitiveness as the main threat to their bullish view of next year. Second on their list of concerns is a possible fall-off in demand if expected economic recoveries in key markets do not materialise.

While rising costs are eroding exporters' margins on the supply side, weaker prices resulting from easing demand in international markets are pressuring them from the marketplace.

Exporters pinpoint the cost and availability of transport as one of the factors undermining their competitiveness.

Donald says exporters should resist the temptation to raise fixed costs during upturns without corresponding gains in productivity. They would then be better able to maintain their competitiveness during market downturns.

The survey shows that unfilled export orders are likely to fall slightly in the final quarter of this year, confirming exporters' willingness to build stocks.

The survey indicates that the confidence of exporters currently depending on overseas marketing campaigns could take a knock early next year ahead of the removal of the marketing expenditure tax allowance in March 1992.

Car parts sector must look to exports

(746) BDay 29/10/91.

MARC HASENFUSS

GROWTH in the automotive component industry would increasingly depend on exports, says Fred Keywood, outgoing National Association of Automotive Component and Allied Manufacturers (Naacam) president.

Speaking at last week's Naacam general meeting, Keywood said the local vehicle market had been static for years and it was unlikely any meaningful local growth would be experienced in the short-term.

"The need to become export oriented, and eventually fully fledged players in the global parts market, is a foregone conclusion and should be taken seriously by all component manufacturers."

The component manufacturing industry had increased exports from R184m in 1986 to almost R1bn now.

The move toward exports was promoted by low levels of capacity, as a result of the recession in the industry, favourable rand-yen exchange rates and various industry-led schemes.

Referring to Phase VI of the local content programme, he said that never before had there been a greater need for the formulation of a clear and unambiguous policy.

"In the absence of a clear, long-term policy strategy for the motor industry, many of the ad hoc amendments to Phase VI have led to unnecessary distortions within the programme with serious cost raising effects."

Value of coal exports 'to rise'

B/Day 31/10/91 (275) (211) 74G

MATTHEW CURTIN

THE rand value of coal exports will improve by 15% in 1991 to R4,6bn as the value of SA's non-gold exports continues to creep up on the value of gold exports, the Minerals Bureau has predicted in its 1990 review of SA's mining industry.

Gold earnings in 1991 were put at R20bn, a 5% year-on-year increase after a 0,7% fall in gold production to 600 tons by the end of the year.

The bureau said the value of non-gold exports would increase by 9% to R12bn. About three-quarters of SA mineral production is exported.

With world economic growth staying at depressed levels, knocking demand for minerals, average dollar export prices of most commodities were not expected to rise significantly by the end of the year. The bureau said: "This could, however, be offset in large measure by the expected decline in the value of the rand."

In the report issued this week, the bureau said the international supply and demand situation for steam coal would be tight overall in 1991. Thanks to higher oil prices in the wake of the Gulf crisis, SA's export tonnage would rise 1% overall, while dollar prices would increase by 15%.

In contrast, precious metals would "perform poorly" overall this year, with lower revenue from diamond sales expected as well.

The bureau included figures for the first time on the size and value of platinum production and sales, for Bophuthatswana as well.

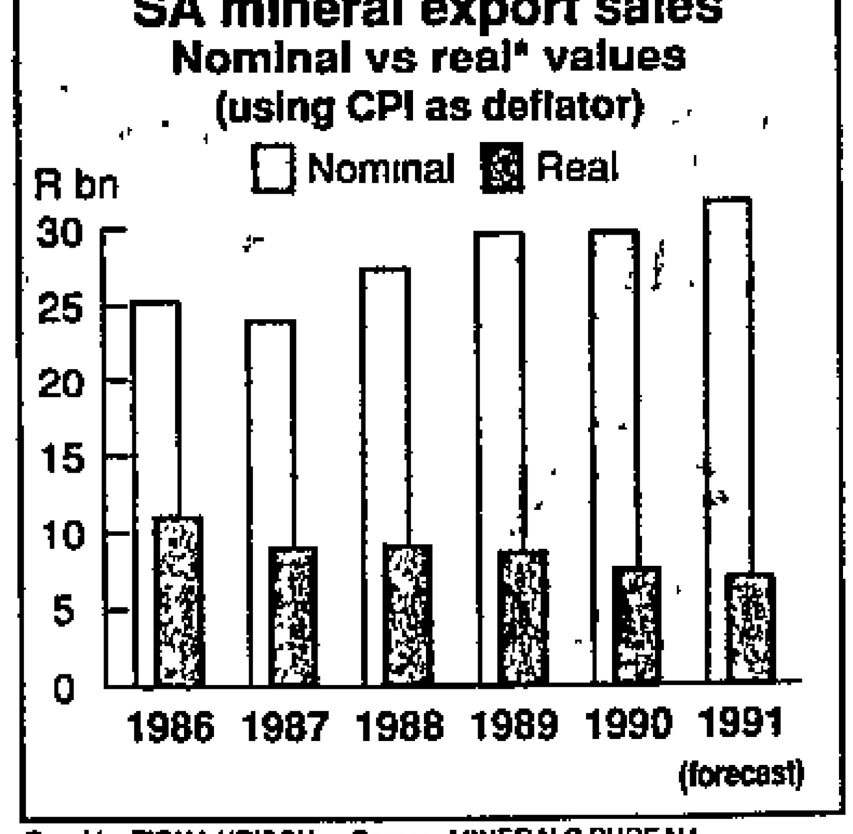
Production of platinum group metals (PGMs) — platinum, palladium and rhodium — rose from 4,6-million ounces in 1989 to 4,9-million ounces in 1990. The value of sales rose from R4,6bn to R5,1bn, due mainly to substantially higher rhodium prices, which offset lower platinum prices.

Of SA's mineral production, only that of coal, PGMs and iron ore increased in 1990 alongside an overall rise in prices for the commodities. Iron ore exports rose 17% in tonnage and by 41% in value to R780m.

The bureau said 1990 was one of the most critical that SA's mineral industry had experienced in its 100-year history. World demand for most of SA's minerals fell during the year, although domestic sales improved. The total value of mineral sales amounted to R38m, of which exports contributed 78% or R30m.

Notwithstanding the effect of lower dollar prices, a stable rand, and adverse economic conditions at home and abroad, the mineral industry contributed nearly 11% of GDP in 1990 and half of the value of total exports. The industry employed 697 000 workers in 1990, with earnings of R10bn.

SA's mineral exports also contributed two-thirds of the country's foreign exchange earnings.



Graphic FIONA KRISCH Source MINERALS BUREAU

R1bn exports for car parts industry

GERALD REILLY

PRETORIA — SA's motor vehicle component and manufacturing industry expects to exceed R1bn in export earnings this year, National Association of Automobile Component Manufacturers director Denzyl Vermooten said yesterday.

And next year, with the opening up of markets in eastern Europe and the expansion of others, it was hoped to raise export earnings by 20%. B/Day 31/10/91

Components had been shipped to niche markets in most European countries and the US and some manufacturers had even penetrated the Taiwanese market.

Vermooten said local demand in the industry had stagnated but the bottom had been reached and he expected a slight upturn at the beginning of next year.

This would probably gather pace in the second half of the year and could rise by 3,5% or 4%, he said. (M4G)

Vermooten said the inclusion of exhaust catalytic converters in the Phase VI local content programme would be a boost for the industry, but the real thrust in the market could only come from abroad and significant expansion in the local economy.

Consumers' disposable incomes had been severely reduced in the past two years by inflation. Salary increases and bonuses had failed to compensate for this.

"So, like other sectors of the economy, unless the political situation stabilises and violence and unrest are brought under control, we cannot expect any great progress in our industry," Vermooten added.

Delta to export catalytic converters by year-end

B Day 31/10/91

MARC HASENFUSS

DELTA Motor Corporation is set to export catalytic converters by early December, the group said in a statement yesterday.

Industrial and Commercial Holdings director André van Rooyen said Delta had already begun trial production of the converter at its Aloes production facility outside Port Elizabeth.

He said the company would be in a position to meet contract requirements from next month.

Delta says it is premature to reveal expected production volumes and possible markets, although expectations are that it will export to its parent company, Opel, in Germany.

Further details will be released by the group only after government indicates whether the export of catalytic converters will be included under Phase VI of the local content programme. Government's decision is expected in December.

Van Rooyen said: "The manufacture of catalytic converters makes good business sense in every aspect."

The high local content of catalytic converters made them a natural choice for manufacturers looking to increase earnings, provide jobs and boost gross national product, he said.

The precious metals required — rhodium and platinum — and the stainless steel used to press the "can", were readily available in SA, he said. The only imported component was the ceramic extrusion, known as the "honeycomb".

Van Rooyen believed that there was a strong possibility of locally manufacturing the honeycomb.

He said that within four or five years emission requirements currently applicable in Europe could be introduced in SA.

"We would naturally explore export opportunities for catalytic converters then, so why wait to make a late entry into a market that's ready for us now?"

End to sanctions spells export boom

Star 1/11/91

746

By Derek Tommey

The lifting of sanctions is about to generate a huge new investment boom.

An indication of the size of the coming boom is that even at this early stage the state-financed Industrial Development Corporation (IDC) expects to be involved in projects requiring an investment of more than R30 billion in the next six years.

To ensure that it has the cash to participate in these investments, it has raised an initial R1 billion from the sale of some of its Sasol shares, IDC's senior general manager, finance, Malcolm MacDonald, said last night.

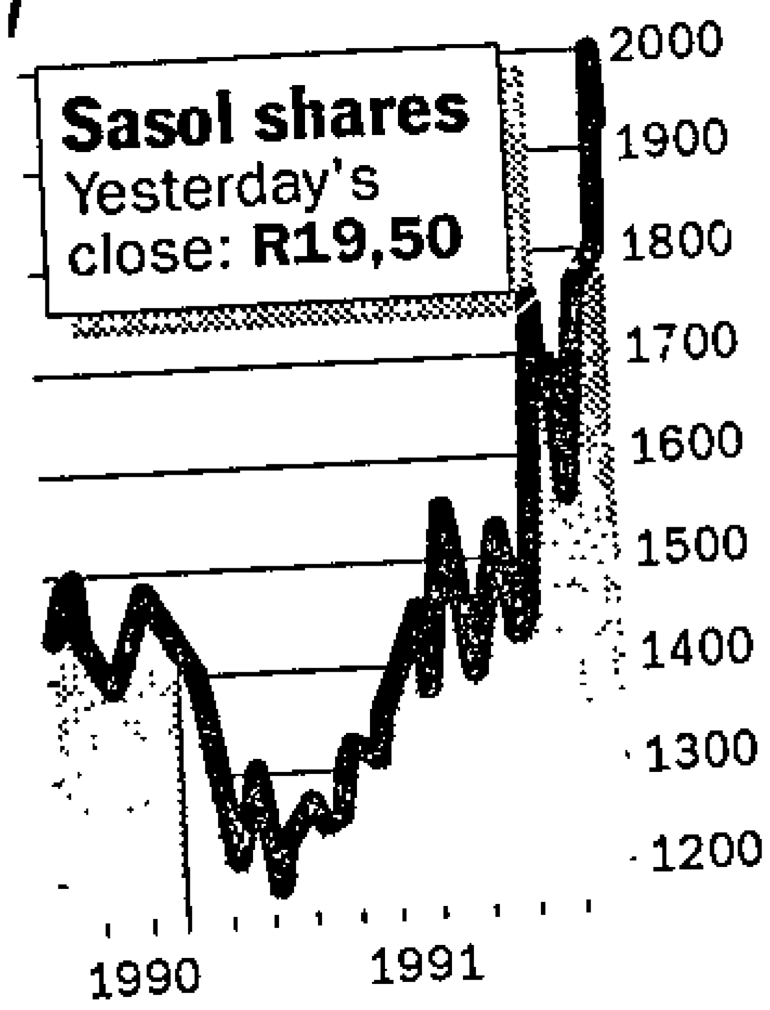
He said the ending of sanctions had opened the way for the establishment of major export industries in those fields where South Africa has a competitive advantage.

The IDC was aware of at least six major projects, each costing several billion rand, which were already under consideration.

Several of them were likely to get off the ground shortly.

He said the IDC had sold 56 million Sasol shares to the Government Services Pension Fund.

This was a third of its holdings and equal to 10 percent



of Sasol's issued share capital.

It was a direct transaction between th IDC and the Pension Fund and the price would be the average middle market price of Sasol shares for October.

The transaction was expected to realise about R950 million, and is one of the biggest single share transactions this year.

Sasol shareholders will wel come this news.

It has been known for some time that the IDC was considering selling some of its Sasol shares.

The possibility that the IDC might not have been able to find willing buyers for the shares had tended to depress their price.

In fact, the latest surge in the price of Sasol shares could have been the result of the share market getting wind the IDC—Government Pension Fund deal and that the IDC's shares in Sasol were now in firm hands.

Mr MacDonald said that the IDC wanted to ensure that it obtained a reasonable return on the shares.

"With this sale we managed to achieve all our objectives — to realise the full value of the investment, to avoid disrupting the market, and not to prejudice Sasol's other shareholders."

At the request of the IDC, Dr Japie Jacobs, special economics adviser to the Minister of Finance, had consulted the leading financial institutions about the transaction.

According to a statement issued by the Minister of Finance, the transaction was well received by all institutions.

Mr MacDonald said the further sale of the 114 million Sasol shares it still held would be made in line with its own capital requirements.

"This sale has set a pattern which we hope to follow, in order to optimise proceeds for the IDC and cause the least possible market disruption," he said.

Market analysts said the deal was also highly favourable for the Government Service Pension Fund.

It had been able to acquire a large number of top-quality shares without having to chase up the price.

Mr MacDonald said the IDC's investment in new ventures would not be limited to what it could raise from its present investments.

It has borrowed funds overseas and could raise money in Europe — and now in Japan — if required.

He said that foreign bankers approached the IDC almost every other day offering to act for it in raising loans overseas.

Some of the projects the IDC is looking at or is committed to support include:

- The R320 million acrylic fibre plant which it will build in partnership with Sasol;
- The 400 000 tons a year R4 billion Columbus stainless steel plant, which Samancor and Highveld Steel are planning;
- The R3 billion plant to recover alumina, magnesia and potash from a waste product, phlogopite, produced by Foskor;
- The development of a chemical industry based on products from Mossgass.

Mr MacDonald said that the export value of the products of some of these plants could equal 10 percent of SA's gold production.

FOREIGN TRADE FM 1/11/91

(M4G)

Consumer power

Imports of consumer goods remain surprisingly high for a recession. An analysis by Safto economist Bruce Donald of the first three quarters shows that textiles rose 27% over the comparable period in 1990, and footwear & accessories 71%. Growth in industrial inputs was far more subdued. Says Donald: "The machinery category grew by only 6%, transport equipment by 12%, chemicals by 15% and base metals by 1%."

FM 1/11/91

(M4G)

The unclassified category, which includes imports of oil and arms, is up only 2,2%. Since January, when its value was placed at nearly R1,3bn, imports in this category have averaged only R421m a month.

Total imports, at R36,9bn, rose 10% in the nine months. Though a decline in real terms, "this is relatively strong growth considering local recessionary conditions," says Donald.

Exports grew in the period by 9,4%, to nearly R49bn. "Export performance has improved steadily," says Donald. In the third quarter, it was positive in real terms for the first time this year — 15% up on the comparable quarter of the previous year.

"In September, the push came partly from diamonds." The value of exports in the precious stones category rose from R589,2m in August to R746,3m.

"It is possible the surge came either from a transfer of stocks from De Beers to Centenary abroad, or through a statistical adjustment in the preliminary statement from Customs & Excise." But given the "continued pedestrian performance of the diamond sector and the volatile nature of this export category," the performance is unlikely to be sustained, he says.

Over nine months, manufactured exports showed impressive growth in some sectors, says Donald. "Chemicals rose 34%; plastics 53%; prepared foods 19%; transport equipment 35%; and miscellaneous manufactures 46%."

The September trade surplus was R1,5bn (at the month-end R/$ exchange rate, just over US$500m), down from R1,9bn the previous month. The cumulative surplus is R12bn ($4,2bn). "Annualising this suggests a trade surplus for the year of R16bn and, (based on Reserve Bank figures for invisibles to June 1991), a current account surplus in the region of R6bn." ■

More cash needed to promote exports

S|Times (Buss) **By ZILLA EFRAT** (746)

SOUTH AFRICA needs to intensify its export promotion to exploit opportunities opening up on world markets, says Safto chief executive Mr Wim Holtes. 5|11|92

The end of the marketing tax allowance this year will add R1,5-billion to SA's Treasury. Some of this should go to export promotion, says Mr Holtes.

This money should be spent on trade fairs, missions, country promotion, market research, export development programmes and training and education.

Many successful exporting countries, especially in the Far East, have large export promotion budgets. For example, the Germans plan a Dm200-million promotion in China alone — well above SA's total annual budget.

SA setting new trend to export-orientation

Star 6/11/91 (746)

By Sven Lünsche

The greater export-orientation of the SA economy is the key to more sustained long-term economic growth, says Rob Lee, economist at the Board of Executors.

In the BoE's latest monthly Investment Outlook, Mr Lee says the cumulative impact of sanctions was extremely damaging to SA's economic performance and growth potential.

The removal of these barriers has allowed the business community to seize some of the new export opportunities and set a new trend towards export orientation of the economy.

"SA is now better placed to sustain this export growth because of a dramatic but little noticed change in economic policy that has taken place in recent months," Mr Lee says.

"The authorities have taken some radical steps towards the creation of a classic outward-looking economic strategy that is focused on exports and industrial developments as the key to sustained economic growth."

Mr Lee lists six key areas of this strategy:

- The VAT exemption on capital and intermediate goods and the zero rating on exports.
- The export tax incentive scheme ensuring private sector involvement in major export projects.

Transport

- Low increases in key transport and electricity tariffs.
- The deregulation and promotion of tourism.
- A disciplined monetary policy by the Reserve Bank, including the commitment to a high real level of interest rates.
- A phased reduction in tariff and other protection to restore the international competitiveness of the manufacturing sector.

"Should this policy approach be maintained and built upon, the long-term impact on export performance will be dramatic, which in turn will substantially raise SA's sustainable growth rate," Mr Lee says.

He believes the next economic upswing "which will start to become noticeable to the man in the street only in the second half of 1992" will be significantly better than the two cyclical upswings in the 1980s.

Until then, however, he expects economic growth to remain under pressure from depressed private consumption expenditure (PCE), the biggest single component of gross domestic product.

"High inflation, fiscal drag, increasing unemployment, a falling level of wage increases and no relief in terms of lower interest rates, will keep PCE under pressure for several more months to come.

"Furthermore, although there are signs that the decline in fixed-investment spending may soon bottom out and a potential investment boom may await farther down the track, no strength in fixed investment can be expected in the next few months."

Exports set to soar — BOE

14G CT 6/11/91

MAGGIE ROWLEY
Deputy Business Editor

IF recent dramatic changes in economic policy were maintained and built upon, the long-term impact on export performance would be immense, says Rob Lee, senior portfolio manager for the Board of Executors.

Writing in the BOE's latest Investment Outlook, Lee said radical but little noticed changes in economic policy in recent months had placed SA in a better position then ever before to sustain export growth.

The authorities had taken vital steps towards the creation of a classic outward-looking economic strategy that was focussed on exports and industrial development as the key to sustained economic growth.

The main elements of this economic policy package include:

- The immediate implementation of VAT exemption on capital and intermediate goods, plus the normal zero rating of exports were an important incentive to manufacturing investment in general and exports in particular. The exemption on capital and intermediate goods, he said, amounted to a R7bn tax cut for industry. This incentive would have long-term benefits to economic growth and employment creation.
- The recently announced export tax incentive scheme should help to ensure that the go-ahead was given for private sector investment in some really major export projects.
- Export competitiveness will also be boosted by the programme of relatively low increases in key transport and electricity tariffs over the next few years.
- Significant efforts were being made to deregulate and promote SA's tourist industry. The potential for foreign exchange earnings and employment creation was enormous with the recently announced tourist charter flights by British Airways.
- The disciplined monetary policy approach of the Reserve Bank, including the commitment to the maintenance of positive real interest rates was integral to the outward looking economic stategy because it would prevent excessive growth in domestic expenditure from diverting resources from the export effort. In time the multiplier effect of rising exports and foreign exchange earnings would stimulate rising domestic spending through higher incomes and employment creation.
- The current programme of phased reduction in tariff and other protection given to local industry is a painful but necessary ingredient in restoring the overall competitiveness of the SA manufacturing sector.

More finance on pages 12, 13, 14 and 15

Agricultural exports 'to slide by R450m'

Own Correspondent (74G)

PRETORIA. — Drought and other adverse conditions will slash SA's agricultural export earnings by almost R450m, the Agriculture Department predicts.

The department estimates exports will earn R4,85bn this year, compared to R5,295bn last year. The sharp decline is forecast despite good performances by the deciduous and citrus industries.

Wool has been a poor performer. Wool Board figures show foreign earnings fell R787m in 1989/1990 to R697,1m in 1990/91 and predictions were that the current season would see a further decline to R564,4m. CT 8/11/91

Foreign earnings from maize exports this calendar year are expected to be around R210m — slightly down on last year's figure.

A SA Sugar Association spokesman said export earnings this year were expected to reach R500m. This is roughly the same as last year.

Agriculture is set to earn less from exports

14G

GERALD REILLY

PRETORIA — Drought and other adverse conditions will slash SA's agricultural export earnings by almost R450m, the Agriculture Department predicts.

The department estimates exports will earn R4,85bn this year, compared to R5,295bn last year. The sharp decline is forecast despite good performances by the deciduous and citrus industries.

Fresh deciduous fruit earnings for the year to end-September increased by R100m to R1,42bn, Unifruco public affairs manager Fred Meintjies said.

Last year the whole of the fruit industry — sub-tropical, deciduous and citrus — earned R3bn from exports. This was about 60% of total agricultural forex earnings. This figure is expected to be exceeded this year. B/Day 8/11/91

Meintjies said for the past two years Unifruco had traded in a more politically relaxed environment in which political interference was virtually eliminated.

Citrus Exchange operations GM Arend Venter said gross exports this year were worth R1,1bn compared to R900m last year.

Venter said international marketing conditions had been generally favourable, mainly due to reduced supplies.

However, wool was a poor performer. Wool Board figures show foreign earnings fell from R787m in 1989/90 to R697,1m in 1990/91 and predictions were that the current season would see a further decline to R564,4m.

A board spokesman said wool farmers were going through a tough period and the estimates indicated it was not yet at an end.

Foreign earnings from maize exports this calendar year are expected to be about R210m — slightly down on last year's figure.

An SA Sugar Association spokesman said export earnings this year were expected to reach R500m. This is roughly the same as last year.

Export volumes were higher this year and international prices lower, he added.

Engen set to double exports to Africa

(744) CT 13/11/91

From BRENT VON MELVILLE

JOHANNESBURG. — Oil and fuel group Engen is poised to double its exports into sub-Saharan Africa next year, positioning it as a key player in the African oil market, says MD Rob Angel.

Last year the group pushed up its exports of mainly gasoline, diesel and jet fuel to include 13 countries in the region. Engen's exports are currently estimated at 300-million litres, representing about 5% of total sales volumes.

On Angel's forecast this should increase to about 600-million litres in the coming year.

Industry sources say Engen's total sales volumes amounted to 5,7-billion litres last year, representing about 28% of the market for fuels. Turnover for the group amounted to R6,1bn (R5,1bn), attracting operating income of R379m (R322,6m).

Of total sales, inland trade represented 4,8-billion litres, with most of the remainder (outside of exports) to bunkers. A small amount went to competitors, sources said.

Engen's annual report, released yesterday, confirmed that exports had accounted for about 5% of volumes, although total sales volumes were not disclosed.

The report disclosed that 40% of total sales volumes last year were attributed to gasoline sales, while distillate — of which diesel and kerosenes (such as jet fuel) represent about 75% and 25% of sales respectively — made up about 35% of the total. About 10% was made up by fuel oils, used in industrial applications.

Others, made up of lubricating oils and bitumens, made up 7,5% of sales last year and, reflecting the group's emphasis on Africa, exports were at about 5% (mainly gas, diesel and jet fuel) and solvents (such as benzenes) made up the remaining 2,5%.

Angel said exports were not restricted by opportunity, but by physical capacity. He added that at the moment the group had an "embryo" trading operation which was expected to pick up more trade next year.

Chairman Bernard Smith said Phase I of the Durban refinery expansion was on schedule for commissioning next July within total budgeted costs of R670m. The expansion would increase capacity by 30% and increase the yield of gasoline and distillates.

Smith said the detailed feasibility study on Phase II was also proceeding. Phase II would double current capacity.

The group continued to make strong progress in African countries in respect of participation in oil exploration programmes. Namibia and the Aptian Salt Basin of West Africa — in which it had secured a 10% participation — were areas of particular focus.

Engen also broadened its upstream portfolio with the acquisition of 27% of Gencor's North Sea Interests, securing participation in the giant Alba Oilfield and the Kilda Gasfield.

Business fumes at tardy Marais

B/Day 13/11/91

ANDREW GILL

THE business community has criticised Trade and Industry Minister Org Marais for his late release of draft anti-dumping legislation which has left only a week for comments.

The SA Chamber of Business expressed its "regrets" that the business community had been given such a short time to comment on the draft legislation, but sources said feelings were running high in the organisation and the business community.

Marais announced yesterday that the draft legislation for action against dumping, subsidisation and other forms of disruptive competition had been released to private-sector organisations for comment by November 18.

However, he said comments received after the deadline could still be considered when the proposals reached the parliamentary joint committee stage. But business sources said that by that time the legislation would already have passed the "formative stages".

Marais said the proposed legislation, policy and procedures were aimed at effective action to protect manufacturers in the Customs Union from disruptive competition.

Sacob said in a statement it fully supported effective anti-dumping measures. The organisation had already conveyed its disappointment to Marais because it believed legislation of such importance to industrialists and importers required careful study. It would still seek to formulate a preliminary reaction to the draft proposals after consulting members.

Sacob had asked for an extension of the deadline, a source said, but held out little hope of getting one because the process was "locked into a cycle" as it had to get to the Cabinet soon if it was to make it on to the 1992 parliamentary agenda.

Marais said the tariff protection policy was being reviewed with the objective of gradually reducing import tariffs but this was subject to the creation of measures for effective action against dumping.

The effectiveness of the draft legislation lies in its definition of "disruptive competition". The draft legislation defines disruptive competition as dumping and other forms of subsidisation by virtue of export to SA, which causes or may cause material injury to established SA industries or which may retard the establishment of industries in SA.

It was intended to incorporate enabling provisions for such action in the Board of Trade and Industry Act of 1986 and amendments would have to be made to the Customs and Excise Act of 1964.

Government proposes anti-dumping measures

Star 13/11/91

MLG

By Sven Lünsche

Under pressure from various industrial sectors, the Government has announced plans to implement anti-dumping measures to protect local manufacturers.

Minister of Trade and Industry Dr Org Marais said yesterday that import tariff protection policy was being reviewed with the aim of gradually reducing tariffs.

"The reduction of tariffs is, however, subject to the creation of measures for effective action against dumping," Dr Marais said.

He said draft legislation for action against dumping, subsidisation and other forms of disruptive competition had been released to private sector organisations for comment.

It is widely believed that the proposals will take their lead from the Anti-Dumping and Subsidies Code of the General Agreement on Tariffs and Trade (Gatt).

Gatt defines dumping as the selling of foreign goods on local markets at prices below the ruling prices in the country of export.

The draft policies are in line with a proposal by the Industrial Development Corporation

Org Marais . . . procedures aimed at fast and effective action

(IDC), which earlier this year recommended a break-up of SA's extensive protectionist policies and a stronger export-orientation.

The IDC also urged that SA become a signatory of Gatt's Anti-Dumping and Subsidies Code to provide some measure of protection as tariffs were reduced.

However, the IDC report, which is set to form the basis of SA's future trade and tariff policy, has been criticised by various industrial sectors and organised business.

In its response to the report, the SA Chamber of Business warned in August that if SA industry "were to be cut adrift through trade liberalisation" adequate protection against predatory pricing from imports was required.

Recently the textile industry complained about cheap imports, particularly from the Far East, which were affecting the local industry — as was clearly illustrated by the poor results turned in by such companies as Frame and Unispin.

Chemical giant AECI last month asked the Department of Trade and Industry (DTI) for an increase in tariffs on PVC because cheap imports had slashed local prices of the product and cut profit margins drastically.

Economists said yesterday that the Government was in danger of giving more prominence to the concern of local industrialists than to the overriding need to restructure the country's outdated tariff protection policies.

SA producers are currently protected from dumping and low-cost imports by high import tariffs, which effectively create a floor for minimum prices at which imports can enter the country.

This practice is unacceptable to Gatt, of which SA is a founder member, although it does not as yet subscribe to its anti-dumping code.

In drafting new anti-dumping legislation, the IDC said SA should draw on the experience of other Gatt members, but adapt policies to specific needs.

However, the Textile Federation recently warned that the Gatt measures had largely failed and been replaced with quota systems in many countries.

Dr Marais said the proposed legislation, policy and procedures were aimed at fast and effective action to protect manufacturers in the Customs Union from disruptive competition where warranted.

While the legislation is still in its draft form and will have to be promulgated by Parliament, the Government appears eager to do so as early as possible.

Private sector organisations concerned have until next Monday to comment on the draft legislation, so as to finalise the draft Bill for consideration early in the 1992 Parliamentary session.

The provisions are set to be included in the the Board of Trade and Industry Act and amendments will have to be made to the Customs and Excise Act.

Export incentives the key to growth,' argues Safto

B/Day 14/11/91 (746)

ANDREW GILL

THE controversial general export incentive scheme (GEIS) should be given a full five years to run, Safto CE Wim Holtes said in the organisation's latest annual report.

He said recent export trends supported this view and it would take at least that long for industrial exports to reach a level where they would have a chance of "self-perpetuating growth with the attendant favourable spin-offs for the national economy."

While statistical proof was not yet available the present strong performance of manufactured exports could partly be due to the GEIS introduced 18 months ago, he said.

In spite of the generally depressed state of world markets during the financial year 1990/91, export growth resulted in the highest export total ever achieved by SA in a 12-month period. The gold price was low, and metal and other commodity markets stagnant — but manufactured goods exports increased strongly.

Sectors such as transport equipment, machinery, textiles and clothing, miscellaneous manufactures, chemicals and prepared foods all performed well.

The outlook for further export growth was outstanding for the year ahead based on Safto's recent survey of export confidence among leading companies.

It projected a possible 5% real growth in exports for 1992.

He said the increasing levels of industrial exports were significant

● NORTON

● HOLTES

when seen against the need for SA to shift its foreign sales to value-added products thereby increasing industrialisation and employment opportunities.

"Throughout the world, targeted export incentives have been shown to be effective in the development of manufactured goods exports."

Holtes said more targeted export incentives, such as the Industrial Development Corporation's (IDC) loan capital scheme for export production, would have to be introduced for select export industries or companies.

A targeted marketing incentive could be structured by providing greater underwriting support to Credit Guarantee Insurance Corporation (CGIC) export policies in selected foreign markets — for example, for engineering and capital goods into sub-Saharan Africa.

Also in the annual report, Safto chairman Tony Norton said SA needed to re-evaluate its export promotion.

With sanctions being lifted, companies were facing many more options and needed to find a new focus for their international market planning.

"As foreign trade horizons broaden, SA businessmen are becoming more aware of some of the international market issues occupying the attention of the global business community."

Previously sanctions, and how to deal with them, had dictated marketing strategies for SA exporters.

He believed SA's role within GATT (General Agreement on Tariffs and Trade), its status relative to the World Bank and the IMF, its relationship with the EC and Lomé Convention, and with the preferential trade area in Africa, were all issues which would have an impact on SA exporters.

"They must be translated from mere economic concerns into marketing opportunities that can be exploited for the advantages they can yield," he said.

In this, a higher profile by the government on its stance in these relationships would assist a much-needed stronger public/private-sector partnership.

Holtes said SA exporters did not have the support of the intensive and sophisticated marketing and promotion programmes at the disposal of their competitors in many newly industrial countries.

"SA exporters operate in fiercely competitive world markets," he said.

Exporters in other countries were assisted by aggressive product, service and country promotions.

Dumping Bill replies extended

(746) (484) (1997)

BDay 14/11/91

ANDREW GILL and LINDA ENSOR

TRADE and Industry Minister Org Marais has bowed to pressure from the business community and extended the period for comment on the draft legislation for anti-dumping measures released on Tuesday.

A spokesman for his department said yesterday organised business had been given an extra eight days (until November 26) to submit comment on the legislation.

The spokesman said Marais had been in close co-operation with industry on the matter and was sympathetic to their concerns about the short period allowed for comment.

However, he said, if they waited for too long they would miss the boat and there would be no anti-dumping legislation on the statute books in 1992.

The SA Chamber of Business (Sacob) said in a statement it welcomed Marais' "speedy and positive" response to the request for extra time to comment on the draft.

It would enable Sacob to consult industrialists and importers throughout the country more fully on the matter. The statement said Sacob hoped to complete its consultation process by November 26.

Meanwhile, speaking in Cape Town last night Marais said government would not support a broad definition of dumping which covered all low priced imports.

At a National Clothing Federation banquet Marais was commenting on the proposed amendments to anti-dumping legislation intended to ensure "efficient action against real cases of dumping".

"We simply have to accept that elsewhere in the world there are more competitive producers against which we will have to learn to compete. This problem cannot be addressed by means of anti-dumping measures," Marais said.

He stressed the need for SA industry to become locally and internationally competitive, saying the protectionist policies of the past were obsolete.

"The policy directions outlined in the IDC's (Industrial Development Corporation) report on the future tariff protection policy will form a crucial element in government's economic restructuring programme aimed at enhancing industrial growth and employment creation."

Despite the need to become competitive, however, the militant trade union movement with its stayaways, strikes and demands for high minimum wages, was making SA industry less competitive.

Marais said he would be meeting representatives of the textile and clothing industries on November 19 to discuss the revised Board of Trade and Industry proposals for a development plan for the restructuring of the industries.

"Government's role in the restructuring process should be to provide an environment conducive to the industry making the necessary changes itself."

Marais appealed to the clothing and textile industries to work out a joint strategy to overcome their conflicts. He said it appeared the main weakness of the two industries was that they had tried to service all market segments — including uneconomic and unprofitable product ranges — rather than concentrating on what they did best.

Neither industry in its present state with outdated technologies and high price of inputs was in a position to compete internationally without assistance and protection.

Rationalisation of manufacturing and product ranges, exploitation of comparative advantages through niche marketing, improved productivity and a commitment to exports were required.

● See Page 13

Kenyan business fair is exclusively for SA firms

BDay 14/11/91

MARCIA KLEIN

SA EXPORTERS will soon be able to tap in to Kenya's R10bn a year import market, aided by a new business exhibition organised exclusively for SA companies.

The "Contact Kenya" 1992 exhibition — to be held at the Kenyatta International Conference Centre in Nairobi at the end of June — was exclusively for SA exporters, organisers said.

There were indications that SA goods and services "could substantially undercut those presently being imported from traditonal sources" — by as much as 30% of prices currently being quoted by other exporting companies, the organisers said.

Kenya's investment promotions centre MD Silas Ita said imports from SA would also be far more convenient for Kenya. African countries currently supply only 3,3% of Kenya's imports. Britain is its major supplier.

In 1989, 6,3% of Kenya's total imports were food and beverages, 33,8% were non-food industrial supplies, 15,5% fuel and lubricants, 21,3% machinery and other capital equipment and 5,2% consumer goods. At that time the value of imports to Kenya was R8,5bn.

Groups want new code on SA trade

Sowetan 18/11/91

THE South African Council of Churches, the South African Bishops Conference, Kagiso Trust and the Institute for Contextual Theology are planning a consultation to work out a code of investment for South Africa.

In a statement on Saturday, the SACC said the consultation - meeting under the theme "Towards a Code of Investment: Ethics for South Africa's International Economic Relations" - would be held in February in Broederstroom.

"This will bring together representatives of trade unions, business, political organisations, as well as experts on economics, into a reflective interaction with church leaders and theologians.

"The objective of this exercise is formulated against the background of the debates on sanctions and the reality that, despite calls for financial sanctions against South Africa to be maintained until some form of a transitional government is installed, more and more overseas companies are beginning to either invest in South Africa or are busy with preparations to do so." - *South African Press Association.*

Green export to Zim

174G

Sowetan 18/11/91

A DURBAN company is to export what it says is an "environment-friendly" chemical to Zimbabwe.

According to a statement released yesterday the chemical, hydrogen peroxide, was "rapidly gaining popularity as the preferred oxidant in the textile, paper, chemical and water treatment industries".

The chemical is to be distributed by Zimbabwe Petroleum. - *Sapa.*

DP's new plan for airwaves

THE Democratic Party has accepted a policy document on broadcasting based on the principles that freedom of speech should be enshrined in the new constitution and that the airwaves are public resources.

DP spokesman for broadcasting Mr Peter Soal said at the party's congress in Cape Town on Saturday that many proposals in the document had been accepted by the task group on broadcasting.

The document provides for the establishment of an independent communications authority to regulate the broadcasting spectrum and promote an efficient communications system. Sowetan 18/11/91.

Provision is made for both public and private broadcasters, but restrictions are placed on the number of radio and television stations operated by any organisation.

The DP said local radio stations, rather than television, were the means of broadcast communication best suited for the country's needs. - *Sapa.*

Appeal refused

THE Appeal Court in Bloemfontein has refused an application by Thapelo Matthews Mokoena of Mofolo, Soweto, for leave to appeal against convictions for murder and attempted robbery.

The victim was Mr Daniel Marthinus Joubert who was shot in Soweto on July 14 1988.

Mr Acting Justice D O Vermooten, in the Rand Supreme Court on November 21 1990, imprisoned Mokoena for 19 years. - Sapa.

Mashold ups earnings 25%

CT 20/11/91

(74G)

Deputy Business Editor

IN spite of the "toughest trading conditions to date", direct selling and mail order group Mas Holdings (Mashold) increased attributable earnings by 25% to R5,57m for the six months to end August.

Pretax profit was up 12% at R5,8m but a huge drop in the tax bill to R288 000 (R736 000) saw after tax profits up 24% at R5,6m.

Earnings at the share level were diluted due to an enlarged capital basis showing a 12% increase at 25,64c against 22,89c for the same period last year.

An interim dividend of 8c (7c) a share will be paid.

CE Marco van Embden, said to counter tight trading conditions in Mashold's traditional market, the group had grown its market into Africa and Britain and established a mail order sales division and a direct selling division for Wondercooker — a fast cooking device for which it holds the patent and distribution rights — in the UK during the past six months.

He said certain start-up costs had been incurred and written off in the period under review but the Wondercooker division was expected to contribute significantly to profits in the next financial year.

African exports

Exports to African countries had been increased substantially and now accounted for more than 10% of Mashold's total mail order sales.

He said the growth in Africa business looked promising and they had targeted certain key countries through which they could develop additional markets in the rest of Africa.

On the local level, Van Embden said it had been necessary to curtail the operations of a small division which had not achieved the desired return on investment.

However direct selling division Tablecraft had continued to perform well and the government's decision not to increase duties on imported basic glassware sold by Tablecraft augured well for the group's growth prospects.

He said the group had also concluded an agreement to acquire a majority shareholding in Magic by Mail, a mail order company operating in the local and export markets. The offer is subject to certain conditions precedent and finalisation of a due diligence process, he said.

Kenya offers export breaks for investors

(746) SHARON WOOD

BUSINESSES investing in Kenya's first export processing zone, Sameer Industrial Park, would not be subject to exchange control, Sameer Industrial Park deputy manager Samina Rana said in Johannesburg yesterday. B/Day 26/11/91

This benefit was not offered in the other African export processing zones and was given in addition to the usual zone benefits of company tax breaks, duty exemptions and repatriation of profits and dividends.

Companies would be able to open a hard currency account with a Kenyan bank and would not have to convert profits into Kenyan shillings. They could repatriate profits and dividends from this account, she said.

The zone had the benefits of Kenya's strategic location in Africa, political stability, steady economic growth, modern infrastructure and an industrious and abundant low-cost labour force.

Sameer Industrial Park would be a "one-stop shop" because the staff would ensure zone business would be cleared as quickly as possible and it would not have to wait in the customs queue. This had been approved by government, she said.

Sameer Industrial Park is a subsidiary of Firestone Eastern Africa and is controlled by the Sameer Group which owns more than 50 Kenyan companies.

The Kenyan government had set up the Export Processing Zone Authority to develop these zones in Kenya.

Trade surplus hits record as exports soar

Business Staff

THE trade surplus surged to a record R2,747 billion in October on the back of a tremendous performance by the country's exporters.

Industry sources ascribe the export boost largely to the government's export promotion policies, which are benefiting the manufacturing sector in particular.

Figures issued by Customs and Excise yesterday show that exports in October surged to R6,916 billion from R5,76 billion in September.

With imports slightly lower at R4,168 billion (September: R4,291 billion) the trade surplus improved by 22 percent from R1,47 billion to R2,747 billion.

This boosted the trade surplus for the first 10 months this year to R14,8 billion (January to October 1990: R12,8 billion) and economists predict that the surplus for the whole year could rise to R17 billion.

The strong surplus on the trade account will have major benefits for the economy at large, says Bankorp economist Nick Barnardt. 749 ARG 27/11/91

He estimates that the surplus on the current account of the balance of payments could rise to as high as R7 billion, while the gross foreign exchange reserves at year-end should be sufficient to cover two months worth of imports.

The improved reserves should also boost the value of the rand, but Mr Barnardt believes that the Reserve Bank will hold down the value of the currency to further strengthen the current account surplus.

SA exports R12bn in goods to Africa

GERALD REILLY 74G

PRETORIA — SA exports ~~to~~ Africa amounted to more than R12bn last year, R8bn of that going to SA Customs Union members, Foreign Affairs acting deputy director-general for Africa Derek Auret said yesterday.

Auret told a conference, on the subject Southern African Security Relations Towards the Year 2000, that between 25% and 33% of SA's manufactured goods were sold in Africa.

Opportunities to promote trade by reducing or eliminating tariff and other restraints would have to be explored, he said. BDay 27/11/91

Changing trade policy was difficult. But if the task was approached with sensitivity, taking into account political and economic factors inside and outside the country, "the next 20 years could see a time of unprecedented regional prosperity".

SA would have to be prepared to negotiate with its neighbours to promote non-exploitative and mutually beneficial regional co-operation and development. This could involve concessions to neighbouring states.

SA would have to erase fears of dominance by stressing its dependence on its neighbours in certain areas, such as water.

The establishment of a self-contained regional trading bloc would lead to enhanced inter-regional trading and create a climate favourable for foreign investment.

● See Page 2

CT 28/11/91 (749)

Thinks, thanks to exports

Own Correspondent

JOHANNESBURG. — Exports are helping to reduce the severity of the recession in spite of weak international conditions and low commodity prices, the IDC reports in its latest review of economic conditions in the manufacturing industry.

The value of manufactured exports grew by more than 5% during the three months to end-September, while the value of imports increased by less than 5%, the IDC reports.

In a breakdown of the performance of individual sectors, the IDC review shows that the value of exports from the basic metals sector grew by 14%, while imports declined by 6%, during the same three-month period.

Processed foods, beverages and tobacco sectors exported 8% more and imported 1% more, while the industrial chemicals sector exported 7% more and imported 2% more.

On the local market, government spending also played a role in preventing a deepening of the recession.

But consumption by households and the demand for capital goods continued their downward trend, with little hope of a sustained turnaround in domestic consumption.

In the second quarter, household consumption was only 1% higher than a year ago, compared with an increase of 1,5% in the 1991 first quarter. During the second quarter the demand for capital goods was 5% less than a year ago. Destocking continued throughout the 1991 first half.

Kenya thirsty for Cape wines, juices

(746) CT 28/11/91

By AUDREY D'ANGELO
Business Editor

KENYA's booming tourist industry means there is a huge market available for wines and fruit juices from the Cape, says David Altman, organiser of an exhibition for SA exporters in Nairobi in June.

"They get 700 000 tourists a year. And they are serving imported Spanish and Portuguese wines, which is crazy. The landed cost of a bottle of Spanish wine is $5 — we could supply Cape wines for far less than that."

Altman, in Cape Town this week to market the exhibition, said he had been astonished by the response in Johannesburg.

"Half the stands have already gone, within a matter of days, to major firms. BMW alone has taken eight stands."

Other firms who have booked space include NEI (Africa), Nissan and a major food group.

"With the recession dampening demand here SA manufacturers are excited at the prospect of moving into a buoyant market," said Altman. "Kenya imports R10bn worth of goods and services a year.

"And the Contact Kenya exhibition will give SA manufacturers exposure to the rest of Africa. Traders from as far afield as Nigeria will be there."

Altman was among speakers at a crowded seminar on trade with Kenya organised by the SA Foreign Trade Organisation (Safto) at the De Waal Sun yesterday.

Some manufacturers there showed interest in Kenya's first export processing zone (EPZ), now being developed by Firestone (East Africa) in the Sameer Industrial Park in Nairobi.

Brad Pettit of Firestone said foreign companies setting up operations in the park would benefit from a 10-year tax holiday and from import concessions.

Samina Rana, deputy manager of the industrial park, said the Kenyan trade unions were not "politicised or militant" and industrial strike action was almost unknown. Kenyan labour was low cost, abundant, well educated and trainable.

There was no exchange control for the repatriation of profits, ands Kenyan manufactured goods had access to the European Economic Community, America and Japan and other African countreis.

Silas Ita, CE of Kenya's export processing zone authority, pointed out that there had never been any mention of nationalisation since Kenya had become independent in 1963 and no assets had been confiscated.

Discussing the political situation, he said he was confident that Kenya would remain a stable country. Although it was now a one-party state he expected it to become a multiparty state within a matter of months.

But he was confident that change would be peaceful and that it would remain a mixed economy.

Pettit said that he and Samina Rana would be available at the President Hotel today and tomorrow to answer queries from local business people.

Exports ease the pain of recession

BDay 28/11/91

74G

LESLEY LAMBERT

EXPORTS are helping to reduce the severity of the recession in spite of weak international conditions and low commodity prices, the IDC reports in its latest review of economic conditions in the manufacturing industry.

The value of manufactured exports grew by more than 5% during the three months to end-September, while the value of imports increased by less than 5%, the IDC reports.

In a breakdown of the performance of individual sectors, the IDC review shows that the value of exports from the basic metals sector grew by 14%, while imports declined by 6%, during the same three-month period.

Processed foods, beverages and tobacco sectors exported 8% more and imported 1% more, while the industrial chemicals sector exported 7% more and imported 2% more.

On the local market, government spending also played a role in preventing a deepening of the recession.

But consumption by households and the demand for capital goods continued their downward trend, with little hope of a sustained turnaround in domestic consumption.

In the second quarter, household consumption was only 1% higher than a year ago, compared with an increase of 1,5% in the 1991 first quarter. During the second quarter the demand for capital goods was 5% less than a year ago. Destocking continued throughout the 1991 first half.

Restocking, from depleted levels, is advanced by commentators as a reason for a potential short-term technical upward adjustment in demand, which can then support a more general improvement in the economy next year, the review said.

It said that while the disposable income of households improved marginally over the past five quarters, the increase was still weak compared with the 1987-1988 expansionary phase.

"Furthermore, disposable income may well be due for a downward adjustment in the near future."

These trends placed increased pressure on authorities to use next year's Budget as a guide to the course of the economy, the IDC said.

Government income for the current fiscal year was still below budget, reflecting depressed conditions in the private sector. It would be unwise to impose higher taxes on a shrinking private sector to reduce the deficit, the IDC cautioned.

An alternative way of reducing the deficit, it argued, was a severe cut in the growth of government spending.

'Western aid drying up'

44G

By Helen Grange
Pretoria Bureau 28/11/91

The bad fact is that Africa can expect more moral support than funds from the West over the next decade — as more assistance will be ploughed into the Soviet Union and Eastern European countries, a Nato representative said in Pretoria yesterday.

Colonel Rolf Hallerbach, Nato representative for the magazine European Security, speaking at a conference on southern African security relations towards the year 2 000, said that in Europe and America "nobody feels in the mood to spend a single penny for more socialist-type experiments".

"Those who can't stop dreaming should consider the fact".

If countries in southern Africa could establish a self-contained regional trading block, inter-regional trading would be enhanced and a climate created for foreign investment, acting deputy director general of the Department of Foreign Affairs, Dereck Auret, said.

South Africa's trade with the region could also be greatly improved if the buying power of its neighbours could be enhanced through development.

South Africa, he said, currently exported between 25 and 33 percent of its manufactured goods to Africa.

Speaking on methods of integrating the military into a new South Africa, the director of the Institute for Defence Politics, Dr Jakkie Cilliers, proposed that the defence budget be discussed in public and approved by Parliament — thereby determining the manpower, structures and objectives of the forces.

There should also be no restriction on members of the armed forces or police force joining any legal political party. Although the armed forces and police were accountable to the constitution, they should not simply serve the government of the day.

He warned that with the dramatic cut in the defence budget, the SADF could easily end up as a low technology counter-insurgency force, suitable for little else but border control and support to the police.

"This would, in my opinion, not only be a tragic development for our country's stability."

SA's vehicles are outward bound

B/Day 28/11/91

SHARON WOOD

PHASE VI of the local content programme was having a positive effect on motor vehicle exports, which rose by 20,3% in the year to October, SA Foreign Trade Organisation CE Wim Holtes said.

This was also indicated by the rising ratio of motor vehicle exports to imports from 18% in the first 10 months of last year to 21% over the same period this year.

Major motor manufacturers yesterday confirmed that exports to Africa, in particular, were doing well.

They said they were waiting for the expected announcement of the new local content level on Friday before they could say how much they would benefit from the export incentives.

Nissan vehicle exports director Robin Philips said there had been a steady opening-up of sub-Saharan Africa to SA motor companies.

"Nissan is doing particularly well in respect of meeting the pent-up demand in Zimbabwe," he said.

Virtually all car manufacturers had enjoyed the increased demand which was continuing and there was also strong demand in Zambia.

Sub-Saharan African countries were not a big market but their immediate proximity gave motor manufacturers some additional scope, he said.

Philips would not comment on Nissan's export performance outside Africa.

Mercedes-Benz SA public relations officer Rene Kilian said Mercedes had been pursuing export opportunities as a result of the provisions made by Phase VI, in which export of components counted as local content, since 1990.

(MG)

Mercedes mainly exported original equipment components back to their plants in Germany, one of which was the auto catalyst.

"The export of components to Africa is limited as there are no assembly plants, but opportunities exist in the spare parts market.

"We regard future export opportunities as favourable. In Africa markets are opening up and we will be pursuing these opportunities with vigour," she said.

Mercedes envisages an export programme worth several hundred million rands by 1996.

SA timber cheaper abroad than here claim exporters

(744) ARG 30/11/91

Weekend Argus Correspondent

DURBAN. — South African exporters of timber products claim their industry is suffering because timber suppliers are selling sawn timber to some European countries at much lower prices than in this country.

Members of the Timber Products Exporters' Association said this week they were competing with overseas markets for locally-sawn timber, and asked how they could be expected to compete with European markets.

They blame the export arm of the South African Lumber Millers' Association (Salma), which handles exports of sawn timber.

But a spokesman for Salma has denied the claims, saying it has no control over what prices are asked for timber and what prices are paid.

Dr Winston Smith, chairman of the Timber Products Exporters' Association, which represents 47 members who export furniture and wooden products, said: "If overseas companies can buy timber at cheaper prices than we can, we are the losers all the way.

"This is crippling some people in the industry. All 47 of our members are affected.

"Salma sell their timber in the EC, so those overseas companies don't pay duty. But South African manufacturers buy timber at a higher price. After that they still have their manufacturing costs, then freight costs and then import duty. How can we do it?

"Some of our manufacturers have been overseas and found companies in Italy and Spain selling the same products as ours, made of SA pine.

"Italy is the main problem."

Peroxide for export

(746)

(S TIME 1/12/91)

ALLIANCE Peroxide, a R60-million venture between CG Smith Sugar and AECI, has won a contract to supply green chemical hydrogen peroxide to Zimbabwe. 1/12/91

Durban-based Alliance Peroxide was established in May to make hydrogen peroxide for the first time in Africa.

The peroxide will be marketed by Zimbabwe Petroleum, a member of the Ximex group.

Hydrogen peroxide, which is environment friendly, is used as an oxidant in the textile, paper, chemical and water treatment industries.

SA wines go on sale

Sowetan 3/12/91

SOUTH African wines are back on the shelves of British supermarkets - and their prices make them highly competitive against European wine and other rivals.

The easing of the country's isolation is reflected in the emergence of a growing number of South African products on supermarket shelves.

Prices of European wines have soared over the last 18 months, making the South African wines attractive to buyers. - *Sapa*

74G

FRUIT EXPORTS

Just juicy

FM 6/12/91

(94G)

Good crops and the lifting of sanctions are expected to boost citrus and deciduous fruit export earnings in the coming year to R2,6bn. Louis Kriel, MD of Unifruco which markets deciduous fruit overseas, says the harvest of early peaches has only just begun but this season's crop will probably be good due to a long and wet Cape winter. "It seems that there's a double-digit percentage increase in crop size in the making."

The market outlook is just as good — Unifruco will return to the US and Irish markets next year. Kriel is reluctant to forecast the increase in earnings but says that if unit prices remain constant and the crop size increases by more than 10%, earnings are expected to rise by a similar percentage.

FM 6/12/91

(94G)

In this season, Unifruco exported 35m cartons of fruit for gross earnings of R1,4bn, which was 8% up on the R1,3bn earned last year. The most lucrative deciduous fruit crop is apples, which earned R700m on export markets this year.

Kriel says the reopening of overseas markets is unlikely to cause a domestic shortage of fruit or push up local prices. The anticipated increase in the size of the crop will satisfy higher demand. About 60% of the deciduous fruit crop is exported and 40% is sold locally as fresh fruit or for processing.

Doug Stanton, chief executive of the SA Co-operative Citrus Exchange, says that though the next citrus season does not begin until May, he is optimistic it will be as good as this year's. Gross export earnings exceeded R1bn for the first time this season.

He says that though the exchange is looking to open new markets in eastern Europe and the Far East, a domestic shortage is not likely. Last season, the exchange exported 31m 15 kg cartons — the highest figure ever achieved and 1m cartons more than the 1990 figure. The export crop is expected to grow to around 45m cartons over the next few years.

Last month, Unifruco and the exchange announced the rationalisation of their interests in Europe, including the establishment of a joint European head office at Farnham Royal, west of London, and the joint management of financial, data processing, quality control, technical and logistical services. Marketing will remain independent under the trade names Cape and Outspan.

The two organisations say the joint arrangement will result in optimal use of the existing infrastructure and expertise, reduced costs and greater productivity.

Unifruco and the exchange jointly export 68m cartons of fruit a year and the figure is expected to rise to 100m by 1995.

□ In Stellenbosch this week, Unifruco launched a new company, Vinfruco, to handle overseas marketing for six Cape wine co-ops and four independent estates.

The wine will be sold under a new label, Oak Village. Participants in the venture include Overgaauw, Rustenberg, Vriesenhof and Niel Ellis estates and De Helderberg, Bottelary, Eersterivier-Vallei, Koelenhof, Vlottenburg and Welmoed co-ops.

Vinfruco will target the mid-price range market with high-quality wines. Its competitors will include other "new world" wines from Australia and California. ■

ATLANTIS DIESEL ENGINES

No easy ride

FM 6/12/91

The effort by Atlantis Diesel Engines to get the motor industry to make diesel-powered, 25-seat midibuses, in addition to the 16-seat minibuses used largely as black taxis, is running into roadblocks.

continue →

Deciduous fruit exports up

GERALD REILLY

PRETORIA — SA's deciduous fruit industry had great prospects for expansion with markets opening up and existing ones in Europe expanding, Agriculture Minister Kraai van Niekerk said at the weekend.

Van Niekerk told a Unifruco function in Piketberg that 30% of SA's agricultural production by value was exported last year.

(446)

Agricultural exports earned R5,3bn or 8,7% of total export income, while imports totalled R2,1bn.

Deciduous fruit production increased by 32% between 1985 and 1991 and a further increase of 43% was forecast by 1995. This would bring total tonnage to 571 000.

The last harvest was a particular achievement with gross income from deciduous fruit exports increasing by 8% to R1,42bn. Payments to producers also increased, by 6% to R837m.

However, rising local and overseas export costs dampened producer payments. Van Niekerk said international purchasers for big chain groups who bought millions of cartons annually from organisations such as Unifruco were becoming more sophisticated and demanded ever higher standards.

Western Europe remained the most important market for Cape fruit, with Britain, Germany and the Benelux countries being the main buyers.

There were also fast developing fruit markets in France, Switzerland, Italy and Austria. Other European countries had great market potential.

Van Niekerk said market prospects for deciduous fruit were favourable, but, as in other branches of agriculture, the rising costs problem would have to receive greater attention.

It was estimated the local deciduous fruit industry would have to plant an additional 8 500ha to meet projected demand. The market among black South Africans also had great potential.

On the economy generally, Van Niekerk said experience of the last decade showed countries with strong export-oriented economies performed far better than those which depended on import replacement and high protection.

R270m outlay on food containers

746 WILLIAM GILFILLAN

ABOUT R270m is to be spent on 8 000 refrigerated containers to carry perishable foods between SA and Europe by the Southern Africa Europe Container Service (SAECS), a consortium of national shipping lines.

B Day 10/12/91.

Making the announcement, outgoing SAECS chairman Rupert Brennecke, MD of Deutsche Afrika-Linien, also said Safmarine director Howard Boyd would take his place as chairman next year. Julian Bevis, of P & O Containers in the UK, had been appointed to take over from outgoing CEO Peter Butland, of Safmarine.

In October SAECS announced the current consortium agreement, signed in 1974, would be renewed for 10 years from January. Only one of the current participating member lines, Navale Delmas International (NDI) of France, had decided not to remain a member. Its representative in SA, Ronnie Frick, said NDI was unhappy with the share of trade that it had been allocated.

Each line was given a share according to the cargo generated in its native country.

The member lines of the renewed SAECS, to be known as SAECS 2, are CMB Transport (Belgium), Compagnie Generale Maritime (France), Deutsche Afrika-Linien (Germany), Ellerman Harrison Container Line (Britain), Lloyd Triestino (Italy), Nedlloyd Lijnen (Holland), P & O Containers (Britain) and SA's Safmarine.

Key is investment-driven exports

CT 11/12/91

746

Derek Keys

By BARRY STREEK
Political Staff

SOUTH AFRICA should promote investment-driven exports by going for world-scale projects and becoming a player in international markets, according to the new Minister of Trade, Industry and Economic Co-ordination, Derek Keys.

He also enjoys describing himself as a "Jewish mother" and a "loving, critical audience".

This has been disclosed in the latest issue of Executive, in which he was interviewed by Linda Stafford before the news of his appointment to the cabinet was released.

In the interview, published under the headline of "The Benevolent Machiavelli", Mr Keys said one of the challenges he faced as chairman of Gencor had been to turn a bureaucracy into a business-driven — "Hero-driven, if you like." — organisation.

"The old Gencor seemed to be inhibiting its individual businesses. A pyramid management may be as important in a mine as it is in an army.

"But it's entirely inappropriate in some non-mining areas, not to say head office.

"If you want to be responsive and to harness the abilities of people, you've got to encourage a much looser, more collegial type of relationship."

The Genmin chairman, Brian Gilbertson, was quoted as saying: "Derek really does believe in delegation. He entrusts his lieutenants with great responsibility and is tolerant of mistakes."

Keys said South Africa had obviously been a factor-driven exporting country but ought to be moving to being investment-driven.

The sadness was that other people were still behaving in a wealth-driven way and testimony of this was the nationalisation debate.

In the interview, Keys said he would stay on as the Gencor chairman until August 1994.

He also said: "I've no ambitions to be anywhere else. I can't wait to get here in the morning and they have to pry me loose in the evening."

That statement, however, was made before President F W de Klerk asked him to take over the role played by the late Dr Wim de Villiers in the cabinet.

Iscor negotiates exports to Japan

WILLIAM GILFILLAN

ISCOR is negotiating to export 120 000 to 130 000 tons of steel to Japan next year in addition to the 30 000 tons set for delivery in the first quarter of the year, the Metal Bulletin has reported.

Iscor yesterday confirmed it was negotiating export contracts with Japanese firms but declined to comment on tonnages as negotiations were still at an early stage. BIDay 13/12/91.

However, the bulletin added Japanese traders were unwilling to make firm arrangements beyond March as, while demand for steel in Japan could improve in the second half of next year, first-half demand was expected to be weak.

About 70% of the 30 000 tons to be exported is hot coil steel.

For the last 10 years Osaka-based Wazai International had an exclusive agent agreement with Iscor's trading arm Trans Orient Steel. 746

Even though sanctions were in place over the past four-and-a-half years Wazai obtained permission from Japan's Ministry of Trade and Industry to continue to import SA steel — it argued any cancellation would contravene its long-term contract obligations.

Total Japanese ferrous imports from SA reached 432 565 tons during 1990 compared with 539 518 tons in 1989. But the bulk of these — 332 267 tons (1990) and 352 271 tons (1989) — were SA ferro-alloys.

Steel imports fell by half to 91 298 tons in 1990 from 187 247 tons in 1989. Of this hot coil imports accounted for only 26 004 tons, slightly down on 1989's 27 591 tons.

THE WEEK AHEAD by Simon Willson

All eyes on the export sector

B Day 17/12/91. (74C)

DEPRESSED domestic economic conditions are likely to have kept a lid on imports last month, leaving the buoyant but volatile export sector the key determinant of SA's November trade balance which is due for release this week.

The surplus is unlikely to better the record R2,75bn posted in October, but should emulate the August and September surpluses in straddling the R1,5bn level.

October's record was mainly due to a 46% surge in gold exports for the month. On past experience, non-manufactured exports are subject to wild swings and rarely show sustained trends in successive months.

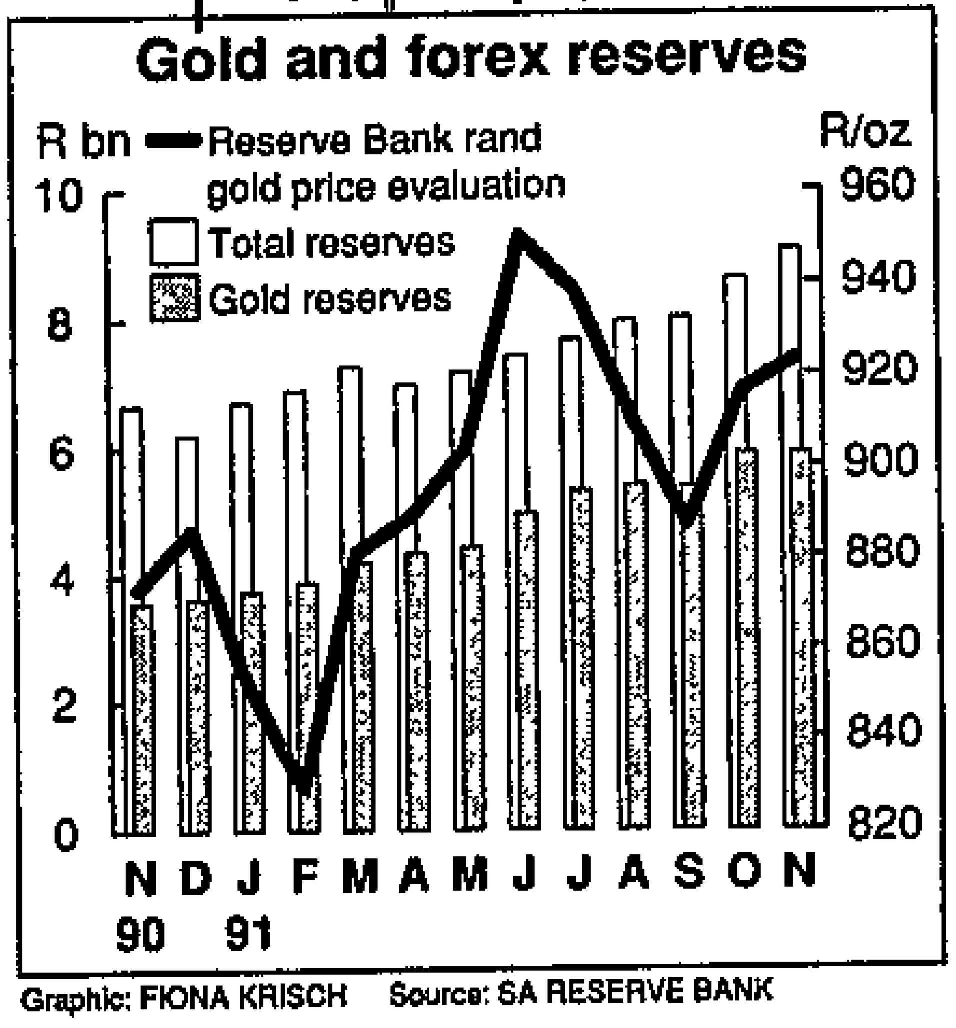
A more reliable indicator of underlying export performance is the out-turn for non-gold exports, which have shown steady increases of 6,7% and 7,3% in the last two sets of trade figures.

Non-gold exports and, especially, manufactured exports, are of greater importance in assessing the likely strength of SA's external accounts next year.

Since 1992 is likely to be a year of economic recovery in at least two key export markets — the US and UK — local exporters are set to benefit from stronger international demand.

In addition, the further crumbling of sanctions barriers and the expansion of export opportunities in the rest of Africa should support SA's export efforts next year.

The impression sometimes received that the economies north of the Limpopo and south of the Sahara are bankrupt, no-hope markets is belied by the fact that a third of SA's manufactured exports are currently sold in Africa — despite payment difficulties, infrastructural obstacles and lingering political obstructions.



Graphic: FIONA KRISCH Source: SA RESERVE BANK

Internationally, the year's last meeting of the policy-making council of the Bundesbank, Germany's central bank, takes place on Thursday.

There are widespread expectations that the Bundesbank council will edge a key domestic interest rate higher as a signal to local wage bargainers that inflationary pay deals will not be accommodated.

The rate that looks ready to move is the Lombard emergency funding rate, now standing at 9,25% and short of its usual two percentage-point margin above the 7,5% discount rate.

A quarter-point upward nudge in the Lombard rate also looked likely at the Bundesbank council's last meeting two weeks ago, and the markets think the German government — about to face its EC colleagues at the Maastricht summit — asked the bank to stall the hike for another fortnight.

Impetus will have been added to the Bundesbank's campaign to lower the German inflation rate — at 4,2% in November, a mere tenth of a point higher than Britain's November rate.

The only factor that may stay the central bank's hand is the slowdown in the German economy to a pace at which many analysts are concerned about recession.

The Bundesbank is, however, on the record as stating that monetary policy is not an instrument for counteracting economic cycles and, therefore, is unlikely to be swayed by developments in the real economy.

US housing starts for November are due out today, when the markets' main concern will be that the figure holds above the 1-million level after October's 1,1-million out-turn.

Thursday's US trade figures for October, following the September deficit of $6,8bn, have restricted influence in an economy more worried about a "double dip" back into recession in the fourth quarter of the year.

Friday's final revision to the 2% preliminary growth in third-quarter US GNP is also overshadowed by concern about the fourth quarter.

Tight market constrains wood exports

PAUL ASH

WHILE the timber industry's wood chip trade with Japanese pulp and paper manufacturers was expected to flourish following the recent lifting of sanctions by Japan, this would depend on a recovery in the international paper and pulp market, industry sources said yesterday.

Central Timber Co-operative (CTC) partners, Sumitomo Corporation and Sanyo-Kokusaki Pulp Company, were eager to expand their business with SA, Natal Co-operative Timber (NCT) chairman David Earl said in his end of year address

Japan imports about 10-million tons of wood chips annually, of which SA supplies about 670 000 tons.

"The world recession in the industry, however, means the market has tightened up substantially," Earl said.

CTC chairman Jan Kemp said the Japanese had cut timber imports from all their suppliers except SA.

SA's commercial forests were all man-made with the result that quality was consistently high, fibres were uniform and there were no problems with environmentalists.

SA was also the only wood chip exporter in Africa.

In 1990, SA exported about 670 000 tons of hardwood chips, worth about R90m, to Japan but this figure was expected to reach 750 000 tons next year, Kemp said.

CTC's chipping capacity was expected to reach over 800 000 tons a year by the end of 1991.

There had been inquiries from Finland and CTC was also investigating markets in the Middle East and other European countries, Earl said.

Meanwhile, mining timber supplier Hunt, Leuchars and Hepburn has completed its own chipping plant at Richards Bay.

746

Zimbabwe warned to act fast for SA maize

GERALD REILLY

PRETORIA — The Zimbabwe Grain Marketing Board was warned yesterday to decide quickly if it wanted to secure imports of SA maize.

Top maize industry sources were commenting on a report from Harare this week that bureaucratic hold-ups were threatening a 100 000-ton deal because time was running out to organise transport from SA.

The report also indicated that Zimbabwe lacked the R400m in foreign exchange to pay for the deal.

The sources said there had been fierce competition among other African countries for SA maize.

However, they said, the maize crop was already prejudiced by an early summer drought and could face another serious threat from drought-inducing El Nino conditions in the critical growing months of January and February.

The threat of a small SA crop could lead to the suspension of all maize exports to safeguard supplies for 1992 and 1993.

VAT regulations on exports may be reviewed

Sowetan 19/12/91. 74G

THE new regulations controlling VAT on exports are meant to "test the water" and may only remain in their present form until the end of January 1992, a leading tax expert says.

Tax expert and author Errol Danziger says that the Department of Inland Revenue's regulations on VAT exports, which came into effect on September 30, will be re-evaluated for possible improvement.

"The new regulations are quite different to the GST procedures when goods are sold to neighbouring states or tourists".

Similar to export procedures for GST, a seller of export goods can only be exempted from paying VAT if the goods are consigned or delivered by him to an address in an export country.

If a buyer wishes to take delivery of export goods in South Africa, a scheme has been set up by the Department of Inland Revenue to allow goods to be zero rated, provided the purchaser complies with certain formalities.

This scheme applies only to buyers from Botswana, Namibia, Lesotho, Swaziland and the TBVC countries.

Onus

The onus is on the buyer to return tax exemptions forms to the seller within three months of purchase of the goods, otherwise the seller will be liable for the VAT owing on goods.

Danziger recommends that sellers of export goods screen their clients carefully before deciding to zero-rate an export to a neighbouring state, where the delivery of the goods is taken locally.

"Unless the buyer is known to the exporter, it may be prudent for the seller to charge VAT, which the purchaser can then claim back when he has his relevant papers stamped at a controlled border area.

"In the case of foreign travellers purchasing goods in South Africa to take home with them, a centralised system of refunds has been created at all international airpots, major harbours and at Beit Bridge.

"The customer will be refunded the VAT immediately, provided it is not for an amount in excess of R3 000. Otherwise an internationally recognised cheque will be sent to his residential address.

Inflation eroding price advantage of exporters

(74G)

S ANR 19/12/91

By Neil Behrmann

LONDON — Last week's historic European Community Agreement will increase pressure on South African exporters and the rand, unless rampant inflation is checked.

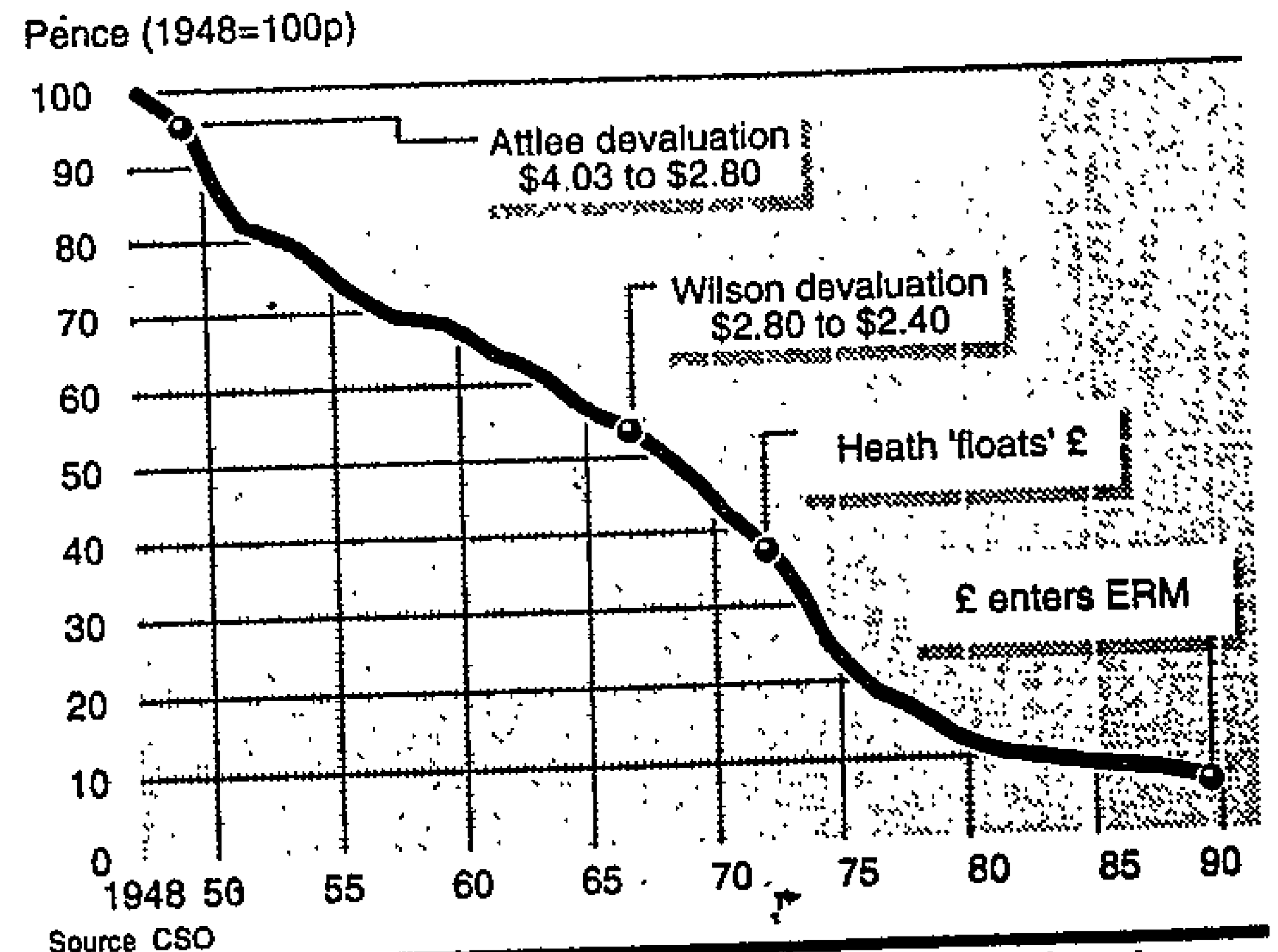
The most significant economic agreement at the summit held in Maastricht in the Netherlands is that the 12 member states should meet strict economic goals of low inflation, limited budget deficits and uniform interest rates.

By the end of the decade, those member countries that will meet these goals will be in a position to forge a single currency, managed by an independent European central bank.

Britain has the option to keep sterling free, but in reality it is likely to follow other European nations.

What is the importance of all this to the South African economy?

Purchasing power of the sovereign pound



Going down . . . how the British pound has fared.

To remain competitive with the biggest economic bloc after North America, inflation must decline. If price rises are not kept in check, it is inevitable that the rand will slide against European currencies during the rest of the decade.

The rand is, of course, already under pressure. Latest South African inflation rates are now nearly more than three times the level of the European Community average of 4,6 percent.

According to Organisation for Economic Co-Operation and Development (OECD) projections, European inflation will slip below four percent by the end of 1992.

At current rates of inflation, consumer prices in South Africa would double in under five years, while in Europe it would take 15 years.

Since the 12 European states intend grinding down inflation in tandem with Germany's sound money policy, the gap with South Africa will widen even more.

Take Britain as an example. In 1979, inflation was 22 percent. Now it is just over four percent.

In a foreign press briefing last week, UK Chancellor of the Exchequer Norman Lamont said the pound would not be devalued in the European Exchange Rate Mechanism.

It would eventually trade in a narrow 2,25 percent fluctuation band against a central German mark rate of 2,95, he said.

Tough anti-inflation policies run the risk of a prolonged recession in the UK and other European nations, which will cramp demand for South African exports.

For the present, South African manufacturing exporters have a price advantage because the rand has been weak during the past eight years.

Unless inflation falls drastically or the rand depreciates, exporters will be priced out of the European market.

African states snap up SA maize

GERALD REILLY

PRETORIA — The demand for SA maize from other African countries had been overwhelming this year mainly because of drought, failed crops and the needs of exploding populations, Maize Board GM Hennie Davel said yesterday.

Total forex earnings from the latest season's 1,1-million-ton surplus from buyers in African countries as well as overseas are estimated at between R430m and R450m.

Of the 1,1-million tons, 384 000 tons were exported to African countries and 512 000 tons were shipped abroad — 89% to Japanese buyers. BDay 19/12/91

In Africa consignments have been railed or will be railed to Zaire, Zambia, Zimbabwe and Angola.

The board also supplies maize to Botswana, Lesotho and Swaziland and TBVC states but they are regarded as part of the domestic marketing programme.

Davel said it was clear SA was becoming the bread basket of the southern half of the continent.

On the controversial Zimbabwe export deal Davel said the board would start railing 100 000 tons as soon as the money — R45m — was in the bank. (946)

Earlier this week it was reported from Harare that the deal was threatened by Zimbabwe's forex shortage. However, Davel said he had been assured by the Zimbabwean Grain Marketing Board yesterday that payment would be made today.

He said some African countries had asked for options to buy bigger volumes — 200 000 tons are still available — but whether these could be granted would depend on the success of the 1991/1992 crop.

Davel said of the overseas buyers Japan's purchases were by far the largest.

20/12/91 (746)

TRADE AND INVESTMENT FM 20/12/91

Northerly targets (746)

New markets keep opening up for SA's exports. Kenya and Oman are cases in point. Exporters are being lured by an important trade exhibition in Nairobi from June 30 to July 4 1992; and Oman may soon open the door to SA trade with one of the world's most lucrative markets — the Gulf.

David Altman — director of "Contact Kenya '92" — says 70% of the available space at Nairobi's prestigious Kenyatta International Conference Centre (at R15 000 for 12 m²) had already been booked last week. This was just one month after the 1992 SA trade exhibition had been officially announced.

"This was without a single ad," he boasts. "We merely invited the media to our launch and promoted the event via the offices of Safto, the departments of Trade & Industry (DTI) and of Foreign Affairs, as well as various industry and business chambers." Central African countries like Ethiopia, Tanzania, Rwanda, Burundi and Nigeria are showing interest in the Kenyan fair, he adds.

Altman is looking at about 160 to 170 SA exhibitors making the trek. Names already on his books include BMW, the Barlows-Tiger stable, Tedelex, the Pep group, Midas and the W & A group. With 140 exhibitors already booked and a claimed 500 to 600 inquiries still to be processed, Altman has arranged for additional space to meet demand from SA exhibitors/exporters. Why the surge of interest?

Kenya has a lucrative R10bn a year import market. Altman believes exporters should find tremendous acceptance there. Being close to the market, they can offer Kenyan importers quality and price advantages. On top of that, the DTI has come up with an attractive package for would-be exhibitors:

- ☐ They can qualify for a cash refund on the R15 000 exhibition costs, subject to departmental approval;
- ☐ The balance of exhibition costs (after the refund) can be claimed by registered exporters as an allowance in terms of the Income Tax Act; and
- ☐ Once deals are sealed, exporters could qualify for the generous general export incentive scheme subsidies, depending on the level of value added to manufactured exports.

Meanwhile, President F W de Klerk's visit to Oman last month is evoking comment and hope. Safto GM of international operations David Graham says the Arab League could discuss the lifting of trade sanctions against SA at its December meeting.

The market is huge. In 1990, total Gulf states' (population 87m) imports were US$66,2bn, compared with South America's $61bn. Even tiny Oman had $2,3bn of imports and exports of $5,2bn that year.

Graham says SA exports which could find a ready market in an "open" Gulf include food products, consumer and manufactured goods, valves, building materials, transport services, structural and stainless steels.

So far, 25 SA companies have joined Safto's Gulf Business Development Unit — established after the Gulf War to promote participation in the rebuilding of Kuwait — to find potential export markets in the Gulf.

A Safto delegation visiting several Gulf states next February will attend an international trade fair in Kuwait. Construction opportunities still abound. ■

WINE EXPORTS FM 20/12/91

(746)

KWV to the rescue

KWV plans to double the sale of all SA wines in the UK to 1m cases within the next five years. So says KWV chief marketing executive Jannie Retief, who also chairs the Cape Wine and Spirit Exporters' Association.

Retief, who spent four years in Britain examining the market, says KWV will encourage all winemakers whose products are good enough to be exported to Britain to take part in the drive. Funds have been allocated to mount a generic campaign in the UK to promote SA wines.

KWV is arranging for SA participation in next year's London Wine Trade Fair — on a country rather than brand basis. "SA has never done this before and the KWV is funding this initiative," says Retief.

KWV is also helping wholesalers and wine estates, smaller ones in particular, to get their products on the British market by offering them advice. "And if they want to, they can even ship through us."

Retief adds: "This may create the impression that we're cutting our own throats, considering that 90% of all SA wines sold in the UK are ours. Three years ago, we had a 98% share. Theoretically, we should be jealously guarding that base and even trying to enlarge it. But we want our share of all exports to shrink. The more exporters there are, the bigger the cake will be. We see this as a long-term strategy."

The KWV, which may not sell any of its wines in Africa south of the Equator in terms of a gentleman's agreement struck with wholesalers in 1925, accounts for 70% of all SA wines exported. Its other main markets are Europe (mainly Germany, Holland and Scandinavia) and the Far East. Canada, once SA's biggest customer, and the US, which imposed sanctions on SA wines, are also coming back.

FM 20/12/91 (746)

Hitting the 1m mark won't be easy. While Britain never imposed sanctions against SA wines, anti-apartheid pressures made it prudent for the boards of the big grocer chains (such as Marks & Spencer, Asda and Sainsbury, who collectively sell 55% of all wine sold in the UK) not to stock SA wines.

Specialist stores continued to sell them — and sales grew by 25% a year. "However, it was like running a race with one leg in plaster," says Retief. "The question is: where would we have been without moral sanctions?"

New world winemakers — in Australia, New Zealand, Chile and California — seized the opportunity and expanded sales to the UK. Australia already exports 1m cases a year. These countries are now SA's main competitors.

There are encouraging signs. Big grocers, who until recently would not return telephone calls, now see KWV's men. And SA wines have a fine reputation of value for money.

In May, 54 SA producers presented their products at a tasting arranged by the KWV in London and their products got rave notices from wine writers. At this year's International Wine and Spirit Competition in London, in which 24 countries took part, the KWV won 10 gold medals. Other SA producers won eight, Australia followed with 13, New Zealand won seven and the US six.

Distillers and SFW are the next biggest exporters. Distillers' export manager Simon Dewhurst says its products are sourced from estates and fall in a higher price bracket than KWV's. Depite that, it posted a 150% increase in UK sales in the first nine months of 1991. Sales into Europe also doubled, particularly to Germany, Holland, Austria and Switzerland.

SFW's Dick Coleshaw says new markets are being opened up in Denmark and even Poland, but his sights are still firmly fixed on the UK. "I'm looking at 1995 as the year when I want to double the volumes of Nederburg and Zonnebloem wines sold in other countries. This is possible if the countries that still maintain sanctions against us lift them soon." ■

Sip of wine opens the road to Kenya

SIPPING Portuguese wine in a Nairobi hotel, South African businessman David Altman asked himself why the glass did not hold the Cape's finest.

The thought spawned the concept of Contact Kenya, a project aimed at getting SA business to sell to Kenya what that country spends R10-billion a year buying elsewhere.

Mr Altman knows no reason why SA should drink Sri Lankan tea when Kenya produces some of the world's best. SI 11W03 (BUSS)

Contact Kenya is a business-to-business exhibition planned for June and July next year at the Kenyatta International Conference Centre in Nairobi. 22/12/91

The project was launched last month. Without further promotion, more than 70% of the initial exhibition space has been taken up by SA's leading lights, such as Barlows and Tiger Oats group companies and BMW.

Mr Altman has completed negotiations for additional space. DBA 74G

Silas Ita, managing director of Kenya's investment promotions centre — a Government-sponsored organisation serving the business sector — believes SA goods can come in at up to a third cheaper than the prices currently quoted.

Kenya's 1989 imports comprised food and beverages at 6%, industrial supplies 34%, fuel and lubricants 16%, machinery and capital goods 21%, transport equipment 18%.

The balance includes consumer goods and technical and professional services.

DAVID ALTMAN

The price of a stand at the exhibition is R15 000, but registered exporters can claim the total cost of exhibiting as an allowance. That will give exhibitors a deduction from taxable income of between 175% and 200% of the net amount spent, subject to a limit of 20% of export turnover.

This allowance will be repealed on March 31, but a commitment before that date will earn it.

Registered exporters may also qualify for a cash grant of up to a maximum of 80% of the exhibition cost, subject to the approval of the Department of Trade and Industry.

The package includes floor space, stand infrastructure, carpeting, electricity, furniture and fittings, cleaning, security, catalogue listing and a half-page advertisement, exhibitor badges and complimentary tickets.

At the launch of Contact Kenya 1992 in November, Pepkor chairman Christo Wiese said SA's 1990 exports of R4-billion to Africa were only 8% of the total. But they represented 25% of all SA's manufactured finished goods.

Mr Wiese said that not only were SA products better suited because of adaptations to African conditions, but they were competitive in quality and price because this country is a lot closer than are traditional European exporters to sub-Saharan Africa.

I spent three weeks in Kenya in August. My view is that SA could sell wine, tarmac and geysers without difficulty.

The cheapest plonks cost the equivalent of R40 a bottle in a nation that sells sherry in ice-pop type sachets and 250-m*l* cardboard cartons. The famed Tusker beer induced a dreadful headache — and not from excessive drinking.

The roads are appalling. The main road west out of Nairobi is so rutted that we travelled only 19km in 45 minutes early on a Sunday morning.

Highwaymen rob car occupants of their goods, but decline to take the vehicles because they cannot get away quickly enough.

In contrast to Zimbabwe there are few old cars in Kenya. But it is hardly surprising because they do not last on those roads.

We complained because there was no hot water at the seaside cottages near Mombasa. The owner told us that there had been none — not even in his house — for seven years because new geysers could not be obtained.

Incentive schemes fuel growth

Trade surplus soars amid export boom

B/Day 24/12/91

(14G)

ANDREW GILL

SA's trade surplus continued its upward spiral in November, hitting its third highest level this year and prompting speculation of a record R7bn current account surplus for 1991.

The surplus of R1,84bn was lower than October's record R2,75bn but well within the recent positive trend, Customs and Excise figures released yesterday show.

Even more encouraging, economists said, was the strength of manufactured exports, which had shown the strongest growth of any sector this year.

Among the best was plastics, which was 46% higher, followed by chemicals, machinery and transport. SA Foreign Trade Organisation economist Bruce Donald said it reflected the export drive and the effect of export incentives for high value-added products.

However, this also reflected the lower domestic demand for these products and manufacturers' moves to sell their surpluses overseas.

Exports for November were R5,5bn (from R6,9bn in October) and imports R3,67bn (R4,2bn). The cumulative surplus was up a strong 11% in a month to hit R16,62bn.

The strong export performance has come about despite static performances or even declines in most primary sectors. Only diamonds with 26% growth over 1990 bucked this trend.

The only export sector not showing real growth was vegetable products, which had been hit by the drought and the consequent need to import, Donald said.

The real decline in imports over the year reflected recessionary conditions, although it was surprising how resilient they had been in the face of the lengthy downturn.

SYLVIA DU PLESSIS reports Bankorp chief economist Nick Barnardt said the figures confirmed the strength of the trade account, despite the lower gold price and weaker world economy, and could mean a current account surplus of about R7bn.

The forecast compares with predictions earlier in the year of a surplus of between R3bn and R4bn.

First National Bank group economist Cees Bruggemans said the drop-off in imports had been far from the substantial

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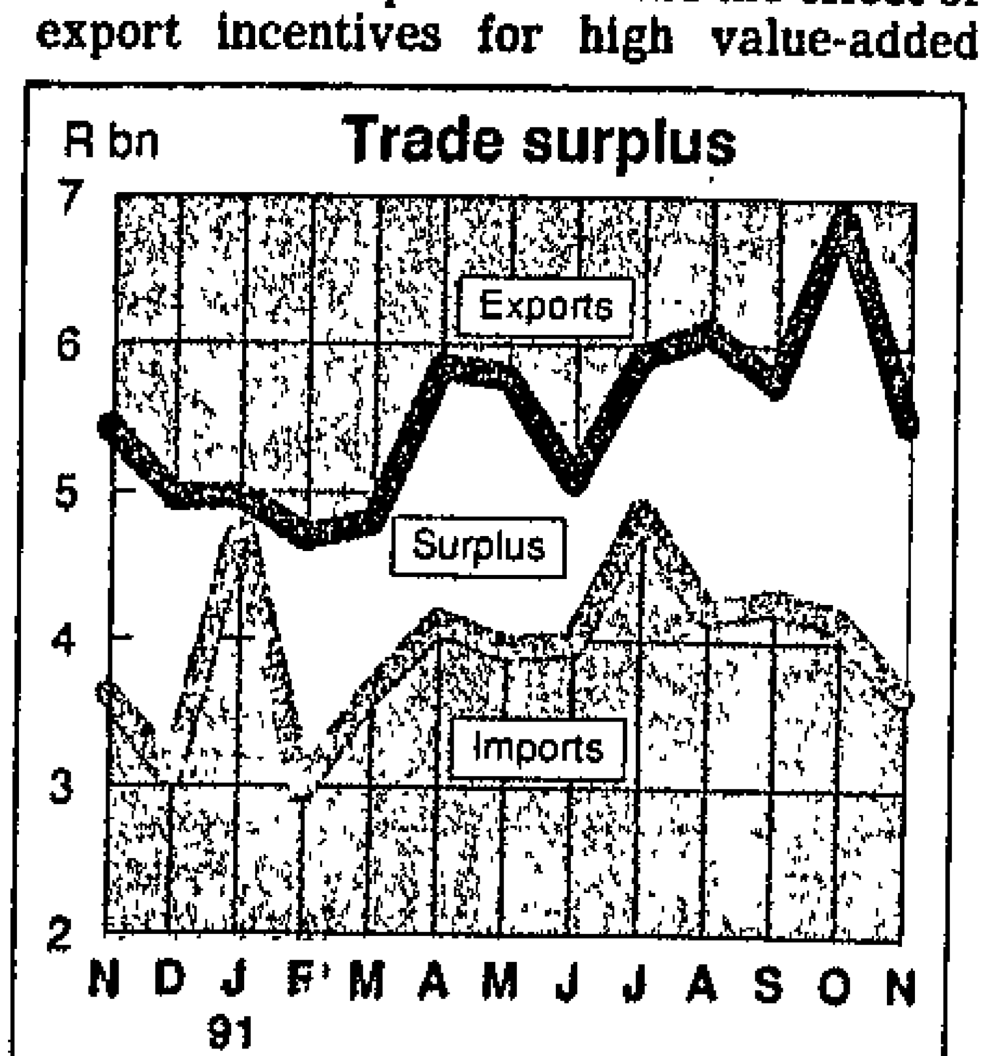

Graphic LEE EMERTON Source CUSTOMS & EXCISE

Trade

BDay 24/12/91

(14G)

☐ From Page 1

decline in 1985, despite the current depressed state of fixed investment and stock levels. The figures reflected the continued positive trend but, he warned, were only "one bright star in the firmament".

In November imports of unclassified goods (mostly oil) declined to R192,4m from October's R628,6m, possibly reflecting the use of local stockpiled crude.

Unclassified exports (mostly gold and arms) were down from October's high R2,78bn to R2,03bn.

Cumulative figures show imports from January to November increased by just more than R3bn (9%) and exports increased by just under R6bn (just more than 10%).

Exporters can expect an even better new year

(746)

STAR 31/12/91.

By Sven Lünsche

Exporters provided the only real bright spot in the economy this year by pushing up their earnings overseas to record levels amid adverse conditions.

And analysts expect that they will continue their strong performance in 1992 as the world's leading economies are set to show firmer growth rates, particularly in the second half of the year.

Judging from the trade figures released by the Department of Customs and Excise for the first 11 months of this year exports could total just short of R70 billion for the full year — a satisfying growth rate of over 12 percent on 1990's R61 billion.

This is a remarkable achievement considering the rest of the world's economies have barely shown any growth; that commodity prices have slipped badly and the rand has been holding firm on a trade-weighted basis.

This growth stemmed in the main from the manufacturing sector, which has been faced with a slump in domestic trading conditions.

Trade surplus

Analysts have put forward a number of reasons for the strong performance which looks set to push the trade surplus — the balance of exports over imports — to a record R18 billion in 1991.

Dr Azar Jammine of Econometrix suggests that years of sanctions on the country "imbued businessmen with an export-orientation and aggression which used to be absent.

"Of course, the lifting of sanctions also opened up new export markets, particularly in the established industrial countries, which are lucrative and profitable".

The SA Foreign Trade Organisation (Safto) ascribes the good growth rate to government policies which support exporters, particularly the General Export Incentive Scheme. This also boosted the shift from commodity to manufacturing exports.

Looking ahead to 1992 Safto says exports could grow by a real five percent in nominal terms which would boost their value to just over R80 billion.

But this forecast could be slightly on the pessimistic side. Although exporters can expect little support from any weakening in the rand, world economic growth rates are set to rise in 1992.

This was confirmed by last week's Economic Outlook of the Paris-based Organisation for Economic Co-operation and Development (OECD), which represents the world's top 24 industrial countries.

The OECD forecasts total economic growth in the 24 countries to average 2,2 percent in 1992. This is slightly lower than in previous forecasts but is substantially above the 1,1 percent growth rate provisionally estimated for this year (see chart).

World trade itself should rise from 3,3 percent to 5,7 percent the OECD says, adding that the "fundamental conditions for renewed growth at a moderate pace are in place".

Analysing the report the Financial Times says that the industrial world will have to wait until the second half of next year for growth to return to the annual three percent level, which is associated with maintaining normal employment levels.

Although the OECD projects a weaker expansion than in previous upturns, it is unswayed by talk of double dip recesssion, arguing that generally economic activity is recovering in countries where it had fallen and slowing to a more sustainable pace in countries where it had been weak, such as Japan and Germany.

Uncertainty

The OECD admits, however, that recent softness in key economic indicators had added to uncertainty about the timing and strength of growth.

"The impetus behind the projected pick-up in activity seems less than in past recoveries, while the shallowness of the recession and high levels of indebtedness point to only a moderate revival on consumption and investment spending," the OECD says.

Looking further ahead, however, the organisation believes that by 1993 output in the industrial world could be expanding at annual rates of more than three percent, with differences in the rate of expansion across countries narrowing considerably.

However, it expects little overall improvement in unemployment which is projected to be unchanged from its present rate of just over seven percent.

OECD ECONOMIC OUTLOOK
Summary of Projections*
(Seasonally adjusted at annual rates)

	1990	1991	1992	1993	Previous forecast 1992
US	1.0	−0.5	2.2	3.8	3.1
Japan	5.6	4.5	2.4	3.5	3.5
Germany	4.5	3.2	1.8	2.5	2.2
OECD Europe	2.9	1.2	2.0	2.7	2.4
Total OECD	2.6	1.1	2.2	3.3	2.9
World Trade (%change**)	5.2	3.3	5.7	7.2	5.8

Entrepreneurs welcome new bond facility

By Frank Jeans

There has been strong response to Nedfin Bank's new bond facility aimed at entrepreneurs who want to own industrial premises.

Called Nedfinbond, the facility, now in a test-marketing phase, allows business owners to free themselves from spiralling rentals.

John Sinclair, Nedfin Bank's assistant general manager, asset management division, says: "The loan is negotiable over five, 10, or more years.

"At the beginning of the period, the client is already in a better situation in that he can precisely budget the cost of accommodation.

"As property values increase and the loan balance decreases, he will have greater equity in the property and thus more creditworthiness.

"Even better, he ultimately becomes the full owner of an increasingly valuable fixed asset."

Mr Sinclair emphasises that Nedfinbond is purely for industrial premises. The facility can be secured for the purchase of existing rented properties or for land and the erection of new buildings.

Recovery hopes rest on exports

S/Times (Bus) 29/12/91 (MC)

EXPORTS are expected to be the bright light in South Africa's otherwise sluggish economic performance next year.

As world markets continue to open up to SA and global economic conditions improve, the Chamber of Business (Sacob) believes exports will lead the way out of recession.

The South African Foreign Trade Association (Safto) forecasts real growth in exports of 5% in 1992 after better than expected growth this year, especially in manufactui ›d goods.

By ZILLA EFRAT

SA's trade surplus reached a record R16,6-billion for the first 11 months of 1991, according to Customs and Excise figures released this week.

This 13% improvement came in the face of slow economic growth worldwide, declining commodity prices and the rand's appreciation in real terms.

Some economists have raised their forecasts for 1991's surplus on the current account to a record R7-billion.

Econometrix economist Azar Jammine says export volumes grew by more than 5% in the past six months.

Dr Jamine says exporters appear to have been encouraged by schemes offered by the Government. In addition, sanctions may have forced SA producers to become more aggressive than before on the international front.

Negative

This year's strong performance shows that SA's export growth need not be hampered by sluggish international activity.

SA's 0,7% share of world trade means there is much scope for improvement next year.

Although SA is expected to move into a recovery cycle, Reserve Bank Governor Chris Stals warns that the turnaround will not be spectacular.

Economists believe that various negative factors will continue to affect the economy adversely.

Sacob economist Keith Lockwood says the domestic economy does not have the ability, nor is it willing, to spend itself into an upswing in the near term.

Although inflation and interest rates are expected to ease, especially towards the end of 1992, consumer spending remains under pressure from retrenchments and lower-than-inflation pay increases.

Government spending is also unlikely to be sufficient to make a significant impact on the economy, says Mr Lockwood.

Trimmed

Spending will be boosted if political negotiations are successful, as will domestic and foreign investment.

Safto chief executive Wim Holtes forecasts that nominal export growth will rise from 12% in 1991 to 18% in 1992. Exports could improve from R69-billion in 1991 to R80-billion in 1992.

Although new and old markets are opening up to SA, export growth depends to a large extent on a turnaround in world economic conditions.

Organisation for Economic Co-operation and Development (OECD) countries have trimmed their expectations for economic growth. The US is struggling to get out of recession.

Mr Holtes says economic prospects for Eastern Europe are encouraging and strong growth patterns are evident in many Asian countries.

SA's exports to Africa are buoyant. They rose by 40% in 1990 and are expected to be up 25% in 1991. SA's foreign trade performance is expected to be influenced by next year's formation of the common European market.

The ending of Danish sanctions against SA could bring a trade boost.

Denmark has blocked the other 11 EEC members from removing final bans on SA iron, steel and gold coins. But it seems likely to drop its objections.

The collapse of the Soviet Union could affect base and precious metal prices.

Mr Holtes fears that a turnaround in SA market conditions next year could absorb more domestic production, leaving less for export. Even the most committed exporters could encounter production capacity limits.

He says there is always a danger that companies will neglect exports once the domestic economy picks up.

But this trend will be countered by the increasingly effective benefits that exporters, particularly of manufactured goods, obtain through the general export incentive scheme (GEIS).

This incentive helped to lift exports of manufactured products from January to November this year.

Exports of plastics jumped 46% compared with the same time last year, transport equipment by 32%, chemicals by 24% and machinery by 18%.

Volatile

Mr Holtes says GEIS benefits have helped the thrust of SA's trade to move from traditional commodities.

Producers should also benefit from the zero rating in terms of VAT on export goods, a factor that reduces their costs by about 5%.

However, those companies that depend heavily on intensive foreign marketing are likely to be affected when the tax allowance for this expenditure ends in March.

Mr Lockwood says SA's rate of inflation places pressure on its international competitiveness. But it has been offset by lower export costs because the political premium on SA goods and the use of third parties in international trade have disapeared. Strong export growth will help the balance of payments.

Mr Lockwood says a major problem in the past has been the balance of payments constraint which has caused volatile economic cycles.

If SA is able to take advantage of opening markets and improved world economic conditions, the pressure on the BoP will be relieved. SA will enjoy a longer economic upturn than in the recent past.

Exports set to continue growth

74G

ARG 4/1/92

SVEN LUNSCHE

JOHANNESBURG. — Exporters provided the only real bright spot in the economy last year by pushing up their earnings overseas to record levels amid adverse conditions.

And analysts expect they will continue their strong performance in 1992 as the world's leading economies are set to show firmer growth rates, particularly in the second half of the year.

Judging from trade figures released by the Department of Customs and Excise for the first 11 months of this year, exports could total just short of R70 billion for the full year — a satisfying growth rate of over 12 percent on 1990's R61 billion.

This is a remarkable achievement considering the rest of the world's economies have barely shown any growth, that commodity prices have slipped badly and that the rand has been holding firm on a trade-weighted basis.

This growth stemmed mainly from the manufacturing sector, which has been faced with a slump in domestic trading conditions.

Analysts have put forward a number of reasons for the strong performance, which looks set to push the trade surplus — the balance of exports over imports — to a record R18 billion in 1991.

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But this forecast could be slightly on the pessimistic side. Although exporters can expect little support from any weakening in the rand, world economic growth rates are set to rise in 1992.

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Analysing the report, the Financial Times says the industrial world will have to wait until the second half of next year for growth to return to the annual three percent level, which is associated with maintaining normal employment levels.

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Naacam targets the US

SEAN VAN ZYL

THE automotive component manufacturing industry had targeted the US as a major export market to boost foreign earnings as local demand declined, National Association of Automobile Component and Allied Manufacturers (Naacam) director Denzyl Vermooten said yesterday.

A 10-day "export workshop", to take place in the US from January 27, was expected to open up new export opportunities for local component manufacturers.

Vermooten said it was too early to put a value to the US market.

The workshop, which would allow Naacam members to meet representatives of major US component buyers like Western Auto Parts, had been jointly arranged by Naacam, the Department of Trade and Industry and the US-based Texas-Carolina Group.

Vermooten said local component manufacturers were already well-positioned in Europe and, to some extent, in the Far East. A break into the US market would be entirely new ground for SA manufacturers.

Texas-Carolina said in a statement that the workshop would cover topics like understanding US parts distribution, differences in American business practices, costing and pricing policy, product liability, import requirements, financing exports and US packaging and service requirements. The visit would be focused on Charlotte, North Carolina, the sixth largest distribution centre in the US.

Vermooten said the US workshop was the first of a number scheduled worldwide by Naacam which had "embarked on an aggressive export campaign to develop new offshore markets".

He said the US visit would be closely followed by an organised trade visit to Australia in March or April.

BUSINESS DAY, Tuesday, January 7 1992

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SA coal exporters keep prices static

B/Day 9/1/92 (146) (###)

MATTHEW CURTIN

SA's coal exporters emerged from negotiations on steam coal contracts for 1992 with static or only marginally lower prices despite the world recession and gloomy short-term prospects, market sources said yesterday.

However, they believed major exporters were playing down their success so as not to encourage smaller producers who are backing the possibly competitive project to build the new "red" terminal at Richards Bay.

Amcoal, Trans-Natal and Randcoal Limited — the new name for Rand Mines's coal division formerly known as Witbank Colliery — have argued that a surge in exports from smaller players out of a second terminal would send prices tumbling.

One analyst said yesterday SA's main exporters had rolled over 1991 prices for 1992 in general, with price cuts of no more than US$1,50 a ton.

He said this was an achievement given weak demand, and reflected the levelling off of the "political discount" exporters offered customers when sanctions were in force.

Frankel Kruger analyst Kevin Kartun said contract prices were down by between $0,50 and $1 to about $30,90 a ton.

He said it was likely total exports from SA — the world's third biggest coal exporter after the US and Australia — would be marginally down in 1991 from the previous year when nearly 49-million tons were exported.

Kartun said "it was a buyer's market" and some exporters were finding it cheaper to leave the coal in the ground rather than export it.

The gloomy short-term export prospects had seen a long-awaited correction on the JSE's coal board in recent weeks, he said. The coal index stood at 3 685 yesterday, still more than 70% higher than in was a year ago, but 12% down from its high of 4 176 points reached late last year.

Another analyst said despite the main exporters' dire warnings of the dangers of raising SA exports, small producers were pursuing the red terminal option so that when market conditions improved they were not restricted by inadequate port facilities.

He said the volume of the international steam coal trade had risen by 9% a year on average in the 1980s, with conservative estimates of 5% to 8% yearly growth in the 1990s.

With environmental concern in the industrialised world over building new nuclear or coal-fuelled power stations, countries in the EC and Japan were finding it cheaper to import coal than mine and clean their own. New 40-year life power stations would depend on imports from SA, the US, Australia and Indonesia.

Report favours Taiwan's model

Govt studies free trade zone proposal

B/Day 16/1/92

(14G)

LESLEY LAMBERT

GOVERNMENT departments are studying confidential proposals by the private sector for a free trade zone to boost SA exports and attract foreign investment.

The proposals, which emphasise the need to develop an economic environment conducive to exports, have been drawn up by a joint committee of the regional development advisory councils (RDAC) and an independent consultant.

An initial draft of the report has been submitted to the departments of Trade, Industry and Economic Co-ordination and Regional and Land Affairs, sources said yesterday.

Up to now, government has rejected recommendations for free trade and export-processing zones, choosing rather to assist exporters by exempting them from duties on imported plant, equipment and other manufacturing inputs.

However, the proposals indicate a strong renewal of interest in free trade areas. Factors such as the perceived inadequacy of the duty rebate system and the lifting of sanctions, coupled with tough competition on foreign markets, have lent support to the renewed interest.

Evert van Dijk, the consulting economist who played a major role in drawing up the proposals, said yesterday he could not comment until the report had been accepted by the joint RDAC export promotions committee and made public.

However, sources said the report examined the pros and cons of a closed approach, in which a separate free trade zone is established as in Taiwan, and an open approach, such as the one in Mauritius.

The report is understood to favour the closed approach because it attracts manufacturers, offers mass benefits in specific areas, facilitates better customs control and supports nearby related industries.

One of the major reservations, expressed by the union movement, is that free trade areas encourage low wages in cases where existing labour laws are relaxed. International research indicates that this is not necessarily the case and that they often pay higher average wages because of additional skills training.

The report also appears to recommend that the location of a free trade area should be based on proposals submitted by the nine development regions rather than a decision from central government.

Joint RDAC export promotions committee convener Chris Proctor said a final draft of the report would be approved by

☐ To Page 2

Free trade zone

16/1/92 (14G)

☐ From Page 1

the committee in February. He said the committee was consulting government and non-establishment groups.

Free trade zones have succeeded in many developing economies. They are demarcated areas in which normal economic and trade regulations are suspended.

Investors benefit from incentives such as tax and duty rebates, cheap infrastructure and services and exemption from foreign exchange controls.

Participants are compelled to export 100% of their output. Distribution in domestic markets would distort market forces because of their competitive advantage.

Exports 'likely to increase'

B/Day 16/1/92 946

SHERIDAN CONNOLLY

ECONOMISTS are confident that manufactured exports will increase this year as sanctions fall away and demand in world markets improves.

This was the finding of a Stellenbosch University Bureau for Economic Research (BER) survey, which found prospects for manufacturers as a whole this year to be more optimistic.

SA Foreign Trade Organisation (Safto) chief economist Bruce Donald said yesterday that Safto had forecast a 5% real growth in exports this year.

With trade sanctions on the way out, growth in alternative markets could be expected — particularly in markets elsewhere in Africa.

The gradual abolition of sanctions would encourage the export sector, as local exporters would no longer be forced to give political discounts.

Safto's export statistics indicated that sectors such as plastics, chemicals, machinery and transport equipment had been the best performers last year and were expected to continue to perform well.

Low cost and less risk in traditional markets could see local exporters shift their efforts towards these markets.

However, there were capacity and structural limitations on the extent to which exports could be boosted, he said.

Bankorp chief economist Nick Barnardt said progress in the manufacturing sector this year would be limited by global economic prospects.

He did not expect the rand to appreciate on a trade-weighted basis in 1992, allowing exports to retain their competitive stance.

A more stable year was expected for manufacturers in the light of expectations of single-digit producer inflation.

UK wine sector finds SA products pricey

BDay 17/1/92

DARIUS SANAI

SA WINES are overpriced in the UK, leading British wine industry sources say.

A spokesman for the Wine Society, the UK's leading subscription retailer, said yesterday that Cape wines were highly regarded in the middle market, and that the taboo surrounding SA products was disappearing. However, SA wines faced stiff competition from Chilean, Australian, Californian and New Zealand exports.

"The feeling among the retail industry here is that SA wines tend to be highly priced for what they are," she said.

A Meerlust 1987 Cabernet Sauvignon cost society members £10. A similar Bordeaux wine retailed at the same price, the spokesman said. SA chardonnays were retailing at £6-£9 a bottle, while a highly regarded French chablis of recent vintage often cost very little more.

A source at one of London's most exclusive independent wine stores said SA wines did not justify their prices.

Joanna Standen, spokesman for the Thresher group which owns the country's three leading chains of off-licence retail stores, said SA wines would have fared better if they had become socially acceptable five years ago. Taking this into consideration, they were not doing too badly.

KWV spokesman Jannie Retief said yesterday the co-operative was "very pleased" with sales in the UK, which was now KWV's main export market.

"I dare any producer from any country to beat us on value for money," Retief said.

Highly placed sources said that not all British consumers yet "approved" of buying SA wines. Some retailers still refused to stock Cape wines.

World uranium glut likely to depress SA exports

(749) Argus 18/1/92

(749) A1

Weekend Argus Foreign Service

LONDON. — Inventories in Western and Eastern Bloc nations are sufficient to satisfy nuclear reactor requirements for five years, according to a study by the Uranium Institute which represents producers and consumers.

The study, "Uranium in the new world market — supply and demand 1990-2010" forecasts that total world requirements of uranium will grow at an annual rate of 2,1 percent to 64 000 tons by the year 2000 from 55 000 tons in 1991. But Western output which declined "significantly" in recent years will fall far short of this demand.

Western production which was 28 341 tons in 1990, will peak at 32 600 tons in 1995, but at a capacity of 83 percent will slump to 24 200 tons in the year 2000 and 22 266 in 2010, predicts the report.

Annual South African production which fell to 1 980 tons in 1990 from 3 875 in 1988 will slip below 2 000 tons unless prices improve.

The expected Western production shortfall could be met by higher exports from Russia and to a lesser extent from other former Soviet Republics and China, says Wolf Gehrisch, author of the report.

"The uranium export policies of Russia and other former Soviet republics will critically effect Western producers over the next decade and beyond," he says.

Soviet sales to the West and mainly to the US are presently as much as 12 percent of total annual world supplies, says Phillip Crowson, chairman of the institute's supply/demand committee. China is exporting around 1 000 tons a year, he says.

The former Soviet Union holds a huge uranium stockpile of around 150 000 tons "in all forms and for all uses", according to the report.

Indeed, annoyed about a surge in imports of Soviet uranium, the US mining industry, last month, persuaded the US Commerce Department to open an investigation into alleged dumping.

That investigation contributed to a recovery in spot uranium prices to $8,75 a pound at the end of December from $7,40 at the end of November, says Nuexco, international uranium brokers.

Yet one should not read too much into that revival. Trading conditions were "thin" says Nuexco and the depressed market compares with a peak of $43,70 in 1978.

The Uranium Institute is not prepared to forecast prices, but it cautions that there are huge inventories that will keep uranium in plentiful supply — at least until the turn of the century.

There will be a huge glut of the mineral even though consumption will continue to exceed annual production in the next two decades.

"The easing of East-West tensions has raised the possibility of military nuclear material for use in civil reactors," says the report. But "substantial hurdles" must still be overcome and such transfers are unlikely for several years.

Nevertheless, strategic uranium stockpiles of the US and former USSR "exceed foreseeable need " and "potentially some of this material could be disposed of in the market".

Meanwhile, utilities in North America, Europe and East Asia hold around 160 000 tons of uranium and between 40 000 to 80 000 tons are in excess of ...

Nuclear power plants provided nearly 6 percent of electricity consumed in South Africa in 1990. The share of nuclear power worldwide will remain about the same in the next two decades, says the Uranium Institute, against 10 percent a decade ago.

SA platinum supplies set to top '91 levels

Business Staff

SUPPLIES of platinum from South African sources are likely to exceed 1991 levels despite the curtailment of the various expansion projects by the major producers and the closure of the Crocodile River Mine.

However, if the production disruptions which occurred at certain mines during 1991 persist it is possible the potential increase in platinum supplies from South African mines could be severely curtailed.

As was the case in 1991, supplies of platinum by the Commonwealth of Independent States (formerly Russia) will play a key role in the market during 1992.

The ability of CIS to maintain platinum sales at the abnormally high levels seen during 1991 must be questioned, especially in light of the recent disclosures about the lower than expected level of Russian gold reserves.

Current CIS sales to the West represent a fine balance between production problems (a recent union report from the Norilsk complex, which produces some 90 percent of CIS platinum group metals, indicates that metal production was down by some 30 percent in 1991 and that production is expected to decline by at least another 10 percent in 1992) and reduced internal demand from CIS industry and the military.

Merrill Lynch recently predicted that CIS metal exports to the West will fall in the next three to six months.

Johnson-Matthey has forecast a supply surplus of 210 000 for last year.

746 ARG 28/1/92

Exporters set new record

DEREK TOMMEY

JOHANNESBURG. — Exporters have had another record year, with sales of R66,2 billion, the Department of Customs and Excise has reported.

This is R5,3 billion — 8,7 percent — higher than in 1990.

However, some individual exporters did much better than this, increasing their sales by up to 40 percent.

This is seen as an outstanding achievement in view of the severe world recession.

The South African Foreign Trade Organisation (Safto) is predicting an 18 percent increase in exports in current money terms (plus 5 percent in real terms) this year, with the upswing occurring in the second half of the year.

The estimate is based on bullish expectations among exporters revealed by a Safto survey and forecasts of improved growth in world trade this year.

Imports also rose in 1991, but by a comparatively small of R4,2 billion — 9,5 percent — to R48,3 billion.

Thus South Africa increased its trade surplus to R17,9 billion — another record.

The surplus is 6,5 percent greater than last year's R16,8 billion, and opens the way for the Government to restimulate the depressed economy without worrying too much about balance of payments problems.

The trade figures show that exporters of manufactured goods and what can be termed "non-traditional" products were extremely active in 1991.

Exporters of plastic and rubber products increased sales by 42,1 percent, or R170,9 million, to R576,4 million.

Suggestions of greatly increased sales to the rest of Africa are contained in the strong rise in exports of "miscellaneous manufactured articles" by 41 percent to R170,6 million, and the 32,3 percent rise in the sale of transport equipment by 32,3 percent to R15 billion.

In spite of these increased sales of non-traditional products, it is clear from the figures that South Africa is still heavily dependent on traditional exports for the bulk of its export earnings.

Of the R66,2 billion earned, "unclassified goods", mainly gold, but which could include some oil, accounted for R26,7 billion.

"Precious stones and precious metals", which covers platinum and diamonds, realised R6,8 billion, while mineral products (mainly coal) brought in R7,7 billion.

Base metals (iron and steel, iron ore, chrome and manganese) fetched R9,6 billion.

Mr Bruce Donald, Safto's economist, said yesterday the trade surplus would allow South Africa to meet its foreign obligations comfortably.

Assumed services and net transfer deficits of R11 billion implied a current account surplus of close to R7 billion for the year.

Mr Donald said it was likely that the strong performance of some of the manufactured goods categories was partly attributable to the introduction of the General Export Incentive Scheme (GEIS).

Export growth lifts 1991 trade surplus

B Day 28/1/92 74G

SHERIDAN CONNOLLY

ENCOURAGING trade figures released by the Department of Customs and Excise yesterday showed SA's exports grew 9% in nominal rand terms, topping R66,2bn in 1991 compared with R60,9bn in 1990.

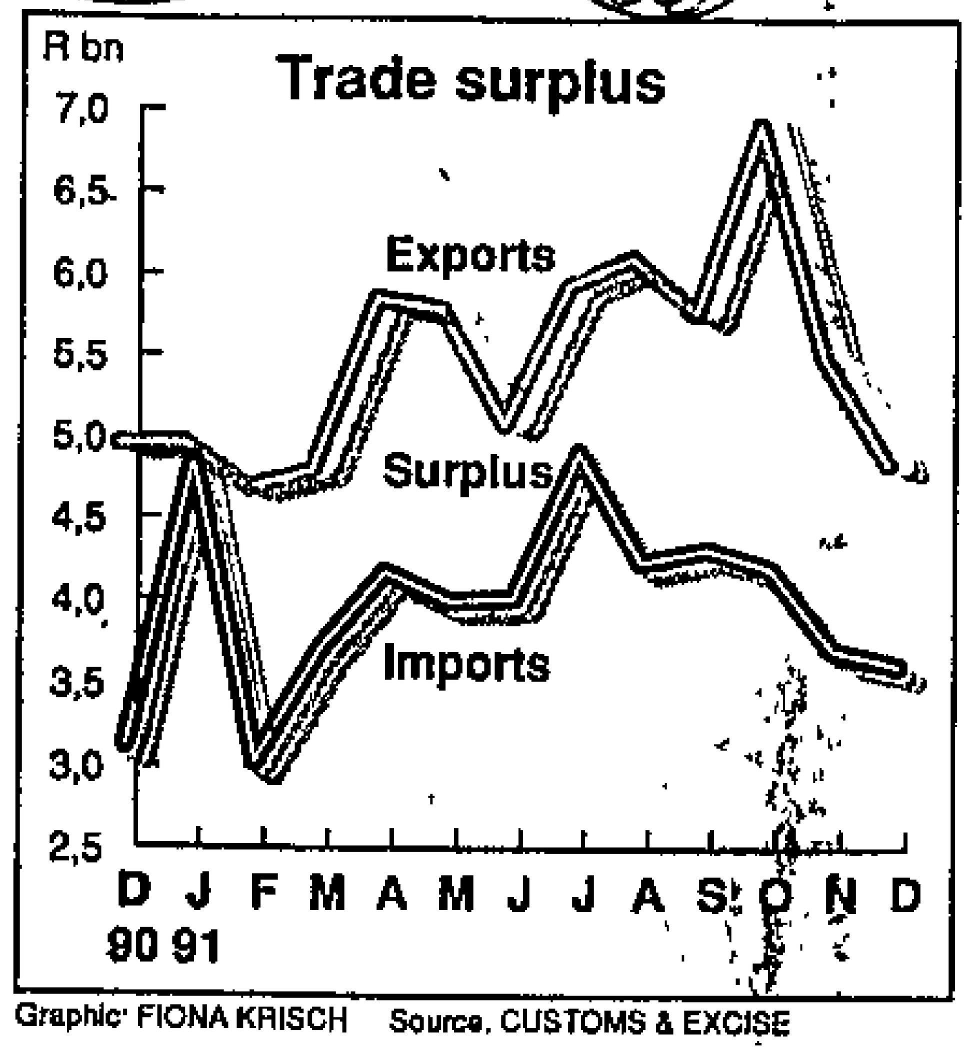
Total imports in 1991 were slightly higher at R48,3bn as against R44,1bn in 1990.

Despite a drop in SA's trade surplus to R1,27bn in December from R1,84bn in November, the cumulative trade surplus increased 6% to R17,89bn in 1991 compared with R16,80bn in 1990.

Trade figures showed a sharp increase in unclassified imports (consisting mainly of crude oil) to R3,8bn in December from R1,9bn in November.

SA Foreign Trade Organisation (Safto) chief economist Bruce Donald said yesterday a services and debt transfers deficit of R11bn in 1991 implied a current account surplus of close to R7bn which would allow SA to meet its foreign debt obligations.

"SA exports of manufactured products were resilient against a backdrop of a weak international economy and pedestrian growth of international trade in 1991." Top export performers in 1991 were plastics, chemicals, prepared foods, machinery and transport equipment. Vegetable products performed particularly badly, showing a 10% decline in exports.



Graphic: FIONA KRISCH Source: CUSTOMS & EXCISE

Donald said basic commodities, which still make up the bulk of SA's exports, were hard hit by falling international commodity prices in 1991. Mineral products grew only 7% and base metals only 6%.

Safto predicted a higher rate of economic growth in 1992, with an upswing in the second half, and a nominal 18% increase in export growth (5% in real terms) this year.

The OECD, which predicted a 3,3% growth in world trade in 1991, has forecast a 5,7% increase in the volume of world trade in 1992.

The focus will swing towards exports

B/Day 30/1/92 (746)

THE one pleasing area of the economy is exports, and this sector will be a focus for investment in the coming year, says Southern Life investment manager Carel de Ridder.

He also expects Gross Domestic Fixed Investment (GDFI) counters to perform well earlier than normal in the economic upturn, saying that a number of projects have already been announced.

"We are coming out of a sanctions environment, where a lot of equipment has to be revamped."

He says he anticipates a good performance from the steel sector in the early part of the recovery, but is doubtful about government easing credit and stimulating consumer demand, and so is not optimistic about prospects of the consumer sector.

He is positive about the money and capital markets, saying they will play a critical role in stabilising portfolios.

"There is a need in SA for real interest rates and if we assume that this will be with us for a long time and if one expects lower inflation, then the returns from fixed interest deposits will be less than the returns of previous years.

"However, we won't have the disasters of previous business cycles, where one saw massively negative real rates of return in the money market," De Ridder says.

SA 'regaining status as top mineral exporter'

8104 5/2/92 (746)

CANBERRA — SA is in the process of regaining its position as a leading mineral exporter, with the virtual complete removal of trade sanctions providing growth potential not seen in the last decade, a leading South African economist said yesterday.

Frankel Max Pollak Vinderine economist Mike Brown said while the country recovered relatively well from its post-sanctions hiatus of 1987, SA could, in due course, be expected to compete on level ground with other mineral producing countries such as Australia.

SA, in a future sanctions-free climate, would compete more rigorously with Australia for a share of coal, mineral sands, vanadium and iron ore markets, Brown said.

Recent plant extensions had raised SA's annual steaming coal exporting capacity to 53-million tons from 45-million tons, and planned additions to the Richards Bay loading terminal would increase capacity by a further 10-million tons.

While this was dwarfed by Australia's 106-million tons annually, SA was likely to be competing for around 20% of a forecast increase in global demand for coal of around 100-million tons a year by the year 2000, Brown said.

Production of mineral sands in SA, the capacity of which was recently raised to one-million tons from 700 000 tons a year, also loomed as a potential competitor to Australia.

Brown told Australia's national commodity outlook conference that SA had sufficient spare vanadium to supply all but 5% to 10% of world demand for many years. — VWD.

Devaluation the key to export-led economic growth

BDay 31/1/92

EWALD WESSELS 74G

A SENSE of gloom has recently pervaded SA's economic debate. Yet there is no reason to succumb to despair. South Africans are in the habit of undervaluing themselves by believing that good ideas which have been successful elsewhere would not work here. Perhaps that is why the economic policies gaining the greatest credence abroad have not yet been examined seriously in the SA media.

The three-pronged strategy of devaluation while simultaneously liberalising trade and controlling inflation through the interest rate mechanism first adopted by Taiwan in 1958 was so convincingly vindicated in the decades which followed that this development strategy is now rapidly replacing the old economic orthodoxy. On the advice of Harvard University economics professor Jeffrey Sachs, Poland took this route to economic development on January 1 1990 and, inspired by Poland's success, the Russian Federation has followed suit.

Why should SA cling to policies labelled by Sachs as "the discarded structuralist doctrines once so ruinously applied to Latin America: that devaluation does not promote exports but only raises the prices of imported inputs; that trade liberalisation wipes out manufacturing jobs; and that protectionism should be pulled back only slowly"?

Perhaps part of the answer is to be found in the fact that the effects of devaluation, trade liberalisation and real interest rates have been looked at in isolation from one another.

The harmful effects of tariff protection have been highlighted by the IDC. But the removal of tariffs without a compensatory devaluation would be disastrous for manufacturers, so industry has opposed it.

When devaluation is suggested, the usual objection is that devaluation is inflationary. However, inflation will follow devaluation only if there is a failure to control the money supply. This is where the interest rate mechanism is relevant.

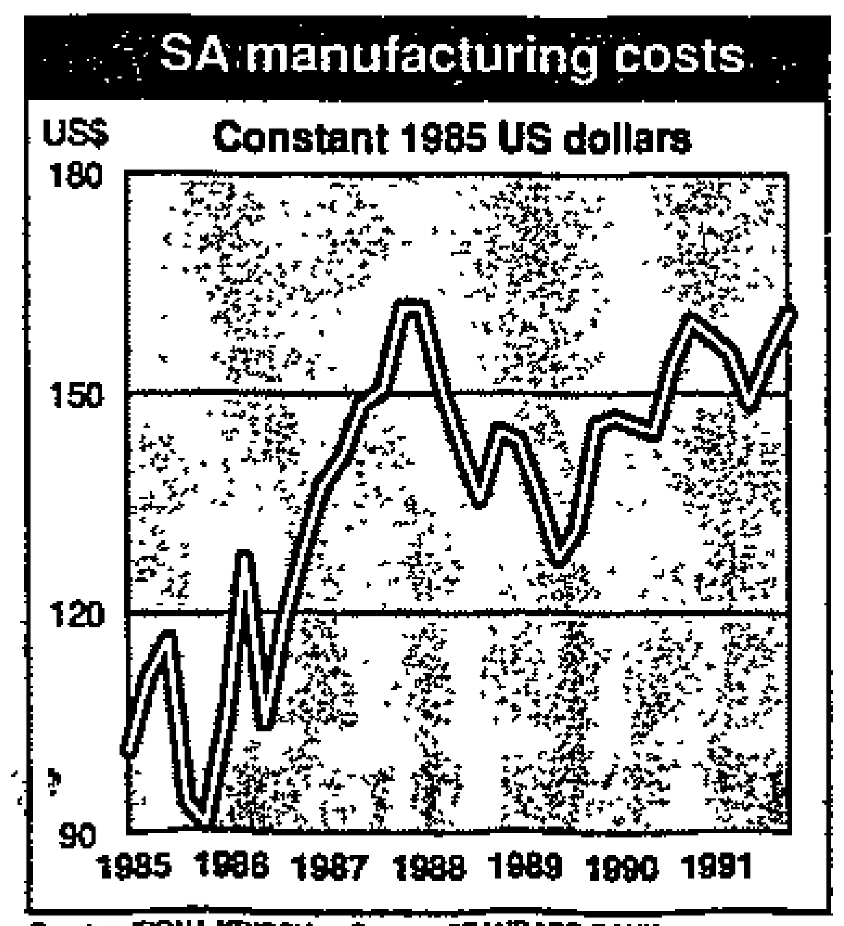
The compensating price-decreasing effect of a simultaneous removal of tariff barriers would in any case minimise inflationary pressure if the package of devaluation, tariff reduction and appropriate interest rates is carefully constructed and managed.

There is much confusion surrounding the notion of a "correct" exchange rate. There have been reports that the rand is undervalued by as much as 20%. In contrast, Harvard Business School professor Bruce Scott stated recently, in a presentation given as part of the Nedbank/Old Mutual scenario analysis, that the rand is substantially overvalued. The reason for the discrepancy is simply that the former view, which can be traced to the SA Reserve Bank, uses 1979 as a standard of comparison whereas Scott uses a functional standard — he compares the current value of the rand with that value required to stimulate a satisfactory growth rate.

The Reserve Bank and many private sector economists use the so-called "purchasing power parity" method for making comparisons. All these calculations use a "basket" of currencies weighted according to SA's foreign trade, whereas the competitiveness of SA products is actually determined by trade in the world market as a whole. There is, in any event, no unanimity on how to construct an appropriate basket. None of the purchasing power parity calculations correctly reflects the effect of the exchange rate on SA's international competitiveness.

A picture of what has been happening in the economy can be obtained by looking at the dollar cost of manufacturing. The US dollar is the most convenient unit for comparisons since it dominates world trade; 70% of SA's exports and 60% of imports are dollar-denominated.

If the ruling world price for widgets was $120 in January 1985 and an SA entrepreneur could produce them for $100, he would have been in business. He would have had to cope with all the defensive tactics of his competitors, including predatory price decreases, but provided the manufacturing cost of international competitors was no lower than $100, our entrepreneur would have been entitled to expect to survive.



Graphic: FIONA KRISCH Source: STANDARD BANK

Widgets being a product not prevously made in SA, he would have enjoyed no tariff protection in the domestic market even though he bore the cost of tariff protection of his inputs. But, allowing for the vagaries of government policy, he would have been able to count on export incentives to help him become established in foreign markets.

Allowing purely for SA inflation and the rand/dollar exchange rate, his manufacturing cost would subsequently have changed, as shown in the graph. The manufacturing cost of an American competitor would have risen by the US inflation rate. But since we divide both dollar figures by the US inflation rate in order to express both in constant 1985 dollars, the American competitor's cost remains at $100 and similarly the world market price remains at $120.

By 1987 the failure of the exchange rate to compensate for the inflation differential between the US and SA would have put the local manufacturer into a loss position. Eventually he would have been driven into bankruptcy. There is no way he could have prevented his labour rates from increasing at the SA inflation rate or higher, because wage increases are determined in industrial councils and then forced on all companies in an industry. The prices of local materials, such as steel, have also increased at about the SA inflation rate. Suppliers of these materials are equally affected by inflation.

There are those who will criticise the choice of starting point in January 1985. But immediately before the sharp devaluation in 1984 the rand was overvalued by as much as 30%, even by the Reserve Bank's purchasing power parity measure. The starting point chosen illustrates the degree to which real exchange rate fluctuations have increased business risk. This variability forces a risk premium on investment in the SA economy as a whole.

Some will say: "But what about the Deutschmark?" (or any of the other strong currencies). It is true that the Deutschmark has also, like the rand, appreciated against the dollar. But the world market is relatively efficient and if German manufacturers raise their dollar prices to compensate for the strengthening of their currency, customers simply switch their business to US suppliers.

The world price remains roughly constant in real terms. In fact, Germany has paid the price for the strengthening of its currency. Between 1985 and 1991 US export volumes increased by more than 90% while Germany's exports increased by less than 30%. In the same period US imports increased by only 40%, while German imports jumped 64%.

The German economy, with its wealthy population and the huge trade surplus it enjoyed before the revaluation of the mark, could afford the loss it suffered in world market share. Can the same be said of SA?

There is no chance of stimulating here the growth of the kind of labour intensive manufacturing industries which have made the people of Taiwan wealthy until SA monetary and tariff policies change. If the policies pioneered in Taiwan, successfully followed since then in other countries, and now being implemented in Eastern Europe, are adopted here, SA will see a resource reallocation leading to a sustained boom and the employment creation and wealth distribution we need for our society to survive and prosper.

☐ **Wessels is executive chairman of Cape Manufacturing Engineers. He holds an MBA from Harvard.**

B/Day 5/2/92

Portnet cargo

EXPORTS constituted 91,6-million tons (85,5%) of the total 107-million tons of cargo handled by Portnet at SA ports last year, figures from the port authority show. Imports constituted 14,9-million tons (13,9%) of the total.

The total cargo handled last year represented a drop of under 1% against the previous year.

Klipton's record of real growth marred

B\Day 7\2\92

MARCIA KLEIN

INDUSTRIAL holding company Klipton's 13,3% decline in attributable profit to R2,4m from R2,8m in the six months ended December could bring to a halt its six-year record of real growth.

Turnover rose by 21% to R59,9m (R49,5m), but operating profit dropped by 4,6% to R5,1m (R5,3m), with operating margins narrowing from 10,8% to 8,5%.

The diversified operating companies in the group "focused on maintaining market share, sometimes at the expense of operating margins", joint chairman Nigel Matthews said.

Gearing was seasonally higher. Although creditors were reduced, stock levels were above budget, resulting in a higher than budgeted level of debt and a 72,5% hike in Klipton's interest bill to R1,2m.

This saw pre-tax profit decline by 15,7% to R3,9m (R4,7m) and earnings a share drop by 27,2% to 20,6c (28,3c) on more shares in issue.

Matthews said Klipton's safety and security division had performed well, but the industrial division had been hard hit by worsening trading conditions in its target markets.

Sales across the group had slowed significantly.

Klipton would continue to concentrate on reducing costs through improved productivity and asset management.

Although Matthews expected no change in trading conditions over the next six months, he said Klipton would continue to investigate acquisitions.

Export market boosts Pals' turnover

B\Day 7\2\92

WILLIAM GILFILLAN

A 45% rise in export business enabled clothing group Pals Holdings to increase turnover by 24% for the six months to August.

But the lower margins earned by the group to get a foothold in the export market resulted in earnings growing by only 9% to R514 000 (R472 000).

746

All exports by the company, which manufactures men's trousers, jackets, and suits, were to the UK.

The lower operating margins meant the 24% rise in turnover (actual figures were not given) converted into a virtually unchanged operating income (before the depreciation charge) of R1,4m.

However a lower depreciation charge of R279 000 (R292 000) and a reduced interest charge of R225 000 (R277 000) helped income before tax rise to R885 000 (R801 000).

MD Harold Noik said the lower interest charge came on the back of a drop in borrowings generated by a stronger cash flow as a reult of the higher exports.

Pals' importers pay for their goods on shipment from SA which was preferable to local sales which involved credit terms.

An interim dividend of 2c (1,8c) a share was declared on earnings of 5,7c (4,7c) a share.

Starting all over

Sowetan 7/2/92

740

CANBERRA - The lifting of international sanctions would enable South Africa to regain its position as a significant minerals producer according to Johannesburg economic consultant Mr Mike Brown.

Speaking in Canberra at an Australian export conference on Wednesday, he said South Africa's mineral processing costs were among the lowest in the world.

Brown said areas in which South Africa would compete with Australia would be "limited".

South Africa could raise its coal exports only by 20 million tonnes this decade while it exported only 16 million tonnes of iron ore compared with Australia's 100 million tonnes. - *Sowetan Foreign News Service.*

Export market boosts Pals' turnover

B Day 7/12/92

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(746)

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Mercedes plans export drive into Africa

(149) (749)

TOM HOOD, ARG 8/2/92
Business Editor

THE local motor industry may be in the doldrums but the Mercedes-Benz South African company plans a big upsurge in sales from an export drive into other African countries.

Exports to African countries were worth R72 million last year. With the easing of sanctions and ready acceptance of products stamped with the famous three-pointed star, Mercedes-Benz SA expects its exports to rocket to R180 million this year and to exceed R400 million by 1996.

Spare parts and commercial vehicles will spearhead the export drive and chief executive Christoph Köpke is optimistic about becoming an important exporter of passenger cars.

"We are already exporting about 60 cars a year into Africa," he says. "More than 100 commercial vehicles were exported last year and this year an export target of 300 already looks attainable."

Mr Köpke's eyes gleam when he tells of exports even going to the parent company in Germany — including engine blocks, coil springs, sump guards, right-hand drive components and exhaust catalysts whose development was a major breakthrough for South Africa.

The company is again firmly entrenched in SA in spite of the trauma two years ago when losses from a nine-week strike left the chairman of the German parent company wondering whether it would be forced to wind down the South African operation, which includes the

To Page 3

Mercedes-Benz on the move

(149) (749)

From Page 1 ARG 8/2/92

only manufacturing plant outside Germany.

Mr Kopke, who came to South Africa as a four-year-old, is an old boy of two Cape Town schools — the German school in the Gardens and Jan van Riebeeck.

He left Cape Town to study in Germany and gain engineering and banking qualifications.

He returned to this country and started as a junior distribution clerk, rising to national passenger sales manager after 13 years. After holding several senior jobs in the industry, he became chief executive of MBSA in 1989 as the age of 42.

The company returned to profitability in 1991 after recovering from a combination to strikes and recession. Last year was a year of consolidation in which losses from the previous years were regained, he says. Mercedes, indeed, was the only company to show real growth in the passenger car market.

"We believe 1992 is going to be a good year for MBSA but it worries me that it may not be a good year for the total market," he says.

This year will see several milestones - a new model Honda Ballade, the introduction of the Mercedes Sportline as the S Class models run out and the introduction of 17 new commercial models to replace current models.

The country's passenger car market is down to 200 000 new vehicles a year and with the depressed economy and political uncertainty people are not going to spend.

The heavy bus industry needed 2 500 vehicles two years ago but the number is now down to 500 a year.

Sales of commercial vehicles slid to 6 000 last year after a peak of 24 000. This field presents tremendous capacity for replacement but companies lack confidence in the future and will refurbish rather than to invest in new capital goods.

For all that, Mr Köpke is optimistic about the future and believes the country urgently needs an interim government of all parties to rekindle confidence.

MBSA's turnover has grown from R2,42 billion in 1990 to R2,49 billion last year and is forecast to reach R2,75 billion for 1992.

However, no dividends have been paid for five years and he says 1992 is unlikely to see a dividend either.

"This is not an ideal situation to be in. Anyone who invests money wants a return and it is not healthy to be in this situation for five years.

The company is 50,1 percent owned by Daimler-Benz of Germany, with Volkskas Bank owning 26,5 percent and Gohner Foundation of Switzerland 23,4 percent. Total investment in plant and other fixed assets if R415 million.

Mr Kopke sees the ending of sanctions presenting a new challenge to South African industry, for import duties will need to be phased out and it could become cheaper to import a car and assemble it than build one here.

He admits the country's motor industry faces a crisis of affordability — the ratio of salary to vehicle prices is three times higher than in Germany, for example.

But no manufacturer in South Africa could build a R25 000 car and make a profit.

The cheapest Mercedes is R124 000, and a model change traditionally results in a rise of about 12 percent, while the cheapest Honda is R46 000, which could show a 9 to 11 percent price increase.

The company plans to invest more than R81 million this year of which R51 million will be tooling for new models. The manufacturing plant in East London, involving an investment of R203 million, contributed R323 million to the Border economy last year.

MAN AT THE TOP

Wim Holtes: The new marketing challenge

ST Times (BUSS) 9/2/92 (74G)

By ZILLA EFRAT

IT's a new ball game for exporters — especially the South African Foreign Trade Organisation (Safto) and its chief executive Wim Holtes.

Gone are the days of label and visa problems when some companies used subterfuge to export their goods. Foreign invitations and eager delegations are stretching the resources of many organisations.

Mr Holtes says: "We all suffer a bit from foreign visitor fatigue."

The changes allow Safto to provide information more openly, but it must also gear up for increased demand for its services.

The expanding choice of foreign markets will require of exporters that they be selective in their choice of openings. They need reliable information. Many medium-sized companies, discouraged by sanctions in the past, are expected to show renewed interest in exports.

Gold

Changes in the export world are nothing new for Dutch-born Mr Holtes, who has been with Safto since its inception nearly 30 years ago.

He has seen it bud from an idea put forward at a conference in 1962 to a national organisation which helps about 3 500 exporters every year.

The economic importance of exports, which make up 30% of the SA's gross domestic product, has made the job extremely challenging.

Mr Holtes has watched SA expand its export product base away from a reliance on gold and minerals to a growing manufacturing sector.

Markets have diversified from the UK dominance 20 years ago.

Mr Holtes says: "Few countries do not buy SA products today."

SA's export performance has improved steadily, but much work lies ahead.

Mr Holtes says a major concern is whether SA firms will be able to meet new demand. They should introduce extra shifts and examine value-added opportunities.

After years of under-cover export efforts, SA needs to build up a high profile for its products.

Promoted

Mr Holtes does not see the role of export promotion changing when a new government arrives.

"There is greater commitment to exports in the black business and political communities than I thought was possible."

When he was a child in Amsterdam, Mr Holtes's interest in SA was fuelled by browsing in his SA-born great aunt's "fantastic" library of books about this country.

He intended to stay in SA for only a year when he arrived in 1954 with his bride Etie. His father wanted him to join the family's construction business in Holland.

After completing a master's degree in economics at the University of Amsterdam, he saw the University of Pretoria as the ideal place to continue studying his field of interest: unbalanced economic growth.

But the newly-weds enjoyed their stay so much in SA they extended it another year. They decided to settle here.

Mr Holtes' interest in international trade was sparked by two years in Nedbank's economics department and a 2½-year stint as an economist with the Department of Trade and Industry (DTI).

Finding the public service was not for him, Mr Holtes became a consultant to the printing and packaging industries. But he missed the challenge of international trade and was quick to join Safto when it was formed in 1963 with five staffers and 14 founding members.

Safto's mission was to initiate a commitment to exports among managers, exposing them to the opportunities in foreign markets. It aimed at making companies more "export capable" and providing them with management back-up.

Mr Holtes managed the intelligence and project work and was promoted to general manager and then to chief executive in the mid-1970s.

He has overseen the growth of Safto, which now offers more than 30 services to exporters. Based in Sandton, the company has a staff of 165 and an annual turnover of R20-million, making it one of the larger consulting and marketing groups in SA.

Boat

With three coastal offices, Safto's customer and member base represents all SA export sectors.

Mr Holtes, who is in his early 60s, says a major satisfaction has been to see Safto internationally acknowledged as one of the most successful commercially operated private-sector export-promotion organisations.

The pressures are considerable, especially now that the world has rediscovered SA. The only way Mr Holtes feels he can cut himself off from telephones and faxes is by chartering a "bare boat" in the eastern Mediterranean once a year with friends.

WIM HOLTES: He lingered longer

SA to export cars to China

S[Times[Buss] 9/2/92

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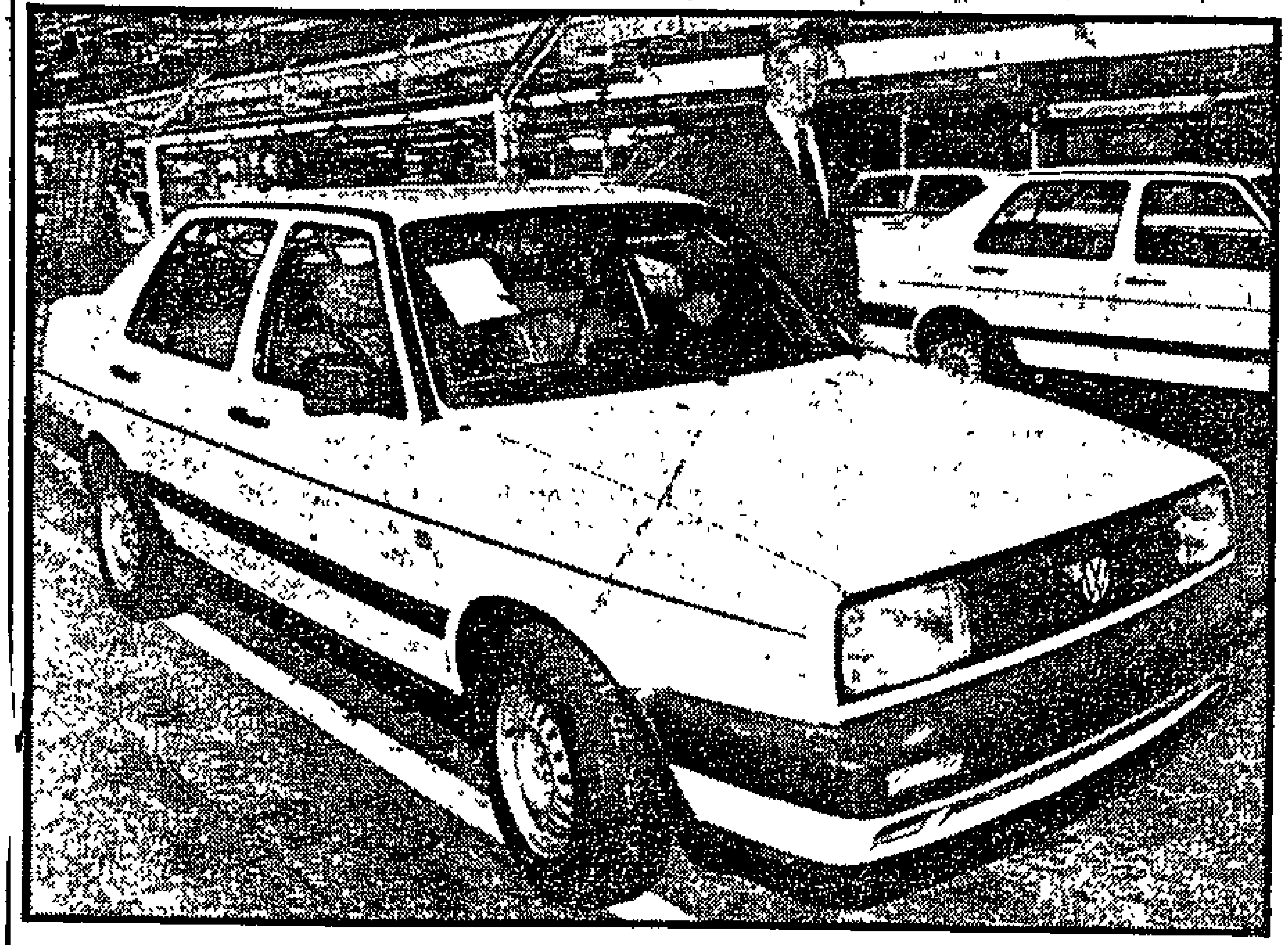

MADE IN SOUTH AFRICA: Volkswagen's left-hand-drive Jetta and company chairman Peter Searle

Business Times Reporter

VOLKSWAGEN is to export 5 000 SA-made Jettas to China. It is the first South African motor manufacturer to build left-hand-drive vehicles for export.

VWSA chairman and managing director Peter Searle says: "The R150-million order is the first step in what we see as a continuing business relationship between Volkswagen of South Africa and our parent company's joint venture in China.

"We will export Jetta's in semi-knocked down (SKD) form to comply with China's local content programme.

"The cars are being built in our Uitenhage plant and will be taken to our Port Elizabeth plant for SKD preparation, packing and shipment.

"China's local content programme is aimed at job creation. As its requirements for local content increase, we will develop completely knocked down (CKD) kits."

SA motor manufacturers can qualify for export incentives equal to 50% of the value of their foreign sales. They receive the incentives in rebates on excise tax payable on new cars.

Marginal

Under present regulations there is a limit on the value of incentives each manufacturer may receive. This could place a ceiling on the number of VWSA vehicles for export.

The company declines to mention the value of the incentive rebate it will receive or the limits it will place on volumes. But a spokesman says the rebate does not apply to imported components in the cars. The left-hand-drive parts are imported.

"The project is very marginal without further rebates and depends on factors such as growth in our domestic market, the number of units sold to China and Chinese local content regulations," he says.

VWSA won the contract in competition with other VW subsidiaries in other parts of the world. The vehicles will be shipped to FAW/VW Automotive Company in Chang Chun City. The plant is a venture involving Volkswagen AG and the Chinese Government.

Island

Two prototype left-hand-drive Jettas built at Uitenhage were flown to China at the beginning of January. The cars are undergoing road tests in the north of China in temperatures of minus 40 deg C.

In a few weeks' time they will be shipped to the island of Hainan in the South China Sea where road tests will be conducted in temperatures of up to 30 deg C.

In developing the cars VWSA had to consider extremes of temperatures in which the vehicles would operate.

A VWSA team will go to China to watch the end of the road tests and to ensure that the engineering, quality, assembly and commercial aspects of the contract are in place.

Mr Searle says it would not

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VW exports

S/Times (Buss) 9/2/92

● From Page 1

have been possible to handle the contract had VWSA not bought the old Ford plant in Neave, Port Elizabeth.

"The activities at this export-dedicated plant are getting into full swing.

"The development of the LHD production facilities and expertise open up new export possibilities for VWSA. Until now we have been limited to markets which use right-hand-drive cars."

74G (92) 63 25

The first 400 Jettas will be shipped to China in April.

Export doors open to Benz

Sowetan 13/2/92

746

By JOE MDHLELA

POLITICAL changes in South Africa have opened up export markets in Africa previously closed to Mercedes-Benz of South Africa, according to the chief executive of the company, Mr Christo Kopke.

Kopke said the company exported vehicles to Zimbabwe, Zambia, Malawi, Mozambique and Burundi.

Namibia, Botswana, Lesotho and Swaziland were already part of the Southern African customs agreement and were already supplied with vehicles directly from MBSA, he added.

With the establishment of an export department, the company would aggressively pursue opportunities in the African export market.

He said Angola would at this stage be the only neighbouring country not to benefit from the export deal.

He said this was mainly because the MPLA did not represent all the people of that country.

Even if a representative government were to be formed, the fact that Angolans drove on the right side of the road made the prospect of having export trade with it difficult.

He said the export target on commercial vehicles, the market that has potential at the moment, would be around 300 units this year, a total of R60 million.


Mr Christo Kopke

IDC eases rates to help development

BIDay 17/12/92

(74G)

LESLEY LAMBERT

THE reduction in the Industrial Development Corporation's (IDC's) loan rates was likely to stimulate fixed investment but should not be seen as a signal of a general easing in monetary policy, IDC MD Carel van der Merwe said at the weekend.

The IDC announced on Friday that the fixed interest rates for its new loans to small and medium sized companies had been cut from 16,5% to 16% a year, while rates for its new loans to large companies had been reduced from 17,5% to 16,5%.

The IDC's fluctuating interest rate of 2% above the Eskom three-year rate was also lowered by one percentage point to 17,3%. As with the fixed rates, this reduction would apply only to new loan applications, the IDC stressed.

Commenting on the reduction in rates, Van der Merwe said it was expected to have a positive stimulatory effect on industrial developments. However, he warned that it did not necessarily represent a trend in monetary policy.

"The lowering of the interest rate does not indicate that we anticipate an easing in the present tight monetary policies, but rather is based on the IDC's policy of encouraging industrial development through market-related interest rates, particularly in this phase of weak economic growth," Van der Merwe said.

The IDC's two special interest rate schemes — for export promotion and multiple-shift production — have been confined mainly to companies with assets of less than R100m. The schemes are being extended to accommodate larger enterprises with assets exceeding R100m.

A package is being offered to larger enterprises in which up to half of the project or expansion to a maximum of R20m is available at a rate of 9% a year. The main condition is that a similar amount must be funded at normal industrial financing rates.

"Although we don't anticipate a significant reduction in interest rates unless the rate of inflation declines sharply, nevertheless we would now like to play a responsible role in stimulating fixed investment," Van der Merwe said.

"Industrial development is a key factor in the country's effort to compete in international markets. We cannot afford just to be exporters of raw materials."

Conshu poised for huge exports drive

(749) ARG 18/2/92

TOM HOOD
Business Editor

CONSHU, the country's largest shoe manufacturer, expects to double its exports by June this year.

Chief executive Robert Feinblum says in spite of depressed consumer demand overseas, exports increased dramatically in the six months to December.

The export drive is headed by Conshu's British-based subsidiary Sterling and Hunt and has seen the purchase of thousands of pairs of top quality shoes by British consumers who are traditionally among the world's most discerning shoe buyers, said Mr Feinblum.

He described prospects for the half-year to June are satisfactory.

Sales figures for the summer shoe season, which is usually a busy time, should contribute to profits, he said.

"The destocked position of retailers and growing confidence stemming from recent positive politiical developments should see some improvement in capacity utilisation."

The extended drought is expected to make an impact on leather prices and on shoe prices, he added.

A 91 percent upsurge in shoe imports hit sales and brought a reduction in output, layoffs and short time in factories between July and December.

"In spite of increased tariffs last August, the damage caused by the import of 6,7 million pairs of shoes in the first half of last year impacted heavily on our business," said Mr Feinblum.

Turnover rose by 4 percent to R330 million, reflecting inflationary pressure on materials and labour costs which led to higher prices.

But earnings fell by 8 percent to R14 million, partly due to additional depreciation of R1,5 million being charged, while tax benefits from the export allowance were received..

An unchanged interim dividend of 11,5c is being paid.

■ Sun International's Ciskei subsidiary, **Sun Ciskei**, reports a turnover increased of 13 percent to R59,5 million for the half-year to December but higher payroll costs reduced growth in operating profit to five percent at R17,2 million.

Revenue growth was hit by labour disputes and the expansion work at the Fish River Sun, which was completed in December.

Sun Ciskei's hotels averaged an occupancy of 55 percent, in line with the national average but below the occupancies recorded at Sun City and the Wild Coast Sun.

The directors say earnings should improve moderately in the second half of the year, due mainly to the recently completed extensions to the Fish River Sun, provided that there is no further significant deterioration in economic conditions.

■ **BTR Dunlop's** sales for 1991 dropped by 14 percent to R672 million while earnings were R10 million lower at R56,6 million.

Managing director Clive Hooper said the sales decline was mainly due to the continuing recession and the absence of major capital projects in the mining industry.

Four group companies were affected by the eight percent decline in new vehicle sales in 1991.

■ **Siltek** has reported after-tax profits of R19,4 million for the six months to December. This is an increase of 9 percent.

The group said that turnover was up by 12 percent to R415 million while earnings per share were 36,52c.

The dividend was unchanged at 10c.

The group says the outlook for the rest of the year is good.

■ The impact of reduced demand in the mining, motor and agricultural sectors hit **Wayne Manufacturing** profits for the six months to December.

The group said that attributable profits were down by 10 percent at R2,9 million compared to the previous period's R3,3 million.

Earnings per share were down by 9,2 percent at 4,9c (5,4c) while an unchanged interim of 1,7c was declared.

One of the main reasons for the drop in profits was the closure of a factory which led to relocation costs for employees.

Car makers eye African exports

(74G)

B/Day 19/2/92

SEAN VAN ZYL

SA's TOP seven car manufacturers are set to conclude extended distribution agreements with their international franchisers to export finished vehicles to African countries, industry sources said yesterday.

BMW SA and Toyota SA confirmed negotiations were under way.

BMW spokesman Chris Moerdyk said the local company had entered an agreement in principle with its German parent to export righthand-wheel drive cars to a number of sub-Saharan countries. Although he would not attach a value to the deal, he said BMW SA would be exporting "a few hundred finished units this year".

He added discussions had already been held with various import agents and the governments of the countries concerned. He noted that "this is not just an export contract, BMW SA plans to set up a full service and distribution network in the countries concerned". However, the manufacturer did not plan to construct a vehicle assembly plant at any of these locations and all cars exported would be fully built.

Toyota SA spokesman Brand Pretorius confirmed that a representative of Toyota Japan would be arriving in SA shortly to discuss extending African distribution rights.

Pretorius was reluctant to disclose countries concerned but expected Toyota's 1992 finished vehicle exports to the African countries to be worth about R60m. Toyota SA exported about 1 000 finished units in 1991, worth about R35m, which he expected to rise to about 1 500 units in 1992.

Samcor and Volkswagen SA recently disclosed that they had secured car export contracts to the UK and China respectively while Mercedes SA has said its sales revenue from vehicle exports to Africa would grow to about R60m this year.

Samcor's 1992 exports to the UK — of 2 500 to 3 000 units — are believed to be worth about R60m while Volkswagen's publicised export contract of 5 000 SA-made Jettas to China is expected to generate about R175m.

While no concrete figures are yet available, the motor industry's finished vehicle exports for 1992 could rise from an almost nonexistent base to a high of R400m, with the majority of orders originating from African countries, the source added.

The National Association of Automobile Manufacturers of SA expected total export revenue in 1992 to be about R1,2bn.

Business Report

Rooibos makes tracks back to lucrative US market

182 74CT CT 19/2/92

By MAGGIE ROWLEY
Deputy Business Editor

THE Rooibos Tea Board has resumed exports to the United States after five years of sanctions, James van Putton, deputy manager, exports of the Rooibos Tea Board, said this week.

He said the first shipment of 50 tons left last month and they were now awaiting further orders.

"Prior to sanctions the US was our largest export market and we are confident we can rebuild this to about 250 tons a year."

Income from exports this year was budgeted to increase by 30% to more than R3m.

Last year rooibos exports surpassed the 500 000kg limit for the first time exceeding the previous year by 15,7% or 67 826kg.

Van Putton said that in 1991 exports represented 12,4% of total sales of the board and although the increase in tonnage was only 15,7%, the increase in monetary value which brought the present value of exports to R2,5m.

"While rooibos fetches about R3,55 a kg on the local market while we are getting between R5 and R6 a kg for exports due to the rand exchange rate."

He said most of the tea was exported to Europe and the Far East with Japan being responsible for the single biggest order of 182 105kg.

"The Japanese have been doing extensive research into the health properties of rooibos tea and it appears as if there will soon be sufficient proof that rooibos tea has an anti-aging effect on the skin.

"They are also busy with research to prove that the tea helps reduce high blood pressure and are testing the effect of rooibos tea on skin problems such as acne," he said.

Breakthroughs in exports had also been made in South Korea and West Africa.

Call for major export drive

Sanlam pours R20bn into investments

Bl Day 20/2/92 (MG)

CAPE TOWN — Sanlam had committed R20bn to investment projects, the life assurer's chairman Abie van den Berg said at the company's annual meeting yesterday.

He said the capital had either been invested in recently completed projects or would be invested in projects that would be completed during the next five years. Van den Berg said the R20bn was roughly equal to the value of SA's annual gold production or a quarter of the annual national Budget. The larger Sanlam group of companies employs more than 450 000 people.

"A new gold mine and expansions to other gold mines as well as platinum and coal mines are some of the ventures involved. Investment in ferro-alloys, alloy steel, paper and wood pulp, liquid energy and a large variety of smaller industrial investments, ensure that our group is well represented in the most important mining and industrial industries."

Van den Berg said property investments in new areas of development created by urbanisation made up more than 100 000m² and were increasing.

In the year to end-September the market value of Sanlam's assets increased by 33% to more than R50bn. Investment income of R3,4bn was earned.

In his chairman's statement Van den Berg called for a greater degree of fiscal discipline. "It is essential that the rate of increase in government spending be strictly controlled and that this expenditure be financed in a non-inflationary way if we wish to prevent inflation from getting out

LINDA ENSOR

of hand, with disastrous consequences for the country in the longer term."

It was of the utmost importance that the confidence of local and foreign investors be restored. The support of foreign investors, bankers and businessmen would be forthcoming only if the safety of capital was guaranteed, attractive returns could be earned, the tax system was fair, unrest declined and strikes occurred only within reasonable limits, and if the political system was economically justifiable.

Foreign capital would be vital to achieve economic growth and foreign support for the enormous task of social upliftment was essential, Van den Berg said. He said the achievement of a higher rate of economic growth would also require a drastic improvement in the export drive.

"What we need is a comprehensive export strategy thoroughly planned by government in consultation with the private sector, to make us far more export-orientated." Manufactured and beneficiated goods would increasingly have to replace raw materials as the mainstay of foreign earnings.

In his seconder's address Transnet MD Anton Moolman said SA would not be able to count on large-scale foreign assistance in future and would have to exploit the inherent strength of its own economy.

Government had neither the funds nor the ability to lay the foundations for the country's socio-economic future, Moolman said, and the business sector would have to assume greater responsibility.

Trade surplus falls on lower exports

B/Day 21/2/92 (74) (74G)

SHERIDAN CONNOLLY

LOWER "unclassified" exports — mainly gold — and a decline in other commodity exports pulled SA's trade surplus down almost 45% to R700,6m in January from R1,27bn in December, figures released yesterday by the Customs and Excise Directorate show.

This was sharply lower than 1991's monthly average of nearly R1,5bn, although January's surplus was significantly higher in year-on-year terms.

Exports fell for the second month in a row, to R4,81bn in January compared with R4,97bn in January last year, on the back of a 17% decline in "unclassified" exports.

Imports dropped to R4,11bn in January from R4,82bn in January last year due to a massive 71% drop in "unclassified" imports — mainly crude oil.

SA Foreign Trade Organisation (Safto) economist Bruce Donald said yesterday the decline in exports and imports in January 1992 in year-on-year terms was an indication of the poor economic conditions in world markets, together with substantial fluctuations in the unclassified category of exports and imports.

Donald said with the rand gold price only marginally lower at R985,08 in January 1992 as against R986,35 last January, it could be speculated "... that there was a significant drop in gold export volumes between these two periods".

Exports of minerals and base metals performed poorly while manufactured exports of chemicals, plastics, jewellery, precious stones and vegetable products maintained an "outstanding performance", Donald said.

He warned that the drought conditions facing SA farmers would put enormous pressure on exporters. He said the assistance to exporters provided through the general export incentive scheme (GEIS) would be critical.

On the import side, the 71% year-on-year decline in "unclassified" imports was attributable to the unusually high base.

The Gulf crisis last year was characterised by huge oil purchases by SA which stabilised soon after the end of the war, Donald said.

Imports of machinery, prepared foods and textiles performed well in nominal terms while transport equipment showed a significant decline, he said.

Strategy needed for SA exports — Sanlam

746 CT 20/2/92

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By AUDREY D'ANGELO
Business Editor

SA needs a comprehensive export strategy, "thoroughly planned by government in consultation with the private sector", Sanlam chairman Abie van den Berg said at the 73rd agm in Bellville yesterday.

It also urgently needs more foreign capital to create more jobs and improve standards of living, and this means the creation of an attractive investment climate.

Van den Berg emphasised that "in a world where capital is scarce we can expect the support of foreign investors, bankers and businessmen only if the safety of capital can be guaranteed, attractive returns on capital can be earned, the tax system is fair, unrest declines, strikes occur only within reasonable limits — and if the political system is economically justifiable".

He said that in addition to funds for job creation,"enormous sums are needed for education, medical services and housing.

"The problem is that this money cannot be obtained by imposing high taxes, forcing institutions into substandard investments or merely by taking from the rich to give to the poor.

"Such steps would make the permanent job creation that is so important impossible, and would also prevent us from attracting the necessary capital or competing successfully overseas with our products.

"It is clear that we are faced with an enormous task of social upliftment. Rapid economic growth is therefore essential."

Van den Berg said a tax system that promoted entrepreneurship, increased productivity and encouraged saving was another requirement for faster economic growth.

"We cannot afford a system that taxes away the benefits derived from initiative and hard work.

"A matter that requires urgent attention is the tax rate of companies. Because our company tax rate compares unfavourably with that in other countries it discourages foreign investors and prejudices attempts to promote exports.

"A lower compamny tax rate will not only entice foreign investors back to SA but will also go a long way to encouraging local investors to embark on new projects — something that could create thousands of new jobs."

He said that Sanlam was investing more than R20 000m in projects that had recently been completed or would be completed within the next five years.

"This is roughly equal to the value of SA's annual gold production or a quarter of the annual national budget."

Van den Berg made no reference to the proposed kaolin mine planned for Noordhoek by a Sanlam subsidiary. But he said: "A new gold mine and expansions to other gold mines, as well as platinum and coal mines, are some of the ventures involved."

Withdrawal of tax deductions may cost SA exporters R4bn

B/Day 14/2/92 (74G)

SA COULD lose R4bn in export business over the next two years because of the withdrawal of tax deductions for marketing costs, the SA Foreign Trade Association (Safto) said.

A scheme whereby certain marketing expenses can be deducted from taxable income ends on March 31.

Safto GM membership and information services Anne Moore told a conference on export incentives Safto wanted further talks with government on the issue.

A limited survey conducted by Safto showed that 200 of its clients estimated they would lose R2,4bn in turnover over the next two years, she said.

Moore said if this estimate was extended to a national level, exports worth R4bn could be in jeopardy.

LESLEY LAMBERT reports that the cost of disadvantages experienced by SA exporters justified a certain amount of export development assistance, Trade and Industry deputy director-general Gerrie Breyl said yesterday.

"The government realises that a booming export-led economy will require a real partnership between government and industry as well as a long-term commitment from government's side to smooth the road for its exporters," Breyl told delegates at an export incentive conference in Johannesburg yesterday.

However, he added that government's acceptance and implementation of the IDC's industrial policy proposals could "lead to a lesser need for export assistance and could therefore leave room for downward adjustments to the General Export Incentive Scheme (GEIS) over the longer term".

Breyl stressed, however, that government would stick to its commitment to maintain GEIS until March 1995. While the Uruguay round of GATT could result in a new code on subsidies, this would not affect the commitment, he said.

Trade surplus reflects declining exports

(749)

CT 21/2/92

By AUDREY D'ANGELO
Business Editor

BOTH exports and imports were significantly lower in real terms last month than in January last year, figures released by the Customs and Excise show.

Exports totalled R4 819bn and imports R4,118bn compared with exports of R4,975bn and imports of R4,824bn a year earlier.

The year on year trade surplus was higher than in January 1991. It rose to R700m compared with R150m in January a year ago.

But it was well below the December surplus of R1,2bn and the average of R1,5bn for the last three months.

Economists said they were concerned that this was the second month in a row that exports had declined.

Bruce Donald of the SA Foreign Trade Organisation (Safto) said the lower export and import figures mainly reflected the poor economic conditions in world markets "together with substantial fluctuations in the unclassified category of both exports and imports."

But, he said:"On a more positive note some manufacturing categories maintained their outstanding performance — notably chemicals, up 26%, and plastics, up 54%."

Nedbank chief economist Ned Osborne said the drop in exports of R157m was nominal in rand terms. "But the rand has depreciated by 7,5% against a basket of currencies over the past year — so the real drop is R490m which is a very significant one indeed."

Osborne said the drop in imports was mainly due to a R908m fall in the "unclassified" sector.

This meant there had been a huge drop in imports of oil. It also reflected the fact that oil prices had dropped by a third or more from the heights they reached in the Gulf War.

There had also been a drop in imports of vehicles and aircraft. Imports were high in January last year when SA Airways took delivery of the first of two Boeings.

Osborne said there had, however, been a significant increase in imports of machinery, which had risen by R189m.

Machinery imports

This did not necessarily show a rise in fixed investment. The machinery category included household goods such as washing machines and stoves, and entertainment equipment such as TV sets and video recorders.

"It is disturbing that there has been a R56m increase in imports of textiles and articles made of textiles. We can attribute this to the systematic reduction in import tariffs, which the textile industry complains is undermining it."

Osborne said he thought the drop in exports was due mainly to the virtual closure of the ferro-alloy industry and the problems of platinum producers.

There had been a huge drop in unclassified exports. This sector included gold, platinum, uranium and arms.

"I would guess the drop is not in gold because the gold price is much the same as at this time last year and total production is up."

Osborne said he found a rise in exports of vegetables puzzling. "I would guess it is a once-off movement of maize to Zimbabwe."

He thought the increase of R55m in chemical exports was probably the sale of fertiliser to neighbouring countries.

Pointing out that the trade figures are for the whole of the SA customs union and not only for this country, Osborne said he thought a rise in jewellery exports probably showed the movement of diamonds from Botswana.

"Botswana has been running its diamond stocks down and moving them to London."

Ursula Maritz of Old Mutual said it was "disappointing" that exports were falling. "The trade surplus is less than we were expecting."

Bruce Donald said exports last month were 3% down in nominal rand terms compared with January 1991.

"This is the second month in a row that exports have declined. In December 1991, exports fell by 6% compared with December 1990.

"The main contributor to January's weak performance was the unclassified category — doen 17% — the dominant constituent of which is gold."

Donald said the other contributors to poor export performance in January were "some of the major commodity categories — namely, minerals, down 3% and base metals, down 17%.

"SA's ferro-alloy producers, some of whom have cut back production to a fraction of capacity, are currently facing oversupply conditions related to declining world steel and stainless steel output."

Internal markets, exports to grow — Keys

746

JOHN CAVILL

LONDON — Internal markets which will grow for decades as living standards improve and the potential for exports provide powerful reasons why foreign companies should invest in SA, Trade and Industry and Economic Co-ordination Minister Derek Keys said here yesterday.

In his first overseas appearance since taking office five weeks ago, Keys was speaking at a conference on Investing in SA organised by Business Research International with the SA Foundation.

Keys was confident reform would continue with President F W de Klerk winning the March 17 referendum.

He listed four growth imperatives to which any future government would hold. "Nobody wants to even mildly inconvenience the golden goose, let alone kill it, if its egg production can be stimulated to everyone's benefit."

Government wanted to see per capita incomes growing by 1% annually, implying expansion of 4% a year.

SA's large population of young people promised "big and growing markets ... (which) won't even approach saturation for decades to come," Keys said.

To reduce unemployment government was likely to maintain the encouragement of local production. At the same time it was necessary to generate competition "and a careful lowering of tariffs" would encourage this.

In many export markets, especially for intermediate and manufactured goods, SA was "small beer", he said. "There is room for us in the world supermarket of industrial goods." B/Day 25/2/92

Here SA's proximity to sub-Saharan Africa gave it an advantage. While sub-Saharan Africa was not "much of a prize" at present, Keys said the world could not stand idly by an see the region "become effectively de-linked from world economic growth".

There was a need for partnerships between SA and the developed economies which would play crucial roles elsewhere in Africa. These would benefit SA exports to the rest of Africa and boost the region's two-way trade with SA and sales to the rest of the world.

Sasol prepares to enter coal export market

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STAR 26/2/92

By Derek Tommey

A "no" vote in the referendum would be a sad day for economic development, Sasol managing director Paul Kruger said yesterday.

Despite a number of adverse factors, Sasol increased its earnings by 14,6 percent from 82,5c to 94,6c a share in the six months to last December 25.

The interim dividend has been raised by 12,3 percent from 32,5c to 36,5c a share.

Mr Kruger said at a press conference to announce company results that the easing of foreign political pressure in the past two years had opened up vast opportunities for South Africa and for Sasol, and that it would be a tremendous setback for the economy if these were lost.

Sasol had embarked on a major new investment programme aimed at increasing its export earnings from the present R500 million a year to around R1,3 billion a year within the next 18 to 24 months.

Race sponsor

This planned increase in exports and the need to get Sasol's name known overseas was one of the reasons why it was sponsoring a car in Formula 1 motor racing.

He said Sasol was planning to enter the export coal market.

It hoped to be able to take up some of the spare capacity at the Richards Bay coal terminal.

But if this were not possible, then it would hold discussions with other coal producers about financing the construction of a second coal terminal.

Paul Kruger . . . Sasol sponsoring Formula 1 racing car to get better exposure.

Factors affecting profits in the six months included the drop in the petrol price after the end to the Gulf War a year ago, depressed export markets for chemicals and depressed conditions in the local market.

Mainly as a result of the fall in the price of oil from $27 a barrel in the six months to December 1990 to $24 a barrel in the same six months last year, Sasol's turnover had declined from R4 billion to R3,96 billion.

But the decrease in operating income from R974,2 million to R868,8 million was more than offset by interest payable dropping from R204,5 million to R119,4 million, and the tax provision declining from R299,2 million to R208,7 million.

This had resulted in taxed profit rising R70,8 million to R541,5 million.

Mr Kruger said that the synthetic fuels division had enjoyed a substantial increase in production volumes as a result of "being smarter".

This had made for an excellent contribution towards countering cost increases, a reduction in product prices and lower refining margins.

Over-capacity

He said there was tremendous over-capacity in the petrochemical manufacturing industry and Sasol was having to compete overseas with many dumped products.

But the shut-down of some of these plants should help Sasol's sales.

Sasol itself was investing heavily to increase the recovery of white products from its feed stock from the current 86 percent to around 88 percent, which would help profits, he said.

Mr Kruger expected the world economy to start picking up by the second half of this year, but thought the South African economy could lag this recovery by several months.

Profits in the second half of Sasol's financial year to June should be better than those of the first half, but the rise would not be as strong as a year ago, he predicted.

However, by this time next year, Mr Kruger said he expected to be feeling decidedly bullish about Sasol's prospects.

'We need peace to woo investors'

STAR 27/2/92 (14G)

BLOEMFONTEIN — It was critically important that South Africa took part overseas economically — if not, the country's political situation would be negatively affected, Trade and Industry director-general Dr Stef Naude said yesterday.

Dr Naude was addressing the Free State congress of the National Woolgrowers Association in Bloemfontein.

He said South Africa had the ability to recover economically provided the country became peaceful and stable, restored the confidence of overseas investors and became a full player in the international economy.

Dr Naude said international investment in South Africa was not merely a question of the lifting of sanctions and other trade restrictions; overseas investors had to be confident about South Africa.

He said most investment was made in the First World, and the percentage for developing countries was getting smaller and smaller.

In spite of sanctions and other restrictions, however, South Africa had had export successes since the middle 1980s. Exports had risen by an average of 10 percent annually and agriculture had made an important contribution.

There was also an increasing tendency to export processed goods rather than raw items. This was important because processing goods created jobs.

Dr Naude said industries had to be more competitive in the highly competitive overseas markets.

It would be possible, with the co-operation of the Government, to produce competitively, with reasonable tariff protection and barriers against "dumping" by other countries.

The Government was willing to co-operate, he said.

● J A Neethling of Smithfield was unanimously re-elected president of the Free State branch of the National Woolgrowers Association at yesterday's congress. C J Louw of Jagersfontein was re-elected vice-president. — Sapa.

SA car makers set sights on global niche markets

STAR 27/2/92 (74G)

By Jane Arbous

Smuggling has long paid handsomely for South Africa's underworld which spirits some 13 000 stolen cars a year into black Africa.

But, with anti-apartheid sanctions withering, such rackets face new, above-board competition as car and component producers carve out markets, not only in neighbouring states, but as far afield as Britain and China.

Mercedes-Benz SA's chief executive Christoph Kopke says: "The seven major manufacturers are working hard at developing exports — aiming at becoming global niche market players."

The removal of trade barriers will give impetus to an export drive encouraged by government incentives, local recession, and spare manufacturing capacity.

Industry spokesmen expect a 57 percent rise in the value of car and component exports this year to R1,1 billion.

Manufacturers qualify until 1995 for tax rebate incentives equal to one-half of the value of their foreign sales.

The first major car export deal was undertaken in mid-1991 when Samcor exported 500 Sao Penzas, modified Mazda 323s, to Britain.

In February Volkswagen (VWSA) announced a R150 million deal to export 5 000 Jettas to China in "the first step in a continuing business relationship" with its parent firm's joint venture in China.

Nissan SA is negotiating to sell 2 000 cars a year to Taiwan.

Mercedes-Benz SA, which operates the group's only car manufacturing plant outside Germany, has been sending components to its parent since 1990.

Britain's Johnson Matthey and Germany's Zeuna Starker have established local bases for exports of catalytic converters to Europe.

But the focus for local car makers is Africa, where they may be prepared to cut margins to gain a foothold, analysts say.

"What we expect to see soon are the parent companies or international franchisers allowing them to take over their Africa markets in distribution agreements for finished vehicles," one analyst said.

Apart from the competitive advantages of shorter supply lines compared with, say, Europe, SA manufacturers can export at prices below those in the local market where new vehicles are now beyond the reach of most.

"The industry faces a crisis of affordability," a spokesman for the National Association of Automobile Manufacturers of South Africa (Naamsa) says.

"Eighty percent of the new car market now consists of corporate buyers."

Mr Kopke says that comparing salary buying power to vehicle expense, cars cost three times more in South Africa than in Germany.

Nissan SA says its export efforts are concentrating on Africa, while VWSA is investigating new markets after being host to an all-Africa motor industry conference last October. — Sapa-Reuter.

FM 28|2|92

FOREIGN TRADE — 2

FM 28|2|92

Unclassified moves

(74G)

The foreign trade surplus in January was R700,6m say Customs & Excise. Imports, at R4,1bn, and exports, at R4,8bn, are both down on those of January 1991, when they were R4,8bn and R4,9bn respectively.

The decline in imports is explained by the 71% drop in the unclassified category. In January 1991 the value of oil imports, which are included in this category, went up substantially because of the Gulf War.

This January oil imports may have been reduced because of domestic sales of strategic stocks.

(74G)

Another significant drop in imports (26%) is in the category vehicles and transport equipment because of the inclusion in January 1991 of the import of a Boeing 747.

The value of exports was well below the 1991 monthly average of R5,5bn. An important factor was that exports of minerals fell 3% and base metals 19%.

This, according to the SA Foreign Trade Organisation's Bruce Donald, was a result of poor conditions in the world markets and low commodity prices. Ferrometals in particular have suffered.

The unclassified category fell 17% compared with last January. It is unlikely that this was due to gold, which is included in this category. World gold prices were much the same as in January 1991 and gold production increased last month. It was more likely caused by the poor performance of platinum.

Export categories which did well were chemicals (up 26%), precious stones and jewels (95%) and vegetable products (163%). However, according to Donald, these cannot be relied on to buoy exports, which will in future depend more on manufacturers.

The monthly performance of precious stones and jewels (notably diamonds — which includes exports from Botswana abroad) is erratic, while the drought should affect vegetable product exports during the year. ■

Port aims to profit from fruit exports

AAG 29/2/92

Business Staff

THE port of Cape Town will be looking mainly at increased exports of fruit and imports of maize to ensure further growth this year, according to Portnet GM Rudi Basson.

But the port also had a number of lucrative long term possibilities waiting in the wings, Mr Basson said in an interview this week.

He expects a marked increase in fruit exports for 1992 as new markets open up to fruit farmers of the Western Cape.

He forecasts that Portnet will handle around 1,4-million tons of decidious and citrus fruit in the 1992/93 season — almost 10 percent more than in 1990/91.

Indications are that almost one-million tons of fruit for export have already been handled in the 1991/92 season to date.

He said Portnet and Unifruco had upgraded their fruit handling facilities in anticipation of greater volumes of fruit exports in the years ahead.

Mr Basson concedes that fruit farming, like any agricultural venture, is risky but stresses that risks are slimmer in a reliable rainfall region like the Western Cape.

Conversely, the drought which is ravaging parts of the Western Transvaal will give the port additional imports.

The Maize Board intends importing between two- and three-billion tons of maize (worth R2-billion) this year to offset the drought-induced local production shortage.

Additional growth, especially in the long term, could come from the development of Cape Town as the import distribution centre for the PWV.

Mr Basson said Spoornet was offering favourable rates for transporting imports from Cape Town to the Reef.

Because most ships called here first, almost 72 hours days before docking at Durban, industries could save up to three days transit time by using Cape Town.

He said the transit time to the Reef from Durban and Cape Town was marginal at 18 hours and 27 hours respectively.

"I hope to see a major swing for containers destined for the Reef coming through Cape Town instead of Durban."

He said Durban was running close to capacity and the swing to Cape Town would rectify any imbalances in the business activity of the two ports.

Mr Basson said foreign shipping lines were showing renewed interest in operating lines out of Cape Town harbour and four established lines had resumed full operation in the port.

Norwegian-based Wilhelmsen Lines, the Baltic Shipping Company's Besta Lines and the Italian-based Messina Lines and Portlines had so far re-established themselves in Cape Town.

Mr Basson cautioned that the international liner business would not grow larger overnight as shipping lines would initially fight rights to carry similar cargoes.

But these lines would serve South Africa strategically in the long term, he said.

He also sees an upswing in the number of visits by cruise liners to the area and A-Berth has been renovated to accommodate these vessels.

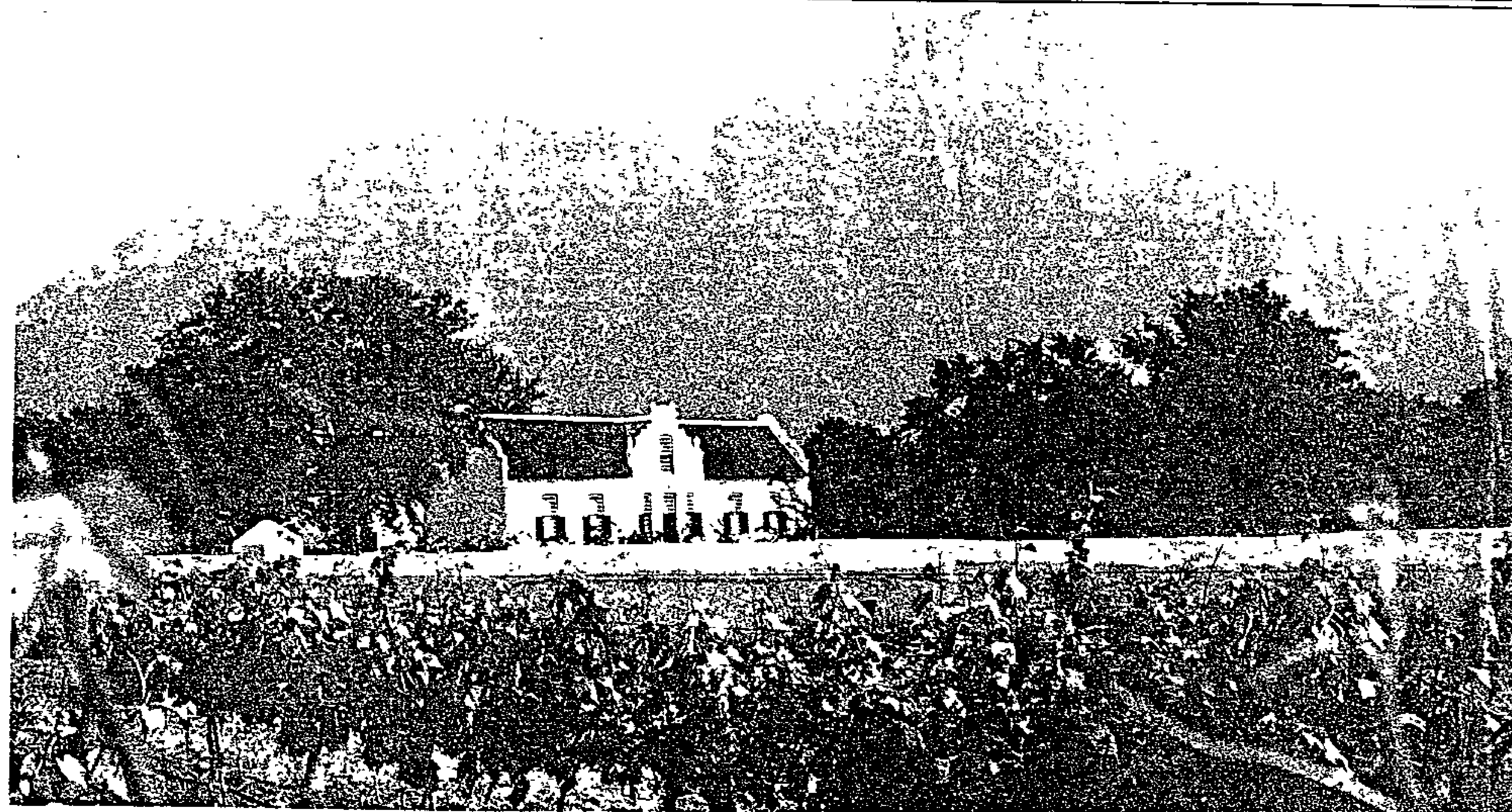
Cape Town port provides facilities (such as dry docks) for ship repair but Mr Basson admits that business has not been that good recently.

He said the development of Cape Town harbour into a terminal port would boost ship repairs.

Pressure on SA wine exports

AIG 29/2/92

749



The South African wine industry is looking to new markets opening up overseas to bolster a flagging local market. In the first of this two-part series Weekend Argus Reporter **LINDA GALLOWAY** spoke to the people who market the fruit of the vine here and abroad.

SOUTH Africa is not behind the rest of the world in producing quality wines, but will have to put everything into getting back into very competitive overseas markets.

With the local market looking grim — attributed to the recession and price increases, the industry is focusing on building its image in existing markets overseas and opening up new avenues.

"We have the varieties, the know-how and the innovators," says Stellenbosh Farmers' Winery's group production manager Mr Francis "Duimpie" Bayly.

"We've been held back through circumstances It's been difficult — like boxing with one hand tied behind your back

"The industry is on the threshold of major expansion There are a lot of markets opening up and it's a challenge.

"Also, there's a lot of curiosity about South African wines. There is great interest in 'New World wines' like those from California, Australia, Chile and New Zealand They have been very innovative with things like Chardonnay, Sauvignon and Cabernet

"Now the overseas markets are looking to South Africa Their memory of South African wine is very good and it is known to be good value for money "

He rejected a contention by the British Wine Association that South African wines were overpriced on overseas markets

"There might be some at the top end of the market which are overpriced but, traditionally, South African wines are known for value "

Mr Bayly said it was important that the industry work as one to maintain the image and quality of South African wine abroad

"One can't just export anything There are fly-by-night operators who could ruin our reputation. If someone buys a bad bottle they won't say 'I won't buy from that estate again.' They'll say 'I won't buy South African wine again'."

Mr Bayly said there were rumblings in the industry about working together

"The fruit industry does it so well. On the local markets it's a free-for-all but for overseas they all work together on quality control and a unified marketing strategy "

South Africa's wine industry had grown and diversified to the point where there was something "for all palates and pockets".

"We will have to spend money to establish trademarks and sell products overseas It's a tremendous challenge to get into a very competitive market.

On the local front things don't look so good

A proliferation of labels and varieties has consumers and retailers confused

Beer — with six major brands — holds 85 percent of liquor sales in South Africa and wine marketing agents are nervous about putting vast amounts of money into promoting individual wine brands in an overtraded market.

"The local market is fairly stagnant and this has to do with recent price increases," said Mr Bayly

"We haven't made the breakthrough into the black market that we hoped for

"Things are changing, though, and I believe we can make a 'product of the vine' which will be acceptable on the black market We do it with apples (cider) Why not grapes?"

The tremendous proliferation of labels was enough to scare off potential wine-drinkers and retailers could not hope to stock all available wines

"There are too many labels. Everyone wants to do their own thing It's the shotgun approach," he said

"I believe smaller estates should go for one or two labels and make them synonymous with the estate

"The market needs rationalisation, but not through legislation "

"I don't foresee a crisis but I do see hard times ahead because of the state of the economy "

Mr Chris Weedon, marketing director of Bertrams, said the higher-priced local industry was stagnant because wine-lovers buying in that category tended to downgrade in times of economic hardship

The bottom had all but fallen out of cheaper, boxed wine sales as consumers turned to still cheaper alternatives, like beer

The top end of the wine market had seen a dramatic increase in competition, with "significant leaps of style and quality" in both red and white wines.

"This makes it very difficult to make headway with individual brands," he said

Mr Rory McMillan, marketing manager of Rene Santhagen, said consumers had become more adventurous, experimenting with a greater variety of wines, which caused problems in marketing specific labels and trademarks

Companies were spending less on advertising because returns were minimal

There was concensus that, as wine-drinkers become more discerning, market forces would weed out brands of lesser quality

Mr Weedon said the wine industry would have to focus on good quality products for the overseas market if it was to compete in a much more sophisticated and competitive arena

Gilbeys' parent company, International Distillers and Vintners, had existing distribution and marketing networks which could be tapped, and the company was involved in an exciting exchange programme with French and Californian wine-makers

Mr Weedon and Mr McMillan said they believed the industry should focus on a narrow selection of wines which were exclusively South African in nature to market overseas

Dr Jannie Retief, chief marketing executive at the KWV and chairman of the Cape wine exporters' association, said there had been a surge of interest overseas.

The KWV had given the association R1 million to market South African wines in Britain, where sales have always been highest

"The KWV is obviously the largest wine exporter and, by helping independent producers to export, it would seem we are helping the opposition But every wine producer in the country is a shareholder in the KWV, so every bottle exported is to the benefit of everyone," he said

With a greater variety of wine being exported, he expected the KWV's market share to drop

Dr Retief said the "novelty factor" would ensure interest in South African wines for at least two to three years as people familiarised themselves with the product.

"There is phenomenal interest now I think it will peak and settle down in time. We had a tasting of 19 wines in London for the liquor trade and Press and had an exceptional turnout "

The United States, Finland, Canada, Australia, New Zealand and Scandinavian countries still had embargoes on South African products and breaking into these markets would be tough.

The KWV's export volumes for natural wines went up 49 percent last year and he saw no reason why independent producers could not see the same results.

He saw white wines as being the natural spearhead into the overseas market, because red vintages were "a bit young still"

"We tend to be compared with Australia and New Zealand and they have got very good white wines," he said

"We have work to do, because of our isolation. We must look critically at some areas and particularly at making sure we give consumers what they want, not what we want to make."

The exporters' association was launching a generic campaign to promote South African wines with a stand at the London Wine Trade Fair in May, where there would be tutored tastings and a printed guide to South African wine

The grocers' market in Britain had the largest share of wine sales and 20 to 30 South African wines were now listed with them.

Dr Retief said new horizons overseas were "a blessing" for the industry, while the local market was under extreme pressure

"There is light at the end of the tunnel "

NEXT WEEK: HOW THE PRODUCERS COPE

New EEC rules make it easier for SA exporters

S Times (Buss) 1/3/92

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By CIARAN RYAN

SOUTH AFRICAN exporters are under pressure to conform to European quality standards ahead of January 1993 and the unified market.

In spite of fears that harmonisation of quality standards will prejudice South African exporters, new directives have actually made it easier for them to enter the European market.

The directives oblige member states to accept products which meet the standards of any single EEC state. Exporters whose products meet requirements in, say, Portugal, cannot be refused entry to Germany on the grounds that they are below German standards.

Dietrich Uebing, a director of TUV-Rheinland, the only organisation accredited to carry out quality testing in SA for the European market, says: "The trend in world trade is to standardisation. Although it may be easier for SA exporters to enter the European market as a result of these directives, they will be obliged to conform with strict quality requirements."

TUV-Rheinland is a German testing and certification organisation with offices in several countries.

Until recently, each EEC member developed its own product and quality standards. Standards were set for thousands of different products in each member state to raise the quality of goods. The emphasis is on performance, safety, health and environmental impact.

Quality listing schemes were developed to ensure efficent business practice and to certify the state of the manufacturing process. The directives were adopted after member states lobbied to achieve European recognition of their own national standards. This delayed harmonisation of standards.

Although the directives make entry to the European market easier, the consumer will determine what constitutes acceptable quality, says Dr Uebing.

TUV-Rheinland has been carrying out quality audits in SA on behalf of the European standards authority. An increasing number of SA corporations are applying for quality certification for Europe.

Emphasis

Gerotek, an Armscor subsidiary, is licensed to carry out certain testing on behalf of TUV-Rheinland. Companies which satisfy the SABS 0157 quality listing scheme will have to apply for an international "listing" under the European standards EN 29000. It is equivalent to the German national standards DIN/ISO 9000. This is despite the fact that the rules of SABS 0157 are identical to international standards.

Martin Kellermann, a director of the SABS, says: "There is still uncertainty about European standards requirements. Companies with SABS 0157 have to apply for an ISO 9000 listing. But the Department of Trade and Industry will have to negotiate with the European authorities on the matter."

In 1993, products falling under European health and safety regulations will have to carry the CE mark to gain acceptance. A product qualifying for the CE mark is guaranteed to satisfy European health and safety requirements, but not necessarily performance standards.

All products will fall in one of two categories: regulatory — minimum health and safety requirements covered by EEC or national legislation; and non-regulatory, for which there are no obligatory requirements, only recommended performance standards.

For example, electrical and medical equipment falls in the regulatory area and will be covered by EEC directives because of the strict health and safety requirements.

Most products, however, are unregulated and may be freely exported to Europe subject to purely voluntary quality standards.

European authorities are drawing up standards requirements for a vast range of products. So far the only products to be covered by EEC directives are pressure vessels, toy safety, building materials, electromagnetic compatibility, product safety, personal protective devices, gas appliances, non-automatic scales and active implantable medical devices

Monopoly

A problem South Africans are likely to encounter in the short term is the shortage of testing bodies with European accreditation. There are more than 50 testing organisations in Germany alone.

But the SABS has a monopoly on quality certification in SA. TUV-Rheinland is therefore allowed to certify products and production processes for the European but not the SA market.

To qualify as an accredited testing body for Europe, SABS may have to forfeit its monopoly.

It appears SA industry has some way to go to meet European quality standards.

Dr Uebing says: "There is a great need for standardisation in SA to promote exports. The product rejection rate in SA is much higher than in Europe."

Reasons for the higher rejection rate in SA are lower educational and training standards and greater job mobility.

Dutch trade office opened

B Day 5/3/92

SHERIDAN CONNOLLY

IN A major step towards re-establishing trade links between SA and the Netherlands, Dutch Foreign Trade Minister Yvonne van Rooy officially opened the South African-Netherlands Chamber of Commerce (Sanec) in Johannesburg last night.

Speaking at the launch, Sanec chairman Bas Kardol said the chamber's aim was to foster closer economic ties between SA and the Netherlands.

Kardol said SANEC would promote bilateral trade, business services, tourism and investments between the two countries. The chamber would also promote SA as a "springboard" for Netherlands companies into sub-Saharan Africa and would encourage the Netherlands to act as a gateway for SA companies wishing to enter the European community.

He praised the Dutch for their quick and positive response to the Netherlands government's announcement of a change in policy towards SA, made less than a year ago.

Rotterdam was already SA's major foreign port for its exports while shipping and air links between SA and the Netherlands were expanding rapidly, said Kardol. With its efficient communication systems, SA provided an excellent base for Netherlands companies interested in trade with Africa.

He said the Netherlands was SA's sixth largest trading partner before the imposition of sanctions in September 1986. Exports from the Netherlands had increased by 60% over the last year to reach R1,21bn while SA exports had remained around R660m.

Kardol said a convincing "yes" vote in the referendum would mark the beginning of an exciting future because of the enormous potential SA offered.

With the level of beneficiation of local minerals expected to increase, and given the large metal industry in the Netherlands, Kardol said there ought to be room for increased SA exports in that area.

"In the short run, the most obvious benefit from joint ventures and a close trade relationship between SA and Netherlands enterprises is distribution power," Kardol said.

He said the trading skills and network of potential Dutch partners could be of significant benefit to SA.

Van Rooy, who is visiting SA, will have talks with representatives of government, business and political organisations.

Middle East opens arms

ARG 7/3/92 (149)

DUMA GQUBULE

JOHANNESBURG. — The oil-rich Middle East is poised to add billions of rands to South Africa's foreign exchange coffers.

Unprecedented opportunities await a host of SA exporters about to establish a presence in the bustling trading centre of Dubai, says Gyfford Fitchat, head of the SA Foreign Trade Organisation's (Safto) Gulf Trade Mission, who recently returned from a three week visit to countries in the region.

Mr Fitchat was accompanied by an entourage of SA business people scouting for opportunities in the Gulf.

Arab sheiks and government officials rolled out the red carpet for the South Africans, who returned home astounded by the trade and investment opportunities in the region.

The South Africans were told that although paper sanctions imposed by the Arab league remained, trade could begin immediately.

"Dubai sees itself as the major trading centre for all the Gulf countries represented by the Arabic Gulf Co-operation Council (AGCC), Iran (the reawakening economic power in the region with a population of 60 million), India and Pakistan (with a combined population of 900 million) and North and East Africa. All these countries source products from Dubai."

Describing Dubai as a new Hong Kong or Singapore, Mr Fitchat said the oil-rich countries in the Gulf imported more than 80 percent of their requirements, giving them the highest import per capita ratio in the world.

Mr Fitchat painted a picture of an economic wonderland, with no corporate or income taxes. The countries were aggressively market orientated and hungry for foreign investment and trade.

"The time has come for South African companies to promote themselves in the region by establsihing partnerships with Arab families and companies."

Mr Fitchat identified trade opportunities for South African exporters in the these areas:

- Food and beverages, because the coutries in the Gulf import all of their requirements. There was also an emerging mass consumer market in neighbouring Iran, which had recently introduced democratic reforms;
- Light to medium industries, which some of the countries were trying to encourage to reduce their reliance on oil.
- Engineering and construction projects, as the Gulf copuntries were continuing to upgrade their infrastructure and there would probably be enough work to keep South Africa companies busy well into the next century;
- Housewares and automotive components; and,
- Oil refining, which surprisingly the oil-rich Gulf countries do not have to add value to their crude oil, and companies such as Sasol and Engen had world-class technologies to add value to Arab crude oil to produce waxes, fertilisers and other downstream chemical products.

"There's enormous interest about South Africa in the Gulf. They belive we are a gold mine of low cost products."

Safto is planning a second visit to Dubai, Oman and, possibly, Iran and Bahrain at the end of May to plan for a big promotion of South African companies in the region. And it has been invited to the Oman International Trade Fair in Muscat in October.

Marais punts value of exports

BDay 9/3/92 (146) (172) (182)

LINDA ENSOR

CAPE TOWN — There were still a number of things government needed to do to create the right environment for the private sector to become export oriented, Administration and Tourism Minister Org Marais said at the opening of the Bosal catalytic converter plant in Uitenhage on Friday.

The plant will be making catalytic converters out of ferrochrome exclusively for the export market.

The plant was an example, Marais said, of how SA could become a world player through the beneficiation of its minerals and through the export of value added products in co-operation with overseas companies.

Marais said progress had been made in promoting export orientation with overseas markets opening up and exports developing.

"In fact many companies maintain that, had it not been for their export activities, the current economic slump in the country would have had much more severe consequences."

But he added there were still a number of things that neded to be done to create the right environment for the successful export of value added products.

It was not easy to change from an import replacement philosophy to one of developing the export of industrial products. A start had been made with Phase VI of the motor vehicle industry development programme which was the first phase that brought in exports as a major part of the programme.

"All the arguments that apply to the industry as a whole, namely that further import replacement opportunities have become expensive, also apply to the motor vehicle industry. To have viewed Phase VI as an extension of Phase V but just with a higher level of compulsory local content, would have made our vehicles too expensive.

"Our market is too small to produce vehicles with a very high level of local content. By bringing in the export market, we are effectively saying our market is the world and volume is no longer a problem.

"To enter world markets we need to become internationally competitive and Phase VI is there to allow SA manufacturers to explore opportunities and to restructure themselves to be able to enter these markets successfully."

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Information aimed at industrialists

B/Day 9/3/92 (746)

A NUMBER of organisations which provide information to industrialists ranging from investment, factory location and export advice will be at this year's Southern Africa Industry and Technology Fair.

Organisers Systems Exhibitions marketing director Jo Melville says the third bi-annual SAITF is poised to be the largest industrial and technological business-to-business fair in southern Africa.

Among the organisations which will provide information are the South African Department of Trade and Industry; the KwaNatal Marketing Initiative of the KwaZulu Finance Corporation; the KwaNdebele National Development Corporation; the Qwaqwa Development Corporation, the Ciskei Development Bank and Associated Information Technologies (AIT), an industrial and business-to-business research company operating in sub-Saharan Africa.

Drive

The Department of Trade and Industry's (DTI) participation in SAITF is part of a national export drive.

A DTI spokesman says: "With SA's improved international status and the lifting of sanctions, this is the ideal time for local industries to enter the export market."

The department's stand will highlight all its services, particularly those to the export community such as export promotional services and incentives.

Information will also be available on the services provided by SA's Foreign Trade Representatives to local exporters such as market research, identifying potential customers and advice on duties and custom restrictions in various target countries.

The KwaNatal Marketing Initiative (KMI) is responsible for marketing and industrial development of Natal/KwaZulu and provides industrialists with a comprehensive one-stop development service at all the main industrial nodes of the region.

The KMI stand will highlight the industrial development services offered by the organisation.

Support

These include pre and post-establishment support services; provision of industrial infrastructure and utilities; lease or sale of industrial buildings; loans; professional services; and introductions to key contacts.

Similar services will be highlighted on the stand of the KwaNdebele National Development Corporation, which is the economic development arm of the KwaNdebele government.

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Stimulating an export awareness

B/Day 9/3/92 (749)

THE Department of Trade & Industry's aim includes the promotion and maintenance of a healthy and viable industrial structure.

It also focuses on the expansion of foreign trade relations, the promotion of foreign trade, the maintenance and promotion of competitive conditions in domestic trade, with the greatest possible private sector participation, and the protection of consumer interests.

The purpose of the department's participation in the Industry & Technology Faire is to stimulate an export awareness among South Afrcan companies and to provide information concerning the establishment and expansion of industries.

Representatives of the department's Export Centre and its Industrial Development and Investment Centre, together with SA's trade representatives based in London, Rome and Hong Kong, will be available at stall 59B in Hall 7 to meet manufacturers and exporters to discuss how the department can assist in promoting their products abroad.

Foreign visitors to the fair are also invited to discuss assistance available to establish operations and invest in SA.

Altech reveals new soft...

Farmers fear fruits of 'no' vote

749

CT 11/3/92

MILLIONS of rands worth of canned goods are being held in storage until the results of the referendum are released, and no canned fruit has been exported for the past two weeks.

Foreign buyers have threatened to re-impose sanctions if the right-wing triumphs on March 17.

This was revealed by fruit farmers and canners in the wake of a CP referendum meeting in Robertson on Monday night.

At the meeting, fruit farmers from Robertson, Ashton and Bonnievale expressed grave concern about the effects of a "no" vote on the multi-million fruit farming industry in South Africa.

Anxious Ashton farmer Mr Johan Bruwer said yesterday he had asked the speaker, Dr Willie Snyman, Pietersberg's CP MP, how fruit farmers would survive if overseas sanctions were reimposed.

"He was unable to give a satisfactory answer," he said.

Dr Snyman said it appeared that Mr Bruwer and the fruit farmers who attended the meeting supported a government under Mr Nelson Mandela. The local fruit farmers were in the minority and most whites supported the CP, he said.

Mr Bruwer said that overseas buyers worldwide had warned they would cancel existing contracts if South Africans failed to support President F W De Klerk's reform initiatives.

"We are very concerned about the results of the referendum. About 95% of the fruit farmers in the Boland will support the State President by voting 'yes' on March 17," Mr Bruwer said.

Mr Ray Brown, managing director of Langeberg Foods Ltd — a leading food processing company in Paarl which exports canned fruit — said a 'no' vote would be a massive blow to both the farmers and the exporters.

Exports of canned fruit are worth about R300 million a year.

Mr Louis Kriel, managing director of Unifruco — an international marketing group for the deciduous fruit industry — said yesterday he was concerned that a 'no' vote could have major repercussions for the R1 500 million fresh fruit industry.

He said foreign buyers were "very nervous" about the referendum outcome.

Mineral exports hit by price slump

B/Day 13/3/92

74G

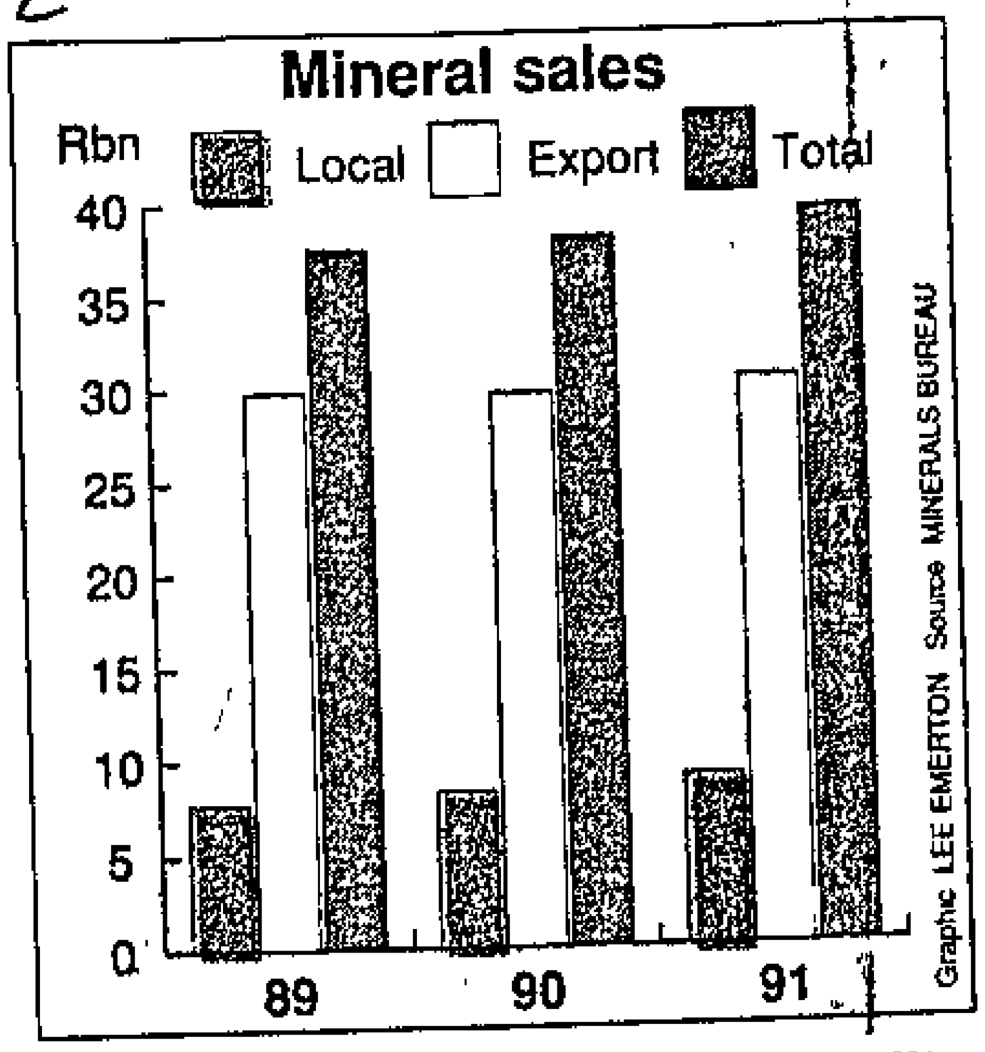
MATTHEW CURTIN

THE value of SA's local and export mineral sales rose a meagre 3,5% in 1991. Exports were hit by the slump in world commodity prices, but the rand's depreciation against world currencies helped offset the fall in prices.

Figures issued yesterday by the Minerals Bureau show the value of SA mineral sales rose to R39,4bn from R38bn in 1990. (The figures do not show mineral production from the TBVC states.) Export sales rose only 2,3% to R30,4bn (R29,7bn). Exports made up 77% (78%) of sales.

Gold sales continue to make up the lion's share of mineral exports, but the second largest and growing contribution comes from coal. Gold sales made up 63% of export sales in 1991, against 65% in 1989. This compared with 14% from coal exports last year, against 13% two years earlier.

Gold sales rose in value to R19,3bn (R19bn), while production fell marginally to 598 tons (603 tons). The figures reflect the rise in the rand price of gold — to an average of R1 000 an ounce (R991) — in spite of a sharp drop in dollar prices. They fell to a 1991 average of $362/oz ($384).



Coal export volumes fell to 48,5-million tons (49,6-million tons), but the value of exports rose to R4,2bn (R4bn).

The value of SA base metal exports — chrome, copper, nickel and others — fell sharply in 1991, but the value of iron ore exports rose marginally.

Granite sales continued their sharp increases to reach nearly R200m in 1991, 37% higher than 1989 levels of R144m.

France lifts 7-year ban on SA coal

Bday 13/3/92

MATTHEW CURTIN and SHERIDAN CONNOLLY

FRANCE lifted its seven-year embargo on imports of SA coal yesterday, leaving the US and Denmark as the only countries still to lift their coal sanctions.

France's industry ministry said the sanctions were lifted yesterday, a gesture of political support for President F W de Klerk and his reform process. (746)

Mike Salamon, MD of Genmin's coal-mining arm Trans-Natal, said last night the news was welcome, as SA was again able to trade on a commercial basis in an important market for steam coal which it had lost through sanctions.

Salamon said although the French market for steam coal made up a small share of world export trade, the move presented exporters with more options.

France met about 75% of its energy requirements through nuclear power, and the remainder through hydroelectric and coal-fuelled power stations. Coal tended to be the swing energy source, and French imports varied considerably, with much material bought on the spot market.

Before sanctions, SA producers supplied about 4-million tons to France, but with the trade embargos, the French turned to high-quality low-cost US supplies. SA producers would now have to compete with US companies, which enjoyed lower freight costs in supplying France.

Salamon said the French market amounted to 9-million tons in 1991, with 6-million to 9-million forecast for 1992. French customers had already committed themselves to contracts for much of their needs this year, but SA producers were likely to pick up about 1-million tons of new demand in the medium term.

An Amcoal spokesman welcomed the decision.

Market sources said the lifting of the embargo, in force since 1985, would have no immediate effect on SA's coal industry. The current export capacity restraint of 53-million tons a year from the Richards Bay Coal Terminal made it impossible to increase the level of coal exports dramatically. The existing alternative was to export coal through Maputo, but its harbour was small and unreliable.

SA exports to Germany on rise

(746)

BDay 13/3/92

SHERIDAN CONNOLLY

GOOD trade relations between SA and Germany continued last year with an increase of nearly 9% in SA exports, SA-German Chamber of Commerce and Industry CE Klaus Volker Schuurman said yesterday.

Trade figures for last year showed an 8,8% increase in SA exports to Germany to DM3,2bn, while imports from Germany fell by 4,4% to DM4,7bn. SA's trade deficit with Germany shrank by almost 24% to DM1,5bn.

Traditional exports continued their good performance with coal up 24,8% to DM427m and gold 16,4% higher at DM368m.

Exports of finished products recorded significant increases — exports of motor vehicles increased 31,4% to DM60m and ironware rose by 47,0% to DM97m.

A decline of 52,8% was recorded in the volume of iron ore exports and exports of ferrous alloys fell by 9,4%.

SA imports from Germany were mainly motor vehicle parts, electrotechnical products and machine tools. Imports of motor vehicle parts increased by 3,4% to DM1,4bn, shipments of electrotechnical equipment and products decreased by 8,8% to DM522m and those of machine tools by 15,5% to DM95,8m.

Schuurman said the trade figures reflected the current state of the SA economy. "... the decrease in imports of machine tools and other manufacturing equipment shows the deep recession of this country; on the other hand the increase in SA exports of finished products is an encouraging sign for the local export-oriented industry," Schuurman said.

Trade figures from the SA Foreign Trade Organisation showed that Italy, Germany, and Japan were the top three importers of SA goods in 1991.

The figures, compiled by the Organisation for Economic Co-operation and Development (OECD), show that SA exports to Italy in the first half of last year rose to $223,6m, compared with $209,5m in the first six months of 1990.

Germany, the US and the UK were the top exporters of goods to SA, with Germany's exports valued at $242,4m in the six months to June last year. This was lower than the $261,9m recorded in the same period of the previous year.

No means sanctions and huge job losses

By ROBIN PEGLER and CIARAN RYAN

THE consequences of a No vote on Tuesday will be devastating for JSE-listed companies with established export markets.

Capital investment in projects such as Columbus Stainless Steel and the Genref refinery would be halted.

Particularly affected would be companies involved in the export of paper, pulp, coal, metals and minerals, fruit and sugar.

They include Sappi, Anglo American Industrial Corporation (it has holdings in Highveld Steel, Mondi and Boart), Samancor, Amcoal, Trans-Natal, Rand Coal (formerly Witbank Colliery), Iscor, Langeberg, Tongaat-Hullet and CG Sugar.

Value

The R3-billion Columbus venture between Highveld and Samancor would almost certainly be scrapped. The feasibility study said it was only possible if there were no sanctions.

Although ferrochrome and ferromanganese are strategic metals and therefore not subject to sanctions, extreme pressure would be placed on consumers to find other sources of supply. This would affect Samancor and Consolidated Metallurgical Industries.

Middelburg Steel & Alloys' stainless-steel operations, recently acquired by Highveld-Samancor from Barlows for R500-million, would also be threatened.

In terms of tonnage Iscor exports half its output, although the value is less than half.

Coal is SA's second-largest export, earning R4,2-billion in 1991. Coal sanctions would be reimposed almost immediately.

Rand Coal managing director Rick Mohring says about half the company's coal is exported. The loss of markets would force the mine to retrench half of its labour force of 12 000.

Mr Mohring says: "Then there is the multiplier effect caused by the loss of these jobs. Several other people rely on the mining industry. A total European Community ban on coal from SA is a distinct possibility in the event of a No vote."

Citrus and deciduous fruit exports are worth about R1,2-billion a year, much of which would be lost in the event of a reimposition of sanctions.

A Sappi spokesman says about 50% of group products — including those of Usutu and Sappi Europe — are sold abroad. A loss of markets would force the company to retrench many of its 18 000 workers.

Businessmen say a No vote will outrage the international community which will respond with a sanctions drive far more severe than any before.

The cost of a No vote would be the loss of tens of thousands of jobs within weeks and a freeze on investment, both here and abroad.

Barring the possibility of an outright ban on investment in SA, pure rand-hedge shares, such as Richemont, Minorco, Charter and Lonrho, would appreciate in proportion to the decline in the financial rand. The finrand would plummet as capital fled SA.

Under a Conservative government, expenditure would be concentrated on the police, military, public-sector pay rises and bailing out farmers, all of which would be inflationary. Spending on black housing, health and education would probably be curtailed.

Sunday Times 15/3/92

74G

High prices seen as curb on exports

Finance Staff 74G

STAR 25/3/92

Prices are regarded as the most restrictive factor affecting South African manufacturers' ability to export.

This is revealed in the latest survey of the sector by the Bureau for Economic Research at the University of Stellenbosch (BER).

The survey covers manufacturers' responses to business conditions each quarter, and their forecasts for the following quarter.

This is the first time, though, that it has included questions on exports.

Responses to these questions revealed that 77,9 percent of those who participated were exporters of goods, and that the largest proportion, 34,8 percent, were exporters to Africa.

However, the majority of manufacturers involved in foreign markets export no more than 10 percent of their production, although the BER notes that exports now account for 35 percent of gross domestic product.

The chief reason for this was the perception that South African goods were being priced out of foreign markets because of the country's continuing high rate of inflation, combined with an insufficient depreciation in the exchange rate.

On the domestic front, respondents to the survey indicated that they regarded the general condition of the economy as a more restrictive factor than political uncertainty. The BER says this is related to the view that high interest rates are seen as restrictive to business activity.

They did though, express surprising opinions regarding the setting of prices in the first half of this year. In the previous survey, they indicated that prices would be adjusted upwards despite tax credits received as a result of the VAT system.

This time, they anticipated that the rates of increase in both raw material prices and labour costs per unit were likely to fall, and that this would mean a lower rate of increase in the average total cost per unit of production — and in expected selling prices.

The BER says an increasingly positive view of general business conditions was recorded in higher estimates by survey respondents of expected sales and production volumes. These reflected a positive value, on a net basis, for the first time since the first quarter of 1990.

Positive views

Specific sectors which held a positive view were furniture, non-metal minerals, basic metals products, machinery, transport equipment and plastic products.

The consumer sectors involved in clothing and footwear were very pessimistic, but the BER says this can more than likely be ascribed to uncertainty regarding adjustments in tariff structures.

Orders received also show a net positive value, for the second quarter, but the present stock of raw materials in relation to planned production and expected domestic as well as foreign demand are seen to be sufficient.

Meanwhile, although most manufacturers did not foresee a noteworthy increase in capital investment this year, due to an existing oversupply of capacity, more than in the previous survey mentioned that the number of employed factory workers was expected to increase, as was the average number of hours worked.

Exports set to surge on 'yes'...

74G

CT 17/3/92

By AUDREY D'ANGELO
Business Editor

EXPORTERS, already benefiting from improved perceptions of SA overseas, are preparing to move strongly into new markets if there is a 'yes' vote in today's referendum.

French and British chambers of commerce are organising an exhibition and seminar in Portsmouth, on the south coast of England, in May to promote two-way trade with SA.

SA firms are showing their products at a Contact Kenya exhibition in Nairobi at the end of June.

Unita has approached the Cape Town Chamber of Commerce to encourage more business and investment in Angola.

Seminars are being given on how to penetrate European and US markets.

And trade missions from SA — including one from Cape Town Chamber of Commerce now visiting France and Holland — are being welcomed.

Shipping lines have stepped up cargo services to and from SA. The latest to announce an improved service is Unistar, whose container service between Durban, East Africa and Israel has now been extended to Turkey and Greece.

Safmarine has invested more than R120m in new technologically advanced containers in preparation for an expected upsurge in exports of perishable foods.

But the SA Foreign Trade Association (Safto) warned yesterday that this picture would change if the referendum results in a 'no' vote.

CE Wim Holtes said: "A successful 'yes' vote will accelerate our strengthening international relations and help us to free ourselves from past isolation.

"A 'no' vote will lead to the reimposition of sanctions which will be perceived as self-inflicted even by our friends abroad and from which only our international competitors will profit."

Safto GM Anne Moore said that although SA would continue to have some trade with other countries whatever the result of the referendum it would have to return to the days of keeping a low profile. There would be no exhibitions to draw attention to what SA exporters had to offer.

Meanwhile, the South-East Hampshire Chamber of Commerce in England has announced plans for a major seminar and exhibition to promote trade with SA.

It will involve the Franco-British Chamber of Commerce, representatives of the Le Havre Chamber of Copmmerce in France and members of the SA embassies in London and Paris.

A spokesman for the South-East Hampshire Chamber of Commerce commented yesterday: "It's unique — the first occasion that the British and French have joined forces in an enterprise of this nature to increase business with SA.

"It just goes to show the huge interest there is in trading with the new SA."

Douglas Fearns of UK-based trading consultancy DSA & Associates said:"The expo will cover many aspects of two-way trading with SA, with the intention of stimulating interest in what is clearly seen in Europe as a market of giant potential."

Fearns said the May expo was intended to be only the start of a general movement to build stronger trade ties with SA.

"The intention is that an Anglo-French trade mission to SA will follow in September, representing the twin port cities of Portsmouth and Le Havre."

He said SA firms were also invited to take part in Euromec '92, the European Manufacturing, Marine, Engineering and Construction Trade Fair in Portsmouth from June 29 and July 2.

David Altman, organiser of the Contact Kenya trade fair for SA exporters, to be held at the Kenyatta International Conference Centre in Nairobi from June 30 to July 4, said most of the available space had already been sold.

Companies taking part include BMW (SA), SA Breweries group companies, Dorbyl, Tedelex, Murray & Roberts, Grinaker, Midas, Weil & Ascheim, Anglovaal group companies, Barlow group companies and several smaller firms.

Altman pointed out that the exhibition opened doors "to the entire East African region."

Cape Town Chamber of Commerce reports that Unita's Minister for Finance and Economic Co-ordination, F Roque, has called at its offices to outline plans for promoting business and investment in Angola after the September elections, which his party is confident of winning.

Tax incentives to encourage exports

LINDA ENSOR (746)

CAPE TOWN — Tax incentives to promote the beneficiation of imported raw materials and intermediate products for export markets were announced by Trade and Industry Minister Derek Keys yesterday.

The announcement followed the statement by Finance Minister Barend du Plessis during his Budget speech that the parameters of the special accelerated deductions under Section 37E of the Income Tax Act would be widened. Du Plessis said this move could act as a significant further incentive for private investment and exports, particularly in the mineral processing and beneficiation industry.

Keys said the proposed amendment taken together with other changes to the section would encourage new investment in a greater number of large-scale capital projects. BDay 19/3/92

Keys said Section 37E would be retrospectively amended with effect from yesterday to broaden the definition of beneficiation to provide for the inclusion of local and imported raw materials and intermediate products.

Section 37E provides for the accelerated deduction of the expenditure on qualifying plant and machinery, buildings and preproduction interest on cost. Its primary aim, a statement says, is to help investors bridge start-up costs. Negotiable tax credit certificates are issued in cases where deductions cannot be written off against income immediately.

Previously, the section — which was introduced as a temporary measure in September 1991 — stated that only beneficia-

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Exports

BDay 19/3/92 (746)

☐ From Page 1

tion projects which used locally sourced base minerals and intermediate products qualified for the tax incentive.

The amendment broadens the scope of the measure to include all raw materials intended for beneficiation instead of being limited to base minerals.

Keys said the section would also be amended to require that the beneficiation process add at least 35% to the value of the raw material. The calculation of the value added would be based on a new formula announced in the amendments.

It is still necessary for qualifying projects to be internationally competitive and to export more than 60% of their output.

The proposed amendment also required that in approving a process as a beneficiation process, a specially appointed committee had to examine the degree to which the production of an intermediate product encouraged further processing of the product in SA, its effect on the Exchequer and on small and medium enterprises.

● See Page 9

SA, Zambia to co-operate

DARIUS SANAI

SA AND Zambia announced yesterday that they would seek to involve other drought-ravaged southern African states in organising the distribution of more than 10-million tons of imported grain on a regional basis.

Foreign Affairs Minister Pik Botha told a news conference yesterday he had discussed with visiting Zambian Foreign Minister Vernon Mwaanga how to organise a co-ordinated response to the worst drought to hit the region in more than a century.

Botha, who was speaking at Jan Smuts Airport before leaving to visit the Far East, spent an hour with Mwaanga, who had just arrived on a five-day tour of SA.

He said he hoped major producers such as the US, Canada and the EC would be prepared to sell grain to the region at reduced prices.

Mwaanga said he had proposed the idea to Botha, who had shown great enthusiasm for such a scheme. All countries affected by the drought "must be seen to respond together as a region" on the problem, Mwaanga said. He was spearheading the effort to organise co-ordinated action, and would speak to senior government ministers in all the other states involved.

Between 10- and 12-million tons of imported grain would be needed to meet the region's requirements. To distribute this grain effectively and efficiently, the whole transport system of the region would have to be rationalised. A co-ordinated plan was necessary, he said. Zimbabwe needed 2-million tons of grain, Malawi 800 000 tons,

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Co-operation

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☐ From Page 1

Zambia 900 000 tons, Mozambique 1,5-million tons, and SA, Botswana, Namibia, Swaziland and Lesotho between them between 5- and 7-million tons.

Botha said he hoped the world's major producers would look sympathetically towards the needs of southern Africa. "They must not just look at the former Soviet republics and central Europe," Botha said. "Now is the time for them to prove that they have not forsaken Africa."

Mwaanga said Zambia and SA would soon establish diplomatic ties.

Botha, referring to his tour of four Asian countries, said he would hold lengthy discussions on trade and political matters with Japan's government and business representatives. He would also visit Taiwan, South Korea and Singapore.

Senior Foreign Affairs sources confirmed there was a "strong probability" that President F W de Klerk would visit the Far East and Pacific Rim countries later this year.

(749)

Here's an export office which is actually promoting imports

746

STTimes (BUSS) 22/3/92

ONE of the ironies born out of Japan's staggering trade surplus is a government-sponsored export body that promotes imports.

The Japan External Trade Organisation (Jetro), formed to assist Japanese corporations to capture new export markets, was instructed 10 years ago to concentrate on import promotion as part of the country's campaign to reduce its US$100-billion trade surplus in 1991.

Hideichi Okamoto, Jetro's Johannesburg director, says: "We now spend 80% of our time promoting imports. But the scope for increasing imports to Japan is dependent on the rate of growth in the Japanese economy, which will be about 3% this year, well down from last year's level of about 4%."

Jetro, a semi-government body, has been represented in SA since 1961. During sanctions its SA representation was downgraded to reflect SA's pariah status. Now that sanctions are lifted, Mr Okamoto says, relations will normalise although he does not see much scope for increasing trade volumes immediately.

"There is potential for increasing gold, diamonds and platinum exports in view of the strong growth in the Japanese jewellery market. Raw material imports will pick up when the rate of growth in the Japanese economy improves. This year economic growth will be about 3%, which is much lower than in previous years."

Trade between SA and Japan was worth $3,3-billion (R9,2-billion) in 1990, with the balance of trade weighted slightly in SA's favour. In the first nine months of 1991 SA increased its imports from Japan by 13%, particularly in the area of motor components, audio-visual equipment and industrial machinery.

Japan scaled down its imports of gold, vanadium oxide, chromium ore, aluminium and foodstuffs, but increased imports of iron and manganese ore, ferro-alloys and pulp.

Mr Okamoto says growth in the Japanese economy will be spurred by land prices: "Some of the most expensive real estate in the world is found in Japan.

Pressure

"Companies tend to bond the land and invest the borrowed money, but now that land prices are falling their collateral is worth less. Until recently land prices increased by between 20% and 25% a year, but last year were down to 7%."

The Japanese success story was built on exports but its major trading partners — particularly the US — put pressure on the Japanese to open their economy to foreigners. Responding to this pressure, the Japanese government embarked on a drive to liberalise its financial and goods markets. According to a Barclays Bank report on Japan, the trade surplus will decline to $20-billion by 1994.

Mr Okamoto says there is little prospect of reducing the trade surplus with European trade partners.

"Many European countries are not interested in the Japanese markets. It is much simpler to focus on nearby markets than try to penetrate a market many thousands of miles away."

One area which is likely to boom is tourism to SA from Japan. In 1990 5 000 Japanese visited SA, many of whom were businessmen. Provisional figures for 1991 suggest that 10 000 Japanese visitors came to SA. More than 11-million Japanese travel abroad each year, representing a huge potential market for SA, which has excellent golfing facilities and sophisticated game parks, two qualities highly rated by the Japanese.

"The Cape of Good Hope is considered very famous by Japanese visitors. The type of holidays preferred in Japan are generally packaged, with plenty of emphasis on scenic tours, golf and safaris. They like to spend a few days at a number of different resorts."

There are no direct flights to and from Japan, nor is there much call for such a service until traffic between the two countries increases. At present travellers to Japan generally catch connecting flights in Taiwan, Hong Kong or Singapore.

Mr Okamoto says Japanese investment in SA, when it comes, will focus on job creation. The deputy president of Nafcoc (National African Federated Chamber of Commerce), Archibald Nkonyeni, has been invited to Japan to assess various areas of co-operation between Japan and SA.

BUSINESS

Plessey ready to take on the world

ST Times (CM) (746) 22/3/92

PLESSEY Tellumat of Cape Town has launched an aggressive export campaign which aims to increase exports to 20 percent of turnover within a year.

This was announced by managing director, Dr John Temple, at a banquet at the Cape Sun to mark the company's new status as a wholly South African-owned company in the Sankorp stable.

The occasion also enabled the company to introduce the new name of Plessey Tellumat South Africa Ltd, which aims to strengthen the company's identity in export markets and distinguish it from other Plessey operations in the world.

"We have identified two areas of potential growth which we believe will be critical to South Africa in the closing years of this century — exports and satellite communications," said Dr Temple.

"Sankorp has recognised that the electronics industry presents a strategic growth market and is prepared to support our expansion in the long term.

"We are looking to export avionic products and are finalising a large export contract for broadcasting equipment.

"We are also planning to export small PABX systems to Europe."

The export drive would focus mainly on Africa and Europe.

"We are also poised to enter the exciting market of satellite communications.

"With the pressures and demands of a growing population, satellite technology can provide flexible and cost effective solutions to South Africa's communication needs."

● Tellumat is derived from the tellurometer electronic distance measuring surveying system invented in South Africa in the 1950s and now kown internationally.

De Beers climbs in jewel-wise

S1 Times [BUSS] 22/3/92 FGT (74G)

JAPAN has overtaken the US as the world's largest retail market for diamond jewellery.

Diamond-jewellery sales to Japan have increased by 66% since 1982, reflecting the country's rate of economic growth and the rise in disposable income.

The total value of diamond-jewellery sales to Japan in 1990 was US$11,7-billion, representing 7,6-million jewellery pieces and 2,8-million carats.

Tory Johnston, De Beers's market controller for the Far East, says: "Our preliminary figures for 1991 show that, despite the bursting of the 'bubble economy' and the resulting slowdown in economic growth, sales value will equal that of 1990, and Japan has gained a 2% share of the world total value — it now represents 32%, followed by the US at 28%."

De Beers started marketing jewellery in Japan in 1966, and last year celebrated its 25th anniversary. Several Western jewellery customs and fashions have been introduced by De Beers into Japan, the diamond engagement ring being one example.

Today 74% of Japanese brides receive a diamond solitaire ring. Miss Johnston says Japanese consumers are knowledgeable and demanding in terms of quality and service, and the average price for an item of diamond jewellery is $1,532 (R4,270), among the highest in the world.

Other Western customs the Japanese have taken a shine to are the tenth and twenty-fifth wedding anniversaries as suitable occasions for diamond-jewellery gifts. An interesting feature of the Japanese market is that a large proportion of jewellery is bought by individuals to wear themselves rather than as gifts for loved ones.

"An excellent example of this is today's young working woman with a high disposable income in a very fashion-conscious environment. They currently account for over one-third of the market's total sales value of diamond jewellery."

The 32nd Diamonds International Awards Ceremony was held in Tokyo in January, the first time it has been held outside Europe. This design competition is sponsored by De Beers and is the equivalent of the Oscars in the jewellery world.

KEYS PLEDGES SUPPORT FOR WORLD DRIVE BY EXPORTERS

S Times 22/3/92 (14G)

By MIKE ROBERTSON
Political Correspondent

DEREK KEYS is a happy man ... "I get to think about the things I am interested in all day long and still get paid for it."

This week's Budget provided a "coming out" opportunity for the former Gencor chief, who has maintained a low profile since taking over as Economic Co-ordination and Trade and Industry Minister at the beginning of the year.

Like his predecessor, Dr Wim de Villiers, he believes that growth will have to be export led. But he readily concedes that inconsistency on the part of the government has made life difficult for potential exporters.

He identifies two things the government will have to do to lower levels of uncertainty:

"We have got to increase our level of predictability and our transparency.

"Second, we have got to make it clear to people that we are going to box their corner in the international sphere to the same extent that other governments do for their national firms. This is something that the South African government hasn't quite got around to doing until now."

Mr Keys has identified his key objective as raising the level of fixed capital investment, which has fallen from 27 percent of gross domestic product (GDP) to 18 percent.

The drop, he says, is both good and bad. The good part is that it shows the government is no longer undertaking projects such as Mossgas which do not give good immediate yields. The bad part is that unless the situation is reversed, the economy will continue to flounder.

"Raising the level is my objective. I intend to push as hard as I can to get fresh investment for export purposes.

"We have got to take advantage of our comparative advantages and to add value to the existing stream of materials. We export an enormous spectrum of raw materials. In almost every case it is possible for us now, with our resources, technology and level of entrepreneurial management, to look seriously at the next step up."

Mr Keys believes, as he did at Gencor, that stainless steel, pulp, aluminium and refined petroleum products offer vast opportunities for exporters.

"I assume that if Gencor can conjure up those four, other people can conjure up 40."

He announced this week, as a first step to boost exports, incentives to promote the beneficiation of imported raw materials and intermediate goods "to make sure we don't miss any desirable big projects".

Internally, he says, the first priority is to raise the level of demand: the manufacturing industry is operating at only 80 percent capacity.

"There is not much point in having tremendous investment incentives for people when they have machines standing idle. That is where the relaxed hire purchase provisions come in."

He candidly agrees that, judged on the basis of the deficit before borrowing and the percentage of total GDP it represents, government spending is too high.

But, he argues, had it not been for the recession, both the deficit and government spending as a percentage of GDP would have been in line with international standards.

"What I am saying is that the government decided not to deviate from its course because the economy was in recession. It did not make things worse by cutting the levels of government expenditure.

"It has just decided to go on and stand the criticism. What proves to me that it is the right thing to do, is that the government borrowed R3-billion more than it needed last year without any strain on the long-term capital market whatsoever."

"There are no indications of strain at the moment. The funds are there, but they are not being demanded by the private sector. As far as I am concerned the state ought to keep its level of spending up and make use of those funds."

He does not believe that by increasing its spending the government is putting too much of the burden of fighting inflation on the monetary authorities — and thereby providing no room for a relaxation of interest rates.

"I think that if (Reserve Bank governor Chris) Stals just keeps going the way we are and if the government is sensitive to when demand picks up in the private sector, inflation will gradually go down."

He predicts a two percent drop in inflation this year.

Although a mere R1 000 has been allocated for privatisation this year, Mr Keys says this does not reflect an abandonment of the concept, but rather that none of the big companies — Transnet, Telkom or the Post Office — are ready to be sold off.

Mr Keys almost welcomes ANC criticism that when it comes to education and health, the government is throwing money at problems and not taking sufficient care to ensure it reaches the most needy.

"This is the ANC's tack. As it becomes acquainted with reality, it is starting to attach much more importance to how the money is spent rather than the quantum. It no longer thinks you can just add extra funds.

DEREK KEYS ... we must take advantage of our opportunities

"That is a healthy critical slant to put on our activities. We think we are doing the best, but we may be wrong."

Mr Keys believes that only once a transitional authority is in place will conditions be right for the setting up of an economic negotiating forum.

In the meantime, he says, it is right that representatives of organised labour and business continue talking and finding out what they agree on. Once an interim authority is in place a forum could be set up to deal with economic policy.

Afrox exports up by 75%

ST Times (Buss) 22/3/92 (746)

By DON ROBERTSON

AFROX has boosted its exports by 75% in three months to about R6-million after launching a drive on world markets.

It has opened markets in Africa and elsewhere for the welding products division. About 800 tons of welding electrodes have been exported, says managing director Peter Joubert.

The company has also negotiated a R1-million order for specialist wear-resistant products in a market which had previously been closed.

Mr Joubert says: "We have successfully targeted markets for products such as special-purpose welding electrodes for use in the sugar-processing industry. Our Azucar 80 sugar mill roughening and resurfacing welding electrode is setting the standard in this industry."

The export breakthroughs have been achieved in spite of great distance from markets, international competition and the preference in some countries for "home-grown" products.

Plat slump may be ending

(746)

S Times (BUSS)

JAPAN'S consumption of platinum is expected to decline this year as economic growth cools. It is the largest market in the world for platinum jewellery. 22/3/92

SA platinum producers — Rusplats, Implats and Wesplats — have been squeezed by a falling metal price. In yen terms platinum is the cheapest it has been for several years, occasionally trading at a discount to gold.

The good news for SA is that the fall in the metal price is probably coming to an end, although this will depend to a large degree on the rate of economic recovery in Japan over the next two years and the level of disposable incomes for jewellery purchases.

According to Johnson Matthey, Japan consumed 1,12-million ounces of "white metal" for jewellery in 1989, rising to 1,19-million ounces in 1990 and 1,28-million ounces (provisional) in 1991 out of total world consumption of 3,88-million. Jewellery sales in Japan have increased at a compound annual rate of 7% since 1981 as younger Japanese have spent more on jewellery.

Correlation

Japan accounts for more than 90% of world platinum jewellery demand. If one includes investment and autocatalyst off-take, Japan accounts for more than 50% of total world demand.

One platinum analyst interviewed says: "Platinum off-take by Japan could be lower this year, which will be the first such decline since 1983. This would reflect the slowing down of the Japanese economy, particularly in the jewellery trade."

He says there is a strong correlation between between the sharp decline of the Nikkei, which began in 1990, and the fall in the platinum price.

"This indicates that as investment confidence waned in Japanese equities, it appeared to spread to that of platinum."

The white metal is regarded as a symbol of pure love in Japan, according to the Japanese trade bulletin, Tradescope. About 97% of all wedding rings sold in Japan are made from platinum.

The Japan branch of the Platinum Guild International (PGI) says there are several reasons why platinum is in strong demand in Japan.

"First and foremost is the traditional Japanese sense of beauty through which value is determined by the degree of refinement, and secondly is the traditional desire for authenticity."

BUSINESS DAY, Tuesday, March 24 1992

Czechs want SA exports

BDay 24/3/92

DARIUS SANAI

A LUCRATIVE potential market for SA products existed in the burgeoning central and eastern European economies and exporters should establish themselves there before it was too late, Andersen Consulting managing partner for the region, Leslie Bergman, said yesterday.

He said there was "considerable pent-up consumer demand" in Czechoslovakia, one of the most advanced of the region's economies.

746

SA exports would have a cost advantage and SA firms should start investigating exports before demands were satisfied.

Clothing, processed foods and household appliances were of particular interest.

Hungary was a very lucrative market but demand there had to a large extent been satisfied, Bergman said. Poland, with a population of 40-million, was also a potentially large export market but its economy was less developed.

Bergman said the SA embassies in Prague and Budapest had been inundated with inquiries from people wanting to trade with SA.

Chances for profits were better if SA businessmen acted now, but few had visited either country.

Bergman said there were fears about a lack of foreign currency, but an exchange of goods was possible. Czechoslovakia sent a trade delegation to SA at the end of last year and the Czech foreign and foreign trade ministers have both visited SA.

Derek Keys to head overseas trade crusade

STAR 25/3/92

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Political Staff

CAPE TOWN — Minister of Trade and Industry and Economic Co-ordination Derek Keys is to lead a trade crusade this year to boost South Africa's business interests in Japan, Germany, Britain, China and Taiwan.

India and Thailand are also being targeted in the drive for business expansion abroad, it emerged in an interview with The Star yesterday.

The former Gencor chief intends promoting South African business interests and products on his wide-ranging trips abroad.

It is understood the ventures have been timed to make the most of the confidence boost South Africa's trade relations received from the referendum result.

The trip to Britain, Germany and other parts of Europe is the result of an invitation by the German government.

The visit to Japan and China is being arranged by his department. He will be accompanied top South African industrialists on this leg.

Mr Keys launches his drive for international trade with the conviction that exports are the key to economic growth and that the Government has a critical role in creating opportunities for businesses and supporting their ventures in foreign markets.

He said: "We are marshalable by South African enterprises. I want people to know that I am open for that."

The initial visits would concentrate on "the groundwork".

But Mr Keys added: "It is important that where South African business starts to get involved in fresh fields, like world exports, they have to have the feeling that they are supported by the Government, to improve their prospects and create opportunities for them."

Citing trade missions by US President George Bush and former British prime minister Margaret Thatcher, he said "most South Africans do not realise the extent to which politicians of other countries (actively promote) their companies".

Confessing that he had "no plan" for the economy, Mr Keys rejected the view that the Government ran the economy.

"It is better for us to attempt to behave according to that truth, than to give the impression that we do run it."

Ideally, the Government's job was to "hold the ring" for the private sector and make it possible to have an economy that offered the "greatest degree of choice".

The Government could help by being "predictable and transparent", banishing uncertainty (and boosting investment) by applying a consistent economic policy and being "transparent in your motives . . so that the private sector can plan in the knowledge that the Government will behave in a certain way".

The Government was keen to make exporting as attractive as possible as a means of attracting investment.

Mr Keys cautioned that achieving a growth rate in the order of 5 percent would require a "remarkable national consensus" between business, labour and the State.

Mission wins order from France for wine

STAR 26/3/92

ROTTERDAM — The Cape Town Trade Mission which is touring Europe this week in search of new export contracts, has received an order to export South African wines to France.

Head of the trade mission Cape Town Chamber of Commerce president Kenneth Marcus said yesterday interest in the mission was incredibly high both in France and the Netherlands.

The mission had more than 100 appointments with Dutch businessmen during their three-day visit to the country.

"It is clear from our negotiations in the Netherlands that the Dutch also are interested in serving as conduits for trade between South Africa and many other countries such as in the Far East.

The Dutch are old-time traders with long-established trade routes between a great many countries and as such very important to our mission," Mr Marcus said.

He added that it had also become very clear to the mission that the French were less reticent about investing and trading with South Africa than the Dutch at the moment.

"The French have had much more experience with trade in Africa, and clearly the Dutch businessmen were still holding back because of the present uncertainty about South Africa's future political infrastructure.

"We were, however, very well received and at a very high ministerial level by the Foreign Trade and Economic Affairs Ministries in the Netherlands and France."

Mr Mracus has also established contacts through his personal trips to Hungary where he was received by the national Hungarian Chamber of Commerce and the Budpest Chamber of Commerce. He also visited the Polish Chamber of Commerce. — Sapa.

746

City trade group lands SA wine export order

(74G) ARG 26/3/92

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Head of the trade mission, Cape Town Chamber of Commerce president Kenneth Marcus made the announcement in Rotterdam yesterday.

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"We were however very well received and at a very high ministerial level by the Foreign Trade and Economic Affairs Ministries in the Netherlands and France.

"We consider this very meaningful and a definite improvement over previous visits."

While the visit was the first official trade mission to visit Holland and France in 20 years, the Cape Town Chamber of Commerce last year undertook an unofficial mission to the countries.

Mr Marcus has also established contacts through his personal trips to Hungary. — Sapa.

RBCT may allow Sasol in

S/Times (Buss) 29/3/92

(746)

By IAN ROBINSON

REBEL coal exporter Sasol could be welcomed into the fold of the Richards Bay Coal Terminal (RBCT).

Sasol clashed with the RBCT when it took the lead in promoting the construction of a second coal terminal — the Red terminal — at Richards Bay.

Sasol is one of a group of aspirant coal exporters which are not members of the RBCT — or who have only small allocations — who are seeking additional export capacity.

A Sasol representative is chairman of the Coal Export Joint Venture, which, with Portnet, is investigating the second terminal.

It is understood that the terminal would have an annual capacity of 8-10 million tons and would cost R500-600-million.

A second terminal has been strongly opposed by the larger coal exporters — Amcoal, Randcoal and Trans Natal — which fear that such a terminal would lead to excessive coal exports and depress prices.

Furthermore, they are concerned that the rail rates paid by the new exporters would not take into account the fact that they had not contributed to the construction of the line.

Sasol is considering the export of approximately three million tons a year of coal from its Syferfontein mine from 1995, and at present has no access to export facilities at Richards Bay.

A speaker at the 1992 Coal Indaba at Mintek in Johannesburg during the week suggested that Sasol's exports might be accommodated through expanding the RBCT's capacity, and Sasol would no longer need access to a second terminal.

Present annual capacity at the RBCT is 53-million tons, and it may be possible to expand this capacity to 56-million tons without major capital expenditure.

Anglo Dutch aims for top shelf in spite of recession

746

S/Times Buss.

29/3/92

By DON ROBERTSON

THE tough conditions in the office furniture industry have taken their toll on the market, but Anglo Dutch, newly restructured, believes it can soon become number one.

The company, which recently merged with the Offex group, expects to increase turnover to about R50-million in the financial year beginning in July and, through rationalisation, profits could increase by about 20%.

The company is also pushing ahead with its export drive into neighbouring states and the UK.

Both companies are subsidiaries of the JSE listed Matheson and Ashley group and, like the rest in the industry, have been hard hit by the slowdown in the economy. In January, competitor Grant Andrews sold off a major portion of its operations to the management group, while the ordinary shares were converted into preference shares which will be redeemed. Grant Andrews' listing was terminated on March 2.

Anglo Dutch has, however, managed to increase its slice of the market and enjoyed a record month in February. Newly appointed managing director Victor Fish says considerable benefits have been achieved as a result of the merger, including rationalisation of products, resources and facilities which have translated into faster lead times and a better competitive position. Production systems have also been improved at the Aeroton plant near Soweto.

Exports to Zimbabwe, Mozambique and Mauritius have increased, while former Anglo Dutch managing director Allan Green is promoting the company's products in the UK and Europe. Because of exchange rate differences, Anglo Dutch products can be exported competitively to Europe.

Mr Fish says export sales in the coming financial year will make up a substantial part of total sales.

"The market is extremely tough, but we at Anglo Dutch believe we have everything in place to achieve our objectives."

RBCT may give Sasol an outlet for coal exports

746

S I Times (Buss) 29/3/92

By IAN ROBINSON

ASPIRANT coal exporter Sasol could be welcomed into the fold of the Richards Bay Coal Terminal (RBCT).

Sasol is considering the export of approximately 3 million tons of coal a year from its Syferfontein mine from 1995.

Sasol clashed with the RBCT when it took the lead in promoting the construction of a second coal terminal — the "Red" Terminal — at Richards Bay.

Sasol is one of a group of potential coal exporters who are not members of the RBCT — or who have only small allocations — who are seeking additional export capacity and have formed the Coal Export Joint Venture to investigate the second terminal together with Portnet.

Fears

It is understood that the terminal would have an annual capacity of 8-10 million tons and could cost up to R700-million.

A second terminal has been strongly opposed by the big three coal exporters and major RBCT shareholders — Amcoal, Randcoal and Trans Natal — who fear that such a terminal would lead to excessive coal exports and depress prices.

Furthermore they are concerned that the rail rates paid by the new exporters would not take into account the fact that they had not contributed to the construction of the line.

There is also concern that a second coal terminal used by small exporters could damage the economics of the port which was designed for bulk exports and minimum parcel sizes.

Originally it was proposed that a second coal terminal would be sited at Durban.

However, according to industry sources, Sasol's exports may be accommodated through expanding the RBCT's capacity and Sasol would no longer need access to a second terminal.

Present annual capacity at RBCT is 53 million tons and it may be possible to expand this capacity to 56 million tons without major capital expenditure.

The admission of Sasol to the RBCT would depend on whether it was able to buy out an existing shareholder's share or a share in the terminal's future expansion. It would also be subject to approval by the majority of the existing shareholders.

Any one of the three shareholders could block a proposal to admit a newcomer.

A spokesman at Sasol confirmed that the company was investigating three possibilities to secure capacity for coal exports which are existing facilities, and/or the expansion of existing facilities and/or the creation of new facilities. In all cases Sasol is involved with other parties.

A Portnet spokesman said that a group was currently involved in a feasibility study concerning the export of coal and other mining products through Richards Bay.

This group includes Portnet and Iscor but the spokesman declined to name the other parties.

SA exporters set their sights on Gulf market

(749) ARG 2/4/92

DEREK TOMMEY

JOHANNESBURG. — Exporters are about to get their hands on some of the riches generated by the oil-producing Gulf region, which imports more than $100 billion worth of goods a year.

Since the end of sanctions, there has been an increased interest by Gulf merchants in South Africa, says Gyfford Fitchat, South African Foreign Trade Organisation (Safto) area manager for the Middle East and Latin America.

But since the Yes vote in the referendum last month, inquiries have surged, especially from Saudi Arabia which until now has tended to shun anything South African.

Mr Fitchat was speaking at the signing of an agreement yesterday afternoon appointing Safto as the official southern African representative of the Dubai World Trade Centre.

The agreement was signed by David Graham, general manager of Safto's international division, and Michael Craig, exhibition manager for the centre.

Mr Craig said the centre was recognised internationally as the most important Middle East exhibition centre.

Dubai ranked among the most important Gulf entrepots, with goods being distributed to other territories by air, sea and land.

He believed there was a ready market for South African vegetables, fruit and fruit juices.

As many of the trucks and cars used in the region were the same as those in South Africa, he believed there would be a good market for South African transport equipment.

Mr Fitchat said plans were well ahead to improve communications between South Africa and Dubai.

Unicorn was planning to start a shipping service to the Gulf from Durban next month, and South Africa's second major airline, Flitestar, was negotiating landing rights at Dubai.

He said the Middle East had the highest import levels a head world-wide, and there was no shortage of cash to pay for imports.

He had led a trade mission to the area in January and some members of the group had already received orders running into several millions of rands.

Another mission would be visiting the area in May.

Johannesburg had recently seen a wave of visits by Communist Chinese businessmen, said Graham Limerick, Safto's manager for Asia and Australia.

He said they were interested in raw materials and technology.

The southwestern coast of China was one of the fastest expanding industrial areas in the world, with a growth rate of nine percent.

Mr Limerick said the whole of southeast Asia was experiencing phenomenal growth and was willing to do business with South Africa.

"They like us," he said, "because they say that South Africans behave considerately and politely."

STAR 2/4/92

German market offers opportunity

South African food producers have excellent opportunities to increase their exports to Germany and, through that country, to other countries in Europe, says Mr K V Schuurman, chief executive of the South African-German Chamber of Commerce. 746

He says Germany's food imports are worth about R21 billion a year, of which South Africa supplies only 1,3 percent.

"High quality South African fruit would find a ready market in Germany.— Sapa.

Oil-rich Gulf region beckons

STAR 2/4/92

By Derek Tommey (746)

Exporters are about to get their hands on some of the riches generated by the oil-producing Gulf region, which imports more than $100 billion worth of goods a year.

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"They like us," he said, "because they say that South Africans behave considerately and politely."

Small coal mines look to Maputo for exports

S/Times (BUSS) 5/4/92 = (746)

By IAN ROBINSON

MAPUTO could become the major outlet for small South African coal exporters.

SA companies are competing for contracts to rehabilitate and operate coal export facilities in Maputo. The port offers potential savings on rail rates because it is closer than Durban to Eastern Transvaal mines.

Rennies and Semtec (a partnership between SWF Technology and EMS Transvaal) have had discussions with Caminhos de Ferro de Mocambique (CFM) — Mozambique Railways — about upgrading the Matola coal terminal.

Rennies' Mozambique subsidiary Manica Trading has been talking to CFM for 15 months about taking over the operation of the Matola Appliance for bulk (unsized) coal.

Rennies presented a brief report to CFM last year and brought its officials to Durban to show them the Bluff mechanical appliance (BMA) terminal it has operated since September 1988.

BMA has an annual throughput capacity of nearly 2-million tons of coal.

Rennies spent money on repairs to Matola last year. In January it submitted a proposal to CFM for a short-term rescue plan for the port and a long-term venture which would increase annual throughput capacity to 2-million tons.

Semtec — engineers and project managers — is also talking to CFM and independent coal exporters. It has prepared a feasibility study estimating operating and capital costs for the expansion of the terminal capacity to 3,5-million tons. It hopes to submit a proposal to CFM.

Coal exports through Matola fell sharply in 1990 and 1991 to 400 000 and 140 000 tons respectively from a record 800 000 in 1989.

War

Coal was also exported through other sections of Maputo port. Total SA coal exports were 1,3-million tons, of which Minesa supplied about a million in 1989.

The decline was caused by the civil war and a 60% increase in CFM rail and port tariffs — subsequently reduced to 40%.

The Matola Exporters Committee (MEC) tried to negotiate a better deal with CFM about a month ago. CFM suggested tying rates to contract tonnages, but it is difficult for the MEC to guarantee them while unrest continues and the port operates efficiently.

Small quantities of SA coal have been exported through Maputo since the late 1970s. MEC was formed in the early 1980s. The original committee included small producers Minesa, Concor, Bordex and Messina.

It was joined by Trans-Natal after it acquired Emaswati colliery in Swaziland. Minesa pioneered the export of coal through Maputo and has remained the dominant exporter.

The Matola terminal was built for the export of iron ore from Swaziland. In the 1980s the MEC did a deal with the Industrial Development Corporation (IDC) and CFM for rehabilitation of the terminal. The IDC provided funds to CFM through the MEC which commissioned South African company Technical Multi Servicing to do the work. The debt was repaid through a levy on each ton of coal exported.

In the first half of the 1980s exports were restricted mainly by the port capacity. But in the second half, unreliability of the rail line became the major problem.

The potential volume of SA coal exports through Maputo is limited by the shallowness of the harbour which prevents the entry of large Capesized vessels.

SA exporters gain access to a billion in the ME

142

CT 7/4/92

Own Correspondent

JOHANNESBURG. — SA exporters had access to more than a billion Middle East consumers following the signing of a trade agreement with the Gulf state of Dubai, SA Foreign Trade Organisation (Safto) Middle East manager Gyff Fitchat said last week.

The agreement, between Safto and the Dubai World Trade Centre, was signed in Johannesburg and followed a Safto trade mission to the Gulf in February.

Safto international division GM David Graham said the organisation's recent appointment as the official Southern African representative of the Dubai World Trade Centre offered tremendous potential to local exporters — particularly those who exported food and automotive products.

Graham said although Arab League sanctions were, in theory, still intact, renewed links with SA had been officially welcomed. Safto would be sending a second trade mission to Dubai in May following the success of their first visit in February, Graham said.

Fitchat said the Middle East had long been cash-rich and import-hungry with imports in 1989 exceeding the $100bn level.

Fitchat, who led the recent trade mission to the Gulf, said Dubai had rapidly expanding industrial and commercial sectors and was unrivalled in the region as a centre for distribution, re-export and sea and air transport.

"Its highly developed transport infrastructure, efficient ports, modern international airport and low shipping and storage costs make it the perfect base for serving traditional trading partners in the Arab world, Iran, East Africa and Indian subcontinent," Fitchat said.

He said the Middle East had the highest import levels per capita worldwide and would give SA access to immense purchasing power.

SA nets 1-billion customers

B/Day 7/4/92

746

SHERIDAN CONNOLLY

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Fitchat said the Middle East had long been cash-rich and import-hungry, with imports in 1989 exceeding the $100bn level. Because of its geographical position, Dubai offered SA exporters access to markets in Asia, Europe and Africa, he said.

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Bahrain hopes for investment, trade

BDay 8/4/92

74G

SHARON WOOD

TRADE representatives from Zimbabwe and Bahrain arrived in SA this week for talks with government and local business.

The private delegation of Bahraini businessmen arrived at Jan Smuts yesterday with official instructions from their prime minister to invite SA to trade with their country.

Speaking at an interview in Johannesburg, Bahrain Chamber of Commerce vice-president Hassan Zainalabedin said Bahrain was interested in importing SA-made goods because Bahrain had full confidence and appreciation of the technology of production in SA.

"SA products will be very competitive in the international market and Bahrain hopes to develop SA as a source," he said.

Bahrain imported everything from heavy equipment, technology and know-how to consumer items.

The delegation was also in SA to tell business about the opportunities of investing in Bahrain, which acted as a bridgehead for the Gulf region. Businesses investing there paid no corporate tax and there were no limits on repatriating capital.

Zainalabedin hoped that an official Bahraini delegation would follow this private visit to SA.

Safto international division GM David Graham said: "In addition to being an important commercial centre, Bahrain is an entry point to the markets of Saudi Arabia, Kuwait and Iran."

Bahrain was a major offshore banking centre for the Middle East, with over 100 offshore, commercial, investment and specialist banks.

The delegation would meet Safto, Sacob, the Foreign Affairs Department, Department of Trade and Industry and senior business leaders.

Safto also hosted a reception for the Zimbabwe trade mission at which Zimtrade CE Morrison Sifelani said his country looked forward to a growing SA influence in the southern Africa region.

Zimtrade is a newly established trade promotion organisation and its delegation to SA includes a number of Zimbawean businessmen.

Sifelani said that SA and Zimbabwe were going to be closely tied together. "I hope that there will be closer co-operation on many fronts."

Zimtrade would work with SA businessmen to ensure that barriers between the two countries disappeared.

The Zimbabwean government was irrevocably committed to getting rid of the foreign exchange allocation system to stimulate trade.

"Zimbabwe needs to stimulate its export drive because it is significant for the success of the structural adjustment programme," he said.

Safto and Zimtrade should make a joint approach to government about abolition of the visa system, he added.

Bahraini Chamber of Commerce board member Abdul Nabi al Sho'ala, left, and vice president Hassan Zainalabedin in Johannesburg yesterday. Picture: BRIAN HENDLER

R7,5m in export orders signed up

(14C) CT 10/4/92

By AUDREY D'ANGELO
Business Editor

THE Cape Town Chamber of Commerce trade mission to Europe returned with R7,5m worth of export orders — and contacts who will be valuable in the future, assistant director Albert Schuitmaker said yesterday.

"We found a lot of interest in France in joint ventures, although they emphasised that the workforce here would need training. They also made it clear they would not invest here until the violence had ended.

"In Holland we met people who could be very useful to SA manufacturers and producers coming into the export market for the first time.

"We were surprised by their knowledge of SA products. They explained that they could put together countertrade deals, acting as conduits for exports which would go indirectly to another country."

Firm export orders were received for wine, textiles, clothing, leather goods and sauna and steam bath equipment.

The mission, led by the chamber's president, Kenneth Marcus, visited the chambers of commerce of Paris, Amsterdam, Rotterdam, London, Slough, Warsaw and Budapest.

BENEFICIATION (820)(946)

Pros and cons FM 10/4/92

Like all special concessions to promote exports or industrial expansion, the recent extension of tax benefits to projects adding value to imported raw materials has been selectively welcomed.

But it does go against general economic and fiscal principles. And its application requires careful monitoring — especially in the light of recent uneconomic ventures launched with fiscal incentives or State funds. One Mossgas or even one Atlantis is enough!

The concessions were introduced last year, under 37E of the Income Tax Act, to provide important tax concessions to companies beneficiating locally produced raw materials. They were intended to promote projects such as the conversion of abundant local deposits of chrome ore into stainless steel for export.

Section 37E entitles the taxpayer involved in the beneficiation project to deduct preproduction expenses in the year in which they are incurred. This is an important concession because massive ventures of this sort can take years to reach production.

There is a further important concession: if the taxpayer claiming the deduction does not have a tax base from other activities against which to offset the deduction, it may trade the loss with another taxpayer for a cash payment. This trafficking in a tax base is normally strictly prohibited by the Act.

The amendment to section 37E, introduced in the last Budget, says two requirements must be fulfilled for the venture to qualify. First, 60% of the beneficiated product must be exported. Second, that the beneficiation process must add value to the extent of 35%, measured against the combined cost of the raw material plus the electricity consumed.

Deloitte Pim Goldby tax partner Willem Cronje points out that a press statement some months ago indicated the allowances would be restricted to 100% of cost, whereas the original legislation provided for a discretionary increase beyond 100%. Cronje considers this is a move in the right direction, as incentives should be as objectively calculated as possible. It is also a healthy move that the required added value — for local as well as imported raw materials — is now a minimum of 35%, instead of being a discretionary figure.

continue -

UCT professor of economics Brian Kantor says the provision of incentives of this nature flies in the face of free market principles — and has a heavy cost, a portion of which is hidden. It is market forces which should entice private-sector capital into export ventures. If they don't, either the project is uneconomic or the exchange rate is wrong.

Government subsidies to export ventures have adverse consequences, even if the subsidy takes the seemingly innocuous form of a deferment of tax. This obliges government to raise more revenue from other sources, so pushing up tax rates. This in turn distorts the cost structure across the economy — which feeds back adversely to the cost structure of the export venture itself.

What has made matters worse has been the distorting effect of various forms of protection directed against imports.

Kantor says the distortion in the depreciation system caused by inflation should be addressed to achieve a rational set of incentives.

The inflation-adjusted tax deduction for depreciation should be sufficient to enable a manufacturer or mining company to replace its capital invested — in real terms — at the end of its economic life. Not only does this requirement imply inflation-adjusted depreciation: it also means replacing a mechanistic straight-line write-off over five years (the current general depreciation procedure) with an individually determined period reflecting the economic life of the plant.

Kantor says the extension of section 37E has been the result of aggressive lobbying by companies that wish to promote exports, using the argument that they are penalised by SA's high corporate tax rate relative to many industrial countries.

Anglo American group tax consultant Marius van Blerck argues that extreme doctrinaire positions should be avoided. He approves of beneficiation incentives to export industries if they take the form of a deferment rather than a waiver of tax. The incentive should also be restricted to temporary help to get the project started.

It also counts in favour of the amendment to section 37E that it is directed at exports rather than at import replacement, says Van Blerck. Permission to trade in the tax base is necessary as an accessory measure, because a beneficiation venture will probably not have access to a broad tax base of its own.

If the ventures created through the new incentive can compete in world markets, the approach will be vindicated, say Van Blerck He argues that the need for official approval on a case-by-case basis (a requirement of 37E) is essential. But the proceedings should not be secret. And an active financial press is a further safeguard against abuse.

It seems the extension of section 37E to projects based on imported raw materials is primarily intended to assist Alusaf in its expansion plans. The production of aluminium frequently uses imported bauxite at a site where cheap power is available, as the cost of power is the most important input. Clearly, Eskom's aggressive drive to cut the cost of power to absorb its current large surplus of generating capacity has influenced the proposed amendment.

Free-market exponents are entitled to remain sceptical about section 37E in its original form, still more about its extension. They need to be vigilant lest the amendment makes possible the establishment of industries of dubious profitability, such as the proposed naphtha cracker based on imported raw material (*FM* November 16 1990). The cracker still appears to have backing from a powerful lobby.

As Kantor points out, SA is still short of capital — yet another reason for mistrust of still more industrial megaprojects of marginal viability which could yet waste scarce capital on a grand scale. ■

'Any old iron' may end in Kenya

ARG 13/4/92

(749)

Argus Africa News Service

NAIROBI. — South African business could find a new export market for second-hand machinery in Kenya following a new policy guideline by the Kenyan government.

The Kenyan Minister of Industry, Mr Francis Ole Kaparo, has said his government was reviewing foreign exchange regulations in order to make it easier for Kenyan industrialists to operate and for foreigners to invest in Kenya.

An inter-ministerial foreign exchange allocation committee comprising officials from several ministries has been set up to vet applications from local importers and to make the necessary recommendations.

The new policy is expected to result in millions of shillings being saved by Kenya in foreign exchange.

"If we can get a good machine for half the price of a new one, we will have done Kenya a good thing," Mr Kaparo said.

● Two Kenyan dealers will attend a three-day car parts conference in South Africa next month.

The conference is organised by one of South Africa's largest exporter of car parts, and several African countries are expected to attend.

New market for SA also benefits Kenya

Sowetan 14/4/92 746

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However, "there are

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STAR 14/4/92

Kenyans may buy used SA machinery

GUG

Star Africa Service

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New export potential opening up in Japan

STAR 14/4/92 (74G) (280)

Finance Staff

Japan could regain its position as South Africa's top trading partner.

That's the view of Safto general manager David Graham in reaction to Japan's October decision to lift sanctions against South Africa.

Until 1988, Japan was the country's largest trading partner, since which time it has slipped to fourth in the wake of the Japanese government's instruction to businessmen to limit their dealings with South Africa.

Mr Graham anticipates increased South African exports of iron-ore and primary products to Japan, referring in particular to Iscor's R1 billion iron-ore deal with six Japanese steel manufacturers.

Safto's assistant manager for Asia, Mary-Ann P Steiner, says much export potential exists in the fields of packaging, wrapping, medicines, biotechnology, metal and metal finishes, and precision and optical equipment.

Pepkor chairman Christo Wiese speaks at the Institute of Directors conference yesterday. Picture: ANDREW BANNISTER

Creation of wealth 'hinges on exports'

BDay 15/4/92

MARCIA KLEIN

THE creation of wealth in SA depended on exports and increased involvement in the southern African region, not on the redistribution of assets, Pepkor chairman Christo Wiese said yesterday.

He vigorously opposed any approach which said that "Peter should be robbed to pay Paul", because wealth could be created only through sustainable growth.

The SA economy was currently not capable of meeting the needs or the aspirations of its 37-million people. But he was optimistic SA had the potential "to provide, over time, an acceptable standard of living for all its inhabitants" through a free market economy.

SA should beneficiate or process them before export. It also had a good climate, and crop cultivation could generate substantial foreign exchange through exports. (746)

A growing consumer population meant manufacturers could achieve the economies of scale necessary to compete in export markets.

Wiese said SA also had vast tourist potential which was largely untapped.

He added that SA's future economic planning must include all of southern Africa. A major factor in its favour was that sanctions were disappearing.

Motor industry local content programme is sharply criticised

16/4/92

FORCED policies on import replacement and promotion of local industry through penalties always cause debate and no more so than in the automotive industry

Phase VI of the local content programme for locally produced motor vehicles, which came into effect on June 1 1989, has come under much criticism, with many questioning its success.

National Association of Automobile Manufacturers of SA (Naamsa) director Nico Vermeulen says the aim of the programme is to establish a better balance between the industry's propensity to import and its ability to export

From this perspective the programme has been successful, leading to a significant increase in exports of local automotive products and materials and built-up vehicles

"But it has been achieved at considerable cost to the consumer."

National Association of Automotive Components and Allied Manufacturers (Naacam) president John Brandtner says Phase VI is "anything but a local content programme" and has not achieved a real decrease in imports.

Reduced

"Imports decreased because the sharp rise in car prices led to vastly reduced sales"

"The industry sold only 200 000 cars in 1991, 25% less than in 1984. Car prices rose about 20% during the past year, even though component costs increased by only 11%

Exports from Phase VI increased by R401m in the first year, to R649m in year two and are estimated to reach R1.2bn in 1991.

Brandtner says the increase in exports has not been commensurate with the industry's loss in sales. "The components industry is getting progressively worse off."

Various taxes are imposed on manufacturers which do not comply with the programme's parameters In terms of Phase VI a 37,5% excise duty is levied on vehicle manufacturers which do not comply with the programme's parameters which call for a minimum local content, excluding exports, of 50% of the wholesale value of the vehicle.

This excise duty is progressively rebated as the manufacturer's average reaches a ceiling of 75%, including exports

Brandtner says three factors about the parameters are disturbing to the automotive components manufacturing industry

Firstly, the 50% minimum local content requirement is not purely local component purchases but includes the original equipment manufacturer's (OEM) other local costs, including overheads and profits.

Naacam has already seen a shift between the ratio of pure component content towards the non-component element

Secondly, components manufacturers must cede their exports through an OEM and negotiate a sharing of the vehicle manufacturer's export incentive

The components industry does not have access to the general export incentive scheme (GEIS), thus any export incentive it can obtain is controlled by the vehicle manufacturers

This does not allow for clear long-term export development as the components manufacturer could be cut out of export incentives when it no longer suits the OEM, says Brandtner.

Ceiling

746

This takes place as soon as the OEM has achieved the 75% ceiling, at which level all excise duties are fully rebated and no further funds for export incentives are available

Thirdly, to set a ceiling of 75% beyond which no export incentives are available to either the OEM or the components industry undermines the automotive industry's ability to support any long term export-driven economic upswing, and frustrates any meaningful investment decisions

For SA to be an export-led economy the motor industry will have to increase capacity But with the penalties imposed through duties and surcharges on the importation of capital equipment for the required expansion, that investment is at least 25% more expensive than for manufacturers elsewhere in the world.

Vermeulen says expected far reaching changes to SA's tariff protection policy, based on recommendations by the Industrial Development Corporation, and impending tariff reductions on a broad range of SA's tariff items, as part of SA's obligations to GATT, have further complicated the industry's current dilemmas

Export orientated culture has to be created

BDay 16/4/92

MAJOR world economies are managing their goods internationally — they have moved into a logistics era.

Communications have made it possible to source raw materials, manufacture and then sell them in three different countries, with the overriding goal being to get the most competitive price available.

Safto senior manager Mike Veysie says for SA to become a force, it needs to change its culture.

"Sanctions gave us an inward-looking industrial mentality. We are not street-wise in terms of marketing and we need to move away from the attitude that we can go it alone."

Research and development, learning about other markets, is essential. Government's policy of an export-led growth is not sufficient — the country has to create an export orientated culture, he says.

The so-called "Four Tigers" of east Asia, Thailand, Malaysia, South Korea and Singapore, are examples of the success of export orientated cultures.

Promoting

Through a combination of giving their labour force incentives to improve production (for example, getting a share of profits made from exports), and aggressively promoting their countries worldwide, they achieved phenomenal economic growth.

Veysie says SA must become highly visible at trade fairs. In addition, instead of funding export promotions through the fiscus, a levy (eg 0,05%) should be imposed on all imports and exports which is then used to promote the country internationally.

SA must also become more flexible in its deals. Irrevocable letters of credit are not always forthcoming. Exporters must look at alternatives.

Russia, for example, needs many of SA's products but has no foreign exchange. Government involvement and countertrade options should be studied.

Other problems which face SA exporters are high inflation and the relatively high cost of labour. The assumption that the low rand/dollar exchange rate will automatically give SA a competitive advantage is misleading, Veysie says.

"Exporters will have to carefully study where they can find a niche market which accepts the quality and quantity of goods they can produce."

746

Natural

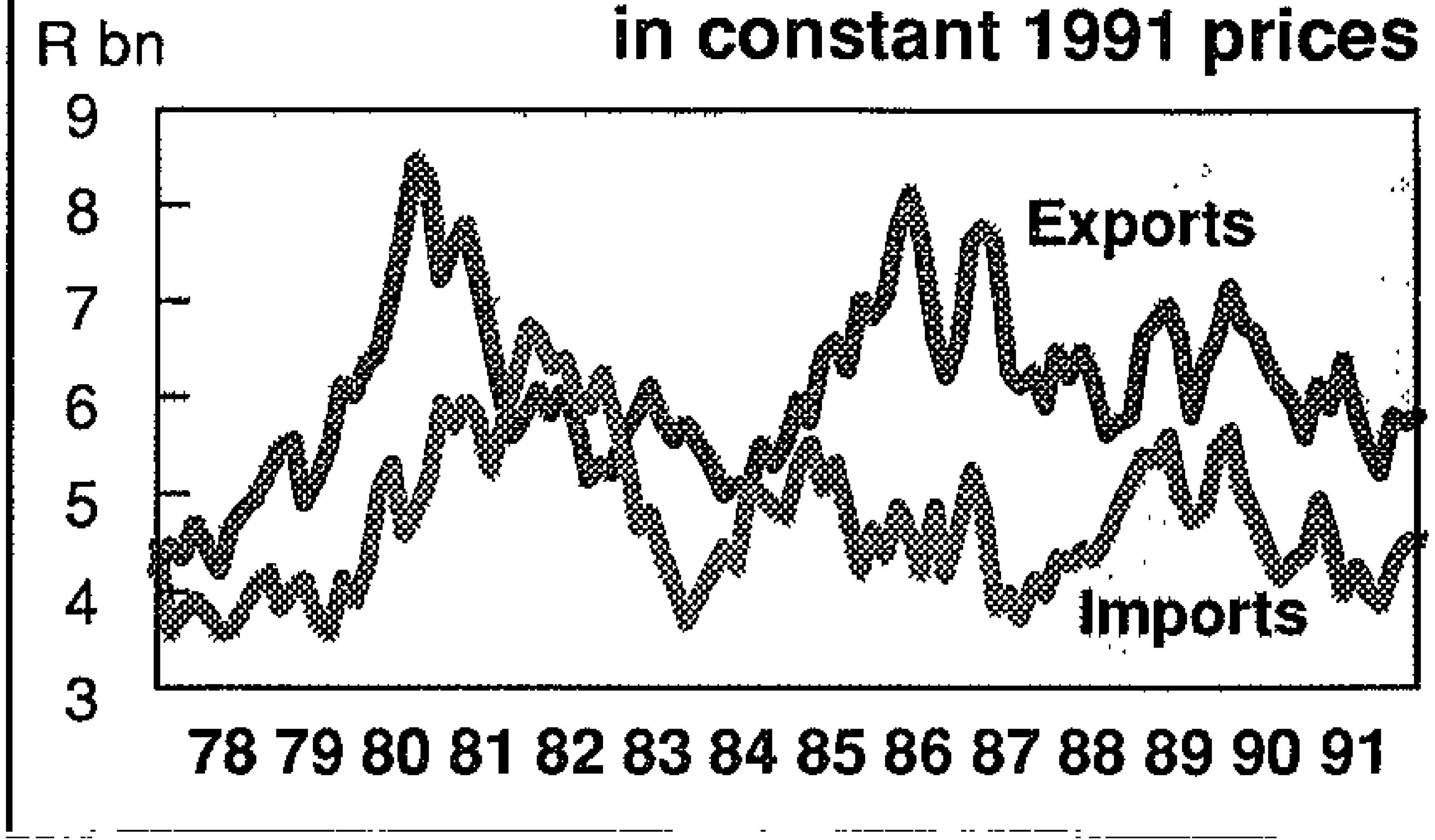
SA has relied heavily on its natural resources to drive its exports. But the major world economies are those which have added value to products.

Veysie says SA has not yet mastered this and he says the relaxation of import restrictions will allow exporters to source their requirements at the most competitive price. This in turn will make their exports more competitive internationally.

Business Day SURVEY

For exports to increase substantially, there will have to be an increase in fixed capital investment in SA. But it is no good trying to stimulate industries with excess capacity. Consumption expenditure has to be stimulated and local entrepreneurs need to commit themselves to world-scale plants and total dependence on export markets. ***GILLIAN HAYNE*** *reports.*

SA trade balance in constant 1991 prices



Graphic: FIONA KRISCH Source: SAFTO

Trading hampered but not crippled by sanction:

BDay 16/4/92

ALTHOUGH it is unarguable that sanctions hurt SA, financial sanctions were more damaging than trade sanctions, according to the Department for Trade and Industry (DTI).

Trade sanctions compelled SA to conduct costly and cumbersome indirect trade relations, but trade did continue.

The favourable rand/dollar exchange rate, for example, did much to boost exports despite sanctions.

Statistics from the DTI show that exports to Taiwan increased by 552,3% between 1985 to 1990. Imports from Taiwan rose by 365,2% in the same period. Exports to Kenya increased by 233,9% from 1986 to 1990 and imports rose by 25,53% — the main growth coming since the beginning of 1988.

With SA's reacceptance into the world arena, a bevy of new markets has become accessible.

Eastern European countries are eager to trade with SA and there is tremendous potential for SA exports to the Russian Commonwealth. Also, countries in east Asia are looking to SA to source many raw materials.

"SA can also provide foreign traders with a springboard to the African market. South Africans are conversant with the African market, mentality and technology.

"Their mining and agricultural expertise and experience in creating infrastructure and managerial skills make them invaluable contractors on any African development project," says a spokesman at the DTI.

But for SA to capture its share of the foreign markets, it must increase its production capacity, step up manufacture and increase productivity.

In an effort to inject foreign capital into SA's manufacturing sector the DTI has embarked on a "purposeful campaign" to market SA as an investment destination.

Safto senior manager Mike Veysie says SA needs not only need financial investment but also the active, local involvement of international companies. "They need to bring their own company and country's cultures into SA and teach local industries about the world scene."

Foreign companies operating in SA face few restrictions:

☐ There is no compulsory local participation in ownership (100% foreign ownership is allowed);

☐ There are no quotas on employment of foreign personnel;

☐ Profits are freely transmitted from SA through normal banking channels;

☐ Utilisation of foreign capital on a loan basis is no longer subject to specific exchange control;

☐ Local borrowing facilities are directly related to the proportion of local ownership in a company.

With the lifting of sanctions SA could also become the gateway to Africa — but only if tariffs and taxes are lowered, Veysie says.

"SA needs to lift tariffs to be able to source components more competitively. This would encourage companies to move to SA with the sole purpose of exporting to Africa."

Insurance vital as commercial risks increase

BDay 16/4/92 (746)

EXPORTERS may be facing decreasing political risk because of SA's changing political situation, but commercial risks are on the up, says Credit Guarantee Insurance Corporation senior GM Mike Truter.

The demise of sanctions and a severe local recession is encouraging many companies to turn to exports to boost profits, but Truter warns that companies must move with caution before dealing with new markets.

The recession is also biting in countries which constitute some of SA's major trading partners.

"About 50% more businesses in the US failed in the first half of this year than in the same period last year, while in the UK one in 50 active companies went into liquidation in the year ended June 1991. Credit Guarantee has seen commercial export claims rocket in the past year".

Credit Guarantee economist Luke Doig says insolvency figures from some of SA's major trading partners are a warning for exporters to tread carefully in their dealings abroad.

In the UK, insolvencies rose by 78% in the third quarter of 1991 compared with the same period the year before. In Japan, business failures left bad debts of R178bn in 1991, twice the previous record in 1985.

Truter says it is essential to take out credit insurance before venturing into the export market.

Africa, a logical market for SA's exporters, is a high risk area because of foreign exchange shortages and political instability.

However, Credit Guarantee is setting up communication lines with other African countries and information is becoming more accessible.

In 1991, Credit Guarantee covered export turnover in Africa worth R1,7bn (compared with R546,7m in 1987). Dealings in Africa comprised 16,4% of Credit Guarantee's total business, up from less than 10% in the past.

But the company had to pay out over R2,1m in claims relating to African countries — 13,63% of total claims.

and countertrade

Exports can lead SA out of the doldrums

B/Day 16/4/92 (746)

THE only way to pull SA's economy out of the doldrums is through an export-led recovery, say government officials and business spokesmen.

Export promotion is a top priority in economic policy and SA's prospects for increasing exports, which fluctuate between 25% and 32% of GDP, are promising.

Trade and Industry and Economic Co-operation Minister Derek Keys says for exports to increase substantially, there will have to be an increase in fixed capital investment in SA.

In his maiden speech in Parliament, Keys said one of his main objectives was to get the level of investment in SA as high as possible.

Stimulus

But, it was no good trying to stimulate industries with excess capacity. First you had to provide some stimulus for consumption expenditure. Hence, the recent relaxation of hire purchase restrictions and the decline in interest rates.

"The next step involves our entrepreneurs in committing to world-scale plants and to total dependence on export markets, which is less comfortable than when their business was mainly internal with the export market used as a balancing item," Keys said.

The root of the problem of an inadequate level of investment was uncertainty. "We have to ensure our economic and trade policies are predictable, consistent and reliable so that the private sector entrepreneurs, having to make their important decisions, have a greater degree of certainty about how this aspect of the

DEREK KEYS

environment will behave," Keys said.

The outcome of the referendum has done much to improve the climate for investment but it is a fallacy to believe investors are queueing up.

Political uncertainty, violence, high inflation, company tax and interest rates all need attention.

The current worldwide recession has also negated any boost expected by the lifting of sanctions.

Declined

Statistics compiled by the South African Foreign Trade Organisation (Safto) showed exports, at R4,8bn in January, were 3% down in nominal rand terms compared with January 1991. It was the second month in a row where exports had declined.

Safto economist Bruce Donald says the main contributor to January's weak performance was the unclassified category (down 17%), the dominant constituent of which is gold.

In addition, minerals and base metals had a meagre month because of the poor conditions in international markets which saw commodity prices adjusted downwards.

However, Safto predicts higher export growth of about 18% in nominal terms (5% up in real terms) in 1992, with the upswing occurring mainly in the second half of the year.

Operating in conjunction with export promotion is the promise of import controls being liberalised. Surcharges, quotas and tariffs are expected to be lowered soon — although no clear policy has been announced in this regard.

Greater flexibility in SA's approach to trade is also visible in government's attitude to countertrade.

Lack of foreign exchange in countries wishing to deal with SA is no longer seen as an insurmountable problem. There is a willingness to find alternatives.

DTI broadens scope of tax incentive scheme

B/Day 16/4/92

THE basic requirements for new export incentive schemes is that they be selective, simple, flexible and give some form of protection against exchange rate fluctuations, says the Department of Trade and Industry.

(746)

There are various existing incentives for exporters, one of which is Section 37E of the Income Tax Act.

Section 37E allows for accelerated tax write-offs of expenditure in beneficiation projects.

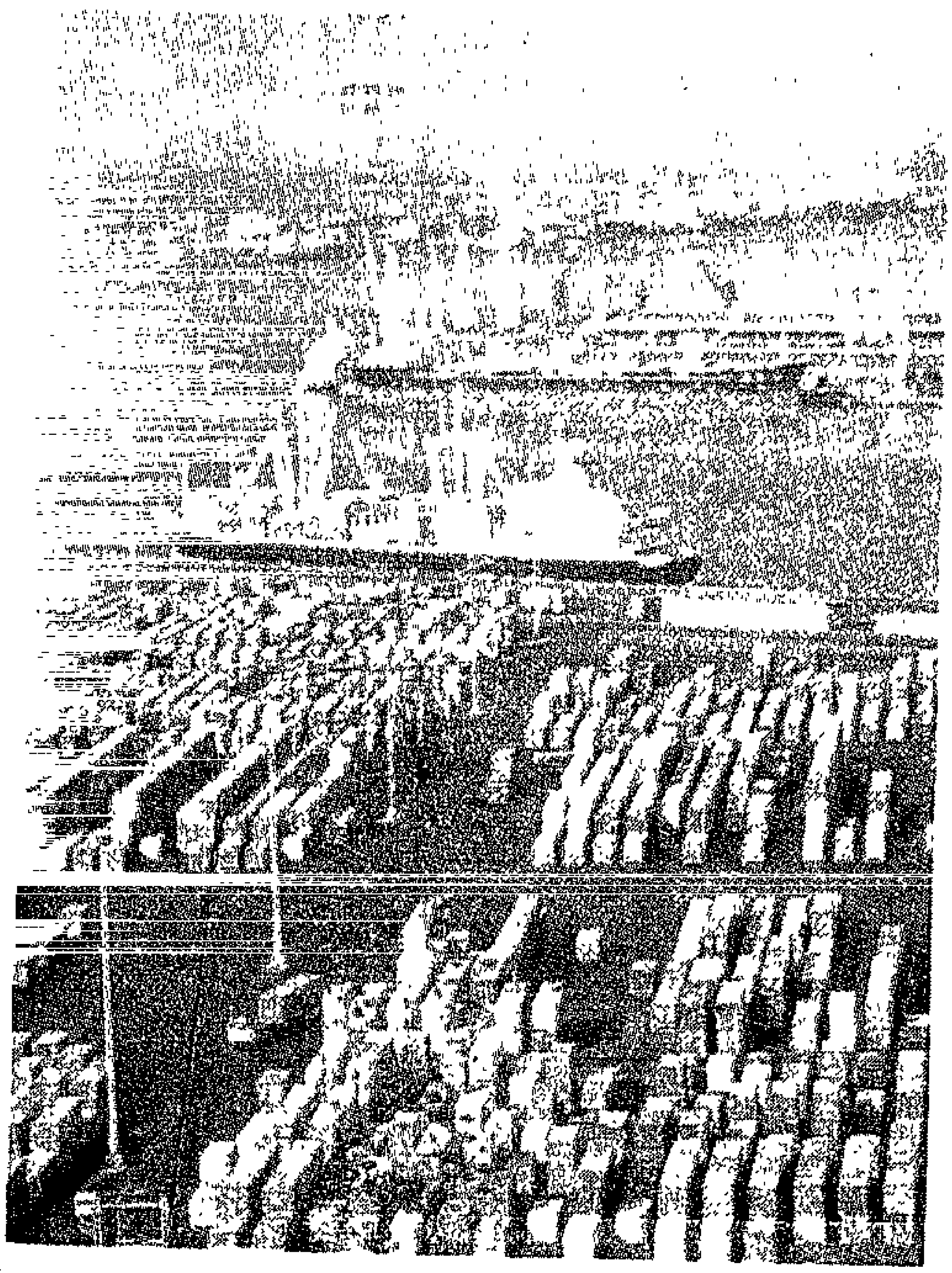
Its primary benefit is that it bridges the start-up costs which often prevent large-scale projects from getting off the ground.

Negotiable tax credit certificates will be issued in cases where deductions cannot be immediately written off against income.

When 37E was introduced last year, it was restricted to beneficiation projects which used locally sourced minerals and intermediate products.

In this year's Budget it was mentioned that Minister of Trade and Industry and Economic Co-ordination Derek Keys had broadened the scope of the incentive to allow for the beneficiation of imported raw materials and intermediate products.

This will encourage new investment in a greater number of large-scale capital projects which are expected to provide a stimulus to the industrial sector and to economic growth by increasing SA exports and creating new jobs, Keys says.



...than half the containers handled in SA go through the port of Durban.

Safto's training provides all the necessary skills

B Day 16/4/92 (746)

FOR South Africans to be competitive in the international arena, they need to be well-versed in the complexities of exporting.

"Many people think selling abroad is the same as selling in the domestic market — with the only difference being the distance involved," says Institute of Export executive director Rose Blatch. "This perception can be dangerous."

Exporting is a complex, multifaceted operation needing detailed knowledge of the rules and regulations pertaining to each country.

Ignorance in respect of issues such as terms of delivery, packaging requirements, off-loading facilities and health regulations can result in financial losses.

For example, a common error made by SA exporters selling to, for instance, Zimbabwe, is the use of the seafreight Incoterm, fob, for a consignment being transported overland by road or rail.

According to the Incoterm rules (1990), under fob the risk of loss or damage to the goods should pass from the seller to the buyer at the ship's rail.

If, however, there is no ship's rail, as in this case, the risk would in effect remain with the seller who, thinking it had passed to the buyer, would probably not have insured against it.

Should the goods be lost or damaged in transit before payment is made, the seller would be in a difficult position with no legal recourse.

Exporters also need to understand the effect of cultural differences on the ways in which business is conducted in other parts of the world, as well as be au fait with export finance and payments, law and international marketing in order to make quick decisions when negotiating in a foreign market.

Compete

Blatch says if government's policy of an export-led growth is going to succeed, exporters need training.

To provide exporters with the necessary skills to compete at an international level, Safto has taken a two-pronged approach:

☐ Modular training courses covering a wide range of subjects including export marketing, administration, law, finance, foreign exchange risk management, countertrade and export incentives are available to those who require quick, specialised training in specific areas.

☐ For those focusing on more long-term career development, Safto has established the SA Institute of Export, which offers a two-tiered, three-year correspondence course leading initially to a Certificate in Export Practice and ultimately to a Diploma in Export Management. The programme covers in detail the many dimensions of exporting, focusing on practical case studies.

Membership

The British Institute of Export endorses the SA Diploma in Export Management and offers full graduate membership of its own institute to holders of the SA diploma.

The SA institute is also a member of the International Association of Institutes of Export, which comprises member institutes from more than 37 countries.

In its first year of operation (1988), 178 students registered with the Institute. The student complement for 1992 is just under 300.

One of the institute's diploma graduates, Ena Daniel, export co-ordinator for Imana, a Natal-based manufacturing concern, says the course was invaluable.

"There are numerous pitfalls and an untrained mind can fall into many traps which are costly for both the company and country. The institute provides a structured course which makes one aware of the problems."

Safto's plans for expanding its education and training operation include the establishment of a fully-fledged international trade college based on the Finnish Institute for International Trade.

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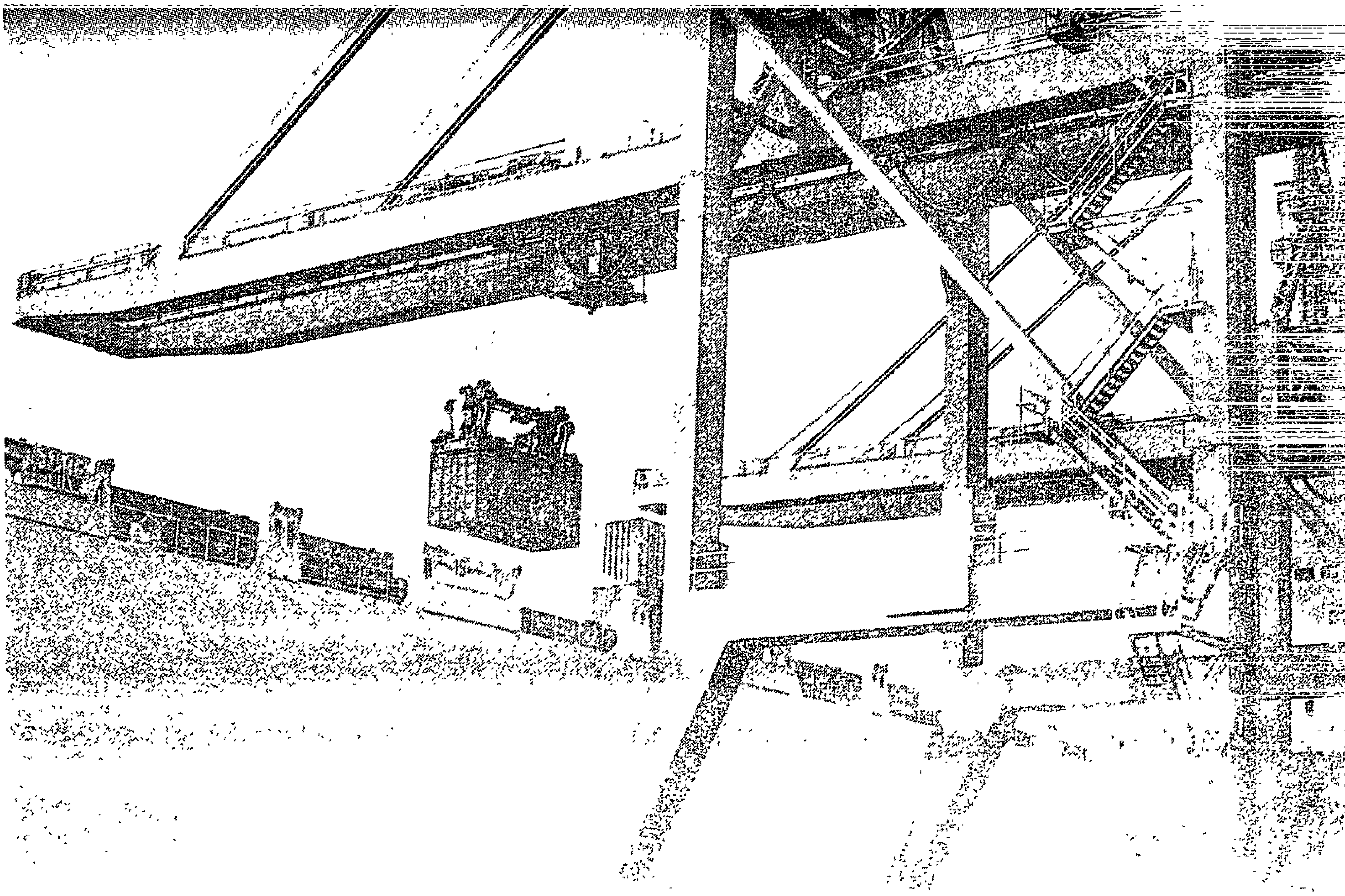

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Business

Blacks sail into exports and imports

Sowetan 16/4/92

(746)

By JOSHUA RABOROKO

MR GENO de Fava, of Reiger Park on the East Rand, has launched Phambili International, the first black-owned company specialising in the import and export of products.

An advocate of black economic empowerment, De Fava has 15 years experience in international trade and is well placed to enter the markets that have for many years been closed to blacks.

The company offers a full range of services for imports and exports, sea and airfreight, and the operation is fully computerised.

It also hopes to help the small entrepreneur gain access to international markets through the company's contacts. Through strong international partners, the company is able to assure an effortless passage for any company's freight.

Influencial

De Fava runs the business from centres in Durban and Johannesburg. He can be contacted at (011) 331 6327, 331 5179 or by writing to PO Box 11391, Johannesburg, 2000.

He is in regular contact with influential people in organisations such as the South African Foreign Trade Organisation, the liberation movements overseas and African traders.

A joint arrangement has been concluded with JH Bachmann, an international freight organisation. Through this arrangement, Phambili is able to offer a truly international network.

Shipping

De Fava is setting up structures which are expected to enable South African business to operate in the international arena. Small black entrepreneurs have, for many years, not been able to trade their products in foreign countries, he said.

The company undertakes all aspects of shipping including documentation, insurance and customs clearing. It will serve as a gateway to international trade through the expert marketing of products.

The company is able to make inquiries into markets on behalf of corporations or undertakes negotiations as required. Importation of raw materials, components or finished goods present no problem.

"This has stifled growth in all sectors of the manufacturing community, especially the small trader," he says, adding, "I am aware of the difficulties experienced by small business people."

Efforts by organised commerce to bring more black entrepreneurs into the economy have touched this first freight forwarder.

De Fava, who was born and educated in East London, started his career in shipping in 1974 with Grindrod Group in Cape Town as a customs clerk.

He later moved to East London and Port Elizabeth, working within the group, before moving to Johannesburg in 1979 where he joined JH Bachmann.

He believes that his strength lies in the size of his operation and the personal attention he can offer.

"The major obstacle is convincing larger corporations to channel their business to blacks."

Through his knowledge of the customs tariff and individual attention to a small client base, he can ensure that customers are paying the lowest rate of duty.

Suppressed

"The South African market has for many years been suppressed by international trade sanctions.

"There are now signs of sanctions been officially lifted in many countries, but due to administrative and legal considerations in countries around the world, trade has not come within reach of most businessmen," he said.

He has contacts in both the United States and Africa who are able to help him export or import goods that would otherwise not be possible, he said, adding "Phambili is able to circumvent the problem due to being a black-owned international business, based in South Africa."

The company is seeking portions of the freight handled by national and multinational companies. The income generated from this business will be channelled to assisting the small client to export his products, he claimed.

It has suited large companies in South Africa and overseas to offer portion of its freight forwarding business to Phambili in the interests of assisting black business.

"It is understood that most large companies have established contacts with certain overseas clients. I am making an appeal to them to offer a portion of the overseas trade requirements to Phambili in the interest of small business.

"With the possibility of a black majority government in South Africa, our products will be acceptable worldwide. A political solution for the country should be accompanied by an economic solution.

"Part of the solution is that increasingly members of the black community become global marketeers."

Apart from his business interest De Fava is heavily involved in the upliftment of the underprivileged and his community.

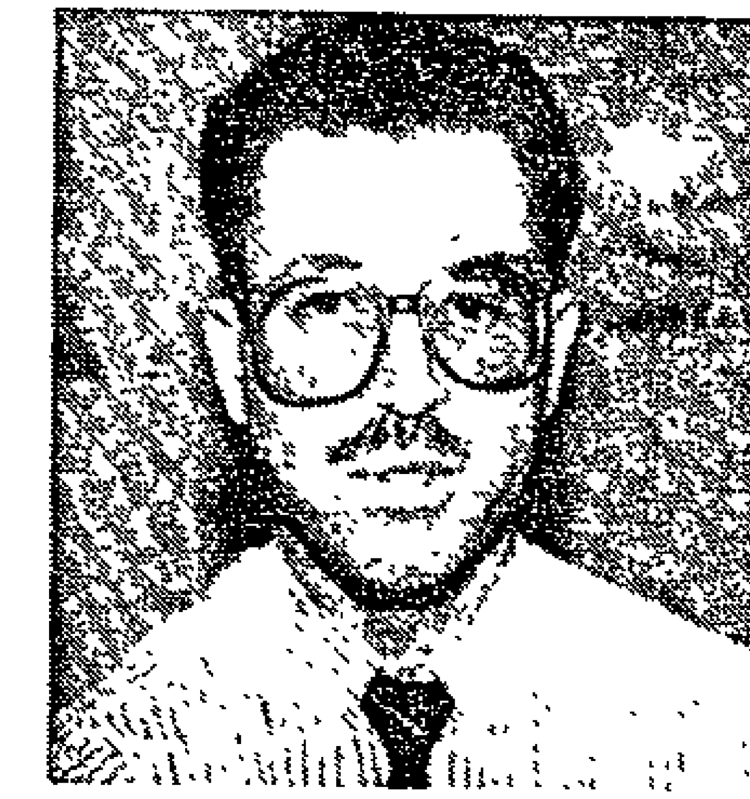
"Local businessmen should not shirk their social responsibility in helping other blacks to progress," he said.

Unemployed

Currently he has a project in the Reiger Park/Boksburg area where he intends setting up a technical training centre for the unemployed with sponsorship from corporate business.

He has given support in several other areas, including a R2 500 donation to a private school in Kuils River for a bursary fund, financial assistance to Meals on Wheels and several other projects for senior citizens.

This article will qualify De Fava for the *Sowetan*/Sanlam Entrepreneur of the month competition which started at the beginning of April.



Geno de Fava

SA upturn 'will be export led'

CT 16/4/92

749

By ARI JACOBSON

THE closer link that now exists between SA and the world economies will ensure that exports will lead the local revival said SA Chamber of Business (Sacob) economist Keith Lockwood.

Speaking at the Cape Chamber of Commerce economic seminar yesterday Lockwood said that the recent signs of a turnaround in the US economy should provide SA with the much needed export stimulation by the third or fourth quarter of 1992.

Lags

Lockwood pointed out that the lag between the local economic performance and that of the rest of the world had diverged by as much as 18 months during the appartheid era.

But the lifting of sanctions worldwide had brought the lag to as little as six months.

"The idea must be to get the SA economic cycle to tie up with the world economic cycle, allowing exports to buoy the revival of the domestic economy and so provide for more sustained growth."

But he warned that while exports would rise in general terms this would be patchy across sectors even differing within specific industries, with the aggressive nature of an individual firm a tell-tale factor.

He said there was little hope that the domestic component of the economy would help in the upturn and so the whole turnaround rested on an export drive.

He explained that "private consumption is expected to fall sharply in the first quarter of this year, while the level of fixed investment is much the same as that achieved in 1980".

Govt expenditure

"Capital projects have been put on hold and so expenditure in this area will not increase dramatically in the current year."

In addition government expenditure, which has been brought under control but is expected to rise in real terms in the current budget year — will not be enough for an economic boost.

From a positive perspective Lockwood said 1992 would see the rand stabilise, inflation subside, and the bank rate decline by some two percentage points.

By analogy he said "as long as the patient can survive the next few months' treatment — the prognosis will vastly improve".

Outcry as marketing cost deductions stop

BDay 16/4/92

(746)

THE discontinuation on March 31 of tax deductions for marketing costs has caused an outcry from exporters.

At a time when the world is opening up to SA companies the reduction in export incentives is putting a lid on potential trade, they say.

Safto membership and information services GM Anne Moore has been quoted as saying the move could cost SA R4bn in lost turnover.

But tax experts believe incentives should be taken outside the income tax act.

Ernst & Young tax partner Ken Walton says the problem with Section 11(bis) marketing allowance is that there was no correlation between the income tax deduction and foreign exchange earnings.

Its replacement incentive GEIS — general export incentive scheme — gives a more direct benefit.

GEIS payments are tax free and are theoretically paid in cash. However, because of pressure on government funds, any payments over R20 000 are given through a promissory note.

Payouts are based on a complex formula where the fob export sales value of the goods qualify for four different categories of export benefits, based on the degree of value-added (or the M-factor).

Primary products do not receive any GEIS benefit, beneficiated primary products qualify for 7,5%, material intensive products can claim 12,5%, while manufactured products get 25%.

When the rand weakens against a basket of foreign currencies the claim is reduced and when the rand strengthens the exporter gets more assistance. Consideration is also given to the local content of the goods.

Walton says 19,5% of Fob selling price is effectively the maximum GEIS claim at the moment.

The major downfall of GEIS is that certain exporters, specifically service industries, do not qualify. Government is restudying the framework of GEIS but is committed to the programme until April 1995.

Export Marketing Assistance (EMA) is also given to exporters. It provides a cash flow benefit (such as paying airfares and expenses for companies attending international trade fairs) because, unlike GEIS, the benefits are taxable.

Exporters receive credits for VAT paid on investments in capital or intermediate goods used in the manufacturing process and are exempted from the surcharge on imported goods if they export more than 15% of their turnover.

Benefits are also available through the Industrial Development Corporation (IDC), which gives exporters low cost finance through its export capacity loan scheme. Money is lent at 9%.

The IDC also offers a multishift loan scheme where companies can operate increased shifts to make better use of machinery.

BUSINESS DAY,

Govt role sought in export guarantees

B Day 16/4/92 (74G)

LINDA ENSOR

CAPE TOWN — Government-to-government guarantees would be necessary to overcome difficulties experienced by SA exporters in getting paid for goods sent to African countries, Cape Regional Export Advisory Committee chairman George Tickle said yesterday.

Speaking at an Aiesec students' conference, Tickle said he foresaw a greater reliance on joint ventures and management contracts to get around the problems of doing business in African countries.

"A SA company trying to establish itself in Africa stands little chance of success without strong local contacts as the market is difficult and often corrupt," Tickle said.

He criticised SA banks for offering poor service to exporters. Excessive paperwork was hampering the development of SA as a trade centre for the African continent, Tickle said.

He said it was necessary for the time-consuming, costly paperwork to be rationalised to reach the standard of major trading centres such as Singapore and Hong Kong.

Tickle, who is also a member of the government-sponsored Private Sector Export Advisory Committee, estimated that SA's trade with Africa was R10bn in 1991 or about 10% of total exports.

However, this could be an underestimate because a large proportion of African trade had been rerouted through third countries such as Britain as a result of sanctions.

Of SA's beneficiated exports, 25% went to Africa from SA which was the major supplier of nine African countries, namely Botswana, Swaziland, Lesotho, Namibia, Zimbabwe, Malawi, Zaire, Mozambique and Zambia.

Tickle saw great potential for the export of consumables to Africa and believed that the SA construction industry would benefit from the infrastructural development of African countries. Computer software would also be a strong growth area.

Speaking at the same conference, Nafcoc acting executive director Morley Nkosi said there were an estimated 2,5-million informal businesses in SA contributing 14% or R14bn to GNP.

Nkosi stressed the need for government to put up structures to support the sector, which played an important job-creating role. Big business also needed to create opportunities such as subcontracting for informal entrepreneurs.

He said the sector was strategic for economic growth.

International aid groups are ideal customers

BDay 16/4/92 (146)

SOUTH African exporters are ideally placed to supply other countries in Africa because of the value of the rand, geographical positioning and adapted technology, says Safto executive Paresh Pandya.

Many of the countries lack hard currency but instead of viewing this as a block, SA businesses should look at other sources of funding.

"In recent decades, international aid organisations have assumed a significant role in stimulating economic and social development in Third World countries.

"They have emerged as major sources of funding for development projects and programmes, procuring millions of rands worth of goods and services," Pandya says in a guide for Safto's clients.

If SA exporters can become the suppliers for aid organisations in Africa they will be in a good position.

Pandya says exporters need to change their mindsets. Instead of looking at geographical areas for markets, they must identify aid organisations needing their products.

Categorised

Aid organisations can be broadly categorised as follows:

☐ National bilateral aid organisations which provide direct government-to-government aid for infrastructural projects;

☐ International multilateral aid organisations such as the World Bank;

☐ Non-government aid organisations (NGOs) which are unofficial voluntary organisations funding smaller, community-related programmes.

Pandya says aid to countries in Africa from the World Bank increased from US$2,046bn in 1986 to US$3,932bn in 1990. Also, the EC channelled about US$6,324bn to Africa under the Lome III agreement and US$8,601bn in terms of Lome IV.

NGOs spend about US$5bn in aid a year, about US$500m of which is in Africa.

Pandya says aid organisations in Africa procure about 70% of the goods and services they need from Organisation for Economic Co-operation and Development (OECD) countries.

"Due to obvious advantages such as the low value of the rand, geographic position and the development of specific know-how and technology to suit conditions in Africa, SA companies are well placed to supply international aid organisations with their needs in Africa."

Main areas of opportunity are:

☐ Food and allied products;

☐ Pharmaceutical and medical supplies;

☐ Clothing and blankets;

☐ Temporary shelters (such as tents);

☐ water purification (chemicals, technology and mobile water purification plants);

☐ Educational material (books, stationery, equipment and furniture);

☐ Training programmes (ranging from developing technical skills to management training).

Pandya says although many aid organisations' head offices may not have officially opened up trade with SA, the grassroot field offices are using SA. "They can usually buy up to a certain limit without head office approval," he says.

Minister of Trade and Industry and Economic Co-ordination Derek Keys says although SA's inevitable role of being the economic flywheel of Africa may not seem much of a prize at first blush, there is a positive side.

"The world cannot stand idly by and see the other sub-Saharan countries become effectively delinked from world economic growth and consigned to some kind of too-poor-country scrapheap.

"There is a need for the developed world and SA to form a partnership which will see South Africans playing crucial roles elsewhere in Africa, with favourable effects on our level of exports."

Chamber of Industries eyes Kenya

SA Times (Cape Metro) 19/4/92

THE Cape Chamber of Industries is mounting a trade mission to Kenya from June 20 to 28.

The chamber says Kenya offers a relative degree of sophistication and a free market system that should interact well with South Africa's industrial level of competence.

The Western Cape, with its concentration of consumer orientated industry covering a wide field, is regarded as well placed to expand business into Kenya.

The trade mission is open to registered exporters. It is limited to 15 participants, who will be accepted on a first-come first-served basis.

The total cost will be R7 000, with a deposit of R2 000 and the balance paid by May 29.

Under the Export Marketing Assistance Scheme (EMA), registered exporters will qualify for financial assistance of 50 percent of the airfare and a daily allowance of R300.

Further details from the deputy director of the Cape Chamber of Industries, Colin Boyes, on ☎ (021) 21 5180.

Export firms warned to prepare for Europe

S Times (Cape metro) 19/4/92 (74G)

WILL it be countdown or meltdown time for your company as it prepares an export drive to Europe in the short time remaining before Fortress Europe emerges at the end of the year?

Many companies are having their export hopes dashed because their products do not carry the EC mark of approval which certifies that they meet the European Community's stringent quality and safety specifications.

Products bearing this mark of approval will be cleared for import into any EC country from January 1, 1993.

The problem is that many South African companies have not taken the time and trouble to familiarise themselves with the EC legislation in the form of directives prescribing the technical requirements their products need to satisfy to be traded freely throughout the EC.

Products sold in the EC market, whether manufactured in EC countries or emanating from other countries, must comply with the requirements of the relevant directive or a national technical regulation which may exist in the absence of a directive.

There are situations where there are no directives — or they have not yet been prepared — but where national technical regulations exist.

To become law throughout the EC, a directive must be incorporated unto the laws of each member state, and in such cases all conflicting national laws must be withdrawn.

To help clear up confusion for South African companies, the Department of Trade and Industry has been holding a series of seminars throughout the country on the technical requirements for industrial products entering the EC.

At a seminar held at the Cape Chamber of Industries, Ben Ford from the Department gave the following steps a South African manufacturer must take if he wishes to export to the EC:

- Establish if there is a directive relating to his specific product and read it carefully. A list of directives is available from the Department.
- Establish the conformity assessment requirements.
- If there is no directive, he must establish if there is a national technical regulation covering the product he wishes to export to a particular EC country.
- If there is no directive or national technical regulation and the product falls into the non-regulatory field, he must ask purchasers in the EC to stipulate their company's technical and other conformity assessment requirements.

Potential suppliers of industrial products to the EC should consult the Department of Trade and Industry in Pretoria or its regional office in the Western Cape, ☎ (021) 45 1508.

In the case of agricultural, veterinary or medical products contact the regional Department of Agriculture ☎ (021) 21 1370 or Department of National Health and Population Development ☎ (021) 948 8151.

The South African Bureau of Standards also gives valuable advice. Write giving full details to: Director-General, SABS (European Community Working Group), Private Bag X191, Pretoria 0001.

The SABS regional office can be contacted on ☎ (021) 689 5511. It can arrange to supply copies of the monthly SABS Bulletin, which contains helpful information on promoting quality and standardisation as a competitive tool.

Italian jewellers link up with SA

S1 Times (Buss) 19/4/92 746

By IAN ROBINSON

THE Italian jewellery industry has established direct contact with the fledgling South African business.

Vicenza Jewellery Fair president Giuseppe Dal Maso — a former member of parliament — visited SA this week.

The Italian industry uses about 400 tons of gold a year compared with 4,5 tons by SA. About 40% of the gold is used in the town of Vicenza 70km from Venice.

About 1 000 jewellery manufacturers attend the Vicenza Fair, which is held three times a year.

Banks

Dr Dal Maso's visit resulted from approaches from SA Ambassador to Italy Glenn Babb and a visit to Italy by then Trade and Industry Minister Org Marais.

The purpose of Dr Dal Maso's visit was twofold: to explore the possibility of direct imports of gold from SA and to establish a closer link between the jewellery industries in both countries.

Italy imports SA gold through Switzerland and the possibility of direct imports was raised at a meeting in March between the Trade and Industry Minister Derek Keys and his counterpart Vito Lattanzio.

It was suggested that the Reserve Bank sell gold directly to Italian banks.

Dr Dal Maso stresses the common interest of Italy and SA in promoting gold jewellery. Growth in demand for jewellery is the major potential vehicle for raising gold sales.

The SA jewellery market is of interest to Italian manufacturers both for potential growth and the possibility of establishing joint ventures.

Dr Dal Maso believes that demand for jewellery in SA will grow as people become more prosperous.

He believes that the production of semi-manufactures in SA for finishing in Italy would offer the best vehicle for joint ventures.

Dr Dal Maso had discussions in SA with parties involved in the production of gold and the jewellery industry.

They included the Chamber of Mines, the mining houses, Mintek and the Jewellery Council of South Africa.

Dr Dal Maso's visit follows an initiative by the director of commerce and industry for Johannesburg, Collin Wright, who has established a forum of interested parties which will develop a national strategy for the industry.

Mr Wright invited jewellery manufacturers, representatives of the mining industry, government organisations and the city council to the first meeting at the end of February.

The forum — which has not yet been given an official name — has dealt with two issues. It plans to develop a national strategy for the jewellery industry and will consider a proposal to establish a jewellery centre in Johannesburg.

Mr Wright is also organising an exhibition by about 20 Italian manufacturing jewellers in Johannesburg in September.

The discrepancy between domestic production and use of gold has highlighted the potential for expansion of the jewellery industry in SA.

However, the Chamber of Mines and the mining houses give only a little help to domestic jewellers and are concentrating on promoting world demand through the World Gold Council.

Raw

Senior general manager Daniel Pollnow says the chamber is not opposed to attempts to strengthen the domestic industry, but would need to see feasibility studies to justify major expenditure.

Dr Pollnow says the availability of raw materials does not guarantee a market share for finished products. The requirements for a profitable jewellery industry in SA include motivation, a favourable environment in terms of skilled labour and infrastructure and competitive costs.

As none of these has been met, it will be a "tall order" to develop an export-oriented domestic jewellery industry.

Claims of bribery, theft in Customs and Excise

714(3)

AMG 22/4/92

CLAIMS of widespread bribery of customs officials, hacking into Customs and Excise computers and organised theft from state warehouses have been read out in parliament by Mr Douglas Gibson (DP Yeoville).

Speaking in debate on the Customs and Excise Amendment Bill yesterday, he said he had been handed a letter from the chairman of the Radio and Television Distributors' Association of SA, Mr D W Hornbuckle, which made "most serious allegations".

He said he would give a copy of it to the Minister of Finance, Mr Barend du Plessis.

The letter said many substantiated complaints had been forwarded to the departments of Trade and Industry and of Customs and Excise, but no action had been taken and the problem had escalated to an epidemic of almost unmanageable proportions.

Mr Hornbuckle said importation of TV and audio products was taking place under bond or rebate facility into the TBVC states and LBS countries, which were part of the SA Customs Union.

"Once received in these countries the units are 'assembled' or simply non-duty-paid before being sold.

"The standard answer from the DTI and Customs is that this is a Foreign Affairs problem and cannot be policed."

People were hacking into the computers at Customs and Excise and producing their own entries in conjuction with a bribed official to ensure that reduced or no duties were paid.

There was direct bribery of customs officials at harbours and ports on the clearance of audio-video equipment.

Another problem, Mr Hornbuckle said, was "the organised theft or disappearance of goods placed deliberately in the state warehouse by importers".

Dealing with the Bill, Mr Gibson also said the DP was very cautious about the wisdom of protectionism, but was aware that it was a fact of life.

The country which left itself completely open to free trade with allcomers, irrespective of reciprocal arrangements, and irrespective of dumping, ran substantial risks.

The DP accepted that in the short term, at least, while the necessary expertise and experience were being built up, some tariff protection was needed. Sapa.

Fruity boost for exports

CT 23/4/92

By AUDREY D'ANGELO
Business Editor

A BUMPER fruit crop in the Western Cape was the main reason for a steep rise in exports from Cape Town harbour last month.

Exports rose to 371 839 tons in March — 72,3% more than in February and 29,1% more than last March.

But port manager Rudi Basson said that there had been little increase in manufactured exports. "The rise is due mainly to the deciduous fruit season reaching its peak.

"Fruit exports are normally highest in March, April and May but they will continue until the end of June. They seem to be increasing every year.

"And new markets are opening up to them with the end of sanctions. A new terminal to handle the increased volumes will be in operation for the start of the next season."

Louis Kriel, CE of Unifruco — the export marketing arm of the deciduous fruit industry — said at the weekend that the first shipment of Cape apples to the US since sanctions were imposed in 1986 would leave Cape Town in two weeks time.

Kriel estimated that the volume of fruit exports would be 10% higher this year than last.

Western Cape fruit farmers achieved record export earnings of R1,4bn last year. The volume of fruit exported rose by 4% to 35m cartons.

A spokesman for Unifruco said yesterday that although it was still early in the season "the apple crop looks all right at this stage."

The crop of all fruits except plums had been higher this year. The fruit was of exceptionally good quality, which meant that a high proportion could be packed for export.

Discussing the re-opening of markets to SA he said that Denmark, which had just lifted sanctions, was now importing Cape fruit.

Ireland was another market that had re-opened this season. "We had a tremendous welcome there. Exporting to that market is extremely rewarding.

"But we are doing well in all European markets. And the weakness of the rand against the pound is helping us in the UK market."

● **The Cape Chamber of Industries (CCI) is preparing to send its first trade mission to Kenya in June.**

"There is tremendous interest," said deputy director Colin Boyes, "and it has been suggested that we should send two trade missions to new markets every year."

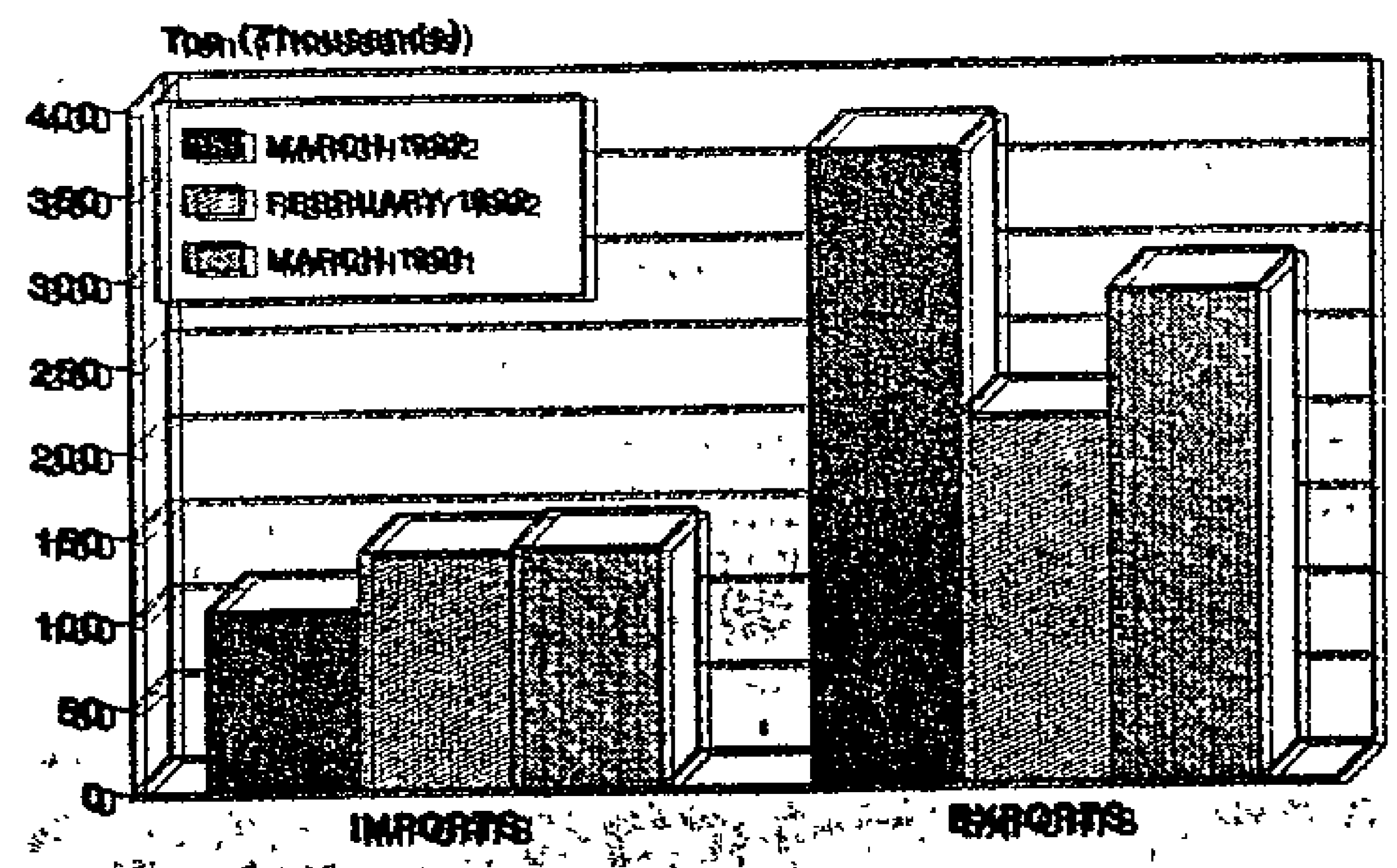
There are still some places available on the mission to Kenya. Manufacturers who have already booked to go represent a wide range of interests, from clothing to anti-corrosive paints, cold store refrigeration equipment and machinery for packaging milk in plastic sachets."

Boyes said the CCI was liaising with the Kenya Chamber of Commerce and Industry. "They have shown considerable interest and have supplied us with a list of their members who are manufacturers.

"We have asked them for a second list, of companies which could act as distributors for SA exporters."

Boyes considers SA exporters have products suitable for the Kenyan market, because of the similarities between the countries. "And there is a very good connection by sea between Cape Town and Mombasa."

PORTNET
PORT OF CAPE TOWN
IMPORTS AND EXPORTS CARGO HANDLED



Exports from Cape Town harbour soared by 72,3% in March to 371 839 tons compared with 215 839 in February. They were 29,1% above the 288 003 tons exported last March. Imports fell by 24,1% to 105 973 tons compared with 139 537 tons in February, and 24,9% below the 141 148 tons imported last March. Total tonnage handled at the port rose by 27,3% to 558 613 tons compared with 438 784 tons in February and 512 375 last March. The number of ships calling at the port rose to 297 in March compared with 257 in February and 289 last March.

Exporters get increased political risk cover

B/Day 23/4/92

EDWARD WEST (746)

DOMESTIC and export credit insurer Credit Guarantee has increased political risk cover for exporters because of SA's improved international standing, a spokesman said yesterday.

Credit Guarantee marketing manager Pierre Matthee said the insured percentage for political risk cover — covering upheavals such as coups, boycotts and sanctions — for exporters to countries, including the US, Japan and most western European nations, had increased from 80% to 90% since the beginning of the month.

This benefit would also, to some extent, compensate for the export incentives which fell away in March this year, he said. Mathee said the company considered improving the insured percentage for commercial risks but current claims experience did not support such an improvement.

Credit Guarantee economist Luke Doig said he expected more SA exporters to apply for commercial risk cover.

Export growth sees trade surplus climb

74G

B/Day 24/4/92

SHERIDAN CONNOLLY

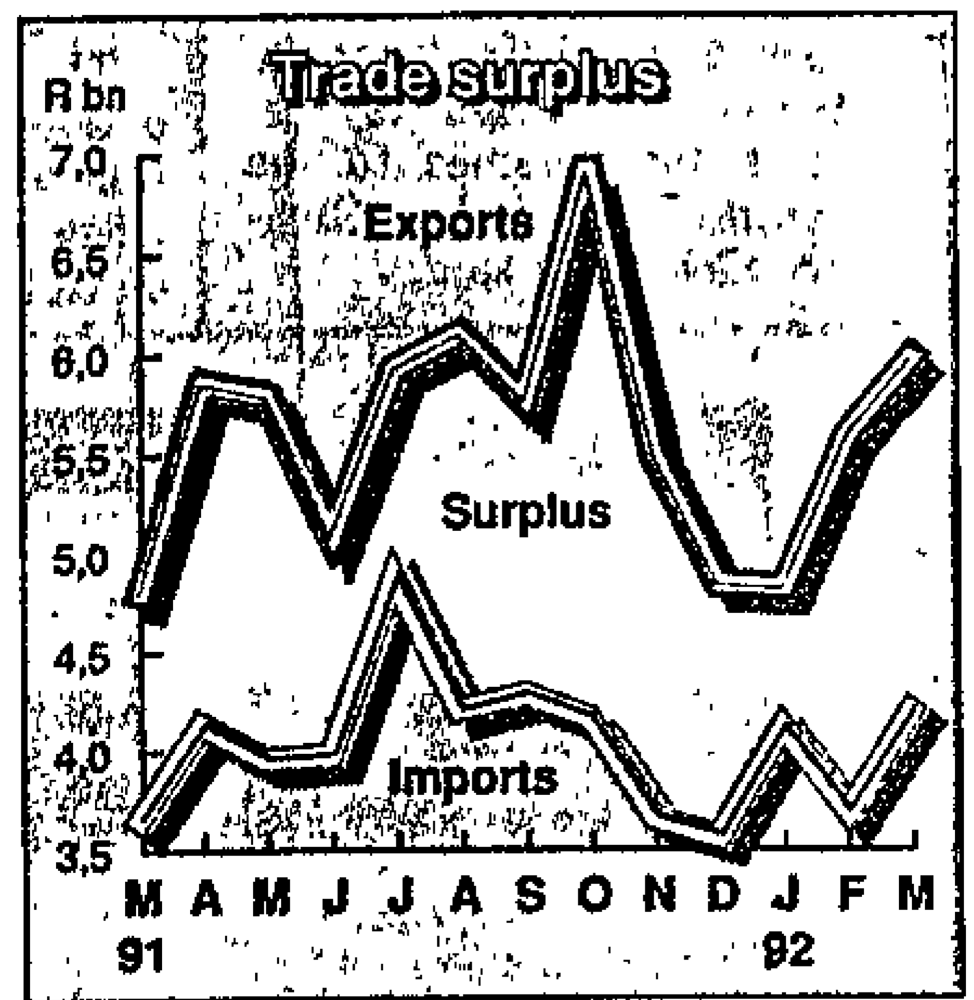
GOOD export performance in the first three months of this year saw the trade surplus 38% higher than the surplus recorded in the first quarter of 1991, figures released yesterday by the Customs and Excise directorate showed.

The trade surplus narrowed to R1,77bn in March from R1,89bn in February with a small rise in exports to R5,97bn compared with R5,58bn in February and R4,8bn in March 1991. Unclassified exports — mainly of gold and armaments — were also higher at R1,96bn in March from R1,87bn in February.

Total imports increased to R4,198bn in March from R3,68bn in February and R3,66bn a year ago. The rise in total imports reflected a steep rise in unclassified imports — mainly oil — to R644,9m in March as against R371,4m in February.

SA Foreign Trade Organisation (Safto) chief economist Bruce Donald said despite tough conditions in foreign markets, SA performed reasonably well. The 38% increase in the first quarter of 1992 brought the trade surplus to R4,4bn.

Exports grew 12% in nominal rand terms to R16,4bn in the first quarter compared with the same quarter last year while imports grew 5% to R12bn, he said.



Graphic. FIONA KRISCH Source CUSTOMS & EXCISE

Donald said the biggest contributor to the export growth trend was the jewellery and precious stones category (mainly diamonds), up 79% in the first quarter.

Commenting on manufactured products, Donald said transport equipment had put in a remarkably strong performance in the first three months of the year, rising by 75%. "Other manufactured products" also continued their positive trend with plastics up 45%, chemicals 35% higher, and machinery re-

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B/Day 24/4/92 (74G)

☐ From Page 1

cording an increase of 26%.

Donald said their sustained growth might be partly linked to the benefits that manufacturers obtained through the General Export Incentive Scheme (GEIS), and, in the case of the motor industry, the benefits gained through Phase VI of the local content programme. This trend was "assisting in the diversification of SA's exports away from their dependence on primary and minimally processed products".

The "statistical anomaly" created by massive imports of oil at the beginning of last year in response to the Gulf crisis was of particular relevance, he said. Excluding unclassified imports, imports grew 10% in nominal rand terms in the first quarter compared to the same quarter last year.

"Consistent with the recessionary conditions in the local economy, imports of industrial materials remained relatively static," Donald said.

Exporters continue to fatten trade surplus

STAR 24/4/92

By Sven Lünsche 746

South Africa's exporters continued to perform well in the first quarter of this year despite the sluggish international economic environment.

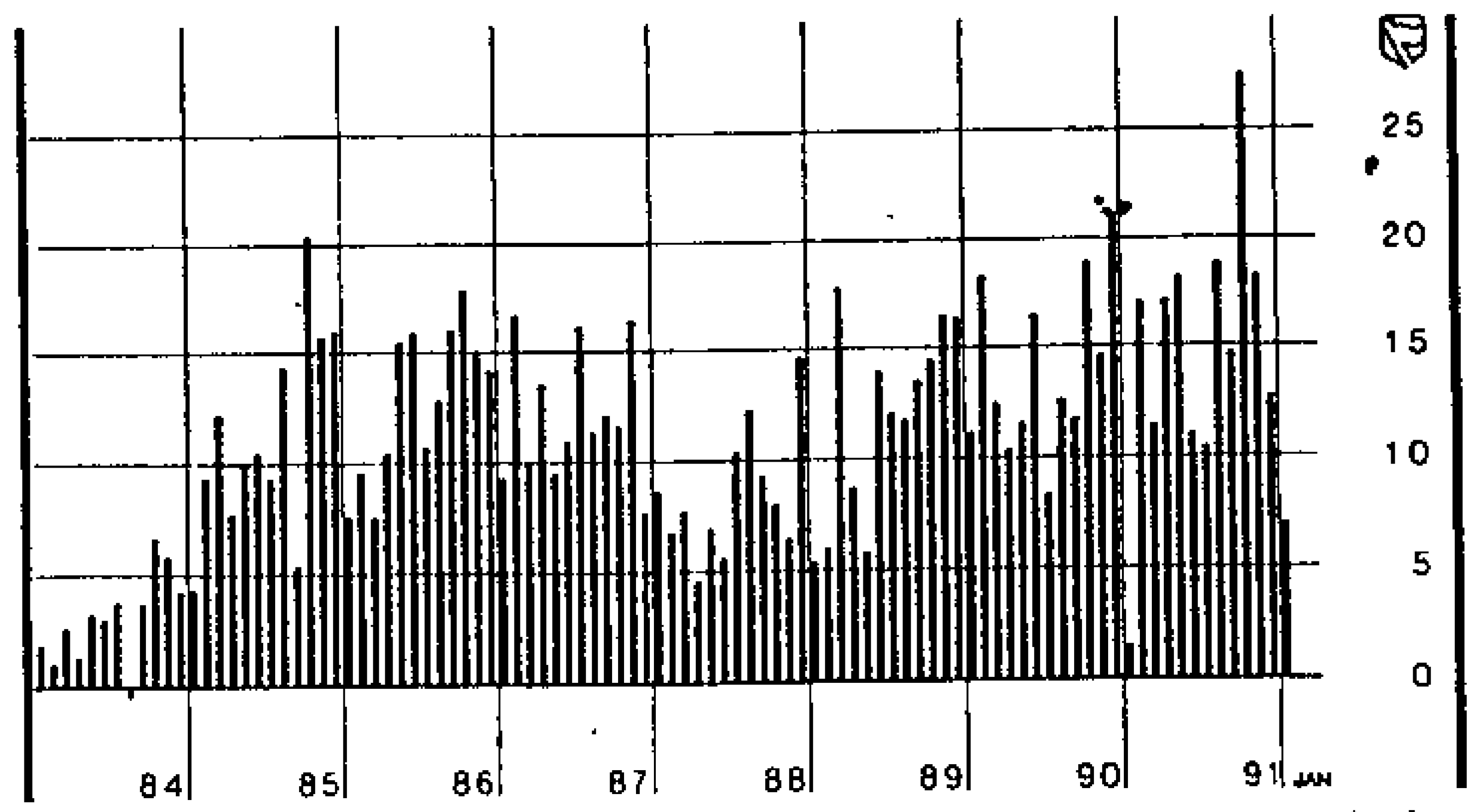
Exports grew by 12 percent in nominal terms to R16,4 billion, compared with R14,6 billion in the first three months last year, which lifted the trade surplus over the period by 38 percent to R4,4 billion (R3,1 billion).

Imports during the quarter rose by only five percent to R12 billion from R11,5 billion last year, which implies a significant decrease in real terms.

However, a statistical anomaly was created by the massive imports of oil at the beginning of last year ahead of the Gulf crisis.

If the unclassified import category (mainly oil) is excluded from the trade figures, imports showed a 10 percent rise in nominal terms during the quarter.

The improvement in exports was achieved despite the poor economic performance of the world's industrialised nations, which has depressed base and precious metal prices, SA's major export commodities.



The country's trade balance, including bullion, month by month in R'00 millions.

This was reflected in the export categories unclassified goods (mainly gold), which were five percent lower at R5,9 billion (R6,2 billion) and base metals, down two percent to R2,1 billion (R2,2 billion).

Main contributor

The biggest contributor to the export growth trend was the jewellery and precious stones category (mainly diamonds), which rose by 79 percet from R1,3 billion to R2,3 billion during the quarter.

Safto economist Bruce Donald suggests that given the poor conditions currently prevailing in the diamond market, the movement was largely attributable to the transfer of stocks from De Beers' diamond mines in Namibia and Botswana to its London-based marketing arm, the Central Selling Organisation.

Manufacturers continued their strong showing of the past two years, with transport equipment sales heading the list by increasing exports 75 percent to R437 million (R250 million) over the three months.

Other manufactured products also continued their positive trend, notably plastics with 46 percent, chemicals (35 percent) and machinery (26 percent).

Mr Donald says that the sustained growth of these categories may be partly linked to the benefits that manufacturers obtained through the government's General Export Incentive Scheme.

"In the case of the motor industry, Phase VI of the local content programme has undoubtedly contributed to the strong export growth reported by the category.

"This trend is particularly significant insofar as it is assisting in the diversification of South Africa's exports away from their dependance on primary and minimally processed products," Mr Donald adds.

Imports

Turning to imports he says that consistent with the recessionary conditions in the South African economy, imports of industrial materials remained relatively static — imports of chemical goods only increased by five percent and those of base metals by six percent.

Machinery imports, the largest import category, grew by 15 percent to R3,7 billion (R3,25 billion), which Mr Donald suggests indicates replacement rather than expansion of capacity among South African industries.

COROBRIK'S UNUSUAL EXPORT ORDER

FM 24/4/92

746

Bricks are seldom thought of as an export commodity, but the combination of a building boom in the Far East and the demise of sanctions has contributed towards Durban-based Corobrik winning a R6m order to ship 8,5m face-bricks to Singapore over six months.

Singapore is well into a R3,4bn annual building programme that is expected to continue for at least the next two years, according to Corobrik business development director Ray Andrews, who engineered the deal. Singapore's brick-making capacity is woefully inadequate and it is unlikely to be expanded because that would swallow up valuable land.

Andrews says negotiations began while Singapore was still applying sanctions against SA. This meant that some "fairly roundabout things" had to be done and made the job of landing the order a lot more difficult, he adds.

"Had an agreement been possible before the trade embargo was lifted last month, the difficulties created would undoubtedly have affected price and quantity. Then came the referendum. I believe the 'yes' vote clarified the situation and helped to seal the contract near the end."

The Corobrik order was won despite competition from Australia, which has a sophisticated brick industry, and Malaysia, Andrews says.

"Prices were keen and there is no doubt that had the rand not been as soft as it is, we would have been disadvantaged. The fact that SA is in a building recession and that Corobrik has some brick-making capacity also helped. Nevertheless, we didn't go into this deal on a marginal basis. The margins are thin, but it's not a loss leader. It is a large contract and we would probably have gone into a domestic contract on the same margins."

Taxes pay for export triumph

S/Times (BUSS) 26/4/92

746

TAXPAYERS are subsidising growth in manufactured exports. Department of Customs and Excise figures for the first quarter of 1992 show a surge in manufactured exports which partly compensated for lower mineral shipments.

Leaders in the improvement are motor manufacturers, which receive a 50c in the rand incentive for all exports. Their exports rose by 75%. Chemicals, plastics and machinery shipments, helped by the general export incentive scheme (GEIS), were also up.

By CIARAN RYAN

Total exports rose by 12% in nominal rand terms to R16,4-billion in the first quarter compared with the same three months in 1991. Imports increased by only 5% to R12-billion.

The quarter's growth in exports, although below the inflation rate, was sharply up on the 7% for the first two months of the year.

The Department of Trade and Industry estimates that GEIS will cost R5,5-billion by the time it is wound down in 1995.

Leap

GEIS is a formula-based system whereby the value of the incentive depends on export turnover. But it contravenes guidelines laid down by the General Agreement on Tariffs and Trade (Gatt) because it is regarded as unfair competition.

The Government has committed itself to abolishing GEIS within four years.

National Automobile Association of SA director Nico Vermeulen says the increase can be attributed to Phase VI under which automotive exports are classified as local content for rebate claims on excise duties.

Aggregate exports of the motor industry since the introduction of Phase VI in mid-1989 totalled R401-million in the first year, R650-million in the second, rising to a projected R1,3-billion for the third.

Phase VI will end in 1997.

Mr Vermeulen says that unlike other manufacturing industries, the motor industry receives no State help because Phase VI is self-funding.

But the incentives are given in cash rebates on excise duties for SA-made vehicles and are paid by the public.

Slack

Last year, the Government increased the excise duty on new cars from 9,5% to 12% because the revenue raised was insufficent to pay the rebates on the unexpectedly high exports.

Another reason for the growth in transport equipment shipments is the export by Spoornet of used rolling stock to neighbouring African countries.

The SA Foreign Trade Organisation (Safto) says the biggest contributor to export growth in the first quarter was jewellery and precious stones, particularly diamonds.

"Given the poor conditions prevailing in the diamond market, it may be speculated that the movement is attributable to a transfer of stocks by De Beers to Centenary overseas."

De Beers refuses to comment on the speculation.

Safto economist Bruce Donald says the export performance is laudable because of slack economic conditions abroad and low prices for commodities.

"Trade with Africa is growing faster than our traditional markets, but it still remains a relatively small component of SA's total in overall terms."

Gold and base metals exports were down 5% and 2% respectively. But mineral exports (mainly coal) grew 9,2% to R1,79-billion in the first quarter, partially as a result of the lifting of sanctions.

In spite of drought in many parts of the country, exports of vegetable products climbed 34% to R575-million. Imports fell 10% to R220-million.

Fruit exports have not been harmed by the drought.

Unifruco managing director Louis Kriel says exports of deciduous fruit should be R1,8-billion this year compared with R1,41-billion in 1991.

Crop

"The crop is likely to be 15% better than last year's and a higher proportion is export quality. Except for peaches and apricots, deciduous fruit is fetching higher prices abroad."

The value of deciduous fruit exports grew from R764-million in 1988 to R914-million in 1989 — when the political climate started to improve — and to R1,41-billion in 1991.

SA's total trade is estimated to have been worth about R116-billion in 1991, made up of R66,2-billion in exports and R48,3-billion in imports.

Other schemes which have helped to boost exports are the marketing assistance scheme, a form of financial assistance, research and exhibitions and Section 11(bis) of the Income Tax Act (phased out in March). It gives exporters an income-tax allowance for expenditure on export promotion.

Recent amendments to Section 37(E) of the Income Tax Act allow companies producing more than 60% of their output for export to claim accelerated write-offs for capital goods and property used in the beneficiation of base minerals and intermediate goods.

Both GEIS and 37(E) are in

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S/Times (BUSS) 26/4/92

● From Page 1

contravention of the General Agreement of Tariffs and Trade (Gatt), which prohibits such export assistance.

A report on export incentive schemes by Nedbank Economic Unit says the value of the manufacturing sector's stock of machinery and equipment fell from R47,8-billion in 1983 to R47,2-billion in 1990.

"In this sense, GEIS will largely benefit only those manufacturers currently possessing the machinery and equipment needed to produce internationally competitive prices," says the report's author, Kevin Lings.

The political premium paid by exporters because of sanctions has almost disappeared with coal the major beneficiary. Exports to Africa are also benefiting from the improved political climate.

Pressure grows for incentives

S Times (Buss) 26/4/92

By CIARAN RYAN

746

THE Government is under pressure to allow export processing zones (EPZs) which would eliminate customs duties, import controls and tariffs in approved areas.

Regional development authorities in the Western Cape and Border areas, both of which suffer from unemployment, are in the forefront of the campaign. Both expect to have EPZs before the end of the year.

The Industrial Development Corporation has made recommendations about EPZs, but some government officials are reportedly dragging their heels because of the difficulty in policing abuses of the system.

Cancelled

There are fears that EPZs would be used to dump foreign goods, threatening industries which enjoy tariff protection.

In terms of the Customs and Excise Act 1964, export producers were entitled to a full rebate on duty for specified materials used in goods for export. But because of abuses the Board of Trade and Industry cancelled the concession last year.

A report on EPZs by the Development Bank of Southern Africa says there are 350 in the world, each competing for international capital.

The report says: "International experience indicates, in general, that the firms that normally locate in EPZs are typically footloose, and very often foreign.

"Foreign capital and management are attracted to the EPZ by low labour costs, tax incentives, subsidised inputs and market accessibility."

EPZs, offering tax holidays, cheap labour and other incentives, were largely responsible for the economic miracles in South Korea, Taiwan, Mauritius and Singapore.

Africa's most successful EPZ is Mauritius. EPZs helped it to move from 22% unemployment 10 years ago to jobs for all. EPZ companies account for half the jobs on the island and generate 70% of the its foreign-currency earnings.

East London Chamber of Commerce director Errol Spring says: "Trade and Industry Minister Derek Keys has said the economic recovery will be export-led. There is a sense of urgency in the Border area to get the economy moving again. We have involved Ciskei and Transkei in our planning."

Another form of EPZ has been proposed by Wesgro, the Western Cape business growth organisation. It says that instead of confining EPZs to geographical zones, the Customs and Excise Act should be changed to allow any SA company engaged in exporting to benefit from duty-free imports and tax concessions.

Wesgro executive director David Bridgman says: "There is a philosophical divide. Some people want to attract foreign capital. We want to make it possible for domestic capital to manufacture for export."

Dr Bridgman says the proposal hit a snag with the Department of Customs and Excise because some officials believed the department was incapable of administering the scheme.

He says: "If customs and excise officials elsewhere in the world can do it, why can't we?"

Andre Ligthelm of the Development Bank says the prerequisites for a successful EPZ are incentives, a streamlined "one-stop" administration to eliminate red tape and an infrastructure and telecommunications system normally better than those found in the host country.

Closures

The Development Bank report says the rationale behind export-oriented policies is to cause "circumstances of neutrality" between production for the domestic and foreign markets.

The best way to achieve the goal is to remove protective tariffs. But this exposes domestic firms to severe international competition, resulting in possible closures.

The second-best option, therefore, is the EPZ, where conditions of neutrality are confined to a defined geographical area, without exposing the protected domestic economy to the disruptions of free trade.

Export ventures are also new ways to lose money

B Day 27/4/92

EXPORTERS should take care when embarking on new ventures in Africa and Eastern Europe, particularly in countries short of forex or that are bankrupt.

Local businesses should obtain corporate protection against credit losses amid mounting trade risks worldwide. Credit Guarantee Insurance Corporation of Africa strongly advises this in the case of goods to be delivered to lesser developed countries and those countries where businesses have no legal redress.

Also recommended is insurance against high risk in the UK, US and Europe where business failures have reached alarmingly levels or where illegal trade is taking place.

Many businesses are not fully aware of new and mounting risks as they take advantage of new trading prospects arising from the lifting of sanctions.

Credit Guarantee senior GM Mike Truter says businessmen should seriously consider the various forms of export credit insurance as the global recession worsens and as they deal increasingly with new trading partners in former communist countries "which have no commercial and insolvency laws".

He cautions that many businesses in Africa and overseas do not have access to forex to pay for their imports.

Commercial risks are very much on the rise due to the world recession and other factors.

For instance, few realise that 50% more businesses failed in the US in the first half of last year compared with the same period in 1990.

In the UK, one in 50 active businesses was liquidated last year, while the number has increased sharply this year to 1 200 businesses a week — a sharp rise of 50% on the 1991 UK average.

Advantage

While the US has lifted sanctions, many US cities and states have not done so and importers there are thus able to take unfair advantage of unwary SA businessmen who have no recourse as long as sanctions are maintained.

Risk is greater on the domestic front as well where only about 11 500 — or 5% — of companies are insured against debtor losses.

Truter expects a continued escalation of business failures as the recession bites deeper.

Default judgments for the first quarter are already one-third up on last year, while business failures are up 15%.

TRADE FM 1/5/92

Precious puzzle (74G)

The behaviour of exports in the category precious stones and jewels remains puzzling. In the first quarter they amounted to R2,3bn, 79% up on the comparable period last year. "There has not been an increase in world prices to warrant this," says UAL economist Dennis Dykes.

Equally puzzling are imports in the unclassified category, which includes oil. At R1,4bn, this category is 22% lower than in the first quarter of 1991 when the figure largely reflected high oil prices and stockpiling in January 1991 during the Gulf crisis. But the March R645m in unclassified imports is a 74% surge from February. Dykes says the increase is strange as rand oil prices remained stable in that period.

Imports for the first quarter total R12bn, up 5% on the same period last year; exports stand at R16,4bn, up 12%. This brings the trade surplus to R4,4bn, up 38%. Imports for March, at R4,2bn, are 15% higher than in February, while exports are up 7% at R6bn. The month's surplus is at R1,77bn, down from February's R1,89bn.

"If one excludes the unclassified category, which tends to be volatile, trade figures for the first quarter of the year appear healthy," says Dykes."Exports are up 24% on the comparable period last year and imports are up 10%. The trend is not one of deterioration."

Major increases in exports are:

- ☐ Chemical products, up 35% to R719m;
- ☐ Machinery, up 26% to R402m; and
- ☐ Vehicles and transport equipment, up 75% to R437m.

The drought has yet to show an adverse effect on exports in the categories animal products (up 30% to R181m), vegetable products (up 33% to R576m) and prepared foodstuffs (up 29% to R467m).

Exports of base metals were down 2% to R2,1bn. Export growth in mineral products decelerated 9% to R1,8bn. Dykes says poor world prices and the international recession are behind these weak performances.

Imports increased significantly over the first quarter in:

- ☐ Textiles (17% to R650m);
- ☐ Optical and photographic equipment (15% to R527m); and
- ☐ Machinery (14,5% to R3,7bn).

The drought has also not been reflected in an increase in imports of vegetable products, down 10% in the first quarter. However, once shipments of maize begin to arrive on a large scale in the months ahead, the picture should change. ■

Coal exporters gain extra R42m

ST Times (Buss) 3/5/92 (746)

By CIARAN RYAN

COAL exporters have picked up extra orders worth more than R42-million since European sanctions were lifted nearly two months ago.

France and Denmark have bought more than a million tons of coal on the spot market.

International Coal Report editor Gerard McCluskey says: "Electricite de France has bought about 800 000 tons, but at a low $27 a ton compared with contract prices of $31,80 in Italy for SA coal. SA faces a dead market."

The coal for France came from Shell, RandCoal, Amcoal, Agipcoal and Duiker, among others.

Steam

Elsam, the Danish power utilities association, has bought between 200 000 and 300 000 tons recently. Denmark is looking for a million tons from SA in the next year, says Mr McCluskey.

Unconfirmed reports say the Netherlands has bought another 250 000 tons of SA coal. Enel, the Italian utility, bought 3,7-million tons of steam coal in 1990, representing 16% of SA's total European steam sales. Enel is SA's largest single customer.

SA stands to pick up a large slice of the UK's imported coal market once contracts between the power utilities and British suppliers expire next year. Under existing agreements, two UK companies, PowerGen and National Power, are committed to buying 65-million tons of coal from domestic suppliers this year.

Finland and Japan are also considering SA coal deals, says Mr McCluskey.

The removal of sanctions does not mean an improvement in prices for SA coal. Exporters were forced to offer a political discount of up to 20% between 1985 and 1989, says a JSE analyst. But it disappeared in 1989 because "sanctions against SA coal failed".

SA mines were able to find new markets to replace those lost to sanctions. When sanctions were imposed in 1985, SA export coal prices fell almost 50% as collieries tried to maintain export tonnage.

SA exported 48,2-million tons of coal last year. The JSE broker says exports are likely to increase by 2-million tons a year, placing pressure on Richards Bay Coal Terminal (RBCT) in about four years' time.

RBCT can handle 53-million tons a year and 64% of its entitlement is controlled by Amcoal, Trans-Natal and RandCoal, all of which are gearing up for an export boom.

Capital expenditure by the three is expected to be more than R1,4-billion this year.

Most exporters will seek long-term contracts, which offer better prices than on the sport market.

SA co-operative exports hardwood to Finland

Bidday 5/5/92

MARITZBURG-based Central Timber Co-operative (CTC) had exported 200 000 tons of hardwood chips to Finland, GM Rein Franz said yesterday. (337)

TIM MARSLAND (74G)

Franz, who was reluctant to put a value on the order, said additional contracts had been signed with Japan and Taiwan.

Exports of hardwood chips to Japan last year amounted to about 600 000 tons, but this was expected to increase substantially due to the lifting of sanctions

Franz said he expected the Finnish contract to be renewed. Demand for hardwood chips was strong in Europe and the Far East. CTC's turnover almost doubled to R130m in 1991 from R70m in 1990.

The hardwood chips — from Eucalyptus and Acacia trees — are used in the paper industry.

Opportunities improve for SA coal exports

B10 an 6/5/92 (14G)

MATTHEW CURTIN

OPPORTUNITIES for SA coal exports are improving steadily, but exporters are likely to reap the rewards only in the medium term.

Coal mining shares surged as much as 40% in early 1991, but have been more or less flat the past year. The JSE coal index has risen only 3% since last May, and closed unchanged at 3 731 yesterday.

Shares in market leader Amcoal were also unchanged at yesterday's R125,25, 9% up from a year ago. Shares in Rand Mines coal mining arm Randcoal have shown the biggest gains, up 17% in the past year, and closed at R14 yesterday.

Randcoal CE Allen Cook said yesterday the outlook for increased exports grew stronger as political developments in SA unfolded.

The group's annual forex earnings, from the steam coal it mined and marketed, had topped the R1bn mark for the first time. Randcoal sold more than 11-million tons of coal to 15 countries in Europe and the Far East in 1991, worth R1,03bn.

Cook said customers in Japan, Korea, Denmark, France, the Netherlands, the UK and US could absorb another 10-million tons in export coal from SA by 1995. In the longer term eastern Europe could emerge as an important market.

However, SA Coal Report editor David Spalding said SA coal exporters' gains were important in that they had regained "a foot in the door" in countries whose markets they had lost during sanctions.

Low prices and strong competition meant that until 1993 exporters would show only a modest growth in export volumes.

It was reported at the weekend that the lifting of European sanctions had resulted in SA exporters winning R42m in new business, equivalent to about 1,25-million tons or 2,5% of yearly SA exports.

Spalding said SA had sold about 1-million tons of coal to France, 250 000 tons to Denmark's Elsam power utility, and 250 000 tons to Belgium this year. SA continued to sell coal to Italian utility Enel.

But he said low free market prices of about $26 a ton, well below 1992 contract prices of an average of $31,80 a ton, meant SA producers were reluctant to push more exports through the Richards Bay Coal Terminal. The weak market conditions meant that although Spoornet capacity would only match the terminal's theoretical capacity of 53-million tons a year this August, the capacity of the rail link was not inhibiting exports.

Reluctance

Frankel, Max Pollak, Vinderine analyst Kevin Kartun said French buyers, via French company Total, which mined coal in SA in conjunction with JCI, and Danish buyers had shown an immediate interest in local exports this year. However, he said export margins remained "extremely thin", with the FOB cost of exporting SA coal standing at $25-30 a ton, compared with contract prices of $32 a ton.

Locally, Eskom had spare capacity till the end of the decade, so excitement for investors, in terms of strong earnings and dividend growth, could only be expected in the mid-90s when the international steam coal trade was expected to boom on the back of renewed world economic prosperity.

VW exports 'could net R1,2bn'

EDWARD WEST

VOLKSWAGEN SA could end up exporting vehicles worth R1,2bn to mainland China over the next five years if the current export order worth R180m was delivered on schedule, said Volkswagen public affairs manager Ronnie Kruger yesterday. B/Day 12/5/92

The export order had been increased over the past month to 6 000 from 5 000 for basic 1600cc white left-hand drive Jettas because of changing market conditions in China. These would be delivered at a rate of 800 a month over eight months, he said.

The order, won in spite of a competing bid from Volkswagen in Mexico, represented the first phase in a joint venture between the Chinese government and Volkswagen AG to establish a vehicle assembly plant in China. This phase required the import of semiknocked-down vehicle kits, said Kruger. 74G

The second and third phases of the establishment of the plant would culminate in full assembly by 1997 and would require the import of medium knocked-down vehicle kits and fully knocked-down vehicle kits respectively. These imports into China would be worth R1,2bn by 1997, said Kruger.

"If we can deliver consistently, there is a good chance we will get the orders to supply the second and third phases."

Kruger said the current export order would help to fill the gaps in production capacity left by SA's shrunken market.

HOUSE OF DELEGATES

QUESTIONS

†Indicates translated version.

For oral reply:

General Affairs

Transfer of homes to Blacks free of charge: policy

*1. The LEADER OF THE OFFICIAL OPPOSITION asked the Minister of Local Government and National Housing:

(1) Whether the Government has decided on a policy to transfer certain homes to Blacks free of charge; if not, why not; if so, what are the details in this regard;

(2) whether he will make a statement on the matter?

D140E

The DEPUTY MINISTER OF LOCAL GOVERNMENT AND NATIONAL HOUSING:

(1) No; it is assumed that the hon member is referring to the homes which form part of the stock of State-financed family rental homes. In this regard I would like to mention that the National Housing Policy and Strategy Task Group investigated this aspect fully with a view to the formulation of proposals for a national housing policy and strategy. The Task Group's proposals with regard to State-financed rental units will be handled as part of the formulation of a new housing policy and strategy.

(2) The Minister intends to further elucidate the handling of the report of the Task Group during the debate on Budget Vote No 29, later today.

The LEADER OF THE OFFICIAL OPPOSITION: Mr Chairman, arising out of the hon the Deputy Minister's reply, I am going to ask an awkward question. Is the hon the Deputy Minister aware that the hon the Minister has written to me on this particular issue, which has been taken far further than the hon the Deputy Minister is aware?

The DEPUTY MINISTER: Mr Chairman, I was not aware of that fact, but if the hon the Leader of the Official Opposition has a problem regarding my answer, he should feel free to submit his question in writing. We will then answer it.

Dog-fights/attacks on people by dogs: investigation

*2. Mr M RAJAB asked the Minister of Justice:

(1) Whether his Department is investigating (a) dog-fights and (b) attacks on people by dogs; if not, why not; if so, (i) what progress has been made, and (ii) what proposals is his Department considering, in this regard;

(2) whether he will make a statement on the matter?

D143E

The DEPUTY MINISTER OF JUSTICE:

(1) (a) and (b) Yes.

(i)and (ii) In the past on several occasions I have made mention of the fact that I have requested the Department of Justice to investigate into the whole matter pertaining to the occurrence of dog-fights and attacks by dogs on people. The first phase of the investigation has been completed and I may now announced that the Government has decided that—

- a Bill, in which dog-fights as well as attacks on people by dogs will be addressed, is to be published for comment shortly; and

- a project is to be launched in terms of which the dog ordinances and regulations of the Provinces and municipalities will be consolidated in a general dog statute, concomitant with the involvement of the various dog breeders associations, animal protection associations, interested state departments and other interested organizations and institutions in deliberations on and preparation of such a dog statute.

The Bill referred to by me is in a final stage of preparation and further particulars will be announced shortly.

(2) A statement is not necessary.

Phase 6 Export Scheme: abuses

*3. Mr M RAJAB asked the Minister of Trade and Industry:

(1) Whether any abuses of the Phase 6 Export Scheme have been brought to his notice or that of his Department; if so, what are the relevant details;

(2) whether his Department has taken any steps to investigate these abuses; if not, why not; if so, what steps;

(3) whether he will make a statement on the matter?

D144E

The DEPUTY MINISTER OF TRADE AND INDUSTRY:

(1) Yes, certain abuses have been identified by the Department of Trade and Industry and brought to my notice. These relate, inter alia, to rebates of excise duty granted to motor vehicle manufacturers by Customs and Excise in terms of the provisions of the Customs and Excise Act, 1964, in respect of the export of unassembled motor vehicles by Beira Motor Industries (Pty) Ltd and bolts and nuts by CET Trading (SA) (Pty) Ltd (CET) and certain other export trading houses. In all instances the export values were overstated and the export proceeds were not repatriated. In the case of bolts and nuts the export trading houses concerned ceded the overstated export value instead of the net foreign currency earnings to certain motor vehicle manufacturers

The Department of Trade and Industry was only responsible for the payment of excess rebates to motor vehicle manufacturers on advice by Customs and Excise. Certain parties in the private sector were responsible for abusing the incentives in terms of Phase VI of the Local Content Programme for the Motor Vehicle Industry.

(2) Yes, the following steps were taken:

(a) A Co-ordinating Task Group, consisting of representatives of the Department of Trade and Industry, Customs and Excise and the S.A. Reserve Bank was formed to investigate the abuses;

74G

(b) Payment of the excess rebates in respect of which doubt existed was summarily suspended by the Department of Trade and Industry;

(c) The matter was referred to the State Attorney and a legal opinion was obtained from senior counsel;

(d) The Auditor-General and the Directors-General of Finance and of State Expenditure were fully informed in respect of the state of affairs;

(e) Following the suspension of payments, Beira Industries (Pty) Ltd instituted legal action against the State. The case was opposed by the State and a legal team gathered evidence in Hong Kong to which the motor vehicles were allegedly exported. The case was dismissed with costs by the Supreme Court on 22 April 1992;

(f) After CET was placed under provisional liquidation, additional liquidators were appointed at the insistence of the Department of Trade and Industry and Customs and Excise to attend to the interests of the State,

(g) Chartered Accountants were appointed as inspectors in terms of the Companies Act, 1973 to investigate, inter alia, the affairs of CET and its associated companies;

(h) The Commercial Branch of the S.A. Police and the Office for Serious Economic Offences were also included in the investigations;

(i) A legal team is presently abroad to gather evidence with a view to possible legal action against guilty parties.

(3) No, since the investigations have not yet been finalized, no further details can be supplied or a statement be made at this stage

The LEADER OF THE OFFICIAL OPPOSITION: Mr Chairman, arising from the hon the Deputy Minister's reply, was it ever divulged during the course of these investigations that officials of the customs and excise department, also of neighbouring countries, might possibly have aided such persons in undertaking such

Cont – P

abuses, and if so, is any action being contemplated? (746)

The DEPUTY MINISTER: This has not been brought to my notice, but if it is the case, I ask the hon the Leader of the Official Opposition to provide me with the necessary facts

Chemical plant in Cato Ridge: mercury poisoning

*4. Mr T PALAN asked the Minister of Water Affairs and Forestry:

(1) Whether, with reference to a certain chemical plant in Cato Ridge and instances of mercury pollution of a nearby stream, particulars of which have been furnished to the Minister's Department for the purpose of his reply, an investigation is to be instituted to determine the environmental impact of the chemical plant in question; if not, why not, if so, (a) (i) when and (ii) by whom will the investigation be conducted, (b) what is the name of this chemical plant and (c) what are the details of the case;

(2) whether he will make a statement on the matter?

D146E

The DEPUTY MINISTER OF WATER AFFAIRS AND FORESTRY:

(1) Yes. A comprehensive geohydrological investigation and impact assessment of the plant on groundwater and on the surface water and sediments of the Umgeni River and its tributaries has been instituted.

(a) (i) Studies commenced towards the end of 1990.

(ii) Constultants appointed by the Company concerned and the Department of Water Affairs and Forestry.

(b) The name is the one provided by the hon member.

(c) Elevated mercury levels were limited to a relatively small area in the soil in the direct vicinity of the plant. Action taken by the Department resulted in the termination, on 19 April 1990, of the production of any effluent containing mercury. This, together with further remedial actions, resulted in a marked improvement in the surface and groundwater quality

(2) Yes. No effluent containing mercury is presently produced at the plant. Effluent containing mercury which has been generated in the past is contained in double lined dams. This effluent is currently treated to remove mercury to a level below the General Standard in terms of the Water Act, 1956 (Act 54 of 1956). The treated effluent is used, under strict control, for intermittent irrigation and the environment is not adversely affected by this practice.

INTERPELLATIONS

The sign * indicates a translation. The sign †, used subsequently in the same interpellation, indicates the original language

Own Affairs:

Court actions to defend Department

1. The LEADER OF THE OFFICIAL OPPOSITION asked the Minister of Education and Culture:

(1) What total amount was paid in legal costs to defend his Department in court actions during the period 1 January 1990 up to the latest specified date for which figures are available;

(2) whether he has taken a decision in regard to the engagement of any member of the legal fraternity to represent the Administration: House of Delegates; if not, why not; if so, what did he decide?

D163E INT

Mr Y M MAKDA: Mr Chairman, as I informed the House yesterday, unfortunately the hon the Minister of Education and Culture has been hospitalised. As he is still in hospital, I wish to suggest that this interpellation be withdrawn. While I am on my feet I also wish to suggest that Questions No 1 and No 2 for oral reply under own affairs, which the hon the Minister of Education and Culture was to reply to, also stand over.

Allocation of business/industrial plots: Transvaal

2. Mrs R EBRAHIM asked the Minister of Housing and Agriculture:

(1) What procedure is adopted by his Department in allocating business and industrial plots in the Transvaal;

(2) whether this procedure has been adhered to in all such allocations; if not, what exceptions are made?

D155E INT

The MINISTER OF HOUSING AND AGRICULTURE: Mr Chairman, hon members will know that when a business person requires a piece of land for the purposes of conducting business, it is required of him to apply to the Department of Local Government, Housing and Agriculture where such an application will be scrutinised and processed provided the applicant is a displaced person in terms of the Group Areas Act or other legislation

Whilst it is the policy of the Administration to sell off commercial and industrial stands, in order to generate funds which in turn are used for our low-cost housing delivery programme, such actions are governed by the aspect of proclamation and registration of townships. Where the latter has not been finalised, sales cannot be concluded, since transfer of the property into the name of the purchaser cannot be done in such circumstances

Where the situation of non-proclamation and non-registration pertains, sites can only be leased to successful applicants who are willing to opt for this alternative. Over the years sites have been allocated to individual entrepreneurs on the basis of applications submitted and often also taking cognisance of the support given by local public representatives such as local affairs committees. In non-proclaimed areas sites were leased to individuals, whilst in proclaimed areas sales by private treaty could be and have been concluded.

Furthermore, in view of the limited number of such sites available, the large number of applicants of more or less equal standing, and the keen interest evident among applicants to acquire sites, certain available sites have been advertised for sale by tender where the highest tenderer is allocated the site tendered for. In this way the needs of those entrepreneurs who are not displaced persons are also satisfied. Another method of allocation is sale by public auction, where a site is auctioned and allocated to the highest bidder

To summarise, there are basically four alternatives for disposing of land, which implies the allocation of sites. The first is leasing to individual applicants for a specific period at a specified rental. [Time expired.]

Mrs R EBRAHIM: Mr Chairman, newspaper articles and both direct and indirect intimidation of Mr Sayed, the towing operator who was allocated stand No 10058 in Lenasia, prompted me to place this interpellation on the Question Paper. I want to add that I had ascertained many facts before arriving at a decision regarding this interpellation.

The Ministry of Housing confirmed in a letter to me—I have the letter here—that business sites are sold exclusively by tender. However, there have been exceptions where land has been sold by private treaty. During the course of last year representations were made to me as a member of Parliament by three businessmen to assist them in their endeavours to purchase land. At that stage two of them had been negotiating through Mr T C Chetty and a third through Rev Reddy, the Ministerial Representative in the Transvaal. Two persons have already entered into deeds of sale with the House of Delegates.

Mr O Sayed of Omar's Towing Services has taken occupation of the erf allocated to him on lease pending sale and transfer. In terms of a letter addressed to Mr Sayed by Mr Meiring, the regional representative of the department, the erf would be leased to Mr Sayed with effect from 1 April 1992 at a monthly rental of R350 until such time as the area is proclaimed and a sales agreement entered into.

Notwithstanding the written commitment given to Mr Sayed, the Department refuses to honour its undertaking and enter into this lease agreement. Mr Sayed is occupying the land, has effected improvements and has established his business on these premises. What is the reason for not honouring the written undertaking given by the regional representative?

The hon the Chairman of the Ministers' Council, who was the Minister of Housing, is personally aware of the situation. He chaired the meeting at

Cont →

Abuses of export scheme probed

CT 14/5/92

749

By LINDA ENSOR

ABUSES of the Phase Six Export Scheme had been identified by the Department of Trade & Industry and evidence was being gathered abroad with a view to possible legal action against guilty parties, deputy minister David Graaff said in reply to a question in Parliament yesterday.

He said a Coordinating Task Group consisting of department, Customs & Excise and Reserve Bank representatives was formed to investigate the abuses and the SAP and the Office for Serious Economic Offences were also involved.

Graaff said export values were overstated and export proceeds were not repatriated in those cases where excise duty rebates were granted to motor vehicle manufacturers for the export of unassembled motor vehicles by Beira Motor Industries, and bolts and nuts by CET Trading (now in provisional liquidation) and other export trading houses.

"In the case of bolts and nuts the export trading houses concerned ceded the overstated export value instead of the net foreign currency earnings to certain motor vehicle manufacturers," Graaff said.

"Payment of the excess rebates in respect of which doubt existed was summarily suspended by the Department of Trade & Industry. Following the suspension of payments Beira Industries instituted legal action against the State. The case was opposed by the State and a legal team gathered evidence in Hong Kong to which the motor vehicles were allegedly exported. The case was dismissed with costs by the Supreme Court on 22 April."

Graaff said legal action was being investigated.

Govt may take legal action over export scheme abuses

BIPa 14/5/92 74 G

LINDA ENSOR

CAPE TOWN — Abuses of the Phase Six export scheme had been identified by the Trade and Industry Department and evidence was being gathered abroad with a view to possible legal action against guilty parties, Deputy Minister David Graaff said yesterday.

In reply to a question in Parliament, he said a co-ordinating task group consisting of department, Customs and Excise and Reserve Bank representatives was formed to investigate the abuses and the SAP and the Office for Serious Economic Offences were also involved.

Graaff said export values were overstated and export proceeds were not repatriated in those cases where excise duty rebates were granted to motor vehicle manufacturers for the export of unassembled motor vehicles by Beira Motor Industries, and bolts and nuts by CET Trading (now in provisional liquidation) and other export trading houses.

"In the case of bolts and nuts the export trading houses concerned ceded the overstated export value instead of the net foreign currency earnings to certain motor vehicle manufacturers," Graaff said.

Payment of certain excess rebates were suspended by the Trade and Industry department.

"Following the suspension of payments Beira Industries instituted legal action against the state. The case was opposed by the state and a legal team gathered evidence in Hong Kong to which the motor vehicles were allegedly exported. The case was dismissed with costs by the Supreme Court on 22 April 1992."

Legal action was being looked at.

SA exports to Angola soar but imports lag far behind

BDay 14/5/92 (74G) (8)

EDWARD WEST

FOODSTUFFS, beer, household and manufactured goods are reaching Angola from SA in increasing quantities but, as an indication of the lopsided trade between the two countries, ships are returning empty.

Unicorn has been operating vessels to Angola for about a year.

Executive director Allan Ford says since the end of last year, cargoes of foodstuffs, beer, soft drinks, household goods and manufactured goods, oil rig supplies and equipment have sailed once every three to four weeks.

Characteristic of the trade between the two countries, Unicorn's vessels return to SA empty, he says.

In 1990, SA imported goods from Angola worth R59 000. SA's exports reached R50m in that year. Angola's main exports include oil, gold, diamonds and other minerals.

Central Energy Fund crude oil deputy GM Johan de Jager said there were not yet any firm indications of a deal to supply oil to SA from Angola.

Factors against such a possibility included the fact that Angola was pumping to full capacity and that most of the oil was already committed to various markets, said De Jager. Also, oil was freely available to SA at present and there was no need to search for new markets.

A Sasol spokesman said yesterday the group was not involved in any oil deals with Angola, but would be interested in investing in oil exploration activities off the Angolan coast.

Skills

Meanwhile, diplomatic relations have improved. SA has an office in Angola and talks are under way to establish an Angolan office in SA.

SA Foreign Affairs Deputy Minister Renier Schoeman yesterday handed certificates to a group of Angolan manpower training instructors in Bloemfontein. The training aimed to equip demobilised Angolan soldiers with technical skills, Schoeman said in a statement.

Spoornet African affairs manager Andre Heydenrych said rail authorities would make technical capacity available to Angola to reconstruct war-ravaged infrastructure.

He said the reconstruction of the Benguela railway line would not be in SA's short-term interest because it would divert Zairean copper through Angolan ports instead of through Durban and Dar-es-Salaam.

Murray and Roberts Construction (M & R) has proactively established links with Angola. MD Charl van der Merwe said Angola had signed a memorandum of understanding with M & R for the construction of infrastructure. But it was early days and all M & R had so far exported to Angola was a small number of prefabricated buildings for schools.

Safto spokesman Charles Kuzmanich said the next trade delegation to visit Angola on June 15 would be the seventh of its kind this year. But he warned that business was still hampered by poor payment and a blanket of insecurity as the country prepares for elections on September 29.

Port gears up for an increase in traffic

B/Day 15/5/92

SUBSTANTIAL growth in the use of Durban's port is expected as sanctions lift and both exporters and importers make greater use of its facilities.

In the immediate future the drought is expected to result in an additional 3,5-million tons of maize moving through the port. This may increase by a further 500 000 tons if a maize shipping deal being negotiated with Malawi is successfully concluded.

Port manager Captain Jan Mors says Durban handles around 25-million tons of cargo each year and this level of traffic has remained relatively static over the past three years.

"While volumes have remained constant, container traffic increased by around 12% in 1991 indicating a shift towards containerisation," says Mors.

"Maize imports will substantially increase cargo flows through the port this year. Later this year we expect the effects of sanctions being lifted to further increase traffic.

"As the world economy picks up so will traffic through the port. Therefore we expect traffic to increase by around 5% in 1993."

He expects growth to be concentrated in container cargo but conventional traffic increases to be marginal.

14G

Shift

"The bulk of SA exports has traditionally been in raw materials. However, there is a shift taking place as more producers add value to the raw materials before exporting. These products are better suited to container transportation," says Mors.

The port is also marketing itself as a transshipment port, catering to cargoes which might come in from countries such as Australia for onward shipping to other countries in Africa.

Says Mors: "Our geographic position is well suited to this type of traffic and it provides substantial benefits in terms of additional employment as well as business for the firms providing supporting services such as fuel, repairs and ships' chandlers."

The port handles around 3 000 commercial ships each year and may have 30 to 40 ships in port at a time. The container depot occasionally gets a little congested but there is surplus capacity at the other wharfs.

Around R206m has been earmarked for upgrading SA's ports and by far the greater portion will be spent on Durban.

The upgrades include the purchase of replacement straddlecarriers and two additional container wharf cranes at R25m each.

Also on the cards is the construction of a specialised steel terminal which is expected to enter the planning stages later this year.

The port will extend its specialised wharfs, deepen berths and expand its chemical storage capacity.

Reverse

Mors says the port has been forced by the past realities of sanctions to distance itself from the city. Given the changing political climate the port is determined to reverse this process and bring people back into the port.

In addition, two major property developments at Victoria Embankment and a joint venture with the City council at the Point are planned. Both developments are expected to include hotels, shopping and recreational facilities as well as a residential component at the Point site.

Call for export marketing agency

749

CT 15/5/92

By MAGGIE ROWLEY
Deputy Business Editor

THE Western Cape was in need of a specialised agency to market the region's exports and develop an export culture, says Kenneth Marcus outgoing president of the Cape Town Chamber of Commerce.

At the chambers 131st AGM last night, Marcus said while the Western Cape had Captour to develop tourism and Wesgro to facilitate business development and investment in the region, it did not have an agency concentrating on developing the regional export effort.

The Chamber of Commerce, the Chamber of Industries and the regional office of Safto were all doing an enormous amount to develop exports from the region.

"But as in the case of both Captour and Wesgro where organised business combined with local government and major players in the industry to set up marketing agencies for tourism and business investment, so too I believe the time is right for a Western Cape export authority to be set up on similar lines."

Lack of productivity, high inflation, high interest rates and a lack of proper work ethic when compared with many other countries were inhibiting factors in developing an appropriate export culture among SA manufacturers.

"There is little doubt in my mind that any blueprint for a workable export infrastructure should be achieved through an appropriate specialised agency to market our exports and develop our export culture. This is a tax the Regional Development Forum might like to spearhead," he suggested.

Marcus said determined action was needed to restructure the SA economy according to its strengths.

"Specialisation and niche-products are the name of the game in the world economy of today and if a country is better at making ships than sealing wax it manes eminent good sense to put more resources into ship building and to exports some ships to pay for imports of sealing wax."

He said of major concern was that the continuation of the protectionist policies.

"I worry that the strong vested-interest lobbies in sunset industries will want to hold back this process which we can ill afford."

Turning to the need for greater efficiencies and a radical streamlining of government bureaucracies in the new SA, he said the recent disclosures of "disgraceful" corruption in the civil service and misapplication of public funds had come as a severe shock to an already shell-shocked businesss community.

"It is the private sector that generates the State's income and it is we who have to bear the brunt of financial consequences of mismanagement of public money."

'Millions lost due to bribes'

CT 16/5/92 (40) (74G)

THE Department of Finance has suffered losses of about R50 million in import tax due to a former customs officer accepting R80 000 worth of bribes for passing bills of entry for a city import company, Cape Sea Wholesalers.

This was said in the Cape Town Regional Court yesterday by Mr Jacobus Marthinus Barnard, an investigating officer in the Department of Customs and Excise, who was testifying in the trial of Kevin Larry Stephen Bodenham, 30, of Bath Road, Claremont.

Last month Bodenham, who pleaded guilty to the charges, was found guilty of accepting the bribes between August 1990 and September 1991 from Mr Anvarally Osman, also known as Alli Cassim, of Cape Sea Wholesalers, in exchange for processing import documents as "quickly and smoothly" as possible.

Mr Barnard said yesterday that an investigation had been launched into the activities of other Department of Finance Customs and Excise officials who were suspected of complicity.

Financial strain

Mr Barnard said that bills of landing (DA 500s) on certain imported items indicated that containers containing video machines and TV sets had been listed as containing items of clothing, on which a far lower rate of taxation was applied.

In an earlier hearing Bodenham estimated that he had passed about 50 import documents for Cape Sea Wholesalers.

Mr Barnard said yesterday that none of the consignments had ever been spot-checked.

Bodenham said that Mr Osman would phone him to tell him when he had entries and once they had been processed he would contact Mr Osman to inform him of the progress.

Bodenham said that he had been under financial strain and Mr Osman had agreed to pay him R8 000 for each bill of landing, but he did not always receive payment for his services.

Bodenham's bail of R5 000 was extended and the trial was postponed to June 16 for sentence.

The magistrate was Mr S L Van der Walt. The prosecutor was Mr H Steyn. Bodenham was not represented.

Safto in new export study

S/Times (Buss) 17/5/92. (746)

By ZILLA EFRAT

SAFTO is to investigate two issues related to South Africa's export performance: development of a comprehensive strategy and a follow-up on the effects of the recent ending of a marketing incentive.

In conjunction with industrial research group BMI, Safto will look at ways to develop an export culture.

The joint research effort in the next few months aims to produce essential input for a broader export development strategy.

Safto general manager Ann Moore says SA has a long way to go in building up an export-oriented business environment.

This was highlighted in a Safto survey on exporters' perceptions. Traders drew attention to what they saw as a lack of an export culture among SA companies.

Mrs Moore says Safto has noted some improvement in export awareness in the past few years. It has been shown by a higher commitment to exports among Safto members and in the more diverse range of products being offered to the world.

However, a more dedicated approach is required in the continued promotion of export awareness and motivation. It should form part of a broader export development strategy.

Safto will re-examine the effects on exporters of the phasing out in March of the section 11 (bis) marketing tax allowance.

An earlier Safto survey suggested that as much as R4-billion of exports could be in jeopardy through the scheme's termination. Safto's second survey will check the validity of that result.

Its recent survey shows that exporters are concerned about the incentive's removal. Some, particularly producers of primary goods, say remaining incentives are inadequate for their activities and affect them adversely.

High prices hurt rising SA exports

• St Times (Buss) 17/5/92 (746)

By ZILLA EFRAT

SOUTH Africa's exporters remain bullish in the face of continued tough world market conditions.

Many expect a large increase in exports in the next year.

These are the findings of Safto's quarterly survey on the perceptions of 100 exporting companies. It was conducted in April.

Safto economist Bruce Donald says exporters foresee a large increase in both export orders and sales in the second quarter of this year.

They expect further gains in the next 12 months.

Based on this continued optimism, Safto has maintained its estimate of 3% real growth in exports for 1992.

The respondents indicate that uncompetitive prices remain the main obstacle to export growth.

Lack of demand in foreign markets and the unfavourable rand exchange rate are also major obstacles.

Slashed

Some exporters report that their margins are coming under severe pressure because of world recession and the high domestic inflation rate which is not being offset by a proportionate downward movement in the rand exchange rate.

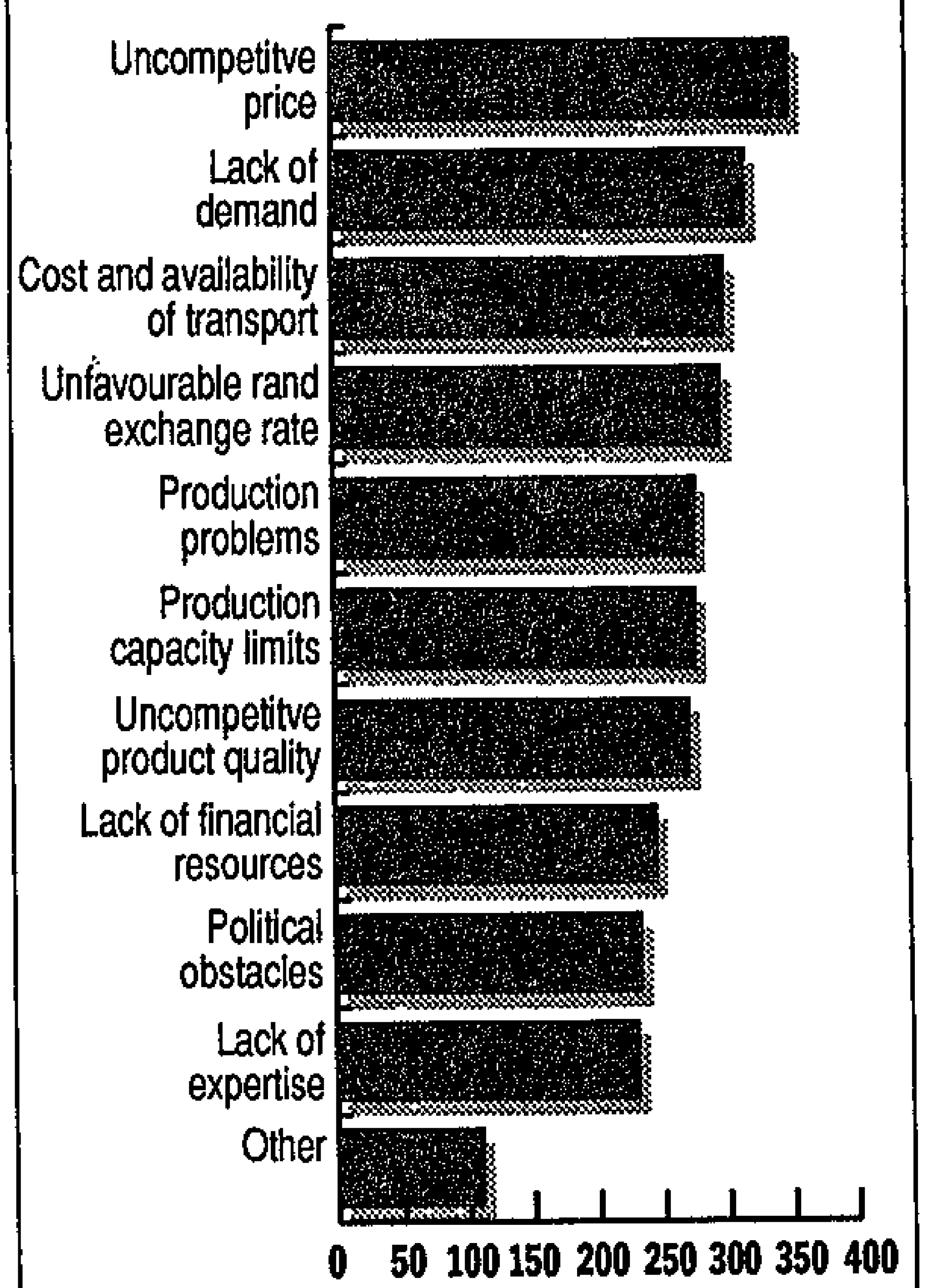
Mr Donald says some companies, notably in the ferro-alloy industry, have stuck to their guns on higher prices in an effort to maintain margins.

Accepting the resulting fall, some have slashed output.

Mr Donald says the importance attributed to the cost and availability of transport, ranked fourth as an obstacle, is not surprising because of SA's geographical position in relation to its major markets.

The importance given to transport highlights the squeeze on margins. It comes at a time when competition in the transport market is fierce and shipping tariff increases have been below domestic inflation

OBSTACLES TO INCREASING EXPORTS



Some exporters complain about an inadequate physical infrastructure which adds to transport costs, especially in trade with the rest of Africa.

Mr Donald says this suggests that although SA is relatively advanced in terms of its own infrastructure, continued investment will be critical to long-term export growth, especially as regional trade grows.

Political problems remain low on the list of obstacles to growth. But a few exporters reported a politically based resistance to SA products in specific regions. These included some African and Latin American markets.

Some exporters also give the threat posed by domestic unrest and violence as a significant political obstacle to export growth.

Productivity is not seen as a major problem.

Mr Donald says: "This is perhaps testimony at a micro level to the greater efficiency of export-driven companies."

THE WEEK AHEAD by Simon Willson

Exports best hope for growth

B Day 18/5/92

(14G)

EXPORTS are one of the few bright prospects in the otherwise shrinking economy and seem to offer the best hope of posting a small overall growth rate in 1992. The trade balance for April, due out at the end of the week, will therefore be anxiously examined for evidence that exports are living up to these great expectations.

The March trade surplus, at R1,77bn compared to February's R1,89bn, featured steady growth in exports to R5,97bn from R5,58bn the previous month. The March data completed a relatively strong first quarter for exports, which were up a nominal 12% on the same quarter last year. Export growth of 12% does not, however, keep pace with the inflation rate, and real exports over the period therefore fell. The export sector still has its work cut out to achieve the 3% real growth in exports projected for this year by Safto.

Possible obstacles to hitting the 3% target are, first, the sluggish pace of economic recovery in the US and UK and the steepening growth downturns in Germany and Japan and second, possible problems on the horizon for SA's existing regime of export incentives.

Later this year the Uruguay Round of negotiations on the General Agreement on Tariffs and Trade (GATT) is likely to be completed, implementing new trade liberalisation measures on all GATT members.

At risk from a completed Uruguay Round could be SA's General Export Incentive Scheme (GEIS). Some observers believe other GATT members could object to GEIS, citing it as a subsidy. Unless SA's need for higher growth is accepted as a mitigating factor, the days of export assistance from GEIS in its present form could be numbered.

Graphic RUBY-GAY MARTIN Source I-NET

Internationally, Wednesday's UK retail sales figures for April could help to point the way for SA exports by indicating the strength — or lack of it — in the incipient British economic recovery. UK High Street sales plunged in March dispersing earlier evidence, from rising sales in January and February, that consumers might have been spending more consistently.

But Britons probably deserted the shops during March for a very good reason. On March 11, British premier John Major called the April 9 general election and, for the rest of the month, opinion polls told the public that a Labour government committed to raising taxation levels was about to take over. Not surprisingly, spending plans were deferred until after the election, which Major won comfortably.

What should follow on Wednesday is a strong rebound — a swing of up to 5% — in retail sales in April, showing that the relieved British public flocked back to the malls after the election to spend money that the defeated Labour Party could no longer take in higher tax.

US April housing starts are scheduled for release tomorrow and should again be one of the strongest indicators of US economic recovery. Starts have risen steadily for four successive months and tomorrow's figure, alongside March's 1,39-million starts, should be the first back-to-back outturns above the 1,3-million level since January and February 1990.

April money supply data are due from both Germany and Japan this week. Japan's measurement of its M2 aggregate is out today, and may confirm that the record low of 1,6% set in February was the bottom of the cycle following the 1,8% March outturn and the cut in Japanese interest rates last month.

German M3 has had the opposite problem: this year it has been overshooting its target range by a wide margin, and the Germans' April M3 figure due this week will probably show the aggregate still well outside its range.

The Bundesbank's policymaking council meets on Thursday and, in view of the nation's above-target monetary expansion and its inflationary pay settlements, could have an itchy finger on the interest rate trigger.

USA Defence Force: field exercises in Botswana

*7 Mr L F STOFBERG asked the Minister of Defence:†

(1) Whether he has been informed that the Defence Force of the United States of America held field exercises in Botswana; if so, what was the nature of the exercises;

(2) whether he will make a statement on the matter?

B622E

The MINISTER OF DEFENCE:

(1) Yes. Apparently exercises to defend strategic areas in the Gaborone area.

(2) No.

†Dr W J SNYMAN: Mr Speaker, arising from the hon the Minister's reply, is it true that an airbase is being built in Botswana? Can he tell us which government is doing this?

†The MINISTER: Mr Speaker, that is a separate question. The original question and this one have nothing at all to do with each other. The exercise in respect of the defence of specific installations in Botswana by the USA Army has, according to our information, nothing at all to do with the building of the airbase there. According to our information the USA Army is also not directly involved in the construction of the airbase.

†Dr W J SNYMAN: Mr Speaker, further arising from the hon the Minister's reply, would he not, as far as military exercises are concerned, regard an airbase as an integral part of military activities?

†The MINISTER: Mr Speaker, 240 troops participated in the exercise in which the Americans were involved, that is to say the exercise to which the hon member has referred in his question. I really do not think it is worthwhile to concentrate them there. The construction of the airbase is a totally different matter which had nothing to do with the exercise. [Interjections.]

†Adv J J S PRINSLOO: Mr Speaker, further arising out of the hon the Minister's reply, I want to ask whether he could indicate to this House just what, according to the Government's information, the USA Army's interest in this installation in a sovereign African state has been.

†The MINISTER: I would suggest that the hon member puts that question to the Americans I am not here to answer on their behalf.

According to our information the Americans said, however, that they had been engaged in an exercise, just as they are engaged in similar exercises in respect of defence or in support of the defence forces in other places in various parts of Africa. It was therefore a normal exercise aimed at giving the local defence force some defence training. It was therefore not at all an offensive exercise of any nature.

Considering the scale of the exercise, namely 240 troops, it is in my opinion not worthwhile to react to it any further I would like to say, however, that the answer we have is that the Americans did this to improve relations with the Botswana Government and the Botswana Defence Force.

Mr R V CARLISLE: Mr Speaker, arising from the reply of the hon the Minister I want to ask him whether it is his opinion that the American troops are in Botswana to secure a homeland for the CP.

Establishment of processing zones on the coast

*8 Mr L F STOFBERG asked the Minister of Trade and Industry:†

(1) Whether any steps are being taken to establish so-called processing zones on the coast in order to facilitate exports; if not, why not; if so, what steps;

(2) whether he will make a statement on the matter?

746

B623E

†The DEPUTY MINISTER OF TRADE AND INDUSTRY:

(1) The IDC was requested by the Department of Trade and Industry to investigate and report on the need for and desirability of the provision for the establishment of Export Processing Zones (EPZ's) in South Africa. The report has been received by the Department of Trade and Industry on 15 May 1992 and the Department will, after studying the report, decide on further actions.

(2) Yes, once the report has been studied.

N3 route between Cedara and Ashburton: traffic volume

*9. Mr W U NEL asked the Minister of Transport:

(1) Whether the existing section of the N3 route between Cedara and Ashburton is capable of adequately supporting expected traffic volumes until the year 2007; if not, why not; if so,

(2) whether any construction work on a new by-pass, whether tolled or not, will be started in the vicinity of Karkloof before the year 2002; if so, what are the relevant details;

(3) whether he will make a statement on the matter?

B631E

The MINISTER OF TRANSPORT:

(1) In assessing the capability of the Cedara-Ashburton section of the N3 route to support expected traffic volumes until the year 2007 adequately, it has to be noted that this section comprises four subsections of varying physical characteristics and capacity The capabilities of the four subsections vary accordingly

From the east the subsections and the years at which practical capacities will be reached, based on an estimate of 4% growth, are:

(i) Ashburton to Mkondeni: 2007;

(ii) Mkondeni to Sanctuary Road: 2005;

(iii) Sanctuary Road to Hilton: 2000; and

(iv) Hilton to Cedara: post 2007

I, therefore, have to reply, yes, two subsections will be able to support expected traffic volumes until 2007; and no, two subsections will not be able to; the reason for this is that these subsections are increasingly affected by commuter traffic.

(2) No, following current indications, construction on a new bypass in the vicinity of Karkloof, whether tolled or not, will not be started before the year 2002. It would further depend on (a) traffic growth and the resulting conditions on the existing road; (b) the availability of funds and (c) whether the Karkloof route is eventually chosen after environmental studies

(3) No.

Representations by USA: missile development and production

*10. Mr C W EGLIN asked the Minister of Foreign Affairs:

(1) Whether the South African Government has received any representations from representatives of the United States Government relating to the South African missile development and production programme; if so, what was the (a) (i) nature and (ii) content of these representations and (b) Government's response thereto,

(2) whether he will make a statement on the matter?

B632E

†The MINISTER OF FOREIGN AFFAIRS:

(1) A US delegation under the leadership of Mr Richard A Clarke, Assistant Secretary of State for Politico-Military Affairs, held discussions on various non-proliferation issues in Cape Town on 11 and 12 February 1992 with a South African delegation

(a) (i) In mid-1990 South Africa signalled its desire to the United States to participate in the Missile Technology Control Regime The MTCR is a multilateral suppliers regime to control the diffusion of technology that could be applied to weapons of mass destruction.

(ii) The contents of the discussions revolved in part around South Africa's possible participation in the MTCR

(b) The matter is still under discussion. A further round of discussions is foreseen in the near future

(2) Yes The images of Iraqi Scud missiles launched against Israel during the Gulf War last year highlighted the international community's concerns about the proliferation of weapons of mass destruction and the means of delivery of such

cont →

Natal puts forward ideas for free ports

B Day 21/5/92

(746)

EDWARD WEST

NEW proposals for free ports in Natal to boost exports have been sent to government by private sector representatives in the province.

Durban Metropolitan Chamber of Commerce economist Barry Paulson said yesterday the Natal Regional Development Advisory Council had sent proposals to the Department of Trade and Industry, with Chamber of Commerce support, outlining plans for the establishment of free ports, or export processing zones, in Natal.

The idea of free ports was first mooted about two decades ago with the advent of sanctions. Three years ago Cape Town authorities also viewed the concept as a way to boost an export-driven economy.

Trade and Industry director-general Stef Naude said the Industrial Development Corporation (IDC) had, at government's request, been investigating for some months the desirability of export processing zones.

The IDC report was due to be completed in days. Once it was made available for general comment, government would formulate official policy.

Paulson said while export processing zones had proved successful in most countries where they were instituted, productivity would be the key to success in SA.

Industry had suffered from import substitution, protectionist measures, and poor labour productivity. Measures to establish new manufacturing capacity in the proposed free ports would have to entail negotiations with political parties, trade unions and industry representatives, he said.

The free ports would attempt to stimulate foreign investment and new manufacturing capacity by eliminating customs controls and import tariffs and duties. Natal's two main ports, Durban and Richards Bay, could serve as manufacturing bases for products destined for the sub-Saharan region, he said.

Development advisory council chairman Mike Proctor said local demand for goods was not enough to stimulate the economy. Exports, he said, must be promoted with minimal distortion of local product prices.

Import tariffs and duties needed to be phased out to make SA industry internationally competitive, and a means to gradually achieve this would be through the establishment of export processing zones.

Proctor expected government to respond to the proposals in about a month.

Surplus tumbles as exports falter

749 CT 22/5/92

By ARI JACOBSON

AN unimpressive overall export performance saw SA's trade surplus tumble to R984,3m in April from R1,77bn in March, figures released yesterday by the Customs and Excise Directorate showed.

The surplus, which reflects the difference between SA's exports and imports, was affected by a R733m fall in exports and R56m jump in imports.

Exports declined to R5,23bn in April compared with R5,97bn in March. Unclassified exports, which consist mainly of gold and armaments, were higher in April at R2,07bn from R1,96bn.

Total imports were marginally higher at R4,25bn in April compared with R4,19bn the previous month. Unclassified imports — mainly oil — rose to R646,5m from R644,9m in March.

Old Mutual's Ursula Marits said the figure was disappointing but pointed out that SA's trade surplus was still on track to record a R4,5bn surplus for the year.

This is supported by SA's exports which over the first quarter of the current year grew by over R1bn or 5,8% (to R21,6bn) compared with the same period last year.

Imports over the quarter grew by a much slower rate (4%) at R16bn compared to the previous year — which provided the platform for a 10% rise in the trade surplus over the quarter to R5,4bn.

The fall in exports, over the month, was brought on by a slide in precious stones, precious metals (excluding gold, platinum and uranium), and jewellery.

This section, which consists mainly of diamonds, registered exports of R157m in April, compared to a monthly average for the first three months of the year of about R780m. Economists speculated that the earlier high exports in the sector were due to a transfer of stocks by De Beers Consolidated Mines from local to overseas operations.

SA Foreign Trade Organisation (Safto) chief economist Bruce Donald said that given that gold revenues and production levels reported by the Chamber of Mines were up for the first quarter of this year, it was possible that the decline in total exports was due to balance of payments adjustments.

"In contrast with the unimpressive overall performance of exports, manufactured and agricultural exports are doing well with — transport equipment up 58%, followed by plastics 47% higher, chemicals (42%) and machinery (21%)".

He added that most agricultural categories were booming in spite of the drought because of good farming in the Western Cape and, better prices for SA products.

Donald mentioned that mineral products remained resilient in the face of poor conditions, recording a growth of 14% over the period. Base metals however showed no growth.

"Machinery imports grew by 12% which perhaps indicates current replacement rather than the expansion of existing capacity."

Export growth weaker in April

746

STAR 22/5/92

South Africa's export growth weakened in April this year as a result of a significant dip in the unclassified category the South African Foreign Trade Organisation said yesterday.

Reacting to the latest figures released by the Department of Customs and Excise Safto said given that gold revenues and production levels reported by the Chamber of Mines were up for the first quarter of 1992, compared with the same period a year ago, it was possible that the decline was due to balance of payments adjustment.

Exports grew by only six per cent in nominal rand terms to R21,6 billion for January to April 1992, compared with the same four months a year ago. Import growth slowed to four per cent, resulting in imports of R16,3 billion for January to April 1992.

The trade surplus of R5,4 billion was 10 percent higher than for the same period a year ago.— Sapa.

Trade Finance

Star survey

Since the days of Marco Polo, and even before, international trade has had an exciting edge to it. In this survey, compiled and edited by Berenice Margolis, The Star takes a look at trade, trade finance and the people and companies that make up the industry.

Looking at export incentives

STAR 27/5/92.

EXPORT incentives was the theme of a recent Johannesburg consultative conference organised by accountancy firm Fisher Hoffman Stride, the South African Institute of Chartered Accountants and the South African Foreign Trade Organisation (SAFTO.) Follow-up seminars were held in Cape Town, East London and Durban.

A widely distributed conference export incentives booklet has garnered requests for more, particularly from the Department of Foreign Affairs. In turn, the information has been disseminated to the larger trade missions and to countries like Brazil, Taiwan, Namibia, Austria and Czechoslovakia.

According to John Postmus, GM, exchange control, Reserve Bank, exports constitute a valuable source of foreign exchange for South Africa. He notes that exporters "assisted greatly in keeping SA afloat after 1985 and the debt standstill."

To show how serious the Government is about export-driven economic growth, it introduced section 37E in September last year. This is a temporary measure to promote investment in industries geared to the beneficiation of locally produced minerals and intermediate products with substantial added value. They have to be competitive internationally and more than 60 percent of their output has to be exported.

Section 37E accelerates the deduction of expenditure on qualifying plant and machinery, buildings and pre-production interest on cost. The aim is to help bridge prohibitive start-up costs. And negotiable tax credit certificates are issued where deductions cannot be written off immediately against income.

In March, other measures to promote investment in the industrial sector were announced by the Minister of Trade and Industry.

Changes to existing tax incentives will broaden the scope of the incentive to beneficiate imported raw materials and intermediate products for export markets. (The original incentives were restricted to beneficiation projects using locally sourced minerals and intermediate products.)

The amendment will be introduced retrospectively — from September 12 1991. Thus projects that qualify for approval by amendment can be considered now.

This means a broader definition of beneficiation that includes local and imported raw materials and intermediate products.

Bert Pienaar, director of export promotion, Department of Trade and Industry, states that his department is acutely aware of the tremendous expectations created by the possibility that export incentives may be developed for the service industry. This is being researched and an announcement will be made in due course.

Says Anthony Chait, Fisher Hoffman Stride tax partner: "The tourism industry is adamant that it attracts foreign exchange and creates jobs but has been left out in the cold as only manufacturers can avail themselves of the current GEIS scheme."

Using the African network to good purpose

STAR 27/5/92

GRINDROD and its French partner SCAC-Delmas-Vilјeux (SDV) offers SA exporters and importers singular logistics cover and control of cargo to virtually every country.

Of particular significance is the SDV network across Africa north of the Zambezi.

With the opening up of formerly prohibited trade to South Africa, new relationships have been established. Through the French Scoa group, associated with SDV, purchase of materials and produce from South African manufacturers, for Scoa's hypermarkets and distribution centres in West Africa can provide further advantages for SA manufacturers.

Scoa, a giant trading house, recently opened offices in Sandton. Initially it will export SA products to West Africa. This is a bid to replace traditional European imports with cheaper SA equivalents.

Trade with Scoa's West African supermarket chains will begin immediately and will be extended later to trade with Nigeria. Scoa Nigeria is the second largest distribution group in that country.

The Scoa group, with extensive international experience, specialises in the worldwide distribution of cars, foodstuffs, pharmaceuticals and computer equipment.

With the advent of formal trade links between South Africa and Japan, the latter will be another target for Scoa Southern Africa. Scoa's Japanese operation is at present the centre for the purchase of Japanese vehicles sold through the Scoa network.

SDV acquired a 25 percent share of Grindrod Holdings earlier this year, enabling Grindrod to consolidate its international involvement by means of a comprehensive logistical service. Grincor, Grindrod's parent company, and SDV are substantial ship owners in their own right.

Jntying the chains of world trade

STAR 27/5/92 (74G)

'VE got the right ex- product, you believe 've identified the mar- and clearly there must rious ways to finance idea or scheme. Per- you'll have a word with bank manager?

mechanics of export or t finance, however, are more complicated than

iks can be, and are, in- d in international trade rade finance, and organi- s like Safto do offer train- r businessmen interested ort.

training is like learning phabet before you put let- ogether to form words, little knowledge could ly be an expensive thing.

Tony Ross, director, PW ational Trade Consul- PWIT): h 450 offices in 110 coun- round the world we are laced to advise clients on st way to structure capi- consumer goods transac- particularly on the export side."

the capital goods side, anuary last year the De- nt of Trade and Industry en allowing exporters to her the General Export ve Scheme (GEIS) or the subsidised interest rate incentive under the Export Finance Scheme, but not both.

The GEIS incentive is 19 percent at present, assuming that the exporter qualifies, the exports are all manufactured and the South African content is more than 75 percent.

This is a worthwhile incentive for any exporter, enabling him to reduce his costs and be internationally competitive.

Discount

In addition, the credit portion must be covered by the Guaranteed Rate of Exchange (GRE) in terms of the Credit Guarantee Insurance Corporation (CGIC) arrangement for preferential US dollar financing for which the exporter pays 0,5 percent a year.

Because of this, the exporter cannot take advantage of the dollar/rand forward discount which he could otherwise earn in a normal trading situation.

The dollar/rand forward discount that may be earned to the advantage of the exporter is about nine percent a year and can usually be taken out with the Reserve Bank for up to 12 months.

The current interest rate of the Export Finance Scheme in US dollars is 8,5 percent a year.

As a result of the recent decline in Eurodollar interest rates, the export credit rate has not only lost its allure but is now higher than normal commercial rates — although the former is a fixed rate and the latter floating, linked to the London Interbank Offered Rate for Eurodollar funds (LIBOR).

Libor is usually three to six months although it can range from overnight to five years. Different banks may quote differing Libor rates simply because they use different source banks. Information on this rate is usually gathered in London at 11 am daily.

Where an exporter uses the Export Finance Scheme, he cannot get the GEIS incentive which he might need to meet international competition, and the present interest rate is not attractive.

PWIT has consequently developed an alternative flexible financing scheme which involves local and overseas insurance and financing facilities.

The exporter is put in a position to retain the full advantages of GEIS and, where appropriate, the forward dollar discount, as well as enabling him to offer good credit facilities to the buyer and yet be paid cash on delivery.

Various routes can be followed under this scheme, dependent on the nature of the relevant export contracts and the quality of the buyers and their guarantors.

Another advantage of the scheme is that financing extended to the foreign buyer is generally off the exporter's balance sheet. However, it may not always be possible to finance exports to certain poorly rated countries, and limited recourse to the exporter for any uninsured portion may be needed on some contracts.

Some African countries, like Nigeria, Mozambique and Malawi, have C and D credit ratings which put them in the higher-risk category, although they present logical and expanding markets for South African exports.

In the case of Mozambique, CGIC does grant cover on political, commercial and other risks, dependent, however, on Mozambique's current track record on payments.

On the consumer goods side PWIT's target markets are countries in the C and D credit category which could be offered three to six months credit by South African exporters where confirmed letters of credit are unavailable.

If a country is up-to-date with its financial commitments, the insurer will charge a premium based on its credit record. An important principle of this insurance, which covers some 85 percent of the deal, is that all parties have something to gain if the deal is brought to a satisfactory conclusion and full payment is received, says Mr Ross.

PWIT deals mainly with an exporter's marketing department, in tandem with its financial section, and can help the exporter by arranging three to six months' credit based on security offered.

PWIT's objective is to set up the arrangements, for certain African countries in particular, in such a way that the marketing department can offer credit almost as an automatic facility. This can also be off balance sheet and so will not affect the internal gearing ratios of the company.

Projects

On capital goods, PWIT negotiates credit facilities to support South African exports of manufactured goods anywhere in the world. If capital goods are coming in, the local purchaser may ask PWIT to put the credit package together.

On capital projects, says Mr Ross, PWIT guides the inexperienced when it comes to getting help for the construction of housing, roads and harbours, for example, or for supplies of mining equipment. Credit is usually offered for five years.

"On the consumer goods side we help clients to structure and arrange credit facilities to foreign businesses with an improved chance of success."

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(746)

STAR 27/5/92

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Of particular significance is the SDV network across Africa north of the Zambezi.

With the opening up of formerly prohibited trade to South Africa, new relationships have been established Through the French Scoa group, associated with SDV, purchase of materials and produce from South African manufacturers, for Scoa's hypermarkets and distribution centres in West Africa, can provide further advantages for SA manufacturers

Scoa, a giant trading house, recently opened offices in Sandton. Initially it will export SA products to West Africa. This is a bid to replace traditional European imports with cheaper SA equivalents

Trade with Scoa's West African supermarket chains will begin immediately and will be extended later to trade with Nigeria Scoa Nigeria is the second largest distribution group in that country

The Scoa group, with extensive international experience, specialises in the worldwide distribution of cars, foodstuffs pharmaceuticals and computer equipment

With the advent of formal trade links between South Africa and Japan, the latter will be another target for Scoa Southern Africa. Scoa's Japanese operation is at present the centre for the purchase of Japanese vehicles sold through the Scoa network

SDV acquired a 25 percent share of Grindrod Holdings earlier this year, enabling Grindrod to consolidate its international involvement by means of a comprehensive logistical service. Grincor, Grindrod's parent company, and SDV are substantial ship owners in their own right

Jntying the chains of world trade

STAR 27/5/92

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the capital goods side, January last year the De- ent of Trade and Industry en allowing exporters to her the General Export ive Scheme (GEIS) or the subsidised interest rate incentive under the Export Finance Scheme, but not both.

The GEIS incentive is 19 percent at present, assuming that the exporter qualifies, the exports are all manufactured and the South African content is more than 75 percent.

This is a worthwhile incentive for any exporter, enabling him to reduce his costs and be internationally competitive.

Discount

In addition, the credit portion must be covered by the Guaranteed Rate of Exchange (GRE) in terms of the Credit Guarantee Insurance Corporation (CGIC) arrangement for preferential US dollar financing for which the exporter pays 0,5 percent a year

Because of this, the exporter cannot take advantage of the dollar/rand forward discount which he could otherwise earn in a normal trading situation.

The dollar/rand forward discount that may be earned to the advantage of the exporter is about nine percent a year and can usually be taken out with the Reserve Bank for up to 12 months.

The current interest rate of the Export Finance Scheme in US dollars is 8,5 percent a year. As a result of the recent decline in Eurodollar interest rates, the export credit rate has not only lost its allure but is now higher than normal commercial rates — although the former is a fixed rate and the latter floating, linked to the London Interbank Offered Rate for Eurodollar funds (LIBOR).

Libor is usually three to six months although it can range from overnight to five years. Different banks may quote differing Libor rates simply because they use different source banks Information on this rate is usually gathered in London at 11 am daily.

Where an exporter uses the Export Finance Scheme, he cannot get the GEIS incentive which he might need to meet international competition, and the present interest rate is not attractive.

PWIT has consequently developed an alternative flexible financing scheme which involves local and overseas insurance and financing facilities

The exporter is put in a position to retain the full advantages of GEIS and, where appropriate, the forward dollar discount, as well as enabling him to offer good credit facilities to the buyer and yet be paid cash on delivery.

Various routes can be followed under this scheme, dependent on the nature of the relevant export contracts and the quality of the buyers and their guarantors.

Another advantage of the scheme is that financing extended to the foreign buyer is generally off the exporter's balance sheet. However, it may not always be possible to finance exports to certain poorly rated countries, and limited recourse to the exporter for any uninsured portion may be needed on some contracts.

Some African countries, like Nigeria, Mozambique and Malawi, have C and D credit ratings which put them in the higher-risk category, although they present logical and expanding markets for South African exports.

In the case of Mozambique, CGIC does grant cover on political, commercial and other risks, dependent, however, on Mozambique's current track record on payments.

On the consumer goods side PWIT's target markets are countries in the C and D credit category which could be offered three to six months credit by South African exporters where confirmed letters of credit are unavailable.

If a country is up-to-date with its financial commitments, the insurer will charge a premium based on its credit record. An important principle of this insurance, which covers some 85 percent of the deal, is that all parties have something to gain if the deal is brought to a satisfactory conclusion and full payment is received, says Mr Ross.

PWIT deals mainly with an exporter's marketing department, in tandem with its financial section, and can help the exporter by arranging three to six months' credit based on security offered.

PWIT's objective is to set up the arrangements, for certain African countries in particular, in such a way that the marketing department can offer credit almost as an automatic facility. This can also be off balance sheet and so will not affect the internal gearing ratios of the company

Projects

On capital goods, PWIT negotiates credit facilities to support South African exports of manufactured goods anywhere in the world. If capital goods are coming in, the local purchaser may ask PWIT to put the credit package together.

On capital projects, says Mr Ross, PWIT guides the inexperienced when it comes to getting help for the construction of housing, roads and harbours, for example, or for supplies of mining equipment. Credit is usually offered for five years

"On the consumer goods side we help clients to structure and arrange credit facilities to foreign businesses with an improved chance of success."

Trade Finance

Star survey

Since the days of Marco Polo, and even before, international trade has had an exciting edge to it. In this survey, compiled and edited by Berenice Margolis, The Star takes a look at trade, trade finance and the people and companies that make up the industry.

Looking at export incentives

STAR 27/5/92. (74G)

EXPORT incentives was the theme of a recent Johannesburg consultative conference organised by accountancy firm Fisher Hoffman Stride, the South African Institute of Chartered Accountants and the South African Foreign Trade Organisation (SAFTO.) Follow-up seminars were held in Cape Town, East London and Durban.

A widely distributed conference export incentives booklet has garnered requests for more, particularly from the Department of Foreign Affairs. In turn, the information has been disseminated to the larger trade missions and to countries like Brazil, Taiwan, Namibia, Austria and Czechoslovakia.

According to John Postmus, GM, exchange control, Reserve Bank, exports constitute a valuable source of foreign exchange for South Africa. He notes that exporters "assisted greatly in keeping SA afloat after 1985 and the debt standstill."

To show how serious the Government is about export-driven economic growth, it introduced section 37E in September last year. This is a temporary measure to promote investment in industries geared to the beneficiation of locally produced minerals and intermediate products with substantial added value. They have to be competitive internationally and more than 60 percent of their output has to be exported.

Section 37E accelerates the deduction of expenditure on qualifying plant and machinery, buildings and pre-production interest on cost. The aim is to help bridge prohibitive start-up costs. And negotiable tax credit certificates are issued where deductions cannot be written off immediately against income.

In March, other measures to promote investment in the industrial sector were announced by the Minister of Trade and Industry.

Changes to existing tax incentives will broaden the scope of the incentive to beneficiate imported raw materials and intermediate products for export markets. (The original incentives were restricted to beneficiation projects using locally sourced minerals and intermediate products.)

The amendment will be introduced retrospectively — from September 12 1991. Thus projects that qualify for approval by amendment can be considered now.

This means a broader definition of beneficiation that includes local and imported raw materials and intermediate products.

Bert Pienaar, director of export promotion, Department of Trade and Industry, states that his department is acutely aware of the tremendous expectations created by the possibility that export incentives may be developed for the service industry. This is being researched and an announcement will be made in due course.

Says Anthony Chait, Fisher Hoffman Stride tax partner: "The tourism industry is adamant that it attracts foreign exchange and creates jobs but has been left out in the cold as only manufacturers can avail themselves of the current GEIS scheme."

Untying the chains of world trade

STAR 27/5/92

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Using the African network to good purpose

STAR 27/5/92

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Statistics show depth of global recession

STAR 27/5/92

(746)

THE latest insolvency figures from some of South Africa's major trading partners are a warning to local exporters to tread carefully in their dealings abroad. This is the opinion of CGIC economist Luke Doig.

In the UK, insolvencies rose by 78 percent in the third quarter of 1991 compared with the same period the year before.

Small business failures in the first quarter of 1991 rose by 77 percent against the previous comparative period, to their highest level in 20 years. Company receiverships in 1991 were 56 percent up on the previous year.

In Japan insolvent companies accrued bad debts of 8 000 billion yen (R178 billion) in 1991, twice the previous record in 1985.

Worst affected was the manufacturing sector, notably motor cars, electronics and machine manufacture.

In the US industrial and commercial failures in the first seven months of 1991 totalled 49 283, nearly as many as for the whole of 1990 (60 432) and of 1989 (50 361.)

In Canada bankruptcies in the first 10 months of 1991 were 42 percent up on the previous year, whereas in Australia insolvencies and terminations amounted to almost 10 000 in 1991.

Mr Doig says these figures are convincing evidence of the extent of the global recession and are likely to carry through well into this year.

"These figures should not dissuade local businessmen from pursuing opportunities abroad. They should simply encourage them to be prudent in their dealings and minimise their risks through effective insurance."

Making money out of intimate knowledge

STAR 27/5/92 (746)

INTERNATIONAL trading and finance group Gerber Goldschmidt was founded in Cape Town and Berlin in 1920 with the aim of promoting trade between the two countries.

In 1924 it opened an office in London and in 1934 in Japan.

It now has offices in a number of coutries, its reach extending to the Far East, Europe, the Americas and Africa.

Director Gerald Joseph says that in South Africa a potential growth area is export. He notes that this country remains, to a large extent, wedded to the export of base products and semi-finished goods but believes this is changing as more markets become more accessible.

Identifyig suitable niche markets, depending on pricing levels and duty structures of importing countries, for example, is part of Gerber Goldschmidt's expertise, as is facilitatig exports.

That is where its global office network, staffed by nationals, comes into play.

Says Mr Joseph: "Getting into the export market can be an expensive exercise but our group with its international connections is able to do the groundwork and investigate opportunities through intimate knowledge of a particular country's culture, customs and language."

Gerber Goldschmidt Finance is a subsidiary of the investment and trading company and provides import and export finance facilities.

"We provide pre-shipment and post-shipment finance to bridge a client's working capital requirements and through access to credit insurance we take the commercial and political risk out of an export transaction.

"We also provide protection against foreign currency fluctuations which can be a risk to the exporter.

Innovative

"In spite of the fact that the country's exports do tend to be in the field of base products, our clients are involved in innovative products such as a solar-powered swimming pool ioniser which cuts down on chlorine use, and a solar-powered borehole pump, as well as a pop-up collapsible tent.

"We try to identify niche markets and one such area of specialisation is car immobilisers which 'talk' and anti hijack devices made by our Sanji division. Although still in its infancy, it is looking at the UK and US markets."

This pioneering group's total worldwide turnover is more than \$2 000 million a year.

How to cover yourself in unfamiliar territory

STAR 27/5/92

74G

CGIC recently increased the insured percentage for political risk cover for exporters to "class one" countries from 80 to 90 percent. Class one countries include the United States, Japan and much of Western Europe.

This means South African exporters insuring with the company will receive greater political risk cover for the same premium.

CGIC senior marketing manager Pierre Matthee says South Africa's improving political relations with the international community have reduced to some extent the political risks for local exporters.

"We have decided to pass the benefit of this on to them, to compensate to a certain extent for the category D export incentives which fell away in March."

He says CGIC has considered improving the insured percentage for commercial risks as well, but current claim experience does not support such an improvement.

The company has provided the credit risk cover for the supply, delivery and installation of new plant and equipment for the Sugar Corporation of Malawi at a total project value of more than R95 million.

South African content is 85 percent with a value of R83 million. Durban-based Techserve has undertaken the project with finance from the Industrial Development Corporation.

The project extends to the provision of infrastructure surrounding the factory, including an irrigation system, cane transport and agricultural machinery. On completion, set for May next year, the project will provide employment for 1 700 people.

But Mr Matthee warns

Pierre Matthee ... risks reduced to some extent.

that in view of the severe local recession, foreign trade remains fraught with risk.

He says it may seem there are abundant opportunities for exporters but the perception needs to be tempered with an awareness of the many possible pitfalls.

Mr Matthee believes that most local companies planning an export drive should:

- have a long-term commitment to export;
- start any export plan with a zero-base approach. Becoming a world class exporter needs an examination of all aspects of the business from a clean-slate perspective;
- realise that customers are vital. Do your homework, understand what your customer wants and visit markets regularly;
- add value to your product or service. Since customers judge the value of your service, it's vital to know what criteria they use, how your products can be improved and how they rate.

The recession is biting not only in South Africa but in the countries which constitute South Africa's major trading partners.

"Fifty percent more businesses in the US have failed in the first half of this year than in the same period last year, whereas in the UK one in 50 active companies went into liquidation in the year ended June 1991.

"Furthermore, there is very little information on new markets like Eastern Europe, which many South African companies are exploring. And numerous local companies have burned their fingers by trading in Africa.

"This year has seen a high number of export insurance payouts by CGIC to companies which had the foresight to take out export credit insurance before venturing into markets with which they were unfamiliar."

Japan-style bid to boost exports

S/Times (Buss) 31/5/92

146

THE private sector and government have embarked on a Japanese-style offensive to sell South Africa Inc to foreign investors and trading partners.

SA embassies are beefing up their efforts to promote trade and to look for capital projects. High-level trade missions comprising representatives from the government and the private sector are also drumming up support for SA's export and investment drive.

By CIARAN RYAN

The most recent trip — to the Far East — has been hailed as a triumph by deputy director-general of the SA Chamber of Commerce Ron Haywood.

"There was tremendous interest in SA and we received several inquiries for two-way trade. It is now a matter of channelling the inquiries to the appropriate people in South Africa," says Mr Haywood.

A trade mission to Central and Eastern Europe last year has resulted in an increase in trade between SA and host countries Hungary, Czechoslovakia and Russia.

The trip to the Far East is expected to result in a similar improvement in bilateral trade. Heading the mission was the Minister of Finance and Trade and Industry, Derek Keys.

Recovery

He was accompanied by senior public servants, including Stef Naude, Director-General of the Department of Trade and Industry, Japie Jacobs, special economic adviser to Mr Keys and some of SA's top businessmen.

They included Dorbyl chief executive Dawid Mostert, Murray & Roberts managing director David Brink — he is also president of the Steel & Engineering Industrial Federation of SA — Attie du Plessis of the Afrikaanse Handelsintituut (AHI), Samcor chairman Spencer Sterling, Anglovaal chairman Basil Herzov and Mr Haywood.

Mr Keys says SA's economic recovery will be export led. The agreement on an economic forum involving labour, business and the government may pave the way for trade union representation in foreign trade missions.

Dr Naude says: "We are placing official trade representatives in each of the countries we visit. The idea is to stimulate trade — investment will be a bit slower."

SA trade missions are now evaluated in terms of the number of business inquiries handled, says Bert Pienaar, the Department of Trade and Industry's director for export promotion.

Most missions have reported a sharp increase in trade and investment inquiries since President De Klerk initiated political reform.

Mr Pienaar says: "Once we identify a project which we think would suit a SA company, we notify those which are capable of tendering. We apply to have SA specifications written into the tender."

The Department of Trade and Industry was instrumental in securing several foreign contracts for SA companies, including a housing complex in Israel, aircraft hangars in Britain and the sale of rolling stock to Taiwan.

Dorbyl's order for three R100-million ships from Germany was also negotiated.

Mr Mostert says: "The success of Japan and other Pacific Rim countries in promoting exports was made possible by co-operation between their governments and business and financial executives.

"When a cabinet minister goes overseas with industrialists, it makes a much greater impact.

"SA suppliers must co-operate. They must decide who will represent them abroad and go prepared. That also means being able to offer credit."

Dorbyl's export's as a percentage of turnover doubled from last year's 7%. Murray & Roberts has established subsidiaries in Africa and the Far East as part of its geographical diversification.

Closer

Customs and Excise figures show a strong improvement in manufactured exports compared with relatively static earnings from commodities.

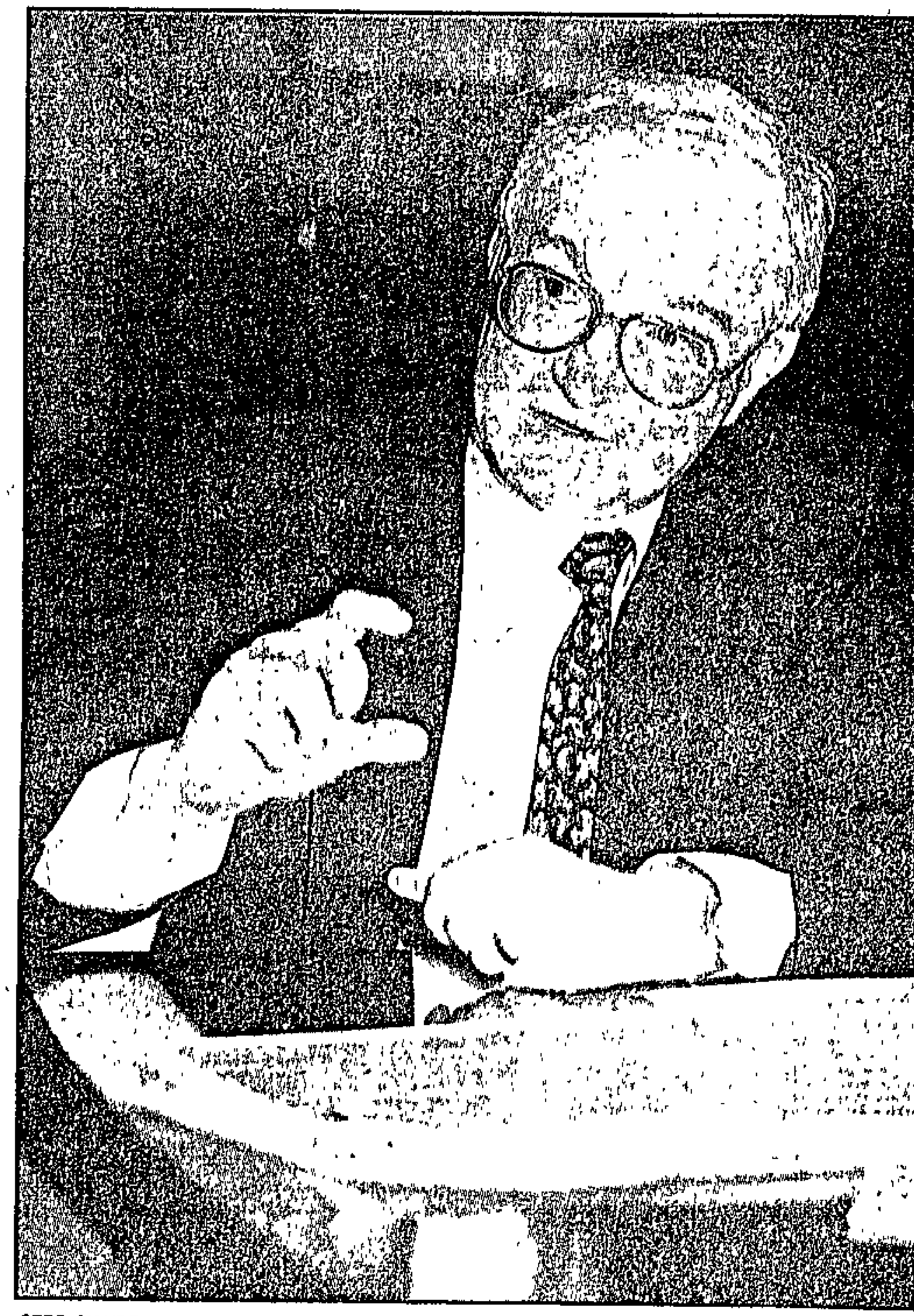
Shipments of manufactured goods have been stimulated by the general export incentive scheme which is due to run out in fewer than four years.

SA Foreign Trade Organisation's general manager Ann Moore says businessmen should not expect to pick up immediate orders abroad.

"The closer relationship between government and business has developed only in the past few years. In Europe and Japan it is common for government officials and the private sector to work as a team in promoting trade.

"Leaders in industry take a long-term view of their companies and are not so interested in signing a deal on the spot."

Large-scale foreign investment in SA remains as elusive as ever because of political uncertainty and strong competition from countries with a more hospitable investment climate.



STEF NAUDE: All-out drive for trade gets under way — Picture: CATHERINE ROSS

Gatt

Mrs Moore says "The return on investment counts. We have to get our economy into line with those of our trading partners and competitors."

Dr Naude says SA will probably become a signatory to the Uruguay Round of the General Agreement on Tariffs and Trade (Gatt).

"Tariffs will have to come down, but in a way that does not disrupt employment. Experience in other countries shows that when tariffs come down, non-tariff forms of protection — such as local content programmes, quality standards or industrial subsidies — take their place. We are not competing on a level playing field."

Exporters failing to cash in on UK market

STAR 3/6/92

By Frank Jeans (746)

South African business should be doing a lot more in the area of two-way trade with Britain, its traditional partner.

This is the message from Clive McCombie, leader of the largest UK mission to South Africa since the setting in of reform.

Under the banner of the United Kingdom South Africa Business Association (Uksaba), representatives of 25 companies are in this country until June 12.

"The present two-way set-up I regret to say is really only one way at present," said Mr McCombie, a partner in a human resource management group.

"Businessmen here, particularly those in the small to medium operations, cannot ignore the fact that if they want to do business, contact cannot be one way.

"There has to be pressure to encourage them to get missions going to the UK."

Emphasising that his views were personal, Mr McCombie said South Africans tended to be their own worst salesmen, while, at the same time, they had nothing to be ashamed of and had plenty to offer in world trade.

Because of its isolation during the years of international sanctions South African business had worked in a protective climate and did not need to look outwards.

Exports down

"That has now changed and local business must now sell itself in world markets."

According to Mr McCombie, exports from South Africa to the UK have declined by 13 percent — a fact which substantiates his view that there has to be a greater thrust from this end for foreign business.

Steve Flavin, of one of the world's leading forwarders, LEP International, is equally adamant about the need for outward thinking by local companies.

"There has never been a better time for South African exporters to break into the British market," he said.

"The UK is also a bridgehead into the entire European Economic Community and it is now critical to get more 'made in South Africa' labels into these markets."

LEP has 400 offices in more than 40 countries and co-operates with South African group Renfreight.

Another factor favouring South Africa's image abroad was its determination to settle bills, Mr Flavin said.

"This undoubtedly gives buyers a bargaining advantage in striking deals with British suppliers."

So as to serve the importers and exporters better, Renfreight has followed European trends by amalgamating its airfreight and seafreight interests, thus offering a one-stop service.

A successful year for W & A, says Liebesman

(746) STAR 3/6/92.

By Stephen Cranston

In the W & A annual report, chairman Jeff Liebesman describes the year 1991 as "successful" for the company.

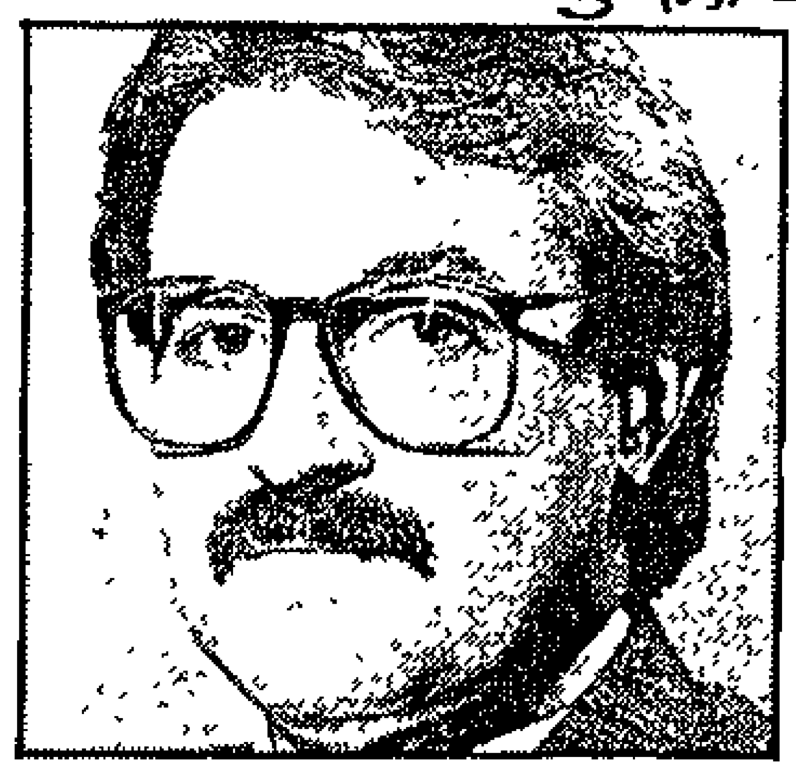
He argues that W & A, which was taken over by his own group FSI in 1987, has begun to depend more on its foreign assets and income in a process he calls globalisation.

He says the group has increased its exports of fasteners, scaffolding and tyres — operations which already have well-established export markets.

National Bolts is exporting more bolts and more than 20 percent of the capacity of Burhose has been used for exports.

Form—Scaff is exporting into Asia, and Gentyre is making significant inroads into neighbouring countries with its low-tech tyres.

Mr Liebesman says that stock holdings must be reduced and adds that technology has been improved wherever possible.



Jeff Liebesman . . . depending more and more on foreign assets

He mentions technical alliances, including one between the German tyre manufacturer Continental Gummiwerk and FSI that has already taken place.

Mr Liebesman adds that more than 20 percent of the capacity of Burhose — which has since been sold to Kiwi Products, a subsidiary of the American food conglomerate Sarah Lee - has been used for exports.

He points out that exports are likely to be even more important this year and in the year ahead as the local recession is likely to continue.

Mr Liebesman adds that the management team headed by himself and his two deputy chairmen Terry Rolfe and the former merchant banker Hennie van der Merwe works with vision and has increasing experience in finding markets and assets in Africa and overseas.

FSI, in contrast to industrial giants such as Barlow Rand, increased attributable profits by 14 percent and invested R157 million in two British subsidiaries, Alloy Wheels International and OSS Scaffolding, out of locally generated cash resources.

)61) 3-3059

WS

Huge exports push to Middle East

Business Staff 746 ARG 4/6/92

JOHANNESBURG. — South Africa is launching its biggest-ever export drive in a bid to make inroads into the multi-billion-rand Middle East market.

Deputy Director of the Department of Trade and Industry Gerry Breyl said in Johannesburg yesterday that his department, together with the Department of Foreign Affairs, had agreed to help finance what is seen as the most ambitious South African trade show ever.

It is to be held in Dubai, a major Middle Eastern trading centre, from October 6 to October 9.

It will be the first exhibition ever of South African products in the area.

The cost of staging the trade show is estimated at more than R2 million, and the two government departments involved have agreed to finance two-thirds of the cost.

The balance will come from private sector sponsors and from exhibitors.

David Graham, general manager of Safto's (South African Free Trade Organisation) international division, said that a minimum of 60 companies were expected to take part in the show.

Mike Veysie, Safto's senior manager for the Northern Hemisphere, said that Dubai had been chosen as the site for the show as it was the gateway to a market of one billion people.

It was the number one business and commercial centre in the Middle East, had a superb infrastructure and was welcoming, friendly, entrepreneurial and safe.

Dubai had well-established trading links in all the prosperous Arabian Gulf Co-operation Council countries, which had imports worth $67 billion in 1990.

Mr Veysie said the business language was English and that thanks to sponsorship South Africans would be able to participate at a reasonable cost.

It is planned to send mailings to 4 000 companies in the area, to produce 10 000 catalogues of South African products and to invite 6 500 qualified trade visitors to the show.

Officials of the Dubai Chamber of Commerce assured guests at a presentation in Johannesburg yesterday that the fact that goods were made in South Africa would be no bar to their sale in the region.

"That is all past," said Obaid Humaid Al Tayer, first vice-president of the Dubai Chamber of Commerce and Industries.

He told the guests that the only significant tax in Dubai was a one percent duty on imports of luxury goods.

Unicorn Shipping Lines has agreed to transport, at no cost, exhibition materials from South Africa to Dubai.

Fruit and flower boom in exports

Business Staff (74G)

THE Cape's horticultural industries are on the brink of dramatic expansion with markets opening up all over the world, says Mr Louis Kriel, managing director of Unifruco, which exports more than R1,4 million of deciduous fruit a year.

"These industries will see exports reach R4 billion in the next year or so," he said in Cape Town last night at the presentation of the Weekend Argus/Cape Chamber of Industries annual awards for exporters.

ARG 4/6/92

The Exporter of the Year trophy went to MacAdams Manufacturing. The other finalists in the competition were Libra Sales, Louvreflex Agencies, Swartland Boudienste and Unifruco.

Mr Colin Boyes, deputy director of the chamber, said the award showed that a small company showing a dramatic increase in exports could compete against the giants.

In his address, Mr Kriel urged the Cape's business and community leaders to draw up a "Cape Action Plan".

At a time when most South Africans were holding their breath in uncertain anticipation of renewed confrontation, mass action and street politics, the Cape wanted to tell the outside world: "Hold it, we have a dream that can come true."

He said the action plan should first ensure that someone in the administration took charge of finding and implementing fair but firm solutions to the pressing squatter problem.

The action plan should enhance a business atmosphere of growth and confidence.

An atmosphere of real reconciliation should also be promoted, he said.

● See page 22.

SA sets export sights on the Middle East

A14G

STAR 4/6/92

By Derek Tommey

South Africa is launching its biggest-ever export drive in a bid to make inroads into the multi-billion-rand Middle East market.

The deputy Director of the Department of Trade and Industry Gerry Breyl said in Johannesburg yesterday that his department, together with the Department of Foreign Affairs, had agreed to help finance what is seen as the most ambitious South African trade show ever.

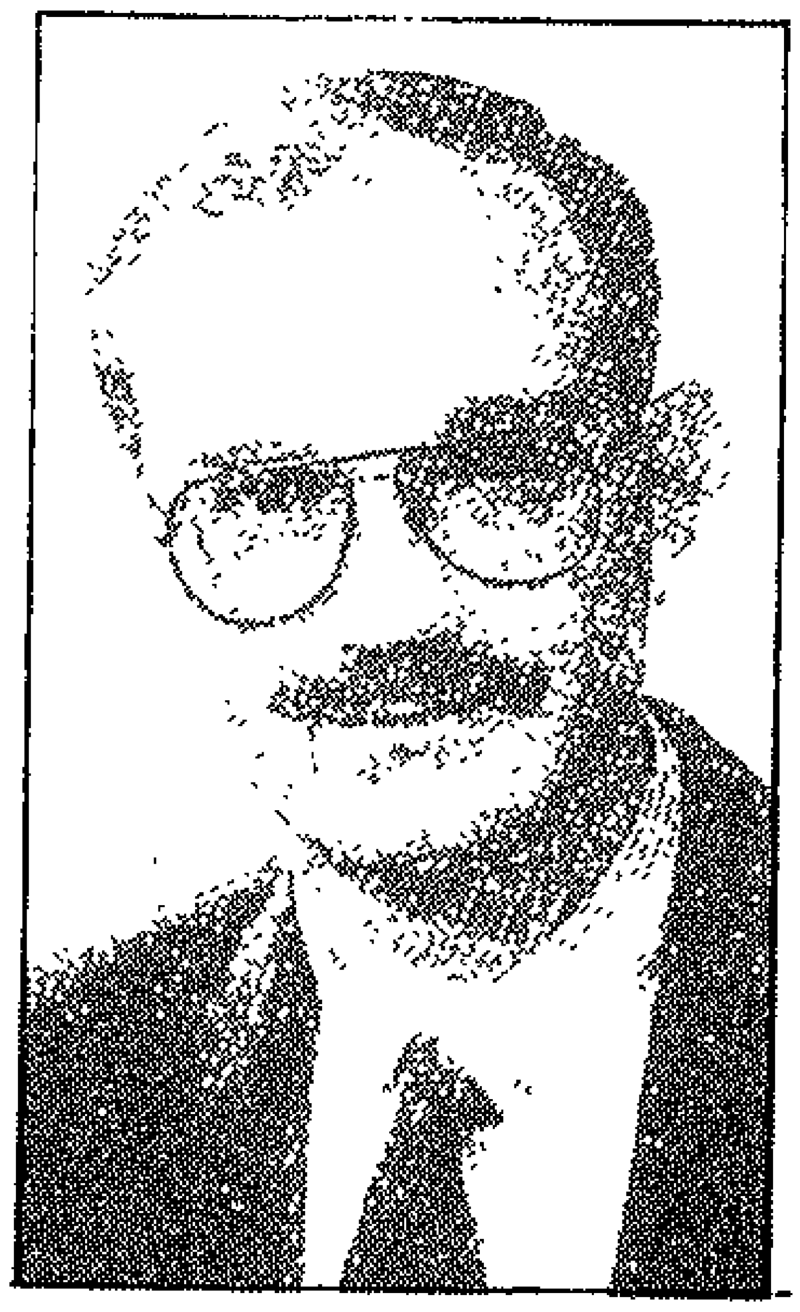
It is to be held in Dubai, a major Middle Eastern trading centre, from October 6 to October 9.

It will be the first exhibition ever of South African products in the area.

The cost of staging the trade show is estimated at more than R2 million, and the two government departments involved have agreed to finance two-thirds of the cost.

The balance will come from private sector sponsors and from exhibitors.

The announcement was made at the end of a presentation in Johannesburg yesterday by the Dubai Chamber of Commerce and Industries to 400 invited guests.



David Graham . . . sixty companies expected to take part

The presentation emphasised Dubai's importance as a business centre and what it could offer to offer South African businessmen.

David Graham, general manager of Safto's (South African Free Trade Organisation) international division, said that a minimum of 60 companies were expected to take part in the show.

Mike Veysie, Safto's senior manager for the Northern Hemisphere, said that Dubai had been chosen as the site for the show as it was the gateway to a market of one billion people.

It was the number one business and commercial centre in the Middle East, had a superb infrastructure and was welcoming, friendly, entrepreneurial and safe.

Dubai had well-established trading links in all the prosperous Arabian Gulf Co-operation Council countries, which had imports worth $67 billion in 1990.

Mr Veysie said the business language was English and that thanks to sponsorship South Africans would be able to participate at a reasonable cost.

It is planned to send mailings to 40 000 companies in the area, to produce 10 000 catalogues of South African products and to invite 6 500 qualified trade visitors to the show.

Officials of the Dubai Chamber of Commerce assured guests at the presentation that the fact that goods were made in South Africa would be no bar to their sale in the region.

"That is all past," said Obaid Humaid Al Tayer, first vice-president of the Dubai Chamber of Commerce and Industries.

He told the guests that the only significant tax in Dubai was a one percent duty on imports of luxury goods.

Opening the presentation, deputy Minister of Foreign Affairs Renier Schoeman praised Dubai for the foresight offered by forging closer relations with South Africa.

For South Africa, Dubai had obvious natural assets as a centre to promote world trade with the Gulf region and the rest of the Arab world, while at the same time being a potential source of tourism and investment.

At the end of the presentation Unicorn Shipping Lines said it was prepared to transport at no cost exhibition materials from South Africa to Dubai.

HOUSE OF DELEGATES

QUESTIONS

†Indicates translated version.

For written reply:

General Affairs

SAP: civilian personnel

35. Mr M RAJAB asked the Minister of Law and Order:

(1) Whether, with reference to his reply to Question No 1 on 1 April 1992, any policy decision has as yet been taken regarding the salary and rank structures of civilian personnel in the employ of the South African Police; if not, why not; if so, what are the relevant details;

(2) whether such personnel are given any work incentives; if so, what are these incentives; if not, why not;

(3) whether any consideration has been given to making special provision for civilian personnel who have been at the top of their salary scales or ranks for a number of years; if not why not; if so, what provision has been made or is envisaged in this regard?

D180E

The MINISTER OF LAW AND ORDER:

(1) The salary and rank structure of civilian personnel in the South African Police are determined by the Commission for Administration (CFA), and the South African Police is not empowered to bring about any adjustments or amendments.

(2) Civilian personnel are considered for merit awards on an annual basis which serves as work motivation. This motivational scheme is also prescribed by the Commission for Administration (CFA).

(3) Civilian personnel who have already been on the maximum notch of their salary scale for a number of years, have normally reached the highest rank or post within the particular occupational class and do not qualify for a salary increase, except for a salary increase which will apply to all members in the occupational class.

HOUSE OF ASSEMBLY

QUESTIONS

†Indicates translated version.

For written reply:

General Affairs:

Revenue from GST and VAT

260. Mr L F STOFBERG asked the Minister of Finance:†

What has been the revenue from (a) general sales tax (GST) and (b) value-added tax (VAT) in each of the first five months since the introduction of VAT?

B624E

The MINISTER OF FINANCE:

(a) *General Sales Tax*

November	−R50 995 449
December	−R13 982 607
January	R48 846 000
February	R10 446 531
March*	−R16 768 115

The negative amounts reflected above arose as a result of refunds made in terms of section 6(1)(x) of the Sales Tax Act, No 103 of 1978.

(b) *Value Added Tax*

November	R1 219 590 583
December	R1 963 934 662
January	R1 983 964 793
February	R1 126 947 045
March*	R1 505 389 017

(*) Provisional figure.

Amounts paid out in terms of General Export Incentive Scheme

279. Mr G C ENGEL asked the Minister of Trade and Industry: 74G

(a) What amounts were paid out by the Government in terms of the General Export Incentive Scheme for the financial years ended 31 March 1991 and 31 March 1992, respectively, (b) (i) to whom or to which companies and (ii) under which categories of the scheme were the above amounts paid, (c) what amount is outstanding in respect of each of the above two financial years in the form of promissory notes or similar instruments and (d) what is the budgeted payment total for the current financial year? 74G

B687E

The MINISTER OF TRADE AND INDUSTRY:

(a) Amounts paid out by the Government for the financial years ending 31 March 1991 and 31 March 1992, respectively, under the General Export Incentive Scheme were as follows:

1. Amount paid until 31 March 1991 = R46 997 812

2 Amount paid until 31 March 1992 = R457 197 401

(b) (i) The amounts were paid out to just over 2 000 exporters under the following categories (item (b)(ii)). (It is not customary to reveal the names of recipients of export incentives. Should the hon member require further information in this regard, particulars could be provided on a confidential basis):

	1991 R	1992 R
Category 2	6 786 484	66 019 304
Category 3	22 540 150	219 271 874
Category 4	17 671 178	171 906 223
	46 997 812	457 197 401

(c) Amounts outstanding in respect of the two above-mentioned financial years in the form of promissory notes are:

1. *31 March 1991*

Promissory notes issued in January and February 1991 for presentation on 1 April 1991 were still outstanding on 31 March 1991 All the promissory notes were however presented and paid out during the 91/92 financial year:

	R
Promisory notes:	90 657 195
Interest (warrant vouchers)	2 384 760

946

2. *31 March 1992*

Promissory notes to the value of R895 585 046 and interest payments of R83 040 018 were issued during the 91/92 financial year with due dates in the 92/93 financial year. The total amount was therefore still outstanding on 31 March 1992.

(d) The budgeted total for the current financial year is as follows:

		R
Redemption of promissory notes and interest	=	978 625 064
Payments per warrant voucher	=	177 824 936
	=	1 156 450 000

INTERPELLATIONS UNDER NAME OF MEMBER

Botha, Dr W J—
General Affairs:
Finance, 841, 1053

Bruwer, Mr A A B—
Own Affairs:
Agricultural Development, 1244

Burrows, Mr R M—
Own Affairs:
Education and Culture, 185, 436, 1004

Carlisle, Mr R V—
General Affairs:
Public Enterprises, 917
Transport, 848
Own Affairs:
Housing and Works, 619

Charlewood, Mrs C H—
General Affairs:
Local Government and National Housing, 1059

De Beer, Dr Z J—
General Affairs:
State President, 981

Ebrahim, Mrs R—
Own Affairs:
Housing and Agriculture, 1021

Gerber, Mr A—
Own Affairs:
Education and Culture, 291, 537, 1081

Gibson, Mr D H M—
Own Affairs:
Education and Culture, 864

Haswell, Mr R F—
General Affairs:
Law and Order, 272
Local Government and National Housing, 527

Hoon, Mr J H—
General Affairs:
National Education, 911

Jacobs, Adv S C—
General Affairs:
Home Affairs, 725

Langley, Mr T—
General Affairs:
Foreign Affairs, 1219
National Intelligence Service, 1

Leon, Mr A J—
General Affairs:
Law and Order, 129
Transport, 732

Le Roux, Mr F J—
General Affairs:
Foreign Affairs, 123

Momberg, Mr J H—
General Affairs:
Mineral and Energy Affairs, 7
National Education, 611

Exporters warned to insure sea cargoes

746

SI Times [Cape Metro] 7/6/92

EXPORTERS must ensure their cargoes are adequately insured at sea, as the cry "Containers overboard!" could signal the loss of cargo worth millions.

The container era assured shippers of greater security of goods, reduced pilferage and less handling — but they can do little when containers go overboard.

Recently a general cargo vessel, Med Trader, with containers on deck consigned for Haifa from the United States, ran into an Atlantic storm and afterwards signalled that 72 containers had gone overboard.

"It will take months to determine the value of contents and cargo insurers will be heavily involved," says the latest issue of Sea Views, produced by R N Cole & Son, marine reinsurance brokers of Cape Town.

"When one container on a ship breaks loose, it impacts others adjoining, which also come adrift.

"Since it is unsare for any crew member to endeavour to re-secure while boxes are moving around, the shipmaster must endeavour to reduce movement of his ship until conditions improve.

"But if boxes on one side go overboard, the subsequent list of the carrier induces boxes on the opposite side to break loose in the steep rolling, and soon the entire deck is cleared.

"Most containers, depending on the weight of contents, sink rapidly but others float for days.

"To date, no salvage technique has been devised to recover containers from sea, and for small ships they constitute a hazard in the event of collision.

"Boxes which remain on a ship's deck in these circumstances are often punctured from heavy import by others, and incursion by sea water damages the contents."

City firm leads the way with exports

746

ST Times (Cape Metro)

EXPORTS are flowing from the Cape Town factory of Control Instruments Manufacturing (CIM), which boasts one of the most modern and sophisticated industrial instrument factories in the Southern Hemisphere. 7/6/92.

Following a major reorganisation, CIM has re-entered the export market by promoting high quality instruments in the most lucrative market sectors.

The result is that 95 percent of the sales made by Griffiths Industrial, CIM's agent in Boston, Massachusetts, are in high quality, stainless steel process gauges and a wide range of specialist gauges designed for the US market.

CIM has also been successful in obtaining orders direct from overseas original equipment manufacturers, such as an American company which manufactures a special manifold for checking airconditioning and refrigeration gases.

"We developed a range specifically for this application, supplying a glycerine-filled gauge with an external zero adjustment," said CIM managing director Bernhard Veller.

"However, this contract did not fall in our lap.

"We obtained it on quality and service rather than price, and were faced with stiff opposition both from American manufacturers and suppliers from Europe, Taiwan, Italy and Korea."

As CIM is 100 percent locally owned, it is not subject to any export restriction imposed by an overseas parent company and had every intention of becoming a major player in exporting industrial instruments — with South America, Europe and the Far East as its next target markets.

The company sees one of the major benefits of international competition as that of ongoing evaluation of product quality and technical capability, so helping its customers in South Africa.

"We do not intend to fall into the trap of supplying export markets to the detriment of our local customers," said Mr Veller.

Arabs open doors

By ZILLA EFRAT

MAJOR barriers to South Africa's access to Arab markets ended this week.

Goods "Made in South Africa" can now land openly in Dubai, part of the United Arab Emirates (UAE).

Dubai is a trading hub in the Middle East, re-exporting up to 70% of its imports. SA products can thus be distributed all over the region, says Safto area manager Gyff Fitchat. [redacted] 74G

As from this ~~week~~ a SA certificate of origin is accepted in Dubai, says a Dubai Government Chamber of Commerce and Industry (DCCI).

DCCI first vice-president Obaid Al Tayer said in Johannesburg that certificates would have to be certified by a SA chamber of commerce. Dubai usually required that they be certified by an Arab trade office in an export country.

All SA bills of lading would be accepted at Dubai ports and its banks could now open letters of credit directly in favour of SA companies. In addition, visas for Dubai would be available to South Africans. BIDay 7/6/92.

Step

Mr Al Tayer believed that diplomatic relations between SA and Dubai would come after UN, OAU and Arab League sanctions ended.

"But at this stage we do not want to delay trade relations."

He would not comment on relations between SA and other Gulf Co-operation Council countries, but said: "Whenever we take the first step, others follow."

The Department of Trade and Industry confirms it plans to open an official office in Dubai.

Deputy Minister of Foreign Affairs Renier Schoeman said the nature of this office would have to be examined in the light of SA's specific requirements.

Talks would be held with the UAE about solving visa problems.

"A mutually acceptable reciprocal arrangement must be agreed on as soon as possible."

Export challenge key to growth of SA industry

744 CT 10/6/92

By ARI JACOBSON

THE current challenge for SA industry lay not only in manufacturers' success in the local industrial and transport markets but also in establishing SA products in the overseas markets, Marike de Klerk said yesterday in her opening address at the Cape Industrial Show at the Goodwood Showgrounds.

The industrial show is set to run for five days and has about 90 exhibitors.

De Klerk said the exhibition would give people the opportunity to view the latest capital equipment developments.

"The equipment covers industry in its entirety and yet it can be seen under one roof."

She added that the survival of industry was dependent on the ability of the participants to upgrade and maintain a competitive edge.

Some of the exhibitors have managed to break into the tough world of manufactured exports.

Cape-based Optima hydraulics has already undertaken a major export shipment to Germany. Project engineer Heinz von Fentel explained that "the favourable labour rate and exchange rate enabled local products to be cost competitive, once the standards acceptable to overseas markets had been achieved".

On display was a shock absorber spinning machine to be exported to Mexico, which Von Fentel said had been completed the day before the show began.

From another perspective engineer supplier A A Ball has managed to crack into the overseas market with the importation from India of precision tools.

MD Brian Aldridge pointed out that with the positive trade relations opening worldwide "these tools have been purchased for roughly half the price — we normally bought from the UK".

Aldridge said the company, which specialises in fasteners, general and precision tools had weathered the recession by aggressive marketing.

Another interesting exhibit was a unique type of vehicle seating — a German product manufactured locally and distributed by All-Pro Products.

One of the distributors, Keith Wilks, explained that the seat, to be used for the top of the range Volkskwagen combis and the mass produced Toyota "taxi" minibuses, allowed the driver to adjust the seat for such things as spinal and kidney comfort.

Forestry industry boosts exports to R2bn

B/Day 11/6/92

MEREDITH JENSEN

THE SA forestry industry had increased exports to offset the effects of the weak economy, SA Timber Growers' Association (Satga) director Bruce Ferguson said yesterday.

Ferguson said exports, which had climbed steadily since 1988, had topped R2bn at end-March.

Far Eastern countries such as Japan and Thailand were the biggest importers of SA timber, and Satga had received inquiries from western European countries, the Ukraine, Middle East and Finland.

The drought had affected the industry in the short term, but the industry was expecting a 3% increase in pulpwood sales next year from 8,834-million cubic metres to 9,1-million.

Ferguson said: "The Department of Forestry has proposed transferring the state's forests to a private company, to be formed under the Companies Act. The state will initially be the sole shareholder, though it is believed shares will be offered to the public eventually."

However, a spokesman from the SA Sawmillers' Association said the current monopoly of supplied timber was not as threatening as it would be if it were private. "A government monopoly behaves differently from a private company.

"We are in favour of commercialisation, but if you give the forests to one company, it could be dangerous."

Stringent 'enviro' checks on exporters

CT 11/6/92 (74G)

JOHANNESBURG. — Environment awareness criteria are now so highly geared in Europe, the United States and Japan that companies there are becoming reluctant to do business with South Africa unless they are satisfied that local manufacturers, processers and mining companies are practising internationally acceptable environmental measures.

This comment comes from Mike Genard, product manager of Risk Management SA, a specialist member of First Bowring and Associates, which has become increasingly involved with environmental auditing, research and advice on legal implications.

"Now that our SA businesses are busily seeking and exploiting post-sanctions export opportunities," continues Genard, "it has become a crucial issue for company operations to be seen as environmentally acceptable. Simply stated, either we meet international environmental standards or lose the business."

Environmental auditing has become a guideline in helping South African companies to chart new environmental courses — not only locally but, importantly, in expanding or opening up their exports.

Environmental concern has developed into a big issue locally, says Genard, but "we are still not educating people sufficiently about it."

"A decade ago mining and industrial firms just complied with regulations and left it at that. Now a fish goes 'belly up' in a river and there is an immediate major outcry from pressure groupings who quickly gain public attention.

"The environmental slogan today is: 'Think globally, act locally'. Businesses have to feature the environment and conservation on their agendas to remain successful and profitable even if they have much radical re-planning to pursue. Political parties have also got into the act and it is interesting to note that the ANC, IFP and PAC have the 'promote conservation' theme featured in their manifestoes.

"Yet, conversely, organisations who have shown themselves to be environmentally conscious and have done their level best to 'clean up' operations and satisfy 'green' requirements, frequently find it good business."

SA exporters 'neglect UK'

CT 12/6/92 (74G)

By AUDREY D'ANGELO
Business Editor

FALLING SA exports to Britain indicate that manufacturers are neglecting this long-established market in the excitement of entering new ones, Clive McCombie, leader of a United Kingdom SA Business Association (UKSABA) trade mission, said in Cape Town yesterday.

He said that SA imports from Britain had risen by 8% in the last quarter. But — in spite of the fact that British supermarkets were now openly selling SA wines and promoting fruit and other products from this country — SA exports to Britain had fallen by 13%.

McCombie warned it would be unwise for SA exporters to concentrate on "new markets opening up in exotic places", where the potential and conditions were unknown, at the expense of one that was more familiar and had

SA focus on exotic markets

remained open to them throughout the sanctions period.

He pointed out that there were export opportunities in provincial towns and cities as well as in London.

Albert Schuitmaker, GM at Cape Town Chamber of Commerce, said the situation had changed in that SA exporters were no longer looking at the British market first — and then seeing where else they could get in.

He thought it a healthy trend that they were spreading into other markets. "There is still a preference for English-speaking countries. But even that is changing, because there are now many countries where business people speak English perfectly well."

But Colin McCarthy, director of the Cape Chamber of Industries, said the fall-off in exports to Britain could be due mainly to rising costs faced by SA manufacturers which made it harder for them to compete.

McCarthy said it was true that all the noise at present was about new markets opening up, and that efforts to increase exports to existing markets might have fallen off.

"But a lot of our traditional markets are not holding up. Conditions in them are remaining depressed and exporters say it is becoming harder every month to achieve growth in them.

"The weakness in our domestic market, which pushes up unit costs, and our high rate of inflation make it harder for our manufacturers to compete."

BDay 12/6/92

Exports to UK fall

FALLING SA exports to Britain indicated that manufacturers were neglecting this established market in the excitement of entering new ones, UK SA Business Association trade mission leader Clive McCombie said in Cape Town yesterday. (746)

SA imports from Britain rose by 8% in the last quarter, but SA exports to Britain fell by 13%. He warned it would be unwise for SA exporters to concentrate on new markets at the expense of one that was familiar and had remained open during sanctions.

Barend 'helped out' Israeli gold buyers

Weekend Argus Correspondent (746) ARCT 13/6/92

JOHANNESBURG. — Mr Shalom Shpilman and Mr Eytan Rechter, two Israeli businessmen who look set to become major stakeholders in South Africa's biggest lottery, twice needed the direct intervention of former Minister of Finance Mr Barend du Plessis, a personal friend of Mr Shpilman's, to get them out of difficulties with the Reserve Bank.

The two men had set up a gold-and-diamond jewellery export business in South Africa in 1989, for which they secured permission to bring money into the country as financial rands.

The fact that the financial rand facility allowed them to get about 40 percent more South African currency for their dollars in effect meant they were buying gold at a discount of more than one third.

This was allowed on condition they used the gold and diamonds to make jewellery only and returned the profits to South Africa within 90 days.

When details of returned export profits were not submitted as specified, and customs intercepted an export parcel containing gold and diamonds in separate packages — not made up as jewellery — the concession and access was withheld.

Mr Du Plessis twice intervened directly on their behalf. Each time, Mr Du Plessis, immediately on receipt of a letter from Mr Shpilman, instructed Dr Jan Lombard, deputy governor of the Reserve Bank, to take care of the matter.

A few months later, their credit deadline was extended to 180 days, "after reconsideration of all the relevant factors".

'Dear Barend' in forex affair

S Times 14/6/92

Sunday Times Reporters

FORMER Finance Minister Barend du Plessis allegedly intervened twice to help two Israeli businessmen smooth out difficulties with the Reserve Bank's foreign exchange regulations.

Mr Du Plessis wrote to the deputy governor of the Reserve Bank, Dr Jan Lombard, asking him to investigate the businessmen's problems. Soon afterwards the transactions were approved.

Mr Shalom Shpilman, one of the men, was on first-name terms with the former Finance Minister.

In May 1989 Mr Shpilman and Mr Eytan Rechter, an Israeli resident who commutes to South Africa, applied to the Reserve Bank for financial rands for the manufacture of gold and diamond jewellery for export.

The Reserve Bank approved the transfer to South Africa of 13,5-million French francs and US$3-million — converted to financial rands — to set up the business.

The deal was authorised on condition that export proceeds were to be repatriated to South Africa within 90 days of shipment of the jewellery. Proof was to be provided to the bank at regular intervals.

The men's company, Sesom, took over a defunct gold and jewellery business, Ungerer & Sons, which now operates from premises in the JHS Executive Centre in Johannesburg.

In October 1989 Mr Shpilman and Mr Rechter applied to the Reserve Bank for a second instalment.

Insisted

746

This time the Reserve Bank insisted on first receiving a detailed report and proof that export proceeds had been repatriated to South Africa before considering the application.

On October 20 1989, Mr Shpilman wrote to Mr Du Plessis.

In the letter — addressed to "Dear Barend" — he mentions "the warm family atmosphere which prevailed at last night's dinner".

He was referring to the private occasion at which he had asked Mr Du Plessis to intervene on his behalf with the Reserve Bank.

That day Mr Du Plessis sent a handwritten note to Dr Lombard.

Three days later Dr Lombard informed the minister that "the matter has been satisfactorily finalised". The transaction was approved.

With conditions for compliance still not met, the Reserve Bank stepped in to cut off gold supplies to Sesom in January 1990.

Once again Mr Shpilman wrote to "Dear Barend". He said: "You have mentioned in our previous meetings that should we encounter any further bureaucratic problems we should not hesitate to contact you.

"I am afraid that, although we have made great efforts to solve these problems using regular procedures, we have been unable to have the matter finalised."

Again the minister penned a note to Dr Lombard.

A day later Dr Lombard faxed his reply. "I am pleased to advise that the matter has been successfully dealt with."

Mr Du Plessis was unavailable for comment yesterday and Mr Shpilman could not be contacted.

Dr Lombard said he had no recollection of the matter, but that any inquiries from the minister would have been handled by the bank department.

Precluded

Mr John Postmus, exchange control general manager at the Reserve Bank, said that without having access to his departmental records, he could neither confirm nor deny the correspondence between Mr Shpilman and Mr Du Plessis.

He added that even if he did have access to the records he was precluded by article 33 of the Reserve Bank Act from discussing matters that were not public knowledge.

However, he said, the actions said to have been taken by the Reserve Bank were broadly in keeping with the bank's procedures.

COMPANIES

Altech seeks African solutions

BDay DUMA GQUBULE 15/6/92

ALTRON subsidiary Altech is gearing itself for a major export drive into sub-Saharan Africa.

In the group's 1992 annual report, executive chairman Don Snedden said Altech's location, commitment to the continent and experience of African conditions, would give it the edge in finding "African solutions for Africa".

While the group would take advantage of every opportunity in the developed world, the main thrust would be in Africa.

The group was negotiating significant joint-venture agreements with a number of adminstrations. The successful conclusion of these negotiations would combine local and Altech expertise.

In the year to end-February Altech reported a 7% increase in earnings a share to 880c on a higher turnover of R930m. A total dividend of 297c (268c) was declared.

Reviewing the results, Snedden said late deferrals of government expenditure had held sales at the previous year's levels. But considerable progress had been made on diversification programmes, offsetting reductions in government expenditure with contributions to turnover which promised to be more significant in future.

The annual report disclosed that Altech's telecommunications and systems division, Altech Electronic Systems Group, showed a 10% decrease in turnover to R565m, or 68% of group turnover. Altech Electronic Distribution Group increased turnover by 34% to R235m, or 19% of group turnover. Altech Industrial Electronics group's turnover rose by 5,7% to R130m, or 13% of group turnover.

The technology development budget came to R111,6m, or 12% of group turnover. The development of a number of new products had reached fruition. These included Rurtel, a telecommunications suitable for rural areas, a computer-based vehicle tracking system and a new electronic detonator for the mining industry.

Cape Town harbour under export pressure

74G

CT 15/6/92

Business Editor

HIGH fruit exports combined with maize imports and higher volumes of normal cargo are putting pressure on Cape Town harbour, port manager Rudi Basson said yesterday.

Ships' derricks, normally used only at smaller harbours such as East London, have had to be brought into use. And a suction evacuator has been brought to the docks to unload grain.

"The port suddenly became much busier in March this year," said Basson, "and we are currently at a tremendous peak.

"There were three fruit ships and two grain ships in this week.

"There is no problem over-all during the week. But seven-day working weeks are tough on our crane drivers and ships' derricks have had to be used on Saturdays."

Louis Kriel, CE of Unifruco, which markets fresh deciduous fruit overseas, said there was a record crop and export demand was good, with high world prices.

"We are keeping fruit in store in this country rather than overseas, where we would pay more, and sending supplies just when they are needed. This may give the impression the season is lasting longer than usual."

Kriel expects Western Cape fruit farmers to make record gross profits again this year. "But this may not mean record net profits because of rising costs.

"All fruits except bananas are fetching high prices all over the world this year because of the poor northern crop in the last season. And there is a huge demand for juice, which means that low-grade fruit is being bought up by the processors.

"But they are expecting a record crop in the northern hemisphere this year, and that could mean lower demand and lower prices for our exports next season."

Kriel emphasised that Unifruco had never set prices. "They are decided purely by supply and demand.

"But farmers can afford to charge lower prices for fruit in SA because of the higher prices paid on the export market. For instance, 56% of plums are exported and they account for 92% of profit from this fruit."

Finland to import wood chips from SA

14G STAR 16/6/92

The Central Timber Co-operative is set to increase its export of eucalyptus wood-chips by over 40 percent this year with the opening of a new market in Finland.

General manager of the Pietermaritzburg-based exporter, Mr Rein Franz, said yesterday CTC would export between 250 000 and 260 000 tons of wood-chips to Finland during 1992.

CTC began exporting to Finland earlier this year.

CTC's traditional market in Japan would receive 550 000 tons of wood-chips worth about R110 million this year, while the value of exports to Finland would be approximately R40 million, Mr Franz said.

— Sapa.

Da Gama hopes tied to lower imports

B/Day 17/6/92

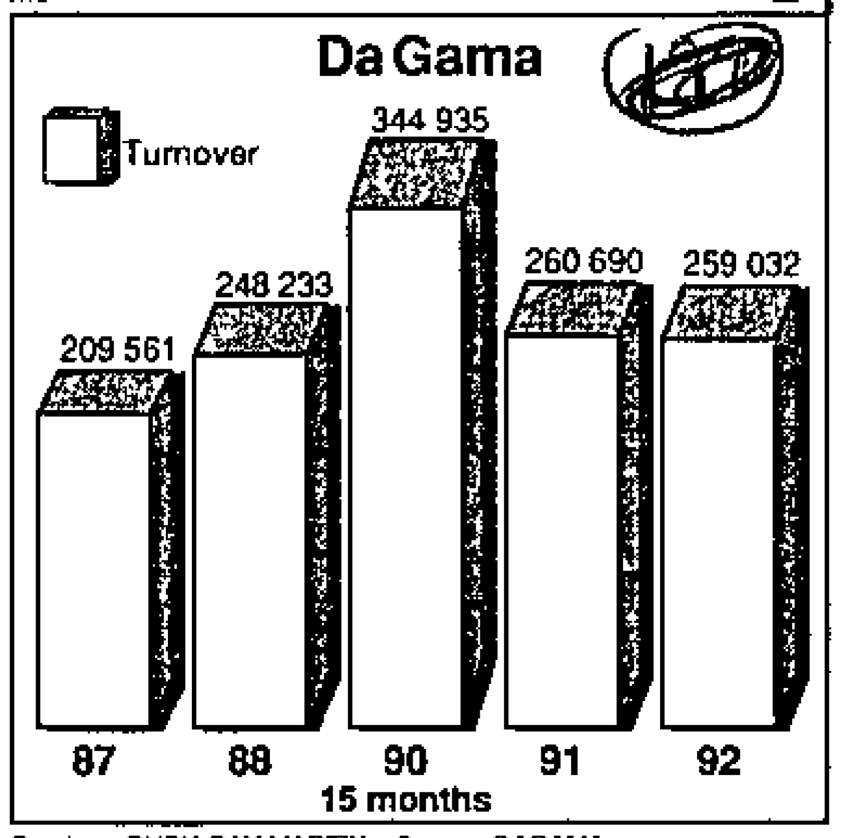
DUMA GQUBULE

TEXTILE manufacturing company Da Gama is hoping to mantain its earnings in the coming financial year. But this will be a difficult task if competition from imports increases and the economy continues to shrink, CE Harry Pearce says in the company's 1992 annual review.

In the year to end-March the SAB subsidiary reported a 29% decline in attributable earnings to R30m, or 58,9c a share. The total payout came to 25,5c (1991: 36c) a share.

Chairman Laurie van der Watt said wide-ranging action was needed to bring about a significant reduction in the level of imports and help revitalise the local textile manufacturing industry.

He said imports had climbed to new levels during the past year. Imported fabrics now accounted for 40% of the SA market, again illustrating that import duties in place during the past year were



Graphics RUBY-GAY MARTIN Source DAGAMA

insufficient to protect the local industry against cheap imports from subsidised manufacturers in foreign countries.

He said it was heartening that steps in this direction were now being taken. The government had decided to implement certain short-term measures concerning the importation of a wide range of textiles and clothing.

Van der Watt said the new tariff rates, which were gazetted at the beginning of May, were being studied. But it was unlikely that they would benefit trading until the second half of the year.

Pearce said Da Gama's future performance would be positively affected if recently introduced duty levels resulted in a material reduction in imports.

Looking ahead, Pearce said improving cash management and stock turn would be a major element in Da Gama's plans for the coming year. In the year to end-March working capital had increased by R29m, of which R24m had could be attributed to higher stocks.

Sales in the second half of the year did not materialise to the extent expected and, as a result, the investment in inventory rose to higher than normal levels.

Management focus in the coming year would be to reduce stock levels to more sustainable standards.

Export zones report out

74G

Business Day Reporter

AN IDC report on the establishment of export processing zones has found that local and regional development authorities and the private sector should be allowed to develop them.

B/Day 17/6/92

Released yesterday, it recommended the authorities and private sector should have freedom to develop the zones with state financial assistance. The report was commissioned by the Trade and Industry Department.

Director-general Stef Naudé said the zones could be achieved by offering customs-free import facilities, creating a favourable business climate and limiting regulatory restrictions and bureaucracy.

"The IDC defines an export processing zone as a demarcated geographical area specialising in the manufacture of export products," Naudé said.

The IDC also said EPZ's served a dual purpose, namely to create employment opportunities and to earn foreign currency by exporting manufactured goods.

Fruit farming group positive about results

B/Day 17/6/92

LINDA ENSOR

CAPE TOWN — Deciduous fruit farming group W B Holdings was reasonably optimistic about results for the year to end-December, 1992, chairman Robert Silverman said at its AGM yesterday.

Predictions were difficult because fruit exports were en route to Europe and the company did not know what prices they would fetch. Silverman said profits and dividends would not be less than last year when earnings increased by 28% to 57,92c (45,26c).

In the latest annual report Silverman said opening prices were higher than in 1991 due to Chilean and New Zealand fruit crops being lower than expected. Also, the European carry-over stocks of apples and pears from 1991 were lower than usual and this had placed pressure on the marketplace.

Although fruit volumes were higher this year, the quantity available for export did not rise commensurately due to the high quality product demanded by the export market.

"The total crop of the group's farms is about 17% up on 1991 but unfortunately a large proportion of the fruit is rather small and not exportable," Silverman said.

He said at the AGM that another problem was SA's high inflation compared to the low rate overseas which made it difficult to keep pace with costs in what was a labour intensive industry.

New plantings had been progressively undertaken, he added. In the annual report Silverman said increased water allocations from the Theewaterskloof Dam meant W B Holdings could develop an additional 200ha of orchards instead of the 100ha planned.

Choice brings down losses

B/Day 17/6/92

MICK ELLINGHAM

DCM-listed Choice Holdings has disclosed a net after-tax loss of R24 000 for the year ended February 1992 on the back of a 13% increase in turnover. This follows a R1,3m loss in 1991.

The company — which processes and distributes meat products and other foodstuffs — reported attributable losses of R290 000 resulting in a loss per share of 72c. Last year the company's attributable loss was R1,8m which resulted in a 1500c loss per share.

Choice MD Johnny Limberopoulos said: "The year's results were affected by the continuing difficult trading conditions."

He said the company's improved results were a result of the rationalisation which had occurred during the year.

Inflation, high costs erode export position

B/Day 18/6/92

JONO WATERS

LARGE cost increases and rising inflation were eroding SA's competitive position in export markets, Randcoal CE Allen Cook said at the recent Australian Coal Conference.

Cook told the conference the position was made worse by the current recession, and fiercely competitive pricing, which induced low prices, knocked profits and deterred further investment in the country's coal industry.

"Current contract price levels are barely adequate to provide a return on existing investments and are certainly not attractive in considering new investments," he said.

Spot prices for coal on export markets had tended to be lower than contract prices in recent years.

This had led to producers having to decide whether they should accept lower prices or lose market share and cut production.

With the lifting of sanctions, large potential markets had opened up — particularly in Japan, Korea, Denmark, France, Holland, UK and the US. Western Europe had regained its position as the major market for SA coal.

Since coal pits in Poland and the CIS had started to reflect their true operation costs, Cook said SA coal was price competitive in Europe now.

He expected demand to increase in Western Europe and, in the long term, eastern Europe. 74G

The main potential competitor in volume terms was the US, but if SA remained price competitive, Cook believed it could hold on to its market share in the near future.

Spoornet had agreed to peg rail cost increases on the Richards Bay line to about half of current inflation rate levels over the next two years, Cook said.

Russia buys SA fashions

(74G)

By Tom Hood STAR 18/6/92

Russia is to buy fashion clothing worth "several million rands" from South Africa.

One order, believed to be the biggest single export order won by a South African manufacturer, is for several hundred thousand garments and has gone to the AM Moola group of companies, the country's largest privately owned clothing business.

The order will not only prevent retrenchments, but will allow the company to employ more people, says Mr Sadek Vahed, chairman and chief executive.

Mr Sadek, who is also vice-president of the National Clothing Federation, said he had stressed time and again that the survival of this country would have to come out of exports and result in job creation on a massive scale.

"There is no other industry like the labour-intensive clothing industry that can meet this challenge."

His company has a turnover of about R160 million of which exports amounted to about R3 million until now.

He declined to disclose the value of the Russian order but said it ran to several millions of rands.

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says.

The durable and semi-durable sectors are expected to be the first to react, followed by construction and heavy industries.

In a separate survey concerning the expected imports of capital equipment, 70 percent of manufacturers reported that they imported less than half of their capital equipment.

Coal exporters facing price battle

STAR 18/6/92 714G

The growth potential of South Africa's coal exports could be jeopardised by escalating costs and the lack of new investment in the industry, says Randcoal chief executive Allen Cook.

In a speech presented at the recent Australian Coal Conference, Mr Cook said large new coal markets were opening up in the wake of the lifting of sanctions — particularly in Japan, Korea, Denmark, France, Holland, Britain and America.

Mr Cook believed South Africa's competitive position in coal exports was being diminished by increased wage demands and rising transport costs, while coal's current contract price levels were barely adequate to provide a return on existing investments.

Elaborating on the possible expansion of South Africa's coal industry, Mr Cook said the country had the port capacity, and would soon have the matching rail capacity, to export 53 million tons of coal a year.

However, further capital costs in expanding port facilities would have to be met by a rise of five to eight dollars per ton in FOB contract prices to make them economically viable.

Competition

South African coal was price competitive in Europe, particularly if the price of coal from current low-price producers in the Commonwealth of Independent States and Poland began to reflect the actual cost of production.

"The main potential competitor in volume terms is the US. Provided South Africa remains cost competitive with the US, its market share should at least be maintained for the foreseeable future." Mr Cook said. — Sapa.

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STAR 18/6/

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Michael McMahon

Export processing zones meet union opposition

BIDay . 18/6/92

(14G) (ISA)

EDWARD WEST

THE IDC report favouring the establishment of export processing zones has met with trade union opposition.

National Union of Metalworkers of SA (Numsa) spokesman Bernie Fanaroff said the union and its umbrella organisation Cosatu were against the establishment of the zones.

The IDC proposed that zones should be established by the private sector, but should include government incentives such as tax holidays, customs free product movement and business deregulation.

However, Fanaroff said the economy could not be rebuilt by cutting wages — implicit in the incentives offered by the zones. He said their establishment was a quick-fix solution to SA's economic woes.

Management in SA had been protected from foreign competition for many years. Particularly middle management saw their jobs as a disciplinary function without without practising long term solutions such as training, research and development and investment planning.

SA Chamber of Business spokesman Beth Robertson said Sacob supported the zones in principle, but their establishment would require a toleration of flexible business conditions.

The report said the creation of export processing zones could increase employment, manufactured exports and foreign investment. They did not imply state revenue would be reduced as was the case with economic stimulatory measures like reduced corporate tax, currency depreciation or reduced import tariffs.

It viewed the need for tax holidays in the zones — the details of which would require further research — as essential. However local firms would not be allowed to relocate to the zones.

Implicit in the benefits of the tax holiday would be a disqualification from GEIS, regional industrial development and other export incentives.

Customs-free movement of goods into and out of the zones should be permitted, except to the SA Customs Union where normal import duties would apply.

Local manufacturers would enjoy no natural protection against imports from SA zones with the result that existing tariff protection may have to be increased.

SA levels of business regulation were considered unacceptable in such a zone and research was required to determine what one could realistically deregulate.

Co-operation of the unions was required if zones were to operate successfully, the report said.

From the point of view of customs control, the IDC was of the opinion that decentralised zones — which allowed individual firms to operate as export processing zones — were undesirable. The fenced zone concept was supported instead.

The IDC also proposed a working group to further investigate the establishment of zones and which would also approve and ultimately control all zones.

SA exports oil to Madagascar

746 By IAN ROBINSON

S. Times (Bus) 21/6/92

SOUTH AFRICA has reduced its oil imports by drawing down its strategic oil stockpile and has also made its first export shipment of crude oil — to Madagascar.

The Amsterdam-based Shipping Research Bureau (SRB) reports in its latest newsletter that crude oil imports in recent months appear to corroborate official Department of Customs and Excise figures which show a decrease in "unclassified imports" by SA.

It is generally assumed that oil accounts for the bulk of these imports.

In October 1991 this figure was R628,6-million, but figures over the next four months remained below R400-million.

The SRB findings indicate that the country has been importing about half of its estimated crude oil import needs.

Identified tanker calls declined from about four a month in October to about two in February and March this year.

14

Brokered

Provisional figures for the monthly volumes imported have dropped from more than 900 000 tons in October to about 550 000 tons in February/March 1992.

In February the Geneva-based commodities firm Addax brokered the sale to Madagascar of 60 000 tons of oil every 40 days from SA, the SRB newsletter says.

SA waking up to the benefits of exporting

B/Day 23/6/93 '746

SA's need to become more export-orientated seems to be hitting home if the 40% growth in exports to Africa is anything to go by.

ABDG manager Paul Runge says last year SA exports to Africa were officially valued at R5,1bn but it is estimated that their true worth was twice this amount. Almost 70% of SA's total exports go to southern Africa.

Nevertheless, it is still commonly believed that SA is not dedicated enough to exports.

SA Breweries' Martin Neal says SA companies need to commit themselves to exports as a separate focus, not see it as an extension of their local business.

If SA companies are serious there is no reason they cannot become major exporters into Africa, given the tremendous shortage of many products.

Eskom's Ian McRae agrees that there is an inertia about developing export infrastructue, people and opereations dedicated exclusively to exports.

Hedge

Absa International's Pieter Louw says SA companies must have a part in the export market if they want a hedge against SA's economic cycle.

He says all too often SA companies lack a clear export strategy.

IMS Holdings' Jean Labesse says much of SA's customs regulation needs to be scrapped to encourage exports.

SA should immediately make all customs duties 15%, for example, in the way Chile did.

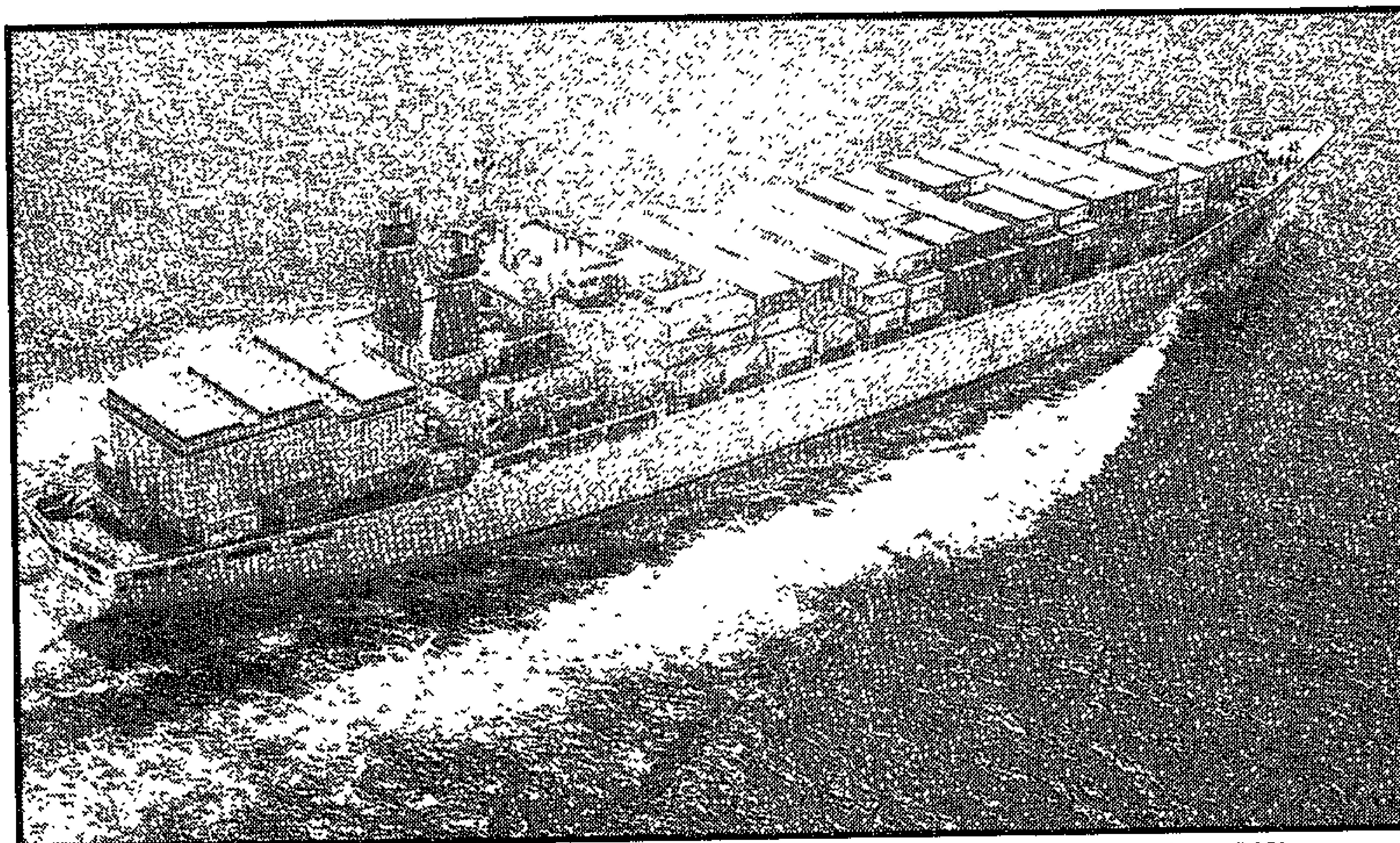
SA needs to open up its economy, stimulate competition and growth.

McRae says there is a plethora of government constraints to exporting, including certain tax laws and trade barriers as well as other financial controls.

He is confident government's approach will start changing, boosted by Finance and Trade and Industry Minister Derek Keys' background in the private sector and awareness of the need to promote exports.

On the company side Neal says marketing is the key ingredient for successful exporting anywhere.

"SA Breweries' philosophy is not to be commodity traders but brand builders. Even in markets which are underdeveloped, and even unstable, it is important to create consumer demand through marketing."



Exports to the rest of Africa grew by 40% last year and were estimated to be worth about R10bn.

SA exporters not going into virgin territory

B/Day 23/6/92 (946)

THE rest of Africa should not be seen as virgin territory by SA business, says IMS Holdings group export consultant Jean Labesse, a strong proponent of trilateral co-operation.

Given that only 15% of trade in Africa is between its own countries — the bulk being with Europe — and that strong ties with former colonial powers are an historical fact, he says it is naive for local businessmen to look at the rest of Africa as if no-one else has been doing business there.

"The French, British and Portuguse have been up there for years," he says.

Labesse believes financing and know-how are the two most important reasons SA companies should co-operate with Europeans on projects in Africa.

"South Africans are lying to themselves if they think they can provide basic knowledge or money to Africa.

"SA does not have enough of either for its own needs, never mind for projects across our borders."

SA can also not compete in research and development but should team up with Europe to tap into the knowledge and soft loans and financing they can provide, says Labesse .

On the other hand, Europeans can benefit by sourcing materials and services in SA. SA's edge is that it is part of Africa, it is close and its equipment is "Africa-minded", adapted to Third World conditions.

Understanding

Labesse says there is an understanding overseas that SA will be involved in southern African development in one way or another. SA is an integral part of the region and contact is inevitable.

SA is seen as a platform into the area.

Co-operation with local companies will also give foreign interests a foot into the SA market, which it has until now been barred from tapping.

There are clear signals that co-operation in Africa will increase in the next year or two, he says.

With more than 40 years ofexperience as the agent of European concerns in Africa, the IMS Holdings engineering, electronic and industrial group is the ideal middle man.

It comprises four technology-oriented business units, IMS Engineering, IMS Industrial Products, IMS Process Plant and IST, which operate autonomously in marketing, engineering, project management and service functions.

IMS Consult offers marketing and representation services to overseas business partners.

IMS acts as a catalyst, putting together projects and then finding the right partners. It is perfectly situated to draw on its presence in SA and its strong links in Europe

IMS recently completed an in-depth survey of project opportunities in sub-Saharan Africa. About 80 potential projects were identified with varying degrees of interest, says Labesse.

Decide

They will now be assessed and IMS will decide which are the best to tackle, in terms of likely funding, logistics and possible SA and European partners.

"The opportunities are everywhere — mining, tourism, exports," says Labesse.

But he says it is vital that both Europe and SA realise they cannot do it alone.

And if SA companies are realistic they will understand they will probably have to be minority partners in many projects, when co-financed by European bilateral soft loans.

Noristan hopes for a slice of the aid pie

BDay 23/6/92 (A82) 746

PHARMACEUTICALS group Noristan is keen to become involved with aid bodies such as the Red Cross and World Health Organisation, says export development manager Darryl Moss.

But until SA is accepted as a full UN member, local companies like JSE-listed Noristan will be boycotted by health aid bodies which spend bilions of dollars a year on medical assistance and products in Africa.

Their aid is the major part of many countries' health budgets.

In some cases, such as Mozambique, it is the only medical spending.

"This obviously represents a tremendous opportunity for us," says Moss.

Source

He is optimistic that the aid agencies are eyeing SA companies to source products in the near future.

Noristan already exports 51 pharmaceutical products to other African countries and about another 100 are in the registration process. The company has been exporting to Malawi and Zimbabwe for many years. It now also exports to Mauritius and Angola.

In the past two or three years Noristan has started expanding into other African countries. It has been identifying marketing partners, started registering products and setting up distribution channels in various countries, including Zambia, Congo, Zaire, Madagascar, Tanzania, Kenya and Burundi.

Moss says that within 10 to 15 years sub-Saharan Africa will be one common market of some kind.

"It makes sense to concentrate our African export efforts on countries likely to be part of that market."


DARRYL MOSS

Already Noristan is the only manufacturer of the raw material apririn in Africa. Its other fine chemicals are also successful exports to Africa and Europe.

"But dealing with finished pharmaceuticals is a totally different kettle of fish," says Moss.

Approved

For starters all products have to be approved by each country's specific health ministry and the registration process usually takes at least two years.

Besides Africa, Noristan has identified Europe and the Indian Ocean area as strategic export markets.

A self-confessed "Africa fanatic", Moss believes that Africa holds the most potential for success. Trade in sub-Saharan Africa could rescue the continent, he says. There are enormous opportunities for those who want them.

. The main areas for pharmaceuticals are medicines suited to the third world, such as antibiotics, analgesics, diarhoea medicines and malaria pills.

Noristan's main export markets are Malawi and Zimbabwe. In the past 18 months, Kenya has grown to become the third largest.

Moss says the world is one pharmaceutical arena, so Noristan finds the same competitors everywhere, namely large multinationals like Glaxo and Smithkline Beecham and local pharmaceutical firms like Adcock and SA Druggists.

French companies like Roussel have a huge presence in former African colonies, he says.

Competing with them is difficult but SA companies are used to high competition levels from local market where there are many competing for a relatively small market. SA is also a very sophisticated medical market.

Advantage

Moss says SA has a strategic competitive advantage in sub-Saharan Africa but it is difficult to convince other SA businessmen of this.

"Africa is seen as poverty-stricken, AIDS-ridden, and marginalised continent with no money. I suppose there's an element of truth in this but it is also a market of more than 453-million people with a 1989 GDP of $223bn.

"And they can pay if they want something badly enough."

To be successful it is important to try build long-term trust and good relationships.

"Africa is different," he says. "Business works very much on contacts, while Europe works more on the economic motive. In Africa there are few decision makers in business. South Africans need to know them and understand their country's politics, economics and social structure."

Trade relations with Angola are booming

M4G Beeld 23/6/92

FROM beer to prefabricated housing, from spare parts to office, equipment, SA products are reaching Angola in increasing quantities.

There has long been a connection through the diamond industry. Now the continent's industrial superpower is rapidly moving into what is being described as one of the most important markets in Africa.

The bitter years of enmity and hostilities have been consigned to history.

The market potential of a country which exports more than 500 000 barrels of oil per day (bpd) is not conveyed by the latest available trade figures.. In 1990, SA imports from Angola were negligible (R59 000) but exports reached R50m.

The lop-sided trade relationship could change. Apart from providing an outlet for Angola's oil (there is speculation that a substantial barter deal is in the offing), SAcould be an important market for Angolan fish-meal.

The country's oil sector is also a large market for SA companies. SA is a logical place from which to source all the consumer needs of a 10 000-strong oil workforce which requires regular delivery of fresh food and consumer goods.

The Standard Bank has had a representative in Luanda since the start of the year, and the group may be opening a branch later this year. Meanwhile, one of the companies with the highest profile is Murray & Roberts Construction. At the end of February the company signed a protocol with Cabinda province and the Angola government covering training in the construction and engineering industries, supply of prefabricated houses, schools and hotels, and a range of other services.

But one businessman with wide experience of black Africa urges caution: "No big decisions are being taken until the elections are over and there is greater certainty." — Financial Times

SA exports remain firm

CT 24/6/92

By ARI JACOBSON

SA's exports continued to firm after the dramatic fall in the first quarter of 1992, according to preliminary trade statistics released yesterday by the commissioner for Customs and Excise.

Imports increased and exports fell in the first five months of this year against the 1991 figure.

Exports for the five months to May totalled R27,3bn slightly down on the previous year's total of R27,9bn. Total imports for the five months of 1992 stood at R20,1bn against R19,5bn in the same period last year.

Old Mutual's economist Ursula Maritz pointed out that "the figures are very positive with exports remaining firm in the first two months of the second quarter".

This she put down to a combination of slightly better commodity prices and somewhat improved world growth.

"The balance of payments remains solid so from a policy perspective the focus will remain on inflation."

Among the 20 sections of exports listed by customs and excise — not one indicated a drop in exports.

Instead it was the category of "other unclassified goods and balance of payments adjustments" which was responsible for the lower export figure.

This section's value for the first five months of 1992 was at R9,7bn, against the corresponding figure last year at R12,8bn. SA Foreign Trade Organisation's (Safto) economist Bruce Donald said that "the poor performance of gold and platinum group metal markets could explain some of the weakness in this category, the extent of the decline suggests a balance of payments adjustment".

Base metals and articles of base metals made the biggest contribution to exports at R3,8bn followed by mineral products (R3,3bn) and jewellery (R3,1bn). Donald mentioned that most agricultural categories are booming in spite of the drought — because of the good season in the Cape, and better prices for SA products in post-apartheid international markets.

The import of machinery, mechanical appliances and electrical equipment made up the largest component of imports at R6,1bn. But Donald said that machinery imports was indicative of current replacment rather than the expansion of existing capacity.

Other significant imports were products of the chemical or allied industries at R2,3bn; vehicles, aircraft, vessels and transport equipment at R2,4bn and textiles and textile articles at R1bn.

DTI in R600m fraud probe

CT 25/6/92 (182) (14G)

Own Correspondent

JOHANNESBURG. — The Office for Serious Economic Offences was investigating a R600m fraud involving the Trade and Industry Department's motor industry Phase VI incentive scheme, office director Jan Swanepoel said yesterday.

He said the department and Reserve Bank were also involved in the investigation which followed the provisional winding up of Randburg export trader CET Trading in March.

Swanepoel said initial investigations showed alleged fraudulently inflated invoicing tc :nable the submission of false rebate claims to the DTI.

The office was also investigating the possibility that the proceeds of the exports were not repatriated.

The investigation did not only involve CET, but several other related companies, another spokesman for the office said.

The investigation was at a very early stage and the office had not yet started questioning parties allegedly involved in the scam.

The total amount involved was about R600m, he said.

Until the end of January, CET carried on business as an exporter of motor vehicle parts and accessories, in particular nuts and bolts.

CET allegedly bought large volumes of goods which it claimed were motor parts from SA manufacturers.

It had then exported these goods to a European distributor.

Bona fide rebate claims were then submitted to the department by SA motor manufacturing firms based on allegedly inflated invoices submitted by companies involved in the scam, the office spokesman said.

Export success boosts award winner

B/Day 25/6/92. (746)

Business Day Reporter

ONE of the business success stories of the year belongs to the A M Moolla group, former winner of the SA Non-Listed Company Award, which has secured the first major clothing export order by an SA company to the Commonwealth of Independent States.

The first contracts were air-freighted to Moscow to coincide with President F W de Klerk's visit to Russia earlier this month, and since then further contracts worth several million rands have been signed.

The Durban-based manufacturer made its first venture into the export field after winning the Non-Listed Company Award in 1988. The award, which is being sponsored again this year by Business Day, Arthur Andersen & Co and the Wits Business School, is made to companies which show initiative and entrepreneurial skill in meeting the challenges of business.

"Winning the award gave us credibility with foreign buyers, and improved our stature in the marketplace," says financial director Ebrahim Dhai.

However, it was not until March 1990 — after the unbanning of the ANC — that the group decided to "aggressively enter the garment export market".

It founded the Amm Export Corporation (AEC) and opened a marketing office in London. Despite the fact the move coincided with a recession, the group invested R5m in plant for the export market.

Contact was made in Russia with Alexandre Bagaev, MD of a "progressive business organisation, and an entrepreneur in every respect".

The outcome was a flying visit by the Russians to SA earlier this year. They liked what they saw of the export corporation. Sample ranges were sent to Moscow, and the deal was clinched.

Asked whether payments were being facilitated by the R100m credit line announced by De Klerk on his visit to Moscow, Dhai said: "Our plans were in place several months before then, and we are having no problems with payment."

Now the Moolla group has launched a larger export division.

Moolla group CE Sadek Vahed says the clothing industry can make a major contribution to economic growth through exports.

"Our survival depends on exports, and they hold the potential for job creation on a massive scale in a labour-intensive field like the clothing industry," he said.

● Non-Listed Company Award entry form — Page 7

COMPANIES

SA hosiery set to warm Russian legs

MARCIA KLEIN

RUSSIA is soon to become the recipient of millions of pairs of pantihose following a trade agreement with an SA company.

The SA Hosiery Company (Sahco), which recently bought Arwa and Burhose from W & A to become SA's major hosiery company, has secured a contract to export 12,5-million pairs of pantihose to Russia.

It also announced yesterday that it had signed a distribution agreement for its products to go to the Commonwealth of Independent States. B Day 26/6/92

The deals were concluded through a joint venture — Corona Trading — which was based in Moscow and in Johannesburg, and followed a month-long trip to SA by trading company Cinema Union Moscow's Andrei Bredikhin.

Corona had been exploring opportunites for both countries following the relaxation of sanctions, Sahco CE Allan Falconer said, and this was "the first of many similar opportunities that will follow".

Deliveries, which would start at the end of July, would be "secured by cash payments prior to each shipment", Falconer said. 746

He said this order was "a milestone in the refocused export strategy of Sahco arising out of the restructuring of the SA hosiery industry since Sahco took control in April this year".

Sahco's products had also been listed with two major European stores, and it had received a trial order from the US worth $200 000.

Falconer said SA hosiery prices were now world competitive, and the Russian business had been won against strong competition from Italy, Portugal and Turkey.

Sahco exported 17-million pairs in 1991. Export volumes to end-June 1993 were expected to reach 30-million pairs, which would bring it to full capacity.

☐ US company Sara Lee was believed to be the investor behind Sahco's R200m acquisition of W & A's hosiery business.

IDC chief outlines plan to add value to exports

BDay 26/6/92

746

MADDEN COLE

ADDING value to SA's natural resources is seen to be the driving force for economic growth by Industrial Development Corporation (IDC) GM Malcolm Macdonald, who believes this method could could earn the country billions of dollars in additional foreign exchange.

Macdonald told the Euromoney Conference in London this week that SA's economic policy was changing from inward-looking protectionism to an open market.

Import duties and quotas were being reduced and industries were being promoted in areas where they had an international competitive advantage.

"The country has remarkable natural resources and there are many opportunities for adding further value," he said.

A number of specific projects were being investigated, Macdonald said, some of which would start this year.

SA, already the world's largest producer of ferroalloys, had the potential to become one of the lowest cost manufacturers of stainless steel.

The recent joint venture between Highveld Steel and Samancor would result in a world-scale plant with a capacity of 300 000 tons a year.

The plant would be completed in 1996 and export earnings of $820m were expected.

The country's low-cost electricity, based on its abundant cheap coal, would give SA an international competitive advantage in aluminium production.

Electricity was the major input cost in aluminium production.

The proposal by Gencor, the IDC and Eskom to increase the capacity of the Richards Bay smelter plant to 600 000 tons a year from 170 00 tons a year at a cost of $2bn, would generate exports to the value of $980m a year.

Depending on the results of a demonstration plant being constructed, a full-scale plant, which would make the country self-sufficient in alumina, magnesia and potash, would be built.

Macdonald said SA would also become a significant exporter of magnesia and later of magnesium metal. The plant was planned to come into production in 1997, and would contribute $540m to the country's foreign trade account.

Macdonald said the IDC and Iscor were working on a project study to convert a portion of the iron ore exports to an end-product steel using a new iron-making process developed by Iscor in partnership with Voest Alpine of Austria.

This would further benefit SA, already potentially one of the lowest-cost steel producers in the world. The new $1,1bn steel mill, to be commissioned in 1997, would earn $350m in additional exports.

A preliminary feasibility study had been done for a world-scale petrochemical complex based on downstream processing of gas from the Mossgas fuel project which was being commissioned. Further studies were being done by Sentrachem and Engen with the IDC and a detailed proposal was expected by the mid-1993.

The bulk of the $4bn complex's output would be taken up for further processing domestically, with 30% being exported initially. Improvement to the foreign trade balance was estimated at $840m a year.

A national strategy had been approved to expand the infrastructure and accommodation in and around national parks to increase foreign exchange earnings from tourism to $1bn within the next five years.

The SA economy would receive a major stimulation from the implementation of the large-scale natural resource added-value projects in the pipeline.

The simultaneous change in the economic policy was directed at achieving sustained long-term economic growth that was essential for the future of the whole sub-continent, Macdonald said.

Performance linked export incentives 'justifiable'

(749)

CT 26/6/92

By AUDREY D'ANGELO
Business Editor

PERFORMANCE-linked incentives for exporters within an export processing zone (EPZ) would be more justifiable as a fair trade practice — when SA negotiates new trade agreements — than the present General Export Incentive Scheme (GEIS) or import tariff protection given as part of a structural adjustment programme, Standard Bank economists suggest.

They point out in their Economic Review that the way in which the State assists export promotion will be "crucial as SA renegotiates existing trade and investment arrangements with other countries and enters into new ones."

Discussing the need for export-led growth, they say the new regional industrial development policy (RIDP) which has replaced the old apartheid-inspired decentralisation policy will encourage exporters to locate in Cape Town and other ports.

"The new scheme is aimed at regional economic development rather than at spreading industry to rural areas. And it is a policy framework which the World Bank would call 'market-friendly' rather than one driven primarily by political imperatives.

"It is likely to boost the economies of smaller industrial centres, particularly in the coastal cities.

"The new RIDP will also complement other incentives. In this sense it should help to enhance SA's longer-term growth prospects as well as bringing about greater equity in the distribution of resources around the country."

Discussing the provisions of the new RIDP it says: "The new RIDP is based on the argument that markets evolve in areas where resources already exist. Industrial growth must therefore be promoted in areas where it is most likely to be sustained on the basis of comparative cost advantages."

It points out that while the PWV and Durban/Pinetown areas are excluded from benefiting from the new scheme — except for relocation grants for foreign investment projects — Cape Town is included.

"The SA economy is both small and open by international standards. Gross domestic product (GDP) in 1991 was R297bn, of which imports and exports accounted for 62%.

"The new RIDP is an integral component of generating growth with development because it is placed within a broader economic context than any of its predecessors.

"Specifically, the new RIDP supports a market-based view of economic development. It is imperative that the economy returns to the high growth path enjoyed in the 1960s if it is to be able to cope with current, let alone future, pressures.

"This becomes more of a possibility through a cost-effective, performance-linked, multi-sectoral incentive structure which equalises the spatial rewards of economic growth."

Export volumes down on May '91

JOHANNESBURG. — Close to 10m tons of cargo passing through South Africa's ports was handled by Portnet during May 1992 — but this reflected a 5,18% fall on in export figures from May 1991. CT 26/6/92 (744)

Portnet said 81,7% of the total tonnage of 9,5m tons was in exports while imports accounted for 15,4% and transhipments 0,8%.

May 1992's tonnage was 1,8% down on the volume handled in the same month last year.

Exports passing through SA ports decreased by 5,18% to 7,8m tons compared to May 1991 while imports jumped by 17,4% to 1,5m tons.

Thirty-seven more vessels than May (1 050) last year anchored at the seven SA ports.

Transhipment cargo also showed an increase of 34,8%.

Figures for the gross registered tonnage indicated a slight decrease of 1,78%.

Portnet also handled 74342 TEUs (six-metre equivalent containers) during May 1992 — 1,98% more than during May 1991 and 2,13% less than during April 1992.

Richards Bay handled almost all the country's exports, representing over half of all traffic passing through the ports.

Durban handled the second most cargo tonnage which comprised 20,7% of the total cargo.

Cape Town handled the next most cargo tonnage followed by Port Elizabeth, East London and Saldanha. — Sapa

Exports encouraging

WMail 26/6-2/7/92

Weekly Mail Reporter

ALTHOUGH down by three percent overall, export figures for the first five months of the year are quite encouraging.

South African Foreign Trade Organisation chief economist Bruce Donald notes that they underline the continued diversification of South African exports away from dependence on primary commodities, particularly gold.

Several manufactured exports categories did well, eg exports of transport products are up 53 percent.

Despite drought, agricultural products also did well, as did mineral products with a 20 percent growth in the face of weak international markets.

The recession was seen in the slowing of import growth to three percent, resulting in imports of R20,2-billion for the five months. However, the cumulative trade surplus of R7,1-billion for January to May 1992, although healthy, is 16 percent lower than for the same period a year ago.

BUSINESS

SA economy: Going, going ... almost gone

Wmail 26/6 – 2/7/92. 746 [redacted]

Times are hard now, we all know. The outlook for the rest of the year is scarcely any better. **REG RUMNEY** *reports*

COULD it be worse? While drought threatens to keep food prices high, more companies go to the wall, business and investor confidence flags, and consumers feel the pinch.

On the labour front low company profits take their toll in retrenchments, low wage offers and strikes. Protest marches down city streets seem to mirror the poor state of the economy as much as political discontent.

Sanlam's economic department in its latest *Economic Review* comments that the current downswing will become the longest since World War II.

The downswing has already lasted 39 months and indications are it could continue for a number of months yet, note Sanlam's economists. The longest recession previously was for 40 months, from September 1974 to December 1977.

Sanlam forecasts that for the whole of 1992 the economy will show no growth.

In the first three months of this year the measure of economic growth, the real gross domestic product (real GDP for short; it is the total value of all goods and services produced adjusted for inflation), dropped 1,9 percent. Latest economic indicators show this downward trend continued in the second quarter.

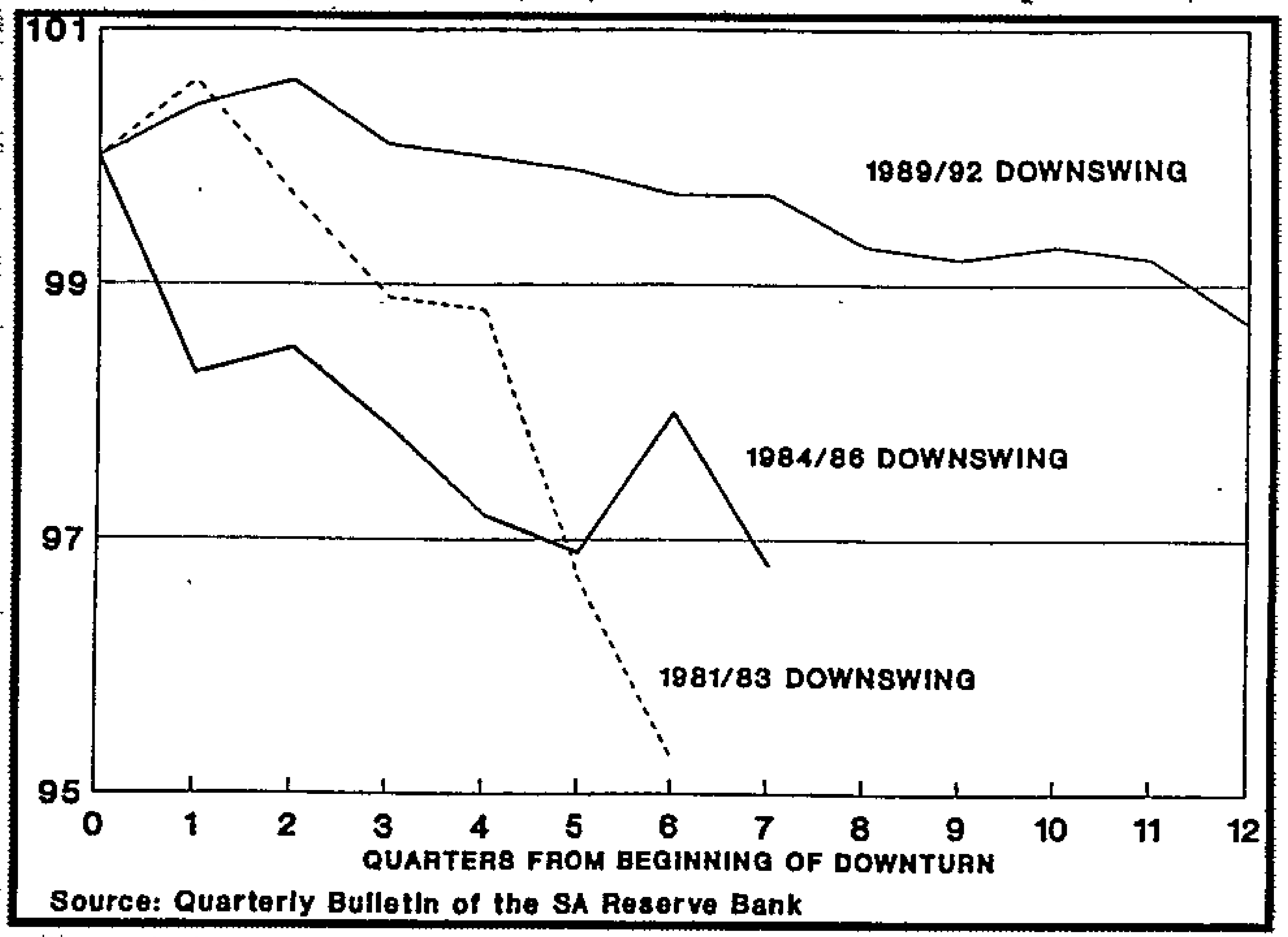
That sharp drop in growth in the first quarter and the serious drought make likely, says Sanlam, that real GDP for the whole of this year will show no growth.

"In fact, chances are that for the third time in succession there will be a decline in the total production of goods and services this year."

Rand Merchant Bank chief economist Rudolf Gouws concurs, predicting a fall in real GDP of half to one percent this year.

The Bureau of Economic Research (BER) in its latest manufacturing survey forecast GDP growth of "at best" 0,5 percent.

Standard Bank chief economist Nico Czypionka points out it is difficult to arrive at anything like exact figures, but growth could be anything from zero to slightly negative.



Change in GDP since the beginning of downturn phases ... So far it has been the longest, if not the deepest recession of the Nineties. But things have taken a turn for the worst

What makes economists' pessimism convincing is sheer logic: even if there is a recovery now it will probably not be strong enough to do more than make up the ground lost in the first quarter.

Drought has affected agricultural output, and economic indicators such as new car sales underline the drop in consumer spending.

New car sales for the first five months of this year were 13 percent below the same period last year. May new car sales were 19,3 percent lower than May last year.

According to the latest BER trade and commerce survey, increasing unemployment and consequently a lower total wage bill, coupled with high personal taxes and inflation will put consumer spending under pressure.

"Consumer spending will therefore not be particularly buoyant during 1992, and we forecast marginal growth in real terms. Per capita consumer spending is forecast to continue declining during 1992," the BER concludes.

The BER expects employee remuneration to increase by about 13,5 percent this year, compared to 15,5 percent last year. Total personal direct taxes are expected to rise by about 21 percent and consumer prices by 14 percent.

While companies and consumers tighten their belts, union militancy puts labour on a collision course with employers. The bosses in the main cannot fulfil union expectations.

Gouws points out company liquidations are around 45 percent up on a year ago. He adds that earnings of industrial companies, after taking into account inflation, are around 15 percent lower than they were a year ago.

"For labour to expect no retrenchments and substantial wage increases is unrealistic."

As the BER puts it somewhat obliquely: "Wage negotiations between labour unions and employers are also not characterised by a large degree of consensus, which may even lead to further unemployment."

Consumer confidence, it notes, remains relatively pessimistic — and the survey was completed before the present political breakdown.

Among all this bleakness come the trade statistics for the first five months of the year. These show exports down by three percent, unadjusted for inflation, at R27,3-billion

This probably is not as gloomy as it looks. It seems, according to South African Foreign Trade Association economist Bruce Donald, to be the result of a 24 percent drop in the "unclassified category" of exports. The poor performance of gold and platinum group metals could explain some of the weakness of this category (along with armaments), but Donaldson believes [illegible] an ad'ustment in South ber of months yet, note Sanlam's economists. The longest recession previously was for 40 months, from September 1974 to December 1977.

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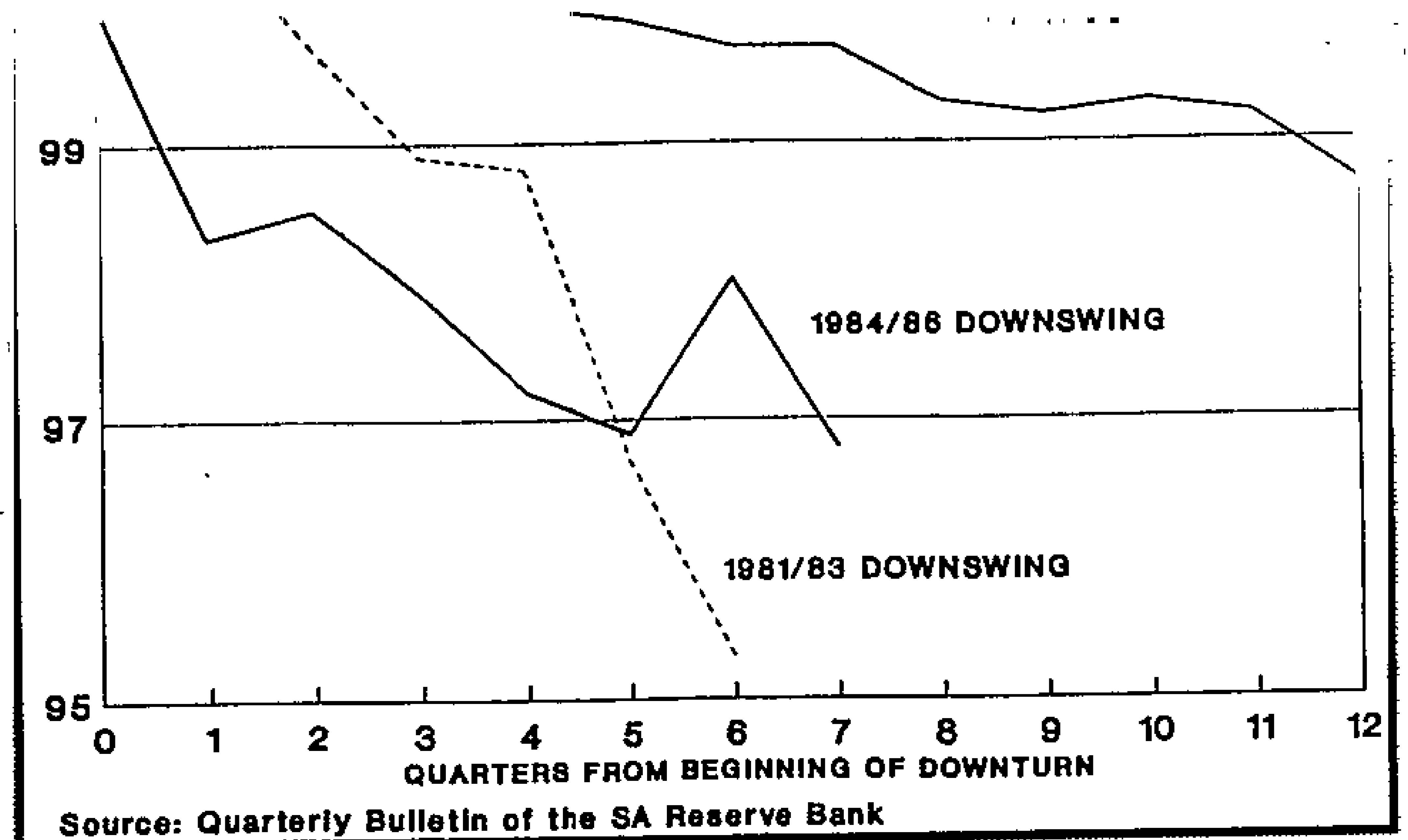

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Most other export categories show growth.

The relatively good export performance must be seen against a background of a world economy still hesitantly crawling out of recession.

The US is emerging from recession, according to the BER manufacturing survey, evidenced by a growth in its GDP for the second consecutive quarter. The UK economy is showing signs of recovery, but Germany and Japan are still in recession.

The BER expects exports to be the main stimulant to growth, supported by a depreciation in the rand. Added to this, it foresees lower interest rates in the second half of this year and the beginning of next year.

The BER trade survey, however, shows that wholesalers and retailers have reported more sales recently than a year ago, and this could indicate better things to come.

Again, the survey was completed before the present political impasse. That has knocked business confidence for a loop. A political settlement remains the key — with the world economy — to growth next year, if not this year.

Export growth is 'crucial for the new SA'

746

HILARY GUSH

ECONOMIC policy in the new SA will have to focus as never before on the export sector, and a public/private sector partnership in export will be essential, according to Safto and industrial research group BMI.

Bday

Safto and BMI are involved in a joint research project to identify the private sector's views on future export performance. The central issue under study is the development of a true export culture. Issues such as fiscal and monetary policy, industrial policy, export infrastructure and export promotion will also be covered. The research will also evaluate current and future export support structures.

While SA manufactured goods exports are growing rapidly, Safto believes non-gold exports must reach about R90bn a year by the mid-'90s to achieve the levels of economic growth a restructured society will need.

30/6/92

The project aims to provide key inputs in strategic export planning to participating companies. Broad policy guidelines will be submitted to "any economic forum or similar structure that may emerge as part of the negotiating process in a new SA".

Last October Safto forecast 5% real export growth — growth after inflation — in 1992. In February this was revised to 3%. Exporters ranked the uncompetitive prices of SA goods as the major obstacle to increased exports.

SANS plans 15% boost in exports

74CT CT 3/7/92

By MAGGIE ROWLEY
Deputy Business Editor

IN SPITE of the global recession exports by South African Nylon Spinners are expected to rise by a further 15% to R140m during the current financial year, says MD Peter Boxall.

In an interview, Boxall said exports had proved to be the "lifeblood" of the company, and had helped offset the drop-off in domestic demand and avoid retrenchments during the country's longest post war recession.

Without exports, says Boxall, SANS' plants would be running at only about 65% of capacity "which as any manufacturer in this business knows is too low to run a profitable organisation".

Tax burden

However maintaining export markets and stimulating further growth required a commitment to investment for growth.

"And this is where South Africa is at a disadvantage as the rewards on investment are negatively affected by the country's relatively high corporate tax burden.

"This coupled with a consistently high rate of inflation and the current structure of tax allowances results in a substantial premium for SA corporations and limits our ability for growth in the export market.

"These factors undermine the viability of certain capital investments and SANS has had to put off a number of projects as a result.

"And we can show that given the equivalent plant and operating costs these projects would have rendered a good return on investment in almost any other country.

"Unless this situation improves, not only will it discourage foreign investment in SA but it could see a number of local industries moving plant offshore," he warns.

Boxall said in spite of these restraints SANS has historically invested in plant ahead of growth in domestic demand.

"In the early days we allowed 10 to 15% of capacity for export but now we are looking at specific investments for identified export growth areas. But this again will be limited by the present tax environment."

Exporting to 35 countries in Europe, Australasia and Africa SANS is now back actively re-establishing itself in the US after six years of sanctions. Prior to 1986, the US market had been its largest export area but this had been lost overnight and alternative markets had had to be found.

"This re-entry will be slow, but there is great potential for growth without upsetting the major players over there."

When SANS first entered the export market in 1980, it was with a short-term perspective and on a marginal selling basis to fill plant capacity.

"But we learned an enormous amount, most importantly it improved our awareness of global markets and product development and has enabled us to keep a much more stable employment rate.

"In recent years we have begun moving away from marginal towards fully competitive returns. In other words we are striving to produce competitive products for competitive returns so that we can reinvest for future growth," he says.

Low labour costs

South African exporters, he says, have one common advantage over competitors, namely a combination of moderate labour and energy costs and available technology.

"This allows us to fill gaps vacated by big players who have gone more high-tech looking for larger markets. This advantage will remain as long as labour costs in SA remain competitive with Western countries."

Another negative for export growth, he said, was that currency movements in recent years had not kept pace with inflation with the rand remaining fairly stable in the face of high inflation.

"We believe the rand is ultimately overvalued and there is a fair amount of room for depreciation.

Wesgro lauds export-zones move

744 CT 3/7/92

Business Staff

THE government's recent moves towards considering export processing zones were to be welcomed, says David Bridgman, executive director of Wesgro.

Bridgman said the Western Cape had long asked for such a programme and the present initiatives stemmed from a report prepared on this subject by the Western Cape interests under the auspices of the Regional Development Association.

"What has been called for is a policy based on export processing units whereby individual factories or product lines could be declared export processing zones. This policy, common in a number of faster growing economies such as Taiwan, Mauritius and large areas of central and southern America, relies on computer-based control mechanisms to avoid leakages of goods imported duty-free on to the local market.

"It is regrettable that the South Africn Department of Customs and Excises does not believe it has the capacity to implement such controls.

"However centralised export processing zones must be seen as a first step in the right direction."

Bridgman said there was no doubt that if SA was to pursue a policy of increasing export competitiveness it would be essential to create areas within SA where goods could be imported for processing and subsequent re-export without the imposition of duites.

"Export processing zones offer a vehicle to achieve this purpose."

He said that with the Western Cape's higher exposure to foreign trade and its traditional emphasis on quality products with a higher skill content, all moves towards supporting manufactured exports would benefit the Western Cape economy significantly.

ducts SA can buy are coffee, tea, cashew nuts, curios, sisal, soda ash, salt, fruit, cut flowers and soya beans.

Kenyan import duties range from 5% to 70%, but are about 35% on average, says a customs and excise official.

VAT of 18% is applied on imports, but it is zero rated or exempt in some cases.

Importers require licences to bring in goods. The allocation of licences is divided into orders of priority.

There is some concern among SA exhibitors about festival will attract further trade and tourism interest in Kenya among SA businessmen," she says.

The festival aims to make a statement about modern Kenya and show the rich variety of art and culture in its mixed society.

The project is expected to cost about $500 000. Lady Wood leaves this weekend for London and New York to raise funds. She will speak to the Rockefeller and Ford foundations. She is also looking for SA sponsors.

US Expo for Johannesburg

S/Times (BUSS) 5/7/92

By ZILLA EFRAT

A MADE in the USA exhibition will be held in Johannesburg in May.

About 200 American companies are expected to take part. Show organiser David Altman says it will be the largest US Expo in Africa.

It is expected to attract businessmen from SA and other Southern African countries, including Kenya and Tanzania. It will be marketed to more than 35 000 companies in the US, says Mr Altman.

Mr Altman has already received more than 100 serious inquiries from US companies.

He says the exhibition at the World Trade Centre has the backing of Amcham (US Chamber of Commerce).

Mr Altman, who put together this week's Contact Kenya show, is also organising a SA pavilion at the biggest exhibition in Africa, the Cairo International Fair in April next year.

He expects about 100 SA companies to take part in the two-week fair, which is usually visited by a million people, mostly from the Middle East and North Africa.

The fair is expected to have about 1 700 companies exhibiting and there will be 31 national pavilions.

Mr Altman says the show will be launched to SA businessmen in September. The SA Government has indicated support.

In other developments, Mr Altman says he has been officially approached by officials from China to mount an exhibition in Beijing or Shanghai.

He is also involved in discussions with the governments of two East African nations and an Indian Ocean island to help them market their countries to SA.

Better deal in pensions, but . . .

S/Times (BUSS) 5/7/92

By JULIE WALKER

A SPELL of high investment returns has allowed pension funds to increase benefits to members, says Sanlam's biennial survery on retirement.

But, says actuary Chris Bosenberg, employers are shifting away from having an open-ended liability in the three-legged equation determining final benefits. This means final pensions are not defined years in advance.

Pension on retirement is mostly based on a formula. The pension relates to the number of years' membership of the fund, multiplied by a salary figure.

Abuses

The norm used to be the average salary over the last three years, but this has been improved to two years or shorter in two-thirds of the funds surveyed. Only 2% of funds base the formula on the average of the last five years' service.

Mr Bosenberg says 11% of funds indicated they were considering changing from a defined benefit system to one of defined contribution. This would limit employers' liabilities to the pension funds and is seen as a reflection of their concern about future economic risks.

About half of the 756 invited funds responded to the survey, resulting in a 330-strong pension fund sample. A total of 99 provident funds replied.

The survey's objective is to allow employers and trustees to compare their benefits with those of other funds.

The survey observed certain trends when compared with the previous one in late 1989.

There has been a swing to providing the same benefits for both males and females. A smaller reduction factor is applied when early retirement is taken in good health.

Spouses' pensions have generally improved, as have disablility income benefits. They are more widely based on a percentage of salary rather than past or potential service.

Fringe benefits are being increasingly incorporated in pensionable remuneration. Companies are also adopting policies on AIDS.

Funds provide for greater future increases in pensions in the course of payment. Finally, there is a strong move to enhanced withdrawal benefits — previously the last in line.

Mr Bosenberg describes as near criminal a company that retrenches employees and does not pay its contributions to the fund to the departing worker.

CHRIS BOSENBERG: Companies worried about the future

Mr Bosenberg lists some abuses in the past — and no doubt now New York's municipal employees boosted their pensions, which were based on the final year's salary including overtime, by fictional overtime entries. The increased pension liability almost bankrupted the city.

In SA, government employees' pensions were based on the last month's salary in addition to the lucrative buyback scheme. In some cases, people were promoted to absurd positions and salaries before retiring.

SA prefabs for export

S/Times (BUSS) 5/7/92

74G

By DON ROBERTSON

ENTERPRISING businessman David Poole plans to export SA-made prefabricated houses to Europe and the US.

Using an A-frame design developed by his company, PMM Holdings, Mr Poole plans to market the houses in Britain for £65 000 a single unit and £100 000 a double unit.

Mr Poole says this is about half the price of a modest brick house. The price includes shipment from SA.

Ahead of an international marketing programme, orders for two houses have been received from the UK and eight from Los Angeles.

The Country Lodge houses consist of a lounge, bedroom, shower, kitchen and upstairs recreation room. By adding a second A-frame module with connecting walkway, a four-bedroomed house can be built.

The prefabricated houses will be delivered to the site and put up by an SA team on a concrete slab in about three weeks. The houses are equipped with all electrical appliances, made in SA, and the windows have double glazing.

Underfloor heating is provided by solar panels. There is generous cupboard space and each house has a hi-fi system.

Local content is about 95%.

Thatch is protected by a fire-proof coating material, developed by the company. The walls consist of plywood, polyurethane and gypsum board.

The design and specifications comply with UK building regulations and qualify for bond financing and insurance.

Mr Poole has received help from the Department of Trade and Industry. It will help him to take part in international exhibitions.

A plot has been acquired in the UK on which a permanent show house will be built.

Kitchen to cost R18m

AIR Caterers, a joint venture between the Fedics group and Swissair, is to build an R18-million kitchen at Jan Smuts airport to cater for the expected increase in tourism.

COMPANY ROUND-UP

PRELIMS	Turnover (Rm)	% change	Profit before tax (Rm)	% change	Earnings a share (c)	% change	Div a share (c)	% change

Europe opens door, but entry difficult

746

St Times (Buss) 5/7/92

Europe may be South Africa's oldest and largest trading market, but it should not be taken for granted. ZILLA EFRAT reports.

A TRADE war is brewing as Europe prepares for a single market next year.

Sacob deputy director general Ron Haywood expects the international trading arena to be the battlefield of the 1990s.

Most countries have realised that the key to economic growth is to add value to their products and increase exports, says Mr Haywood.

A prime target will be the European Economic Community, due to become the world's largest trading bloc.

Door

John Mogg, the EEC director general for international markets and industrial affairs, says: "The door to Europe will be open, but we will not just let you walk in."

SA has long had its foot in this door. More than half of its total trade is with Europe and seven of SA's top 10 trading partners are European.

Europe accounts for about 50% of foreign investment in SA and more than 60% of SA's technology agreements.

SA was forced by sanctions to lower its profile in Europe. Its image in this market was also dented by bad publicity.

Mr Haywood says that to succeed in Europe, SA will have to re-sell itself. Companies will also have to view it as a new market with new challenges and opportunities.

"With all the excitement of the many new markets opening up to SA, exporters must not forget to increase old ones like Europe."

Many SA companies, especially large ones, have been active ahead of expected growth in the EEC market. They have set up operations in Europe and are complying with its standards and specifications.

Already a market of more than 320-million people, the EEC could expand to between 400-million and 500-million. Trade barriers against the seven European Free Trade Association (Efta) countries will be lifted next year.

In addition, several Efta nations have applied to join the EEC. There is talk of admitting Poland, Czechoslovakia and Hungary by the year 2000.

The removal of trade barriers between EEC members next year should improve economies of scale and increase competition among producers.

Growth

Over time, the single market is expected to result in a 4,5% growth in EEC gross domestic product, 1,8-million new jobs and a 6% fall in prices.

SA Ambassador to the UK Kent Durr says trade and aid relationships with the EEC may largely hinge on SA's classification in the common market.

SA is classified as an industrialised country — along with the US, Canada and Japan.

Mr Durr says this is something to be looked at because some nations with higher per capita incomes than SA qualify as developing countries and receive privileged access to the EEC.

He says co-operation and trade will probably have to be formalised in a bilateral trade agreement.

The single market will mean a common tariff on imports to the EEC and a freer flow of goods across member states' borders.

Webber Wentzel trade partner Leora Blumberg says there is a fear that the EEC could become more protectionist. Signs of this have appeared in General Agreement on Tariffs and Trade negotiations.

Areas of concern include stringent environmental controls and health, safety and packaging requirements.

Miss Blumberg says that implementation of anti-dumping legislation and public procurement legislation favouring EEC producers are potential barriers.

Mr Haywood warns that Europe can become a "fortress" against SA manufacturers which do not meet its standards and specifications. But once a product is in Europe it will have to comply with only one standard and not 12 — the number of EEC nations.

RON HAYWOOD: Battles ahead

He says the easiest way into Europe is through joint ventures or takeovers. That will allow advantage to be taken of a ready-made springboard in the EEC.

Small and medium companies are advised to link up with partners and find the "right" distribution network.

Gateway

Because of the size of the EEC market, SA exporters are better off looking for niche ones.

Mr Durr believes London is the most convenient gateway to the EEC for SA companies. It is the financial capital of Europe and has been SA's major business partner for most of the century.

There is a surge of UK interest in SA. No fewer than 16 sponsored trade missions and delegations from the UK plan to visit SA in the next year.

Miss Blumberg says: "If the challenges are met and possible dangers are recognised, SA stands to benefit a great deal from the opportunities offered by the single EEC market."

SA accused of dumping ferro-silicon

STAR 10/7/92

BRUSSELS — The European Community Commission is to start an anti-dumping probe of ferro-silicon exports from the People's Republic of China and South Africa.

The probe follows complaints from the Liaison Committee of Ferroalloy Industries in the European Community. It represents around 80 percent of EC producers.

Ferro-silicon is a raw material used in steel production.

Dumping by the two countries had caused European producers of the material to shut down as imports took a bigger slice of the market, the industry association said.

Imports of South African ferro-silicon into the EC in 1991 rose to 17 000 tons, about three percent of the EC market, from 4 000 tons, or 0,7 percent, in 1988.

EC imports of Chinese ferro-silicon rose a comparable amount, to 21 000 tons from 4000 tons, during the same period.

The South African dumping allegation is based on a comparison between domestic prices there and those of its exports to the EC. China's export prices were compared with export prices in other countries that produce the raw material.

The EC already has ferro-silicon anti-dumping duties in force against imports from Norway, Sweden, Iceland, Venezuela, Brazil, Russia, Georgia, Ukraine, Kazakhstan, and the republics of former Yugoslavia.

Egyptian Ferro-Alloys Co. recently avoided dumping duties by promising the EC Commission it would raise import prices.— Sapa-AP.

SA ferro-silicon exports face dumping probe

JONO WATERS 74G

THE European Commission said yesterday it would launch an anti-dumping probe of ferro-silicon exports from SA.

The probe follows complaints from the commission's liaison committee of ferro-alloy industries which represents about 80% of producers.

There are two producers of ferro-silicon in SA — Samancor and Highveld Steel. Neither publishes the volumes it exports.

Contacted yesterday, Samancor MD Hans Smith said he had seen the report of the probe.

He does not believe, however, that Samancor is dumping the alloy. He says the volume of Samancor's exports to the EC is minor.

BDAY 10/7/92

Highveld Steel's Rand Carbide reduced ferro-silicon production to 70% of capacity in February and then to 45% in November last year due to oversupply of alloys from the East European and Chinese steelmaking plants.

Transport costs 'block SA export growth'

BDAY 10/7/92 (746) (RP) (RG)

EDWARD WEST

THE cost and availability of transport is rated as a major obstacle to SA's export growth, a recent SA Foreign Trade Organisation (Safto) survey has found.

The survey, which polled SA's leading exporters, also cited uncompetitive prices, lack of foreign demand and the unfavourable rand exchange rate as obstacles to export growth.

Some exporters complained that inadequate physical infrastructure added to their transport costs. Future investment in infrastructure would be critical to long-term export growth if likely future trends in the distribution of SA's external trade were taken into account.

National Association of Private Transport Operators executive director Andre Jacobs said the transport sector had not been utilised effectively to maximise export-led economic growth. Protectionist policies had allowed too many inefficiencies. A cohesive strategy was needed to export at as low a cost as possible.

SA's transport input costs were among the highest in the world. Factors which contributed to the sector's 28%-30% annual inflation were taxes, labour costs, and vehicle costs which had doubled every three years.

Road Freight Association spokesman Mike Alistoun said monies collected from fuel and other transport taxes were not reinvested in transport infrastructure. Nothing short of subsidisation could lower the cost of transport to the coast.

Jacobs said Transnet had also adopted a strategy to maximise its returns in the transport of commodities where there was no other competition. A ton of coal could be mined for R12-R13, but cost R15-R16 to rail to the coast from the Transvaal.

□ The transport of goods by non-government institutions during February 1992 fell 2,6% against February 1991, latest Central Statistical Service figures show. The number of carrier units fell 8,9%, the number of operating days fell 3,3% and the number of employees fell 7,3%. However, the total number of kilometres travelled increased 19,3% and total transport earnings rose 13,2% to R376,5m from R332,5m.

SA drive for East Europe trade

S Times (BUSS) 12/7/92 (74G)

Expoi ċ opportunities in Eastern Europe are numerous, as are the; pitfalls when dealing in this market. ZILLA EFRAT reports.

EASTERN Europe came under the spotlight this week.

Safto launched its Europe business development programme for the region.

In addition, 28 South Africans are in Moscow setting up stands for this week's Sovex '92 exhibition.

This all-SA trade show will be visited by a Safto mining delegation which left on Thursday. It will attend a mining seminar in Moscow and visit Russian mines.

There have also been a host of business missions to Eastern Europe in the past few months and trade delegations from these countries to SA. The Eastern Europeans are considering SA involvement in projects from road making to building.

Safto business development executive Pam Murray says Eastern European countries seem to have a special rapport with SA. They were the first to open relations with SA after political change got under way.

Trade with Poland, for example, jumped from R30-million in 1990 to about R150-million in 1991. It has reached close to R250-million this year.

SA has signed agreements with four Eastern European countries and several of them have opened diplomatic offices here.

Mrs Murray says one reason for the good relations is that Eastern Europeans understand the changes SA is going through because of the reform processes in their own countries.

Safto International division manager David Graham says that before the overthrow of communism, the economies of Eastern European were centrally planned, as were their foreign trade dealings.

Most external trade was done through the Comecon trading bloc which co-ordinated what each country would produce and sell to the other. Often one country was the sole supplier of a product for the rest of the bloc.

As a result, communist countries became highly dependent on each other and did not earn hard currency.

Huge shortages in many products have arisen and Eastern European countries are eager to diversify their trading partners.

The road to reform has not been easy for them. It has led to economic decline, large-scale unemployment and soaring inflation, as well as high alcoholism and suicide rates.

Decades of central rule have left a legacy of outdated plant and equipment and serious environmental problems.

In addition, infrastructure is in dire need of modernisation and the policy of full employment in the days of communism has rendered Eastern European enterprises overstaffed, inefficient and unproductive.

The emphasis of the past on heavy industries and arms has left few consumer goods areas well served.

In the former Soviet Union, only 0,1% of investment went into the production of consumer goods. This has resulted in huge pent-up demand for consumer goods in a market of 124-million people.

The modernisation process has opened opportunities for second-hand SA machinery and equipment and for technology.

Potential SA exports include raw materials, minerals, fruit, vegetables, canned foods and medical equipment. There are considerable opportunities for co-operation in the engineering, mining, food processing, chemicals, telecommunications, banking and insurance fields.

SA companies will also be able to benefit from moves to upgrade infrastructure and the forecast growth in tourism.

Advantages for SA exporters are that brand names are not strongly established and some of Europe's more sophisticated products may be too advanced for this market.

Eastern Europe is also a stepping stone to the European Economic Community which has granted Poland, Czechoslovakia and Hungary associate membership.

In the past, huge centralised bureaucratic State corporations handled each country's foreign trade.

Many State trading companies are still in place, but entrepreneurs are emerging as foreign trade becomes decentralised.

Mr Graham says some entrepreneurs may have been linked to the State corporations in the past. It is, however, difficult to check their records because of the poor standard of information available — a factor which inhibits thorough market research in Eastern Europe.

Eastern Europe governments should not be overlooked as buyers. Although there are strong moves to privatisation, it will not happen overnight. For example, only 50% of Polish companies will be privatised by 1995.

Hindrances to trade with the region include bureaucratic decision making and differences in language, business and culture.

Management, sales and marketing skills are poor and there is a lack of historical commercial statistics.

Mr Graham says SA companies will need legal representation in the market.

"The key is to find the right entrepreneur. When you do find him, do not rush in and sign an agreement. Let him prove himself first."

Mr Graham says the market requires perseverance with frequent trips and attention paid to personal contact.

Of particular concern to SA exporters has been the issue of payment.

However, Absa Bank senior manager Johan Stander says payment can be secured through a confirmed irrevocable letter of credit through a reputable European bank. Several SA banks will add confirmation.

Unlike Africa, Eastern European countries have the potential to earn foreign currency.

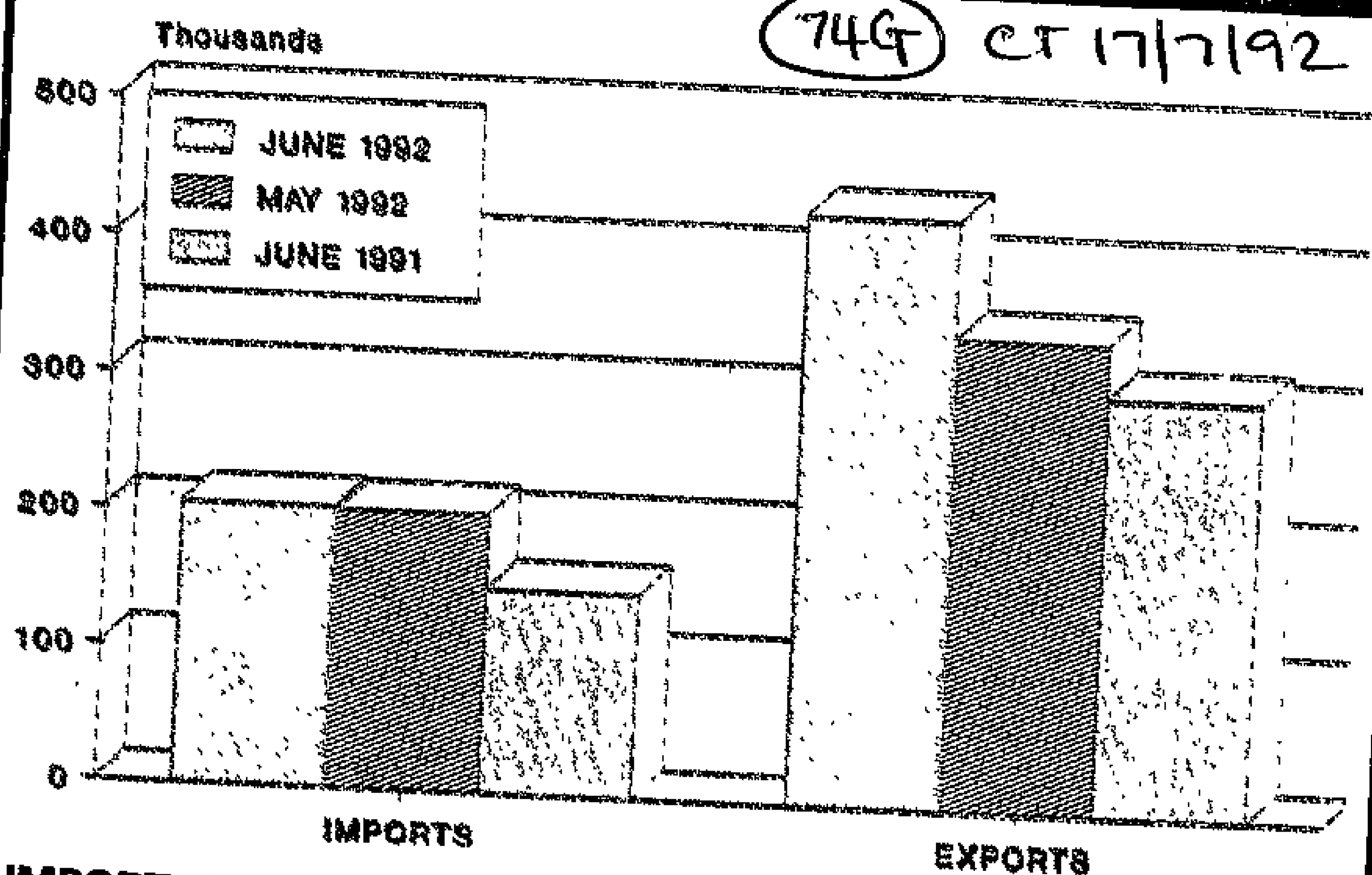
Mr Stander says not one Eastern European country has defaulted by a day on any letters of credit for SA business.

The major markets with forex potential are Poland, Czechoslovakia, Hungary, Romania and Russia.

Mr Stander says SA exporters could gain a comparative advantage by offering Eastern European customers 180-day financing.

PORTNET TONNAGE FOR JUNE

(74G) CT 17/7/92



IMPORT AND EXPORT VOLUMES ... The port of Cape Town continued to grow busier last month, with total cargo handled rising to 688 055 tons — 11,8% more than in May and 26,3% more than in June last year. Exports were 24,7% higher than in May, at 430 562 tons, and 40,7% higher than in June last year. Imports were 0,9% higher than in May, at 205 575 tons, and 37,7% higher than in June last year. But the rise in exports was due mainly to the record crop of deciduous fruit in the Western Cape. A spokesman for Portnet said exports of manufactured goods were not rising. Exports of clothing and textiles from Cape Town appeared to be dropping. Exports from Cape Town between April 1 and June 30 totalled 1 088 181 tons compared with 1 040 373 tons in the same period last year — a rise of 4,6%. Imports during the three months totalled 650 821 tons compared with 560 457 tons in the same period last year — a rise of 16,1%.

SA exporters need to strengthen vital South American links

746

Business Staff

ARG 18/7/92

SOUTH African exporters should build on links with South America which go back millions of years to the time when the continents were joined, says Dr Francisco Benard, founder of the Southern Africa-South America Trade Association (SASATA).

Theories developed at the beginning of the century show that millions of years ago the continents were linked in one huge land mass called Gondwanaland.

Though America and Africa have drifted apart since, there's no reason why businessmen on the two continents should not get together, says Argentinian-born Dr Benard. For too long, he says, South African exporters, like their South American counterparts, have thought the only worthwhile markets were in the northern hemisphere. "Yet South America is a market of 250 million people. Argentina is about 2,5 times the size of South Africa and Brazil about 3,5 times the size of Argentina."

Geological and climatic features common to both continents have created business opportunities particularly in mining, agriculture, fishing and tourism, he adds.

With the creation of the vast Mercosur market between Brazil, Argentina, Uruguay and Paraguay, the way is open for increased trading across the Atlantic. Technology transfer from South Africa to Argentina, he says, has a particularly high growth potential, in areas as diverse as oceanography, electronics, food production and textiles.

LEN VAN ZYL: Challenges

Big tasks for new boss at Safto

(746)

S/Times (Busse) 19/7/92.

By ZILLA EFRAT

SAFTO chief executive Len van Zyl took up his post this week not short of challenges.

Safto's tasks of educating exporters and enhancing their productivity are at least as important as export promotion, Mr Van Zyl says.

A major challenge will be ensuring that SA makes up a huge export backlog — a legacy from the sanctions era when other countries captured many of its markets.

"To do this we will have to be smarter in marketing our products."

Mr Van Zyl, who has been called the "Godfather of SA advertising", returned recently after three years in an advertising position in the US.

He says SA will have to balance its world markets.

It should spread its risks between the sophisticated industrialised countries which are able to pay for their imports and poor emerging markets like those in Africa.

Although SA has done well in primary and secondary products exports, it has not been successful in selling consumer goods. A major reason was sanctions.

But Mr Van Zyl says the consumer market offers SA exporters vast opportunities.

"There is no reason why a country which produces the right quality products at the right price should not succeed in these markets. This is how Far East countries made it in North America."

Export zones boost jobs and investment

746

SI Times [Buss] 19/7/92

By CIARAN RYAN

THE establishment of export processing zones (EPZs), as recommended by the Industrial Development Corporation (IDC), is expected to boost employment and foreign investment.

SA will have to compete for capital with 350 EPZs in 40 countries.

These countries offer tax holidays, cheap labour and incentives.

The IDC says EPZs are only one instrument in many policies for export development, import reform and deregulation.

The IDC report leans heavily on the performance of EPZs elsewhere. The economic miracles of Taiwan and South Korea began with EPZs in 1966 and 1970 respectively. Many other developing nations set up EPZs.

In the Caribbean Basin EPZs accounted for two out of every three jobs created in the past five years, but in Africa they have had mixed success.

The Mauritian EPZ programme was a success, according to the Development Bank of Southern Africa (DBSA). In fewer than 10 years Mauritius moved from 22% jobless to full employment. EPZ companies employ half the island's workforce and generate 70% of its foreign-currency earnings. They account for 10% of gross domestic product (GDP).

But EPZ initiatives in Liberia, Senegal and Zaire have failed.

Political stability is an important determinant of success in EPZs. Nicaragua's EPZ lost all of its investors. Others in Ecuador, Zaire and Western Samoa failed to attract investors.

A World Bank study of 60 EPZs found that 60% were successful in terms of job creation, exports, type of investors attracted and problems encountered. The study found that 10% were partially successful and 30% unsuccessful.

In spite of the present absence of a political settlement, an EPZ should succeed because of SA's relatively developed business sector and infrastructure.

The World Bank says factors which distinguish successful EPZs from the unsuccessful are:

- A clear investment policy, allowing 100% foreign ownership and guaranteed profit and capital repatriation.
- Restriction-free and duty-free access to imported raw materials.
- Rapid, low-cost customs clearance for imports and exports.
- Liberal foreign-currency rules.
- Minimal red tape and regulations, including freedom to hire and fire workers at low transaction costs.

The last point is likely to be resisted by extra-parliamentary groups and unions in SA, says Andre Wilsenach, a senior specialist at the DBSA.

The World Bank says successful EPZs are in or near a major urban area with low-cost labour, good infrastructure and basic services, sound administration and adequate promotion.

EPZ failures are attributed to tardy policy formulation, an overregulated business environment, ineffective implementation of EPZ laws and lack of follow-up on trade reforms. Other factors contributing to their failure are poor site selection, poor management and inadequate promotion.

EPZs tend to attract electronics, high-tech and clothing industries.

The IDC rejects the concept of decentralised EPZs, or export processing units (EPUs), which allow individual industries to import duty free. It says scattered factories are difficult to police.

Ethic

The IDC report says several factors would affect the proposed EPZs:

- Political instability.
- High inflation.
- High tax rates.
- A politicised labour union movement coupled with a workforce which lacks a work ethic.
- An over-regulated business and industrial environment.

To attract foreign investment, increase exports and create jobs, the Government would have to reduce the corporate tax rate, depreciate the rand and offer subsidies on intermediate inputs to labour-intensive manufactured goods and/or reduce import tariffs.

David Bridgman of Wesgro, the Western Cape business growth body, says: "EPZs should not be confused with changes in labour legislation. Typically, business locating in EPZs pays higher wages than in other areas of the host economy."

Export zone go-ahead is on the way

By CIARAN RYAN

STimes (Bus) 19/7/92

746

STEF NAUDE: Changes to Customs and Excise Act necessary if EPZs are set up in South Africa

The Government is expected to give the green light for duty-free export processing zones (EPZs) to attract new investment.

Trade and Industry Director-General Stef Naude is heading an investigation into EPZs. Industrial Development Corporation (IDC) and Development Bank (DBSA) reports strongly recommend the introduction of EPZs.

Regional development advisory councils are also campaigning for EPZs to combat unemployment.

Likely sites for EPZs include exit-entry points, such as Cape Town, Durban, Richards Bay, Port Elizabeth, East London and Jan Smuts Airport.

EPZs are industrial estates for the manufacture of exports. They offer exporters duty-free imports, a favourable business environment and a minimum of red tape. EPZs usually include tax holidays and other incentives.

Fence

They typically operate in a ring-fenced area subject to customs control and outside the domestic economy.

The IDC report says "the concept of one or more EPZs for SA should be facilitated".

EPZs should be private-sector driven: "They should not be managed, financed or developed by the Government."

SA is unsuccessful in attracting large-scale foreign investment — aside from political instability — because of a high corporate tax rate of 48% and lack of incentives.

The IDC recommends a tax holiday in the EPZs or "a competitively low tax rate" as part of a package.

It says: "The principle of taxes being forfeited by the State should be accepted from the outset."

The existing levels of SA business regulation would be unacceptable in an EPZ. Several laws, such as the Workmen's Compensation Act and Manpower Training Act, would have to be reviewed.

Labour

Labour costs must be low and companies must have the power to hire and dismiss workers at low transaction costs. The IDC says the co-operation of trade unions must be obtained.

Dr Naude says if EPZs are accepted changes to the Customs and Excise Act will be necessary. The cut-off date for replies to the IDC report is the end of July, after which the department will make a decision.

The DBSA's Andre Wilsenach says the Government is under pressure to introduce EPZs: "There is almost unamimous support for the concept."

The Department of Trade and Industry commissioned the IDC report which is now being circularised for comment.

To avoid reducing State revenue, SA firms should not be allowed to move existing operations to EPZs, says the IDC.

"Genuine new expansions by local firms should, however, be allowed in local EPZs."

Companies receiving the general export incentive scheme (GEIS), export marketing allowance (EMA) or regional industrial development incentives should be disqualified from any tax holiday.

The IDC recommends customs-free movement of goods in and out of EPZs, except SA Customs Union (SACU) countries. Goods imported from the EPZs to the SACU should be "severely limited" and subject to normal duties.

The IDC recommends that the EPZs be restricted to defined areas. It rejects the concept of export processing units (EPUs) where individual firms anywhere in the country can enjoy EPZ benefits.

Belief

Earlier reports by the DBSA and Wesgro, the Western Cape business growth organisation, recommended changes to the Customs and Excise Act which would enable any SA company engaged in exporting to benefit from duty-free imports and tax concessions.

Mr Wilsenach says: "One problem with the ring-fenced approach suggested in the report is that existing companies involved in exporting cannot participate in the benefits of an EPZ without relocating.

"There is a belief in Customs and Excise that a more open form of EPZ will result in leakages from bonded warehouses to the host economy. But this can be policed by the department and should be paid for by the company.

"Open EPZs allow companies to use existing infrastructure and can include resource-bound industries far from the urban centres. They have freedom of location and optimise linkages with the host economy. They also do not require changes in labour legislation."

● See page five

Manufactured exports lift trade surplus

(74G)

STAR 22/7/92

By Sven Lünsche

The trade surplus in the first six months of 1992 rose by 9,5 percent to R8,78 billion, compared with the 1991 first half, according to figures released by Customs and Excise yesterday.

Economists warned, however, that the trade surplus for the full year was unlikely to match last year's record R21,89 billion.

Exports for the first half improved by 4,7 percent to just over R33 billion from R31,53 billion in the January to June 1991 period, while imports rose by three percent to R24,23 billion (R23,52 billion).

Export earnings were held back by the poor performance of the unclassified category (mainly precious metals), which fell by 14 percent from R13,28 billion in 1991 to R11,47 billion this year.

Excluding the unclassified category, exports were up by 18 percent, which is a remarkable achievement, given the poor economic state of the country's major trading partners.

South African Foreign Trade Organisation (Safto) economist Bruce Donald says that the strong performance of most export categories could be attributed to the partial removal of sanctions, the weak domestic market, which led to an increase in the amount of production available for export and the impact of government export incentives programmes.

Manufactured exports are going from strength to strength this year, led by exports of transport equipment (a rise of 60 percent so far this year on 1991), plastics (52 percent), chemicals (49 percent) and machinery (28 percent).

Mineral products, resilient in the face of poor conditions in international commodity markets, rose sharply in June, recording a remarkable growth of 25 percent to R4,12 billion (R3,3 billion), while base metal exports were up by nine percent to R4,84 billion (R4,45 billion).

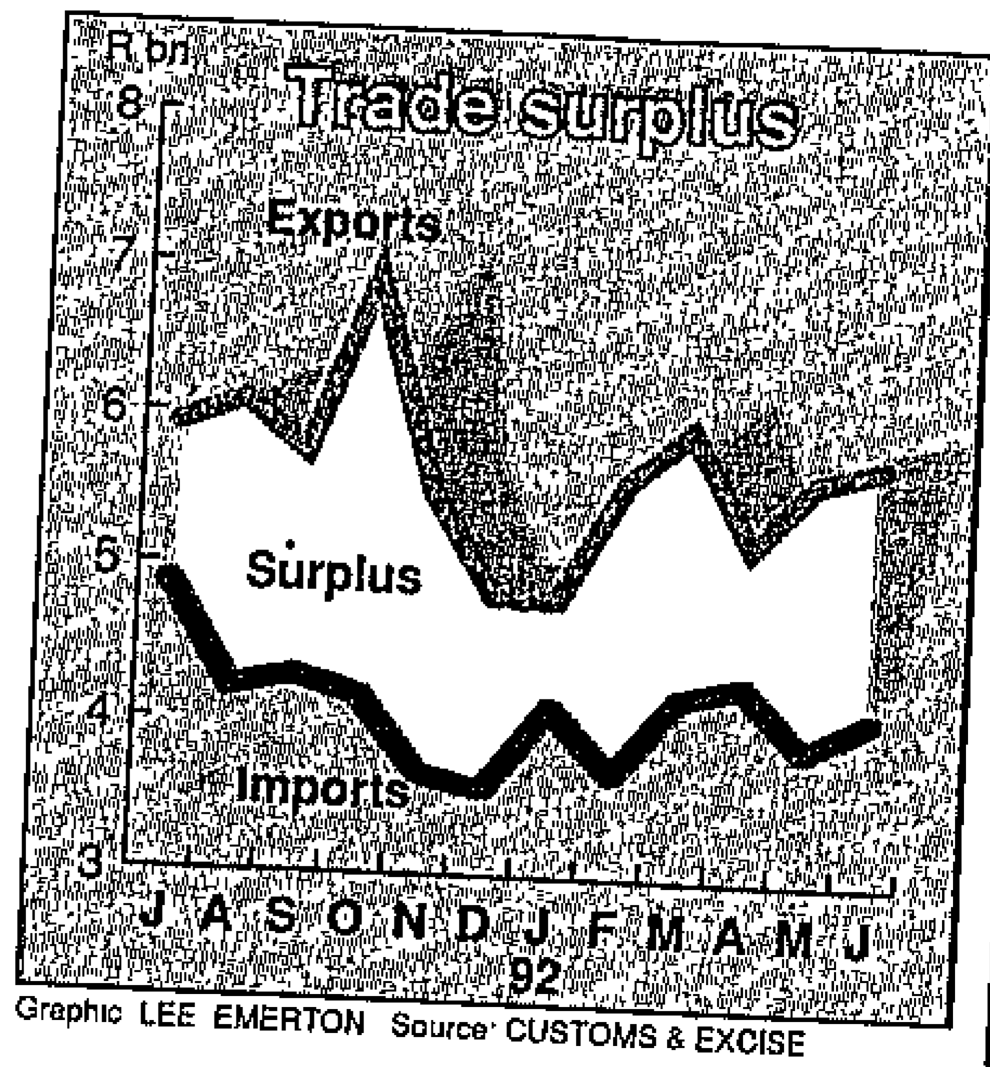
Mr Donald says most agricultural categories were still holding out against the impact of the drought — namely, fats and oils (a gain of 40 percent), vegetable products (25 percent), live animals and animal products (18 percent), and hides and skins (22 percent).

Vegetable product imports, on the other hand, are already reacting to the drought, rising by 34 percent to R828 million (R616 million), as are prepared foodstuffs imports, which were up by 23 percent.

In real terms — taking producer inflation into account — imports were significantly down compared with last year, clearly reflecting the current recession in the domestic economy, Mr Donald says.

Imports of industrial materials were down in real terms. Nominal growth of chemicals stood at four percent, plastics at three percent and base metals at seven percent.

Unclassified imports, comprising mainly oil, were down by 21 percent, to R2,66 billion (R3,38 billion), as the government reduced its oil stockpile.



Graphic LEE EMERTON Source: CUSTOMS & EXCISE

Trade surplus falls on higher imports

HILARY GUSH 146

AN INCREASE in imports saw the trade surplus narrow slightly in June to R1,66bn from R1,762bn in May, Customs and Excise figures released yesterday showed.

June exports edged up to R5,75bn from R5,6bn in May, bolstered by mineral product earnings which, at R4,1bn, were 25% higher in the six months to June than over the same period last year.

Imports rose 5% month-on-month to R4,09bn from R3,9bn in May.

SA Foreign Trade Organisation economist Bruce Donald said exports were "back on track" in June after a disappointing showing in May. BDAY 22/7/92

Manufactured exports, in particular transport equipment, plastics, chemicals and machinery, fared well in June, recording respective increases of 60%, 52%, 49% and 28% over the previous year.

"The strong performance of most export categories can probably be attributed to the partial removal of sanctions; to the weak domestic market, which leads to an increase in the amount of production available for export; and, in respect of manufactured exports, to the impact of the general export incentive scheme and other incentives programmes."

Cumulative January to June exports totalled R33bn compared to the R31,5bn posted for the same period last year. This represented a 5% rise in nominal rand terms.

Excluding the unclassified category,

☐ To Page 2

Trade surplus

BDAY 22/7/92 146

☐ From Page 1

which showed a 14% decrease in the first half of 1992, exports were up 18% over the same period last year.

Vegetable product imports climbed 34% in the six months to June, which, analysts said, probably reflected the effects of the drought. A 23% rise in prepared foodstuffs imports was also recorded.

Nominal imports were 3% higher in the first half of the year compared with the same period last year.

In real terms imports were significantly down on last year, which, Donald said, reflected the depth of the current domestic recession.

This year's cumulative first-half trade surplus was R8,7bn, 9% higher than the comparable period last year

● Comment: Page 6

Hopes for export boost receding

BDAY 23/7/92

(746)

LINDA ENSOR

CAPE TOWN — Prospects of improved export earnings giving the SA economy a boost this year were receding and private consumption expenditure could not be expected to raise domestic demand significantly over the next two years, said Southern Life chief economist Mike Daly in the quarterly Economic Comment.

"Given the alarming rate of redundancies still occurring across many sectors of the economy, particularly mining, manufacturing and construction, and an increasing prevalence of shortened work weeks, consumers' inability and unwillingness to spend must have an adverse impact on private consumption expenditure for the rest of the year," he said.

He said the economy would have to sweat itself out of the doldrums without much outside help, but by the fourth quarter there might be a slight improvement in consumer spending as a result of lower inflation and lower interest rates.

However, for the year as a whole, a slight decline in private consumption expenditure was possible. Fixed investment would also fall but, hopefully, would pick up next year.

No positive economic growth this year was expected, and meaningful growth would only take hold in 1993, Daly said. No quick fix for the economy was in the pipeline.

There was a need to place SA on a new, restructured economic growth path which shifted away from the boom and bust cycles of the past.

Economic growth in the developing countries had proved a disappointment relative to forecasts and was not conducive to a strong rise in the volumes of commodity exports. It appeared unlikely that export volumes would show a growth as high as 3% this year. Daly was sceptical about the prospects for gold, the price of which had risen only because of the falling dollar.

The US recession had ended, though growth rate would be a modest 2%-3% this year as real disposable income came under pressure. While sentiment about the dollar was bearish, Daly said, Southern continued to forecast a strengthening in the dollar late in the year. The marked slowdown in the Japanese and German economies continued.

He predicted a further 1% cut in Bank rate in August or September, but did not believe this would have a stimulatory effect on the economy. Another reduction by early 1993 was also likely.

Daly expected the SA consumer price index inflation rate to fall to about 12,5% by year-end, and to about 11%-12% next year. He believed the CPI and producer price index were beginning to converge.

Saldanha clocks up 200-m tons of exports in 16 years

ARG 23/7/92

Shipping Reporter

THE port of Saldanha has exported 200 million tons of cargo in 16 years.

The landmark 200-millionth ton has been loaded in the giant Norwegian-registered cargo ship Bergeland on its maiden voyage.

The 332 000-ton ship had already taken a part load of 270 000 tons of Australian iron ore and "topped up" with South African ore on the way to Europe, a Portnet spokesman at Saldanha said.

746

"The port of Saldanha, with a water depth of 23 metres at the ore quay, is South Africa's deepest harbour.

"In comparison the port of Richard's Bay, with coal exports far exceeding Saldanha's iron ore tonnage, is only 19,5 metres deep.

"Saldanha's depth explains why super-carriers like the Bergeland, the world's second largest ore carrier, can be handled with ease in this port."

'Dramatic' rise in trade with Africa

LINDA ENSOR

CAPE TOWN — SA's two-way trade with Africa, taking in the Southern African Customs Union, had increased dramatically over the past three years to R12bn, Department of Foreign Affairs director for Africa Justus de Goede said yesterday.

Speaking at a UCT Graduate School of Business Association function, De Goede said that in 1991 two-way trade increased by 20% to R6,6bn excluding the Customs Union following a 20% rise the previous year. These figures, he said, belied the view that the lack of finance in Africa inhibited trade. BIDAY

The largest increase in trade had been with Senegal, Egypt and Cameroon, where "enormous jumps" had been achieved albeit off a low base.

A drawback was the fact that trade was skewed in favour of SA exports. Whereas the ratio was R4 of exports to R1 of imports in 1989, this had increased to R7 to R1 in 1991 (146)

At present Zimbabwe was SA's biggest trading partner in Africa, followed by Mozambique, Malawi, Zambia, Mauritius and Zaire.

De Goede expected barter trade to be a significant portion of trade in future, with an exchange for oil being particularly important. 24/7/92

He said African businessman were keen to trade with SA, and 60 trade and business missions from African countries were coming to SA a year. His department was also promoting trade and business with 41 African countries.

Exports still holding up (746)

EXPORTS, aside from the "unclassified category", which includes gold and arms, are doing well in 1992 so far, the South African Foreign Trade Organisation reports. Latest preliminary trade statistics for the first six

W/Mail 24/7-30/7/92

AROMETER

W/Mail 24/7-30/7/92

months of 1992 show exports were up by five percent in nominal rand terms compared with the same period a year ago, reaching a total of R33,0-billion. Excluding the unclassified category, they were up by 18 percent.

South Africa's exports were slightly up in June this year at R5,75-billion as against R5,6-billion in May.

746

Overall nominal (unadjusted for inflation) import growth remained at three percent for the first six months of 1992 compared with the same period a year ago, resulting in total imports of R24,2-billion.

This brought the cumulative trade surplus to R8,7-billion, nine percent higher than for the first half of 1991.

Duty-free zones to boost exports

STAR 25/7/92.

146

WILLEM STEENKAMP

CAPE Town is one of five harbour cities named in a report, bound for the Department of Trade and Industry, as possible duty-free export-processing zones (EPZs) where, with a minimum of red tape, the South African economy could be fired up.

An EPZ for the Western Cape could be the key to tremendous financial growth, much-needed job-creation and a revitalisation of the economy as a whole.

Such is the optimism of a joint Industrial Development Corporation and Development Bank of Southern Africa report. It has been welcomed by Ian McLean, marketing manager of Wesgro, the Western Cape business growth organisation.

The report recommends EPZs at Cape Town, Durban, Port Elizabeth, East London and Richards Bay as part of a national plan to attract investment.

The recommended zones will be industrial areas where export manufacturers are offered duty-free importation of materials, minimum red tape and extensive tax relief.

New crackdown on export fraud

(146)

S/Times (Buss) 26/7/92

By TERRY BETTY

NEW guidelines will be introduced in November to close loopholes and crack down on fraud related to the general export incentive scheme (GEIS).

Tax-free cash incentives, ranging from 7,5% for beneficiated primary goods to 25% for manufactured products, are awarded to the exporter if they have at least 35% SA content.

Trade and Industry Director-General Stef Naude says a Johannesburg businessman was sentenced last December to three years' imprisonment for claiming R277 000 for a bogus R1,5-million deal.

Another suspected fraud involving R256 000 has been referred to the police.

The Department of Trade and Industry (DTI) is investigating the validity of 50 claims. Dr Naude says many are the result of human error, not criminal intent.

But auditing firms which do not wish to be named say GEIS has been fiddled since its inception two years ago. It is expected to cost the taxpayer R5,5-billion by 1995.

They say fraud is committed in several ways. For example, businesses import goods, add a 35% mark-up and claim that it is local content. They export the goods untouched.

They overinvoice exported goods and then submit GEIS claims at inflated values, using the same documentation to claim twice.

Auditors also allege "round-tripping". The businessman exports valueless goods at an exorbitant price, breaks the order down to its component parts and re-imports the parts at a negligible value.

Auditors say it has been easy to commit fraud because the scheme has not been properly policed. Auditors have only to verify turnover figures. Unbeknown to the auditors, the exporter can later adjust the price for discounts, debts not paid and goods returned.

Clear

Auditors say the system should be governed by clear rules instead of vague guidelines. One auditor says manufactured goods are not clearly defined.

The exporter is also penalised for using imported material, but only where he "knows" it has been imported. He can buy the goods through an SA third party and claim to be unaware of the source.

Auditors say banks should pick up some of the frauds because they have to ensure the money is brought back to SA.

Dr Naude says the most significant changes include submitting documents to verify the claim and providing an unqualified audit report.

A personal obligation will be placed on chief executives as well as representatives authorised to claim on their behalf. This will prevent independents, who are paid a percentage, from claiming the incentive for the company, overclaiming, taking their cut and disappearing.

Dr Naude says the guidelines will include notes to clarify crucial requirements.

The amendments to the guidelines are the result of a Deloitte Pim Goldby (DPG) study. They are intended to avoid red tape which would make the scheme unattractive.

The second part of DPG's study, which examines the scheme's effectiveness, is due to be completed in September.

Dr Naude says staff members have been vigilant in tripping up offenders and he is confident no fraud has gone undetected.

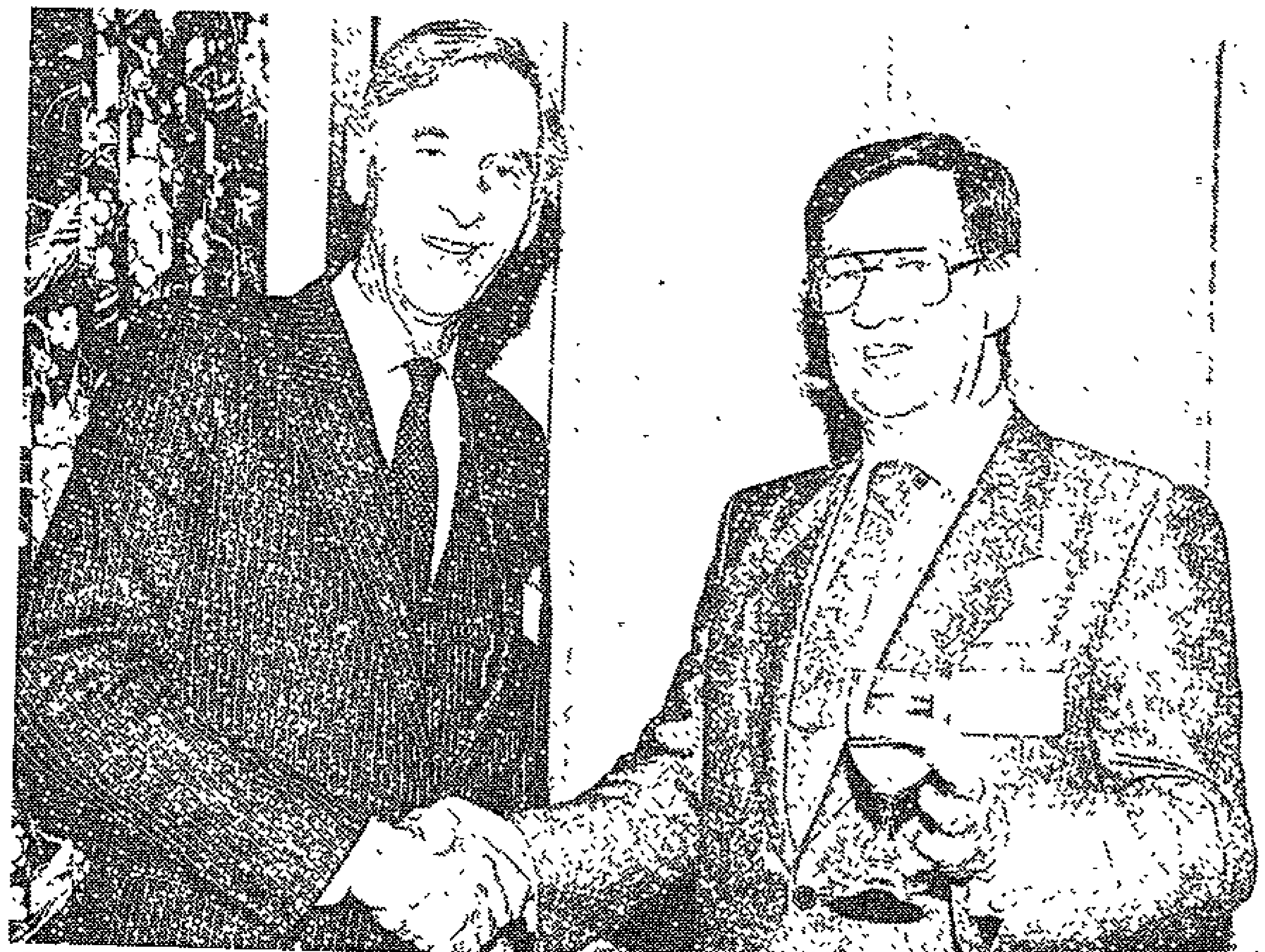
BUSINESS

Holtes urges big export drive

B/DAY 29/7/92

GAVIN DU VENAGE

746



Outgoing Safto CE Wim Holtes, left, toasts his successor, Len van Zyl, at last night's farewell function in Johannesburg.

Picture: CATHERINE ROSS

SA's only viable future lay in pursuing an export-led growth strategy, outgoing Safto CE Wim Holtes said at his farewell function last night.

Holtes, retiring after 30 years with Safto, said export prospects were the only light on the economic horizon, and stressed the need for a massive public and private sector drive to accelerate export growth.

"After decades of pleading, lobbying and canvassing, SA now recognises that its only future is in the pursuit of an export-led growth strategy as part of an outward-orientated economic policy," he said.

SA had achieved a rapid increase in exports to new markets in Africa, eastern Europe, South America, the Far East and the Middle East, while sales to developing countries had risen from 10% to 16% in the past few years.

Holtes said gold's share of the export market had been eroded by almost 25% over the past decade in favour of manufactured products, an achievement in which Safto had played "a major role".

He said greater optimism among SA exporters created the right conditions for a high-profile export drive.

Holtes, who will remain with Safto on a consultancy basis, has been replaced by Len van Zyl.

R&D should be encouraged to build export-led economy

SIDAY 30/7/92

IF SA is to have an export-led economy, it is necessary to have products developed locally in an environment where research and development (R & D) is encouraged, says Plessey-Tellumat group MD John Temple.

While systems like double tax benefits are slow and cumbersome, and the Trade and Industry Department/Industrial Development Corporation's (IDC's) innovation support scheme for electronics is a small effort, other options should be studied.

"It's important to build up the home market for products, and an industrial policy which provides some protection to encourage local products would definitely help," Temple says.

Plessey is spending about 11% of total turnover or 30% of its profits on R & D. "As we increase our R & D expenditure it's possible to tackle more projects, and the success rate increases as a proportion of the total number of projects tackled."

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Broadcasting transmitters developed for the SABC are being exported to England, and are currently on show at a major fair in Amsterdam. "Then there's the 33Ghz Datalink, a short-haul telecommunications link covering 132 phone channels via microwave radio. About 100 of the systems have been sold in SA and a fair number in England."

A product which enjoyed IDC support is a mine hoist monitor, a microwave device for positioning a mine skip. Nine SA mines have bought this product, now being marketed in Canada.

'Export or die' a fact of life in SA

746

BIDAY 30/7/92.

Reports by
MELANIE SERGEANT

ONE of the fastest growing industries during the 80s, electronics has not escaped the global recession.

In SA, the electronics industry has had to face the challenges of political change as well as those of recession.

The growth of the country's electronics industry was driven largely by the desire for self-sufficiency born of sanctions-created anxieties.

Siemens joint MD Geoff Hainebach says: "Today, no customer — not even the state — is prepared to pay a premium for local products unless they offer added value.

Limited

"However, for most products, competitive manufacture is not possible with a market limited to that of SA alone.

"'Export or die' is more than just a slogan: it has become a fact of life for this industry."

However, competing for exports, especially against the highly automated plants in Europe and North America, is very difficult.

Nevertheless, the Siemens plant at Waltloo near Pretoria has been successful.

More than half its output is exported. Exports range from system-level equipment to full exchanges and component level products like connector blocks and relays.

Hainebach says: "Because of budget cuts in SA, products shipped to Telkom and authorities within SA's ambit have fallen to less than one third of the peak reached during the mid-80s."

Low-density communication is being eyed by Siemens and many other large local electronics players as an area for future growth.

Grinaker Electronics MD Sybrand Grobbelaar says: "The shortage of qualified manpower and SA's isolation forced the electronics industry to focus on internal markets, mostly regulated by the major users, to ensure continuity of supply.

"Now we're in the transition period . . . with the prospects of free international trade, but only the multinationals see this change as a major benefit as they gear up to export freely to SA.

"It's an opportunity for the SA electronics industry as it can now negotiate more balanced agreements which will also open new marketing channels for SA products."

Generally, the SA industry believes it does not have and cannot produce competitive products. "I believe we have many products which are very competitive internationally," says Grobbelaar.

"However, the local industry must compete with industries from other countries where the electronics sector has been identified as a growth industry, and receives full support at all levels from respective governments.

"SA is more focused on supplying raw materials than manufacturerd goods, and the latter will have to take a higher profile to succeed.

Progress

"The SA electronics industry, which now has the Electronics Industries Federation as its representative body, should now make progress towards getting a higher profile locally."

Grobbelaar is convinced that opportunities exist in SA and in Africa, because these markets require different solutions from those developed for many countries abroad. "Our own innovation and engineering resources can play a significant role, and specific adaptations to existing products can create unique products for this market."

GEOFF HAINEBACH

Having historically supplied products to local and international defence markets which are now stagnant, Grinaker has identified new markets to which to apply its expertise.

"This includes expansion into mining electronics, with other developments involving a vehicle tracking system, a corona discharge detector for high voltage power installations and trunked radio systems."

He says that with parastatals such as Eskom, Telkom, Transtel and SAA becoming involved in Africa, they will draw on SA expertise to assist them, and that this will benefit the local electronics sector.

'Export or die' a fact of life in SA

74G

BIDAY 30/7/92.

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Innovation support scheme could be broadened

BI DAY 30/7/92.

WHERE most other countries have developed strategies to foster development and growth in their electronic industries, SA has lagged.

Altron group executive director David Jacobson says SA should follow examples set by First World nations to develop to its full potential.

"Government's goal is to grow the economy through increasing exports, but to achieve this it must create a climate conducive to technology and other development; it must be an enabler to ensure companies, entrepreneurs and others are encouraged to produce goods for home and export markets alike."

Restructuring

A fundamental restructuring of the economy will be needed if SA is to become a significant exporter of manufactured products.

While the Industrial Development Corporation/Trade and Industry Department innovation support scheme for electronics is relatively small, it is important, and could be broadened to include other industries, he says. Government should not be intimidated by negative publicity surrounding the scheme or attempts to force disclosure of beneficiaries and projects before these are ready for market.

"Government and industry must change their way of thinking in order to facilitate growth in the electronics sector."

To create a climate conducive to technology development (TD), a senior government post should be created so that co-ordination of all strategies — including grants, tax incentives, government procurement strategies and export incentives — is handled at the highest level.

It is vital that government-supported R & D organisations work with and assist industry rather than attempting to become businesses in their own right.

"One suggestion would be for the internal expenditure on TD in these laboratories to be matched by these labs contracting development work to industry so that they forge closer links with industry. This would go a long way to stem the one-way stream of funds into these organisations."

As things stand, SA industry generally spends less on TD than its counterparts abroad. One reason for this is that SA's industry is still young by comparison. "However, throughout the world, science and technology has moved to centre stage, with more companies having realised that knowledge-based companies are the key to economic growth.

"Now innovation requires company structures that recognise the importance of TD as well as pre- and post-TD marketing. This could change the way many SA managers and executives perceive the role of science and technology development.

Flair

(74G)

"While most focus on short-term profits and compete on cost with largely undifferentiated products rather than with products of top quality and flair which could command greater profit margins, the new way of viewing TD worldwide could change this."

Some SA companies are flexible and have initiated group-wide TD programmes, but others remain trapped in conventional thinking. "The latter is not too surprising because it really does take significant intelligence and foresight to compensate for a lack of exposure to and experience in TD," Jacobson says.

PE steel firm looks at export markets

CT 30/7/92

SA is emerging as a major player in a growing world industry as stainless steel tanks revolutionise the international transport of chemicals and hazardous materials.

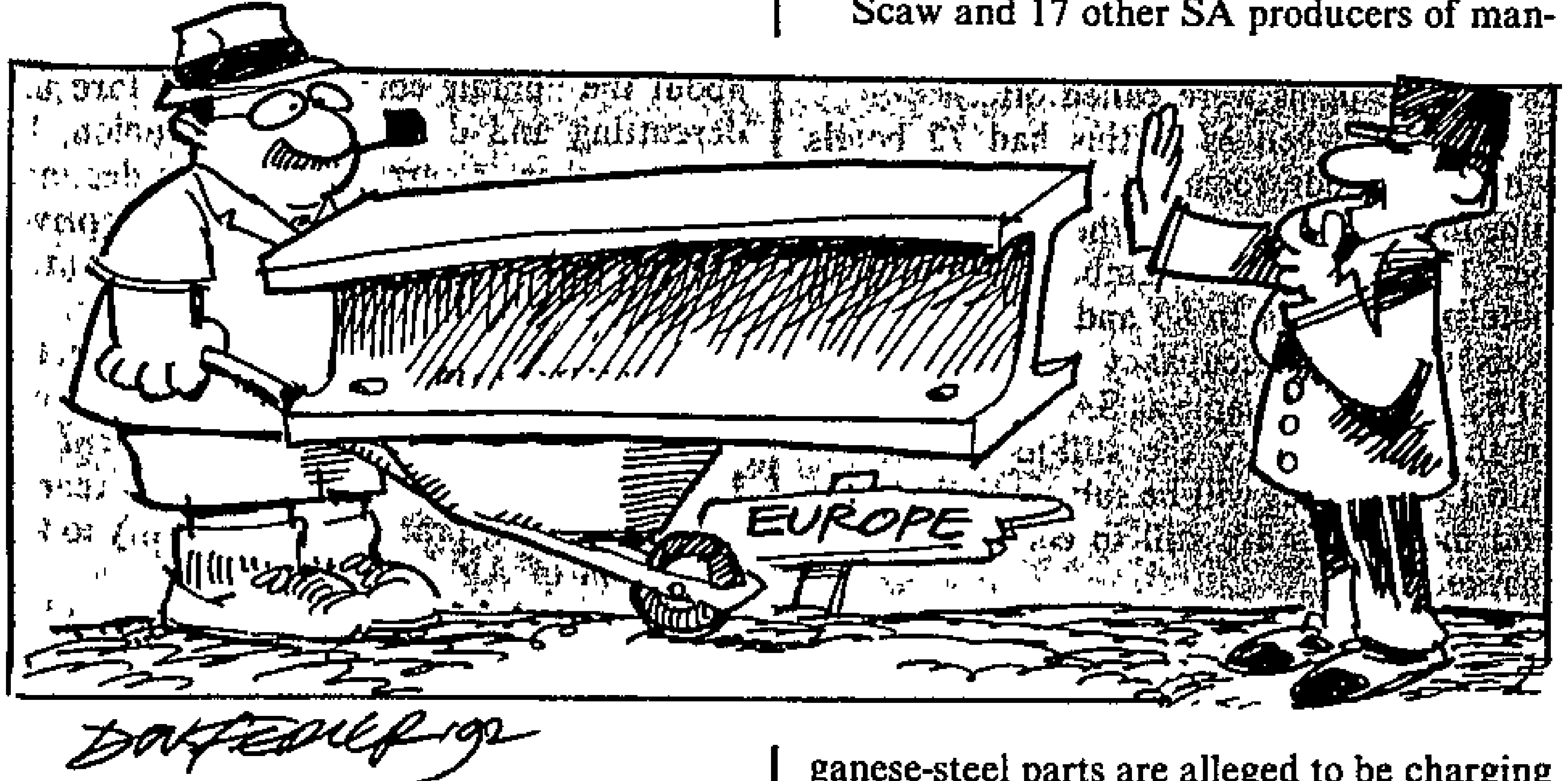
Port Elizabeth-based Welfit Oddy — which already manufactures stainless steel tank containers for about a dozen international operating and leasing companies is now looking for new markets abroad for its expertise.

"Resting as it does on the international transport of chemicals, the industry has more potential for growth than perhaps any other sector of the international transport business," says MD Bill Oddy. "The box container revolutionised the transport of dry freight — the stainless steel tank is doing the same for liquids, chemicals and hazardous and noxious materials."

And to capitalise on the trend, Welfit Oddy has opened an office in the UK to monitor the international tank trade and to market the company's expertise in tanker manufacture

DUMPING (746) FM 31/7/92

A dose of their own medicine



The anti-dumping investigation launched this week by the EC against imported SA manganese-steel wearparts — together with several other anti-dumping moves against SA over the past year — could be the beginning of the end for a number of SA's cherished industrial practices.

For years, local companies have enjoyed two-tier pricing — charging high prices to captive domestic consumers and low prices on exports. But this, together with cash incentives and tax breaks for exports and discounted electricity from State-owned power companies, usually signals that a country is dumping its goods, under rules set by Gatt and tougher regulations adopted by the US and the EC.

For years, SA claimed it could not follow international rules because sanctions hurt its ability to export. But with the worldwide recession putting pressure on manufacturers everywhere, the country's trading partners are no longer buying this excuse and are apparently starting to crack down. SA is especially vulnerable because its own anti-dumping laws, approved in May, are among the most restrictive in the world.

Robin Bosomworth, chairman of the Cape Town-based Independent Wire Converters' Association, says: "With SA's draconian anti-dumping legislation, coupled with our high tariffs and export subsidies, it is not surprising that the rest of the world is starting to take action against our exports. We are more protected than the rest of the industrialised world, yet we are not yet seen as a developing country."

Basic-material suppliers, such as Iscor, say they need the high level of import protection because SA needs basic industries. But Bosomworth discounts this: "It's ridiculous to protect dinosaurs in a greenhouse when, globally, steel giants like US Steel, British Steel and Krupp in Germany have been forced to adapt or die. This they did successfully — by shedding uneconomic operations and becoming lean-and-mean global operators."

Scaw Metals MD Tony Harris, however, says, this week's EC action largely reflects the recession in the EC rather than a response to SA protectionism. "While SA exporters have maintained their export activity, this has been at the expense of EC producers. Our assessment is that we have about 30% of the EC market, against competition from mainland China and India. The anti-dumping investigation will have to determine if this is taking place. It's not at all certain that SA producers are dumping."

Scaw and 17 other SA producers of manganese-steel parts are alleged to be charging less for their products in Europe than they do here. Next month the producers will probably get questionnaires asking for information on prices, costs, turnover and other items. They will probably have 30 days to fill out the forms and an EC investigator may visit SA.

This investigation follows an announcement earlier this month that the EC is examining Samancor and Highveld Steel for alleged ferro-silicon dumping, a probe that is also based on charges of two-tier pricing. And, for the past six months, Japan has been probing the alleged dumping of silicon-manganese by Samancor.

Meanwhile, with the recession and the coming presidential election, the US has toughened its anti-dumping enforcement. Local companies have mostly steered clear of the dragnet so far but US trade officials have expressed reservations about SA's introduction last year of the 37E tax incentives to encourage beneficiated exports.

"The US is becoming far more sensitive to cases of alleged dumping or subsidised exports," says SA Department of Trade & Industry official Rob Louw.

"Our general export incentive scheme (Geis), Industrial Development Corp loans, export marketing assistance and subsidised electricity tariffs may also lead to countervailing duties. But this mainly applies to high-volume, high-value exports of raw materials or ferro-alloys."

The Geis scheme has been criticised for costing taxpayers more than R1bn a year. And a recent department report confirmed that unscrupulous exporters can easily defraud the scheme by lodging false claims. Now, Geis might encourage foreign governments to retaliate against SA exporters.

When SA stops worrying about other countries' dumping rules, it can start worrying about its own. They set a double standard and not only are they — like all trade restrictions — self-defeating, but they may also be beyond SA's ability to enforce. Webber Wentzel attorney Leora Blumberg says "anti-dumping actions worldwide are complicated and require sophisticated legal, accounting and financial expertise," skills that SA may not have. "Currently, there is great confusion and little consistency in SA's own anti-dumping policy. Businessmen would prefer sharper definitions, closer to the Gatt norms, than our current legislation contains."

Government naiveté over the complexities involved in rejoining the world seems to underlie the continuing confusion in trade and industrial policies. Maybe a few more anti-dumping actions aimed at SA exports will clear up that confusion. ■

MAURITIAN TOURISM

Off the boil FM 31/7/92

Looking for a cheap hotel? Try Mauritius. The expected boom in tourism has not materialised, leaving developers who responded to the government's call to build more hotels eager to get rid of their semi-completed shells or hotels operating at 30% occupancy or less.

The government has put a moratorium on the construction of any other hotels but, at the last count, about 15 were up for grabs, including the semi-completed Capricorn, designed to have 1 800 rooms.

Though the Gulf War cut deeply into tourism, members of the tourist business blame Air Mauritius, which is 51%-controlled by the government, for making the problem worse. Charter flights are not allowed to compete with the national carrier and its artificially high tariffs. Airline and government offficals say they want to keep numbers down to protect the environment and to keep up the image of Mauritius as an exclusive destination.

continued